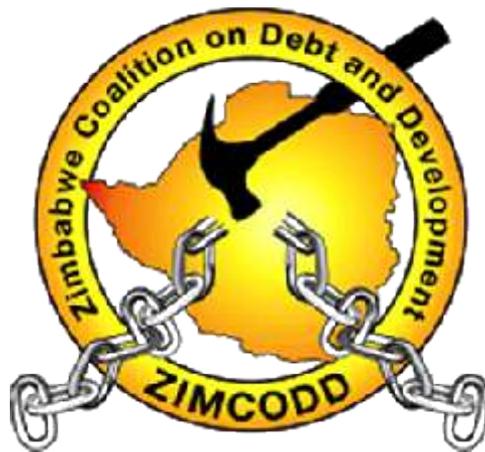


Investing in People for Social and Economic Justice



Percentage Share of Social Spending in Government Expenditure: Reflections from the 2020 Fiscal Framework



**PERCENTAGE SHARE OF SOCIAL SPENDING
IN GOVERNMENT EXPENDITURE:
REFLECTIONS FROM THE 2020 FISCAL FRAMEWORK**

Executive Summary

The budgetary allocation towards the social services sector to a greater extent, determines the government's commitment towards addressing the needs and aspirations of ordinary citizens. In Zimbabwe, the percentage share of social spending to the total budget is very insignificant. In the 2020 National Budget, in particular, social protection was allocated only 4%. Government spending towards other social sectors such as health (10%) and education (18%) is encouraging, despite the health budget falling way below the 15% and 20% stipulations of the Abuja and Dakar Declarations respectively. Social protection is at the heart of sustainable development and the achievement of Sustainable Development Goals (SDGs) with 11 out of 17 SDGs very explicit on social protection. The Government of Zimbabwe should increase its funding towards social protection to ensure the achievement of SDGs one (1) and ten (10) of eliminating poverty and reducing inequalities. The government must increase the percentage share of social spending in order to achieve the social protection agenda of the SDGs and the national development plans. The socio - economic and political conundrum that Zimbabwe faces, presents fiscal challenges which limit the government from making policy choices that prioritise the poor and vulnerable groups of society. The 2020 Fiscal framework was, therefore, formulated against a backdrop of mounting poverty, inequality and deteriorating public service delivery which was worsened by the 2019 austerity measures that exacerbated the entrenchment of exclusionary policies reminiscent of enclave economies.

Context

Zimbabwe's socio-economic crisis characterised by chronic poor governance, endemic corruption and mismanagement of public funds is deepening amidst the outbreak of the deadly global pandemic, the novel COVID-19. The epidemic has exerted pressure on the already underfunded health and social welfare budgets compromising the realization and enjoyment of the constitutionally guaranteed social and economic rights of citizens, particularly, the right to healthcare, education, water and sanitation, more so for vulnerable groups such as women, people living with disabilities and the elderly. It is unfortunate that, there seems to be lack of commitment on the part of government as reflected in the 2020 National Budget to ensure that citizens and marginalized groups are sufficiently cushioned from the current socio-economic shocks. The government appears to have abrogated its mandate to protect, promote and fulfil the realisation of social and economic rights by its citizens. Humanitarian partners have become key players in bridging the financing gap in social service delivery and social protection. In March, the UN launched a US\$2billion global humanitarian response plan depended on donors and the UNDP launched a 700-million-dollar appeal. As at September 2019, donors, aid agencies and other partners had contributed over US\$152.1 million, covering 32.5% of the humanitarian needs in Zimbabwe (National Budget, 2020). In March 2020, the UN launched a US\$2billion global humanitarian response plan depended on donors and in April 2020, the UN, Zimbabwe launched a US\$715 million response plan to mitigate the impact of the COVID-19 as well as the effects of climate change and economic challenges reaching consequences on lives and livelihoods. In light of the deepening humanitarian crisis exacerbated by COVID-19, the Government of Zimbabwe must revisit its policies towards social spending to cushion the vulnerable citizens who face disproportionate risks that require government's commitment to save their lives.

