



THE WEEKEND READER

"Your Weekly Read on Debt, Development & Socio-Economic Justice"

ANALYSIS OF THE 2024 NATIONAL BUDGET PRESENTATION

On 30 November 2023, the Minister of Finance, Economic Development, and Investment Promotion presented the 2024 National Budget Speech (NBS), which if passed becomes the National Budget (NB). While the NBS does not automatically become the NB, it sets the footing for review, debate, and voting by parliamentarians, then it will become the 2024 NB. Thus, ZIMCODD must unpack the NBS to inform the citizens and duty-bearers of the social and economic justice implications of the proposed NB. Ideally, the priority areas that are covered by the 2024 NB are inclusive and comprehensive as they satisfy the requirements of the National Development Strategy (NDS) 1. Nonetheless, the effectiveness of the budget is not determined by having expenditure priority areas that are in sync with the NDS 1 – but by earnest allocations and disbursements that satisfy the same. To this end, this analysis strives to bring about the social and economic justice effects of a NB and determine if the resources have been allocated judiciously.

Key Nuggets

- Gross Domestic Product (GDP)¹ growth to moderate from the projected 5.5% in 2023 to about 3.5% in 2024. Treasury expects to spend about ZWL58.2 trillion in 2024, up 158% from the ZWL22.6 trillion expenditure ceiling projected by the end of 2023.
- The following was reviewed upwards: the Strategic Reserve Levy by US\$0.03 and US\$0.05 per liter of diesel and petrol; toll fees on premium roads; and passport and selected fees charged by the Central Vehicle Registry.
- In June 2023, the Treasury introduced a 30% surcharge on motor vehicles with a minimum Free on Board (FOB) value of US\$120,000. The 2024 executive budget proposes to expand the scope of the surcharge as follows: FOB US\$120-300,000 (30%), FOB US\$301-700,000 (40%), and FOB US\$701,000 and above (50%).
- Propose to introduce a levy of US\$0.02 per gram of sugar contained in beverages, excluding water; a Wealth Tax levied at a rate of 1% of market values of residential properties with a minimum value of US\$100 000, and a 1% levy on gross proceeds of lithium, black granite, and other cut or uncut dimensional stones and quarry stones.
- To ensure that global profits of large multinational enterprises are taxed at a minimum corporate income tax rate of 15%, the Treasury introduces a Domestic Minimum Top Up Tax (DMTT). DMTT allows the country where the low tax profits arise from the tax incentives to collect the Top-Up Tax rather than ceding taxing rights to the headquarters jurisdiction.
- Propose that only the licensed and tax-compliant operators procure goods from manufacturers and wholesalers. Also, only traders registered for VAT purposes and in possession of valid tax clearance certificates are eligible to procure goods from manufacturers. The VAT registration threshold will be reduced from US\$40,000 to US\$ 25,000, or local currency equivalent.

¹ This is the total national output produced within Zimbabwe's borders

- Lithium-producing companies should now produce lithium carbonate for them to not be liable for export tax. As such, beneficiation plans must be submitted no later than 31 March 2024, and no licenses shall be granted to a prospective lithium company without the approval of a beneficiation plan.
- All documents or agreements for the transfer, disposal, or lease of mineral rights must be lodged with the State for review and approval before the transaction is concluded. No transfer of mining rights shall be approved without payment of capital gains tax and stamp duty or any other tax due on the value of the transaction.
- Revenue derived from private disposal of mining rights outside Zimbabwe and at astronomic prices will now be shared equally with the State. Register of mining rights with a record of applications, grants, variations, dealings, assignments, transfers, suspensions, and cancellations of rights be maintained and accessible to ZIMRA.
- All agreements for the transfer, disposal, or lease of mining rights be lodged with the State and reviewed and approved before they are implemented.
- To review the tax-free threshold to ZWL750 000 per month or ZWL9 000,000 per annum, and adjust the tax bands to end at ZWL270 million per annum, above which tax will be levied at a rate of 40%.The COVID-19 allowances to civil servants are now part of pensionable emoluments hence now part of salary and liable to tax.
- The local currency Tax-Free Bonus Threshold will be increased from ZWL500,000 to ZWL7,500,000, with effect from 1 November 2023. Also, reviewed the tax-exempt threshold on withholding tax on agricultural commodities from US\$1,000 per annum to US\$5,000 or local currency equivalent.

Budget Assumptions and Economic Outlook

The assumptions underpinning the following budget include normal-to-below-normal rainfall season due to the El-Nino effect, slowdown in global economic growth amid geo-political tensions, declining international commodity prices, continued use of the multicurrency regime, and tight fiscal and monetary policies. The bulk of these assumptions are adverse, and this helps explain the projected moderation of national output (GDP) growth to 3.5% in 2024 from 5.5% expected in 2023. Economic activity will be weighed down by the projected El Nino, which will subdue the agriculture sector by causing crop failure, below-average harvests, high food prices, low labor opportunities, and increased food insecurity. Also, export receipts will likely plummet significantly because of falling global mineral commodity prices as global supply chains improve coupled with projections of economic slowdown in advanced nations. Mineral exports account for at least 70% of Zimbabwe's annual export receipts; falling prices will greatly perpetuate foreign currency shortages in the formal markets which in turn limit the importation of essential goods and services and also destabilize the local currency. The lack of political will to implement key reforms (economic, governance, and land tenure system) will sustain corruption, resource leakages, and market pricing distortions. Other outlook risks include electricity shortages, elevated fuel prices, shallow domestic capital markets, and geo-economic fragmentation fueled by rising geopolitical tensions. As such, the Treasury's expectations of stable local currency and stable prices (3% month-on-month inflation) are likely to be questionable given the elevated spending pressures as the government tries to cushion the economy and citizens, particularly vulnerable groups.

2024 Budget and Taxation

The significant jump in the 2024 budget ceiling means that the Treasury will have to find new revenue-enhancing measures. Unfortunately, while increasing existing tax heads, the NBS has further proposed additional taxes which will significantly deteriorate the welfare of economic agents, particularly the poor majority. For instance, the proposed increase in toll fees and fuel levy will have a negative bearing on the cost of doing business and public transportation costs. Also, with the ongoing increased exodus of Zimbabweans in search of greener pastures abroad, hiking passport fees will lead to illegal immigration thus forcing expatriates to work in menial jobs. Be that as it may, there are some progressive tax proposals put forward such as the sugar tax whose proceeds will be ringfenced to fight non-communicable diseases like cancer. Also, the NBS proposed to introduce a wealth tax that ensures that the Treasury reaches the assets of wealthiest citizens thus increasing the government revenues and making the tax system fairer. In addition, compelling miners like lithium miners to benefitiate extracted minerals will go a long way in strengthening value chains and increasing export earnings and employment.

Public Debt

The proposed 2024 budget has shown that as of September 2023, Zimbabwe has domestic creditors of US\$5 billion, down from US\$5.2 billion in December 2022 and external creditors of US\$12.7 billion, declining from US\$12.8 billion as of December 2022. The retrenchment of debt is largely attributable to a decrease in liabilities on the RBZ balance sheet by US\$684.8 million. However, the nation remains trapped in debt distress, that is, struggling to honor financial obligations to its creditors, and debt restructuring is required. This is shown by ballooning arrears and penalties; of the US\$9.1 billion bilateral and multilateral debt, 76% (US\$7 billion) are principal arrears, interest arrears, and penalties. The 2024 proposed budget has laid bare the negative impacts of high indebtedness as the country now spends more resources on debt servicing than on social protection. In 2023, the Treasury paid US\$55.6 million and US\$10.7 million on external debt servicing and token payments respectively. In 2024, the budget resources totaling ZWL948.3 billion are earmarked for interest payments, an amount far exceeding the resources earmarked for some key ministries such as housing (ZWL353 billion), energy (ZWL90 billion), youths (ZWL210.2 billion), and women (ZWL188.1 billion). As such, there is a need to continue dialoguing with creditors and swiftly implement identified reform matrices (economic, governance, and land tenure systems) to receive debt relief. In addition, debt transparency must be increased and mortgaging of natural resources for more debt be discontinued.