Skewed austerity measures have compounded the socio-economic crisis in Zimbabwe, eroding the disposable incomes of the ordinary populace while the government is not curtailing spending on luxuries. The debt burden spanning four decades of independence has culminated in the accumulation of arrears, penalties and charges resulting from non-payment, curtailing government's

¹ Asian Development Bank, Fiscal Challenges to Financing Social Protection to Achieve the Sustainable Development Goals, 2018

² See Chapter 4 of the Constitution of Zimbabwe Amendment Number 19 Act 2013

ability to mobilise revenue necessary for social service delivery. The Minister of Finance and Economic Development in his 2020 National Budget confirmed that policies implemented in 2019 had undesirable outcomes economically and socially with ordinary citizens bearing the brunt of negative growth, high inflation, rising unemployment and low wages. (National Budget, 2020)

Whilst it is understandable that the country is facing resource constraints following the fallout with external creditors and development partners because of continued arrears, national resources are vulnerable to corruption and abuse, further marginalising the poor and vulnerable groups that benefit from social protection programmes of the government. Rampant corruption, continued militarisation of the State and state capture by monopoly capital have all worsened the macroeconomic situation and further undermined the ability of the state to fund social services in Zimbabwe.

Most of the social services and human development indicators have deteriorated due to the massive cuts in social welfare, health care and education. Subsequently, the number of people with difficulties to access basic social services has risen. Visible indicators include a sharp rise in the annual rate of inflation from 5.4% in September 2018 to 785.55% in May 2020, a slump in Gross Domestic Product by 6.5% in 2019 and a sharp rise in extreme poverty from 29% in 2018 to 34% in 2019 (World Bank, 2019). The situation worsened due to shortages of foreign currency, fuel, electricity, severe drought and Cyclone Idai (National Budget Statement, 2020). The year 2019 was also characterised by weak domestic demand owing to job losses and hyperinflation which eroded people's disposable incomes whilst fiscal austerity compelled government to cut on social spending.

The unresolved impasse between the government and medical doctors, unavailability of medical equipment and supplies bear testimony to a collapsing health sector. This has increased the financing gap for the health sector, despite the government consistently registering budget surpluses throughout 2019 estimated at ZWL\$1.4 billion between January and August 2019. When Covid-19 struck, health infrastructure was already in a dire state prompting the government to seek for development support to finance the gap.

The Integrated Food Security Phase Classification (IPC) of the *United Nations World Food Programme (WFP)* shows that the number of acutely food insecure Zimbabweans rose to 4.3 million people in April, from 3.8 million people at the end of 2019. The total number of food insecure people stands at 7.7 million, which is more than half the population (World Food Programme, 2020). This further puts more pressure on the country's national fiscus. The Covid-19 pandemic which was declared a national disaster by the President of Zimbabwe, Emerson Mnangagwa in March 2020, has further crippled the social services sector. In response, the government needs to reprioritise funding and direct resources towards the fight against Covid-19. The National lockdown has worsened the situation for the poor and vulnerable groups due to an inefficient social security system in Zimbabwe. The informal sector has been on National Lockdown since 30 March 2020. This sector which normally relies on hand to mouth existence, has been severely affected by the national lockdown with the government promising to disburse ZWL\$180 per household against a total consumption poverty line (TCPL) of \$6 420,87 for an average of five persons as of March 2020 (ZIMSTAT)

The Case for Social Protection

ZIMCODD believes that the financing of the social service sector is an important step towards achieving social and economic justice through the fight against poverty and hunger and achievement of social and economic rights of citizens. Social security is a human right and according to Section 30 of the Constitution of Zimbabwe citizens must be guaranteed some basic social protection. Failure to finance the social service sector perpetuates income inequalities and entrenched poverty among

³ Reserve Bank of Zimbabwe. Inflation Rates. <https://www.rbz.co.zw/>. 8 July 2020.

citizens. At the centre of addressing all forms of inequalities and other social ills, is the recognition of people's aspirations in policy formulation and implementation. Section 13 (2) of the Constitution of Zimbabwe provides for the participation of citizens in formulating and executing development plans and programmes that affect them. The budgetary allocation towards the social services sector determines the government's commitment towards addressing the socio – economic problems bedevilling ordinary citizens. The efficiency of social spending depends on the country's governance frameworks and institutional settings to curb corruption in public procurement.