2024 Budget and International Benchmarks

The national budget is a crucial document that illuminates government decisions to invest and consume, borrow and lend, and tax and spend. Generally, the budget allocations should be guided by regional and international benchmarks Zimbabwe is a signatory to. These benchmarks function as indispensable tools for addressing the transparency and accountability deficit associated with long-term targets.² Table 1 indicates some selected key regional and global budget allocation commitments for Zimbabwe. It is highly commendable that some of the proposed 2024 budget allocations have shown improved willingness by the government to commit to international benchmarks.

2. <https://zimcodd.org/wp-content/uploads/2023/09/Analysis-of-The-2024-Budget-Strategy-Paper-1.pdf>

Table 1: 2024 Budget versus Allocation Benchmarks

Sector	International commitment	% Total budget 2022	% Total budget 2023	% Total budget 2024
Education	20% Dakar Declaration (2000)	13.4%	14.02%	17.75%
Healthcare	15% Abuja Declaration (2001)	14.9%	10.5%	10.84%
Water & sanitation	1.5% Ethekeini Declaration (2008)	0.20%	3.17%	1.17%
Transport & Infrastructure	9.6% AU Declaration (2009)	6.5%	3.2%	14.6%
Social Protection	4.5% Social Policy for Africa (2008)	2.1%	1.12%	4.12%
Agriculture	10% Maputo Declaration (2003)	13.3%	8.05%	7.39%

Source: Compilation from National Budget Statements

However, despite dilapidating healthcare infrastructure, shortage of medical drugs and equipment, and increased brain drain, public spending on the healthcare sector remains low; failing to meet the Abuja Declaration threshold of 15%. Again, despite the ongoing widespread outbreak of cholera, the 2024 proposed budget set aside a paltry 1.17% of the total budget toward water and sanitation. Moreover, despite projections of El Nino weather conditions, the proposed budget earmarked only 7.39% of the budget toward the agricultural sector, down from 8.05% in 2023. Yet, more fiscal spending is expected in this sector as the government provides farm subsidies and food aid to vulnerable groups and communities.

2024 National Budget and National Development Strategy 1

The proposed 2024 budget is the fourth funding cycle of the NDS1 (2021-2025). Thus, it is critical in determining the success of the NDS1 as well as informing a sound implementation and summative policy evaluation. The NB gives breath to the NDS1 and can be used to determine the government's sincerity in striving to attain the goals and aspirations of the same. Using the interbank rate of the day of budget presentation of US\$1: ZWL5,791.08, it means that the proposed ZWL58.2 trillion 2024 budget is equivalent to US\$7.28 billion. While the parallel market rate was US\$1: ZWL10 000 which means that the total budget is US\$5.82 billion. Therefore, examining budget allocations versus NDS1 priority areas and the reality on the ground shows that, the budget does not satisfy the resource appetite of the NDS1.

Food and Nutrition Security

Zimbabwe's ambition to attain food sovereignty remains wanting with the government failing to adequately fund the agriculture sector and insulate the sector against climate change. stimulate policies to create an optimum environment for food and nutrition security.

Moving the Economy up the Value Chain

The 2024 NB does not optimally enhance value chains despite the word appearing eleven times in the budget. No concrete action was taken to break the monopoly in agriculture (tobacco, cotton, banana, sugar cane etc) and mining. Thus, small-scale farmers and artisanal miners remain relegated in the value chain.

Transport, Infrastructure, and Utilities

The 2024 NB has set aside ZWL 8.1trillion (Energy Z\$20.5 billion; Transport Z\$744 billion; Water and sanitation Z\$608.3 billion; Housing Z\$1 trillion; ICT Z\$140.2 billion; Education Z\$393.3 billion; Health Z\$2.1 trillion; Social services Z\$9.5 billion; and Agriculture Z\$307 billion). An allocation that is too meagre to redress the transport, infrastructure, and utilities challenges being experienced in Zimbabwe. Public transport remains wanting, but the Emergency Road Rehabilitation Programs in local authorities have proven to be insufficient to comprehensively refurbish roads, hospitals, and social amenities are in shambles. Importantly, on the digital infrastructure front, Zimbabwe is lagging behind with a weak and poor network struggling to even sustain 4G at a time when the race to 6G has already begun.

Housing Delivery

In this cluster, the government has failed. The national housing backlog stands at two million, Bulawayo City Council's waiting list is at 130 000 while Harare City Council is between 180 000-200 000.³ The allocated ZWL 1 trillion is insufficient to address the housing crisis.

Human Capital Development and Innovation

It remains wanting as the government is failing to create a conducive environment for its attainability. Skills flight and brain drain have become the order of the day. The youth are now engaged in drugs and excluded from key decision-making positions, and school dropouts have increased. The health sector is also failing to optimally provide services. In the 2024 NB, Human Capital Development and Innovation encompasses Health, Education, and Social Protection. A total of ZWL 8 trillion which is 17.7% of the total budget was set aside for Primary and Secondary education with ZWL 231.8 billion earmarked for learning material. Health was allocated ZWL 6.3 trillion which is 10.8% of the total budget. Higher and Tertiary education was allocated ZWL 2.4 trillion which is 4.1% of the total budget. Social protection programs such as Basic Education Module Assistance (BEAM) received ZWL 803 billion Although it is commendable that the government is making positive strides in strengthening human capital development and innovation, the efforts still fall short of the targets set in the NDS1. In addition, in trying to promote optimum health care, the following health infrastructure projects have been targeted for the year 2024. However, setting priorities and failing to meet them has never been a challenge for the government.

Targeted Health Infrastructure Projects

Name of Institution	Targeted works	(ZSB)
Rural Health Centres	Construction & rehabilitation of 51 rural clinics	479
Districts hospitals	Upgrading and rehabilitation of 51 existing facilities	158.7
Provincial hospitals	Upgrading of existing facilities	350.8
Central hospitals	Upgrading of existing facilities	366
Medical Equipment	Procurement of Medical office Equipment, Laboratory & Research equipment	960
Construction of Block of Flats	Construction of 7X16 block of flats	110.3
Ambulance	100 ambulances	52.8
Total		2.478

Source: 2024 National Budget

Image Building, Engagement and Re-engagement

Zimbabwe is failing to meet all the targets set under this cluster. Variables such as the Good Country Index, Country Brand Ranking, Global Travel and Tourism, Competitiveness Ranking, and Global Happiness Index were used. However, none of the targets set were met. About ZWL 976 billion has been set aside for Image Building, Engagement, and Re-engagement under the Ministry of Foreign Affairs. At the same time, the Ministry of Information, Publicity, and Broadcasting Services was given ZWL122.4 billion for promoting the brand Zimbabwe. A role that is received with mixed feelings as some purport that the money might be for enhanced propaganda. In strengthening the re-engagement process, the government will strive to satisfy the Arrears Clearance and Debt Resolution Process.

Devolution and Decentralization

The 2024 NB has set aside ZWL 2.7 trillion for inter-governmental fiscal transfer allocations. While this is commendable, the government has mastered the art of allocating funds and failing to disburse them timely. The budget does not address the challenges faced by the optimum implementation of devolution and decentralization which is giving full political and economic autonomy to provincial and local councils. Below are two extracts from the 2024 NB that show the allocated resources for 2024 inter-governmental fiscal transfers allocations.