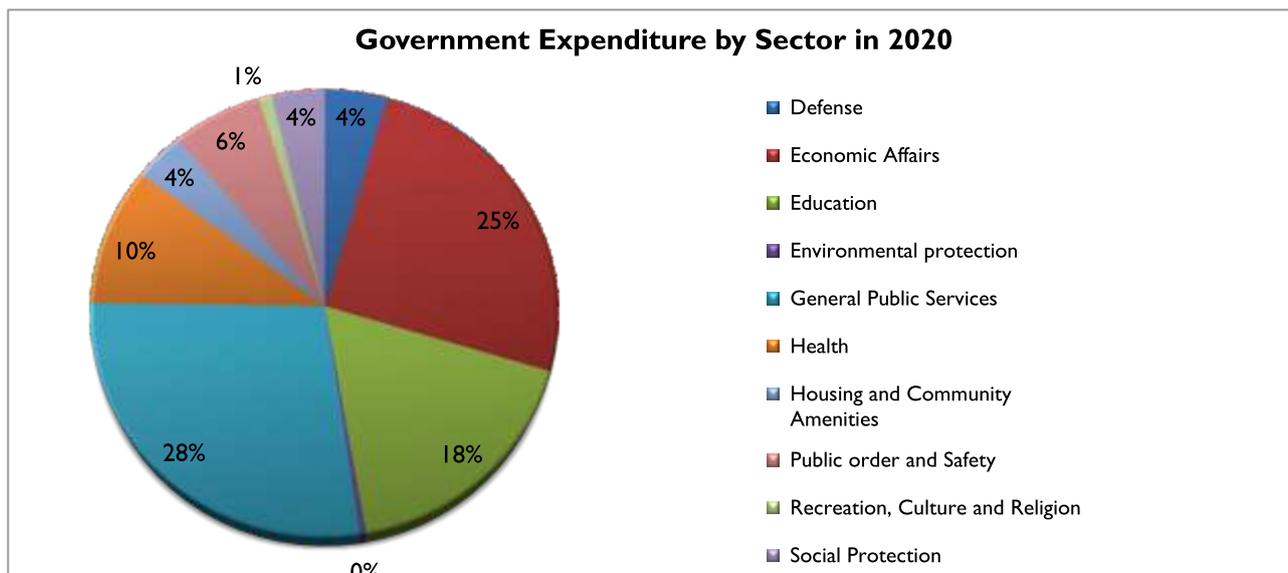
Regulatory Framework on Provision of Social Security

The provision of social security is a human right enshrined in the domestic, regional and international instruments to which Zimbabwe is a signatory. Section 30 of the Constitution of Zimbabwe Amendment (No.20) Act 2013 states that “the State must take all practical measures, within the limits of the resources available to it to provide social security and social care to those who are in need.” At the regional level, Zimbabwe is bound by the provisions of the African Charter on Human and Peoples' Rights and the African Charter on the Rights and Welfare of the Child. While at the international level, Zimbabwe is signatory to the following conventions which places on it the obligation to provide for social welfare; the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights, The UN Convention on the Rights of the Child, the UN Convention on the Rights of Person with Disabilities and the UN Convention on the Elimination of all Forms of Discrimination against Women. The responsibility for social security lies with the State. In Zimbabwe, the mandate for social protection falls under the Ministry of Labour and Social Welfare.

Zimbabwe's peculiar development conditions, in particular the realities of increased vulnerability, indignity and insecurity are symptoms of deep-seated social and economic injustice. In many ways the perpetuation of these injustices constitutes a structural crisis and the foremost threat to national unity and social cohesion. Ultimately, the levels and distribution of public goods and resources are questions of political choices and preferences. They broadly reflect the social and economic priorities of those in authority. In this regard, ZIMCODD advocates for a national economic vision grounded in social and economic justice through which standards and norms in government expenditure as well as the social contract reflect a shared commitment towards the achievement of a just and equitable society.