Inter-Governmental Fiscal Transfers Allocation to Provincial Councils

	2024 Proposed Estimates		
	Operational Grant	Capital Grant	Total Grant
PROVINCIAL COUNCILS			
Bulawayo Metropolitan	4,520,138,000	10,170,310,000	14,690,448,000
Manicaland	12,870,703,500	28,959,082,800	41,829,786,300
Mashonaland Central	12,748,143,700	28,683,323,400	41,431,467,100
Mashonaland East	12,032,146,100	27,072,329,000	39,104,475,100
Mashonaland West	12,364,148,500	27,819,334,200	40,183,482,700
Matabeleland North	11,249,516,700	25,311,412,700	36,560,929,400
Matabeleland South	11,317,071,500	25,463,410,900	36,780,482,400
Midlands	11,955,807,300	26,900,566,400	38,856,373,700
Masvingo	12,294,591,300	27,662,830,500	39,957,421,800
Harare Metropolitan	6,518,330,200	14,666,242,900	21,184,573,100
Sub-total	107,870,596,800	242,708,842,800	350,579,439,600

Source: 2024 National Budget

Inter-Governmental Fiscal Transfers Allocation to Local Authorities

2024 Proposed Estimates			
	Operational Grant	Capital Grant	Total Grant
LOCAL AUTHORITIES			
Bulawayo Metropolitan	1,983,395,300	26,775,836,200	28,759,231,500
Manicaland	19,344,142,400	261,145,924,100	280,490,066,500
Mashonaland Central	18,728,732,200	252,837,884,300	271,566,616,500
Mashonaland East	18,412,914,800	248,574,350,000	266,987,264,800
Mashonaland West	23,295,237,600	314,485,704,700	337,780,942,300
Matabeleland North	16,032,775,400	216,442,475,100	232,475,250,500
Matabeleland South	16,396,754,900	221,356,187,600	237,752,942,500
Midlands	22,504,279,600	303,807,776,000	326,312,055,600
Masvingo	16,447,913,800	222,046,828,800	238,494,742,600
Harare Metropolitan	8,659,749,200	116,906,618,400	125,566,367,600
Sub-total	161,805,895,200	2,184,379,585,200	2,346,185,480,400
Total	269,676,492,000	2,427,088,428,000	2,696,764,920,000

Source: 2024 National Budget

Youth, Sport and Culture

A total of ZWL210 billion has been set aside for the Ministry of Youth Empowerment, Development, and Vocational Training to support youth development and empowerment programmes during 2024. The resources earmarked for youth are not sufficient to support the needs of the youth. The youth have been relegated in key economic decision making, approximately 80% are unemployed 57% are victims of drug abuse, 34% of girls are forced into child marriage, child labor, and school dropouts are some of the issues affecting the youth which the budget failed to address.

Environmental Protection Climate Resilience and Natural Resource Management

A lot still needs to be done, mining host communities as they have become havens of environmental degradation and deforestation. The Department of Climate Change and Civil Protection is not adequately equipped to handle or facilitate climate resilience. Natural resources such as minerals are being smuggled out of the country at an alarming level.

Governance

Although, the proposed 2024 NB emphasizes good governance, the governance pillar is in jeopardy as every principle of good governance has been violated. Transparency, accountability, responsibility, democracy, separation of powers, prudent public finance management and effective public procurement are all wanting. The implication of those connected to the highest echelons of power in gold smuggling as presented in the Aljazeera Gold Mafia documentary cast a negative spell on the state of governance in Zimbabwe.

Conclusion

The 2024 NB is not in sync with the reality on the ground, it does not strive to address the challenges being experienced by the citizens. The tax regimes introduced by the government are not pro-people, they entrench in equality and deliberately foster social and economic injustice.

At the same time, the budget does not optimally align with the NDS1 with respect to resourcing the national development policy. It demonstrates little appetite from the government to achieve an upper-middle income economy. Other issues that need attention is the ballooning debt, unemployment, hunger and poverty. Thus, it is ZIMCODD 's wish that the government reconsider its resources mobilization strategy which is hinged on taxing the vulnerable and marginalised citizens and widen its tax base.