2020 Fiscal Framework

The 2020 Fiscal framework was formulated against a backdrop of increasing poverty, inequality and deteriorating public service delivery. The statistics indicate that government did not prioritise the social services sector as shown in the pie chart below.



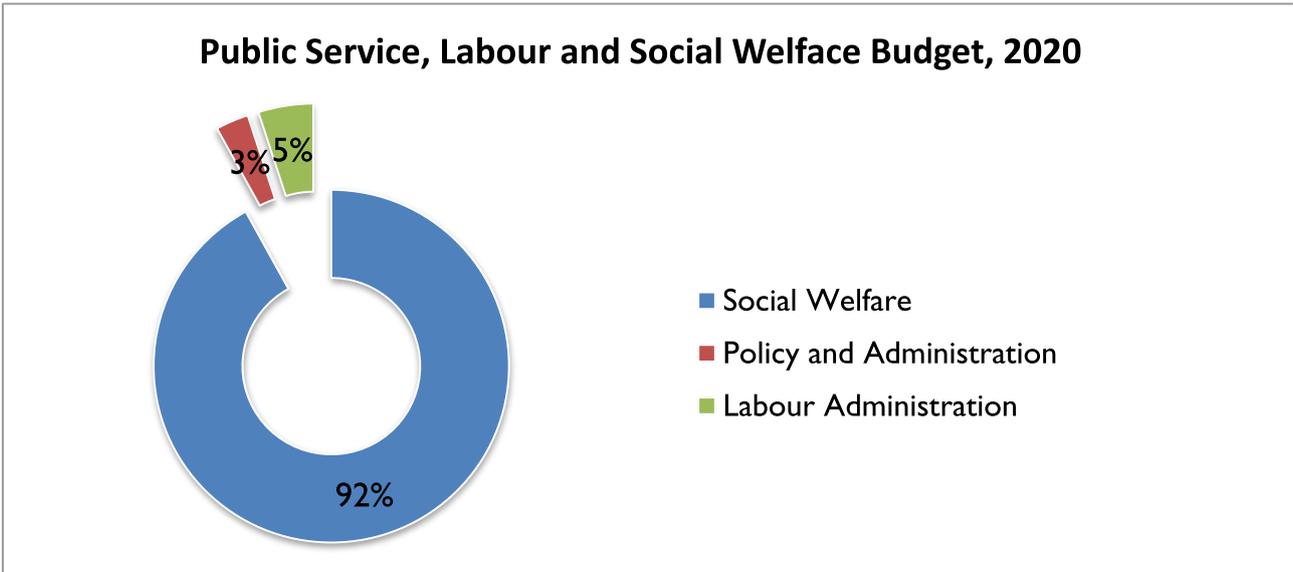
Source: Based on 2020 Blue Book, 2019

Social Welfare Budget Allocation

The projected expenditure for social protection rose by 135% from ZWL\$1 billion in 2019 to ZWL\$2.4 billion in 2020. Whilst celebrating a nominal increase in budget allocation towards social services, the budget for the Ministry of Public Service, Labour and Social Welfare as a percentage of the total budget fell from 4.4% in 2019 to 3.5% in 2020. It is important to note that budget allocation does not translate to disbursements. During the 9 months to September 2019, the Ministry had only spent ZWL\$312 million out of the ZWL\$1 billion allocated to the Ministry in 2019. There was, therefore, no guarantee that the remaining ZWL\$698 million was spent in 3 months to December 2019. The lack of budget credibility on the part of government is recurrent with the Ministry's expenditure between January and September 2018 falling short by 87% from the 31 December 2018 Estimates. Having noted this anomaly in two consecutive years, on one hand, the government should commit to meet its expenditure and revenue targets in order to build public trust. On the other hand, the same Ministry failed to disburse funds appropriated for harmonised cash transfers amounting to US\$9.8 million in 2018, further worsening the plight of the beneficiaries in the absence of alternative livelihood sources.

Out of the ZWL\$2.4 billion allocated to the Ministry of Public Service Labour and Social Welfare in the 2020 budget, 92% goes towards social welfare whilst 3% and 5% is dedicated to Policy and Administration and Labour Administration respectively.

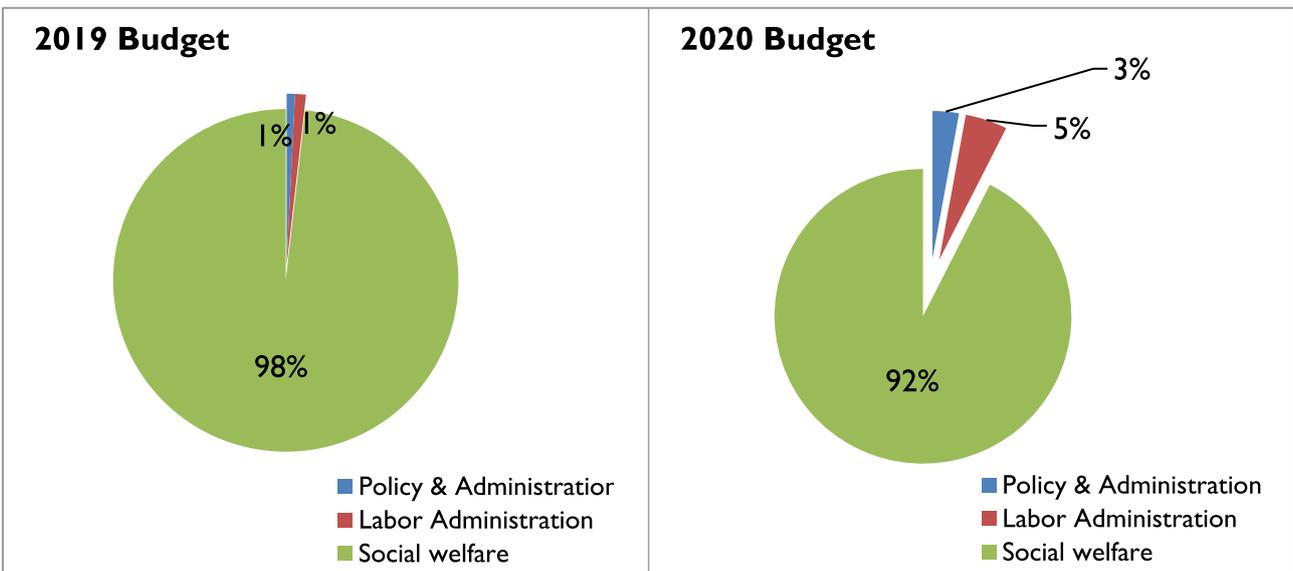
⁴ ZIMCODD, Percentage Share of Social Spending in Government Expenditure: Reflections from the 2019 Fiscal Framework, 2019



Source: Based on the figures from the 2020 National Budget

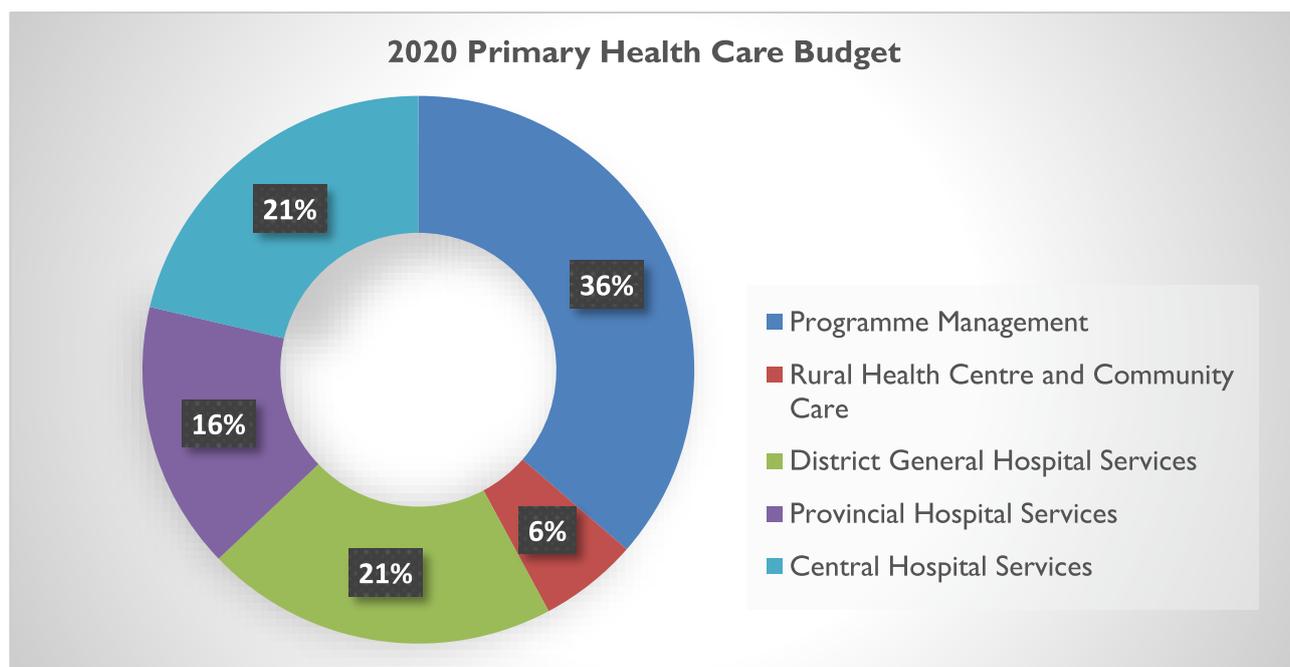
Comparatively, the social welfare budget fell from 98% of the Ministry's budget in 2019 to 92% in 2020. 75% of the social welfare budget was allocated to Family, Social Protection and Repatriation whilst Child Protection got 23%. The remaining 2% is shared between leadership and management (0.3%), and disability and Rehabilitation services (1.7%). Notable under child protection is the fact that the Ministry managed to clear Basic Education Assistance Module (BEAM) arrears amounting to ZWL\$54.5 million dating back to 2016. Considering that the Reserve Bank devalued the Zimbabwean dollar and held all domestic arrears constant, the ZWL\$54.5 million paid to the Ministry of Primary and Secondary Education constitutes only a small fraction of what should have been paid in the USD era. This did not only disadvantage the beneficiaries of BEAM but compromised the performance of the education sector as a whole. In 2020, BEAM is expected to benefit 1.2 million children from the 415 thousand who benefitted in 2019.

ANNUAL COMPARATIVE ALLOCATIONS TOWARDS SOCIAL WELFARE



HEALTH BUDGET ALLOCATION

The health sector, severely affected by the onset of COVID-19 is characterised by shortages of medicines, drugs and sundries among other essential hospital equipment rendering the right to basic health care provided in section 76 of the Constitution of Zimbabwe unattainable. In his own words, the Minister of Finance and Economic Development pointed out that **“the Abuja declaration remains an elusive target for the country as government expenditure on health is still less than 15% (Abuja target) over the period 2012-2019.** In the 2020 budget, the health sector was allocated ZWL\$5.8 billion which constitutes 10% of the total government revenue and this remains way below the Abuja target. This demonstrates lack of government commitment to finance the health sector. When COVID-19 struck, the government committed to reallocating resources towards the fight against the pandemic. However, three months into the pandemic, the government only committed 17% of the total resources mobilised for the same cause, with the bulk of resources coming from development partners and other donations. Moreover, considering that 68% of the Zimbabwean population is mostly rural, the meagre 6% allocated to Rural Health Centres and Community Centres is insufficient to cater for this population. There is need for the government to allocate more resources to rural and district health centres to cater for the majority of citizens who live in poverty and deprivation.



Women are hardest hit by the impact of poor healthcare services. With limited or no access to basic health care services, women are unable to access their specific health rights particularly, reproductive health care. When healthcare services are unaffordable, it is women who bear the burden of providing home-based care to their relatives and the elderly. Government has also hiked maternity fees to ZWL\$600 for normal delivery and ZWL\$1000 for C section deliveries which is way beyond the reach of the majority who are poor.

THE EDUCATION BUDGET ALLOCATION

The Constitution, which is the supreme law, guarantees every citizen basic state funded education which the state through reasonable legislative and other measures must make progressively available and accessible. Sadly, instead of the government meeting this obligation, parents are struggling and finding it difficult to send their children to school. The new curriculum on its own has demanding and pricey learning materials leaving many parents stranded as prices of most requirements have soared leaving most schools with no option other than hiking tuition fees to keep abreast with the soaring prices of commodities. In the 2020 National Budget, higher and tertiary education was allocated ZWL\$3 billion whilst primary and secondary got the second largest budget of ZWL\$8.5 billion. It is important to highlight that both budgets still fall short of meeting the Dakar Declaration threshold of 20% of the National Budget.

SOCIAL SPENDING AND COVID-19

The novel coronavirus which struck the world has helped states recognise the importance of social spending on people's wellbeing. The pandemic has had health, humanitarian and economic implications on world citizens especially the poor and vulnerable groups. Developing and developed countries alike are impacted by the pandemic which has claimed hundreds of thousands of lives across the globe. The vulnerability of countries, however, depends on the state of health infrastructure, social protection and the size of National Disaster Management Funds. The implications of the pandemic to developing countries are devastating and Zimbabwe is not an exception. The coronavirus exposed the country in terms of its preparedness to save lives and livelihoods of the poor and vulnerable groups especially, those families and individuals that continue to rely on social welfare programmes such as health care assistance, food, and other hand-outs. The country remains in a fragile food insecurity state.

As the world intensify efforts in the fight against the coronavirus, regions, countries including Zimbabwe are self-isolating with borders closing and countries entering into lockdowns. To that effect, the national lockdown announced on Friday, 26 March 2020 in an effort to curb the spread of the deadly coronavirus outbreak in Zimbabwe impacted on people's livelihoods which called for extended government support to the poor and vulnerable groups. The social welfare support to cushion the poor and vulnerable groups was adversely affected by the unavailability of resources. Government through the Ministry of Public Service, Labour and Social Welfare was allocated ZWL\$200 million per month to cater for one million vulnerable households under the harmonised cash transfer programme. The amount which was equivalent to US\$8 per household was only sufficient to buy six loaves of bread at the time of the announcement. The government commitment to safeguarding the lives of the poor and vulnerable is therefore questionable. Whilst the government did what it takes to respond to the health emergency by hiring extra staff, procure more testing kits, protective clothes, it is important to consider people's livelihoods and that can only be achieved through the allocation of adequate resources towards the cause.

The unavailability of dedicated and adequate resources to implement Disaster Risk Reduction (DRR) programmes and centralisation of power and resources has limited the scope of government to effectively respond to the health crisis and implement social protection programmes. The government's over reliance on official development assistance has also impacted on the government's

response to the pandemic and it should remain a wakeup call towards funding the proposed National Disaster Fund. The government continue relying on crowd funding from citizens and donors to meet the urgent needs of affected areas and people. This has been the case with Cyclone Idai which affected the greater part of Chimanimani and Chipinge districts in Manicaland province and now the coronavirus pandemic where the government mobilised considerable material and financial resources through crowd funding.

CONCLUSION

Government's response to the social protection and health needs of its citizens depends on the financial commitments which are made through the national budget. The percentage share of social spending determines the country's preparedness to achieving the sustainable development goals particularly on no poverty, zero hunger, quality education, good health and wellbeing, gender equality and reduced inequality. The efficiency of social spending also depends on the country's governance frameworks and institutional settings to curb corruption in public procurement. This has been a major hindrance in the fight against poverty and inequality in Zimbabwe. Whilst it is understandable that the country is facing resource constraints following fallout with external creditors and the development partners, the national resources are vulnerable to corruption and abuse, further marginalising the poor and vulnerable groups which benefit from social protection programmes of government among other social services such as health and education. In essence, endemic corruption and state capture by the monopoly capital has worsened the macroeconomic situation in the country and further undermined the ability of the state to fund social services in Zimbabwe.

POLICY RECOMMENDATIONS

To ensure that the government increases the percentage share of social spending in the 2021 National budget strong policies and enforcement mechanisms are essential. Decision-makers must take the following actions;

Ministry of Public Service and Social Welfare

The Ministry of Public Service and Social Welfare must;

1. develop an online national database for all the vulnerable people in the country. This will go a long way in ensuring that the social welfare funds reach the intended beneficiaries instead of disbursing on the basis of political affiliation which characterises the current regime.
2. Create a platform for collaborations between government, private sector and civil society organisations for collective response to social protection needs in Zimbabwe. This will ensure targeted response mitigating against duplication of efforts. Collaborations across sectors will have a multiplier effects in the restoration of public trust and confidence in the government of the day.
3. formulate and implement a progressive *National Economic Vision* with clear commitments to the allied achievement of sustainable economic growth and socio- economic justice objectives.
4. draft and adhere to a *National Social Protection Policy Framework* outlining the minimum standards and social spending priorities of a radically expanded social protection system
5. upscale the social protection regime to include unemployment support especially in the face of disasters and emergencies.

Ministry of Finance and Economic Development

The Ministry of Finance and Economic Development should;

1. develop a framework that prioritises the funding of social protection in the annual budget and considers ring fencing funding for social protection especially from natural resources.
2. strengthen the Public Finance Management System (PFMS) in order to plug the leakages resulting from irregular expenditures not only in social protection but across government expenditure. Good governance is at the centre of social protection and the achievement of sustainable development, and plugging the financial leakages will preserve additional resources to cushion the poor and vulnerable.
3. expand the fiscal space to accommodate increased social spending through measures such as progressive taxation; re-allocating public expenditure towards priority social spending including child protection; income security; universal health care and social security for the elderly;
 - Adopting a more accommodative pro-poor macroeconomic framework;
 - Strengthening public and parliamentary accountability to reduce resource leakages, wastage and underspending of social spending allocations by line ministries;
 - Utilising fiscal and foreign exchange reserves to invest in strategic social spending priorities relevant to economic growth and development;
 - Managing debt through restructuring, timely servicing and reduction in borrowing;
 - Adopting redistributive pro-poor taxation to promote social and economic justice;
 - Enhancing diaspora remittances and aligning them with community driven social protection initiatives;
 - Aligning aid inflows to enhance and compliment national social spending priorities.

Parliament of Zimbabwe

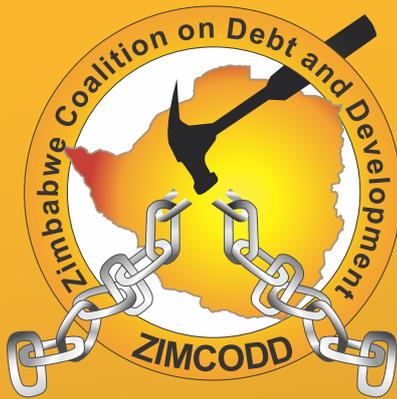
The Parliament must;

1. take a leading role in making strategic decisions and confronting the challenges arising from national disasters and emergencies which have far reaching consequences on the lives of the poor and vulnerable groups;
2. strengthen accountability structures across government departments. For every implementing task force created by government, there must be a corresponding accountability taskforce led by the parliament of Zimbabwe in order to track possible pilferages and abuse of public resources which has previously manifested in public finance management in Zimbabwe;
3. Support national budgets that ring fence resources for key social protection expenditures funded through equitable domestic resources mobilisation interventions;
4. Approve national budgets with build-in automatic stabilisers to ensure adequate covers against major shocks and stresses such as Covid-19 and climate change.

Civil Society Organisations

Civil society organisations should;

1. strengthen social accountability structures at local and national level to ensure monitoring and tracking of government programmes at all levels in Zimbabwe;
2. provide technical advice to parliament and central government based on international best practices on transparency and accountability and pro poor social development.



Investing in People for Social and Economic Justice

Percentage Share of Social Spending in Government Expenditure: Reflections from the 2020 Fiscal Framework



ZIMCODD

9 Bargate Road Mount Pleasant, Harare

+263 24 2776830/1/5

@zimcodd1

Zimbabwe Coalition on Debt and Development, Account:

ZimcoddZimcodd

zimcodd@zimcodd.co.zw

www.zimcodd.org

