



In the wilderness I shall plant cedar trees (Isaiah 41:19)

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Pre-Budget Expectations

Introduction and Background

Founded in 1964, Silveira House is a Catholic Jesuit Social Justice and Development Centre based in Chishawasha. We are one of the oldest and most influential social development organizations in pre-independent and post independent Zimbabwe. We have operated in virtually every corner of the country in different thematic areas such as peace and governance, agriculture, natural resources governance, technical skills development, climate change as well as gender and youth empowerment. In the recent years our programming has been focused on four thematic areas;

- domestic resource mobilization,
- peace, security and sustainable development
- Governance and inclusive political participation
- Climate justice and food security

Public finances management and deployment affect all the above thematic areas, our programming and the targeted beneficiaries, and the broader society of Zimbabwe. The national budget is without doubt the most overarching policy document of the government and thus it is crucial to speak about our expectations about it. In light of the above, here are some of our thoughts and expectations about the impending Zimbabwe's 2022 annual National Budget Proposal to be presented this week as crystallized according to different themes.

Domestic Resource Mobilization

- Introduced in 2018, the immediate money transfer tax (IMMT) has been a major source of government revenue over the past two years but has also exerted a major burden on the poor people in Zimbabwe. Reviewing the modalities of the IMMT, particularly reviewing the rate downwards is crucial for enhancing tax justice and it also provides relief for small and medium enterprises.
- The performance of financial institutions geared towards Women and the Youth has been affected by capitalization and high interest rates. For example, the Zimbabwe Women's Microfinance Bank and Empowerment Bank charge high interest rates, which dissuades the targeted women and youth from accessing the loans. Equally, loan conditions are stringent, thus, they shut out eligible beneficiaries.
- Making Gold Prices competitive to international standards can be a crucial way for reducing leakages in gold marketing currently rampant in the country. The budget

needs to speak to this factor, as Illicit Financial Flows from gold exceed US\$1,2 billion annually.

- Increasing intergovernmental transfers (devolution funds) percentages to about 10 percent can help to reduce the huge development deficits within different districts and wards of Zimbabwe. It would be recommendable to see a higher figure of this being channeled directly to local levels. Crucial also is the improvement of the current intergovernmental transfer sharing methodology to ensure equitable distribution of national resources.
- Resourcing of the Auditor General's Office is needed. Over the past many years, audit reports from the Auditor General's Office have revealed egregious levels of misappropriation and misuse of public funds. Ensuring that the Office of the Auditor General is well resourced in terms of human resources and finances will help ensure that audit reports are done timeously and possible action can be taken swiftly against those who may have diverted the scarce public finances.
- Parastatals have been a drain to the national fiscus, and have largely been a breeding ground for corruption. This budget ought to speak to expediting the disposal of many of non-performing parastatals and companies. In essence, the government is better off not managing and bailing out most of these comatose enterprises.
- Resourcing ZIMRA, the country's main revenue collector, is even more important. The institution has been grappling with huge arrears from tax-payers, corruption and misgovernance over the years, compromising its capacity to perform optimally as expected. All efforts could be directed towards ensuring that this institution is apolitical, modernized and competent.
- One of the major handicaps to resource mobilization in Zimbabwe is the limited amounts of savings we have as a country. Industry and individuals barely have a source of finance for their enterprises because of this challenge. The national budget may need to explore ways in which the country may improve its savings.
- Review of the Venture Capital Fund: In the 2021 National Budget, the proposal for a venture capital fund was a welcome development for spurring the development of new enterprises. Progress on what became of the fund is still shrouded, but we propose this fund remain in place and the application process be handled by established banks in order to limit misuse of this fund.
- In light of the annual inflation (around 55% according to ZIMSTAT September 2021), the current tax bands should be reviewed accordingly in order to avoid eroding the buying power of people.
- Plaguing IFFs and border leakages is crucial. This budget could speak to what interventions and proposals are being made to ensure that financial and resource leakages are minimized.
- One of the perennial challenges of a resource rich country like Zimbabwe is that most of our key exports, minerals and agricultural produce, are exported in their raw form. In other words, the country does not realize much from such a position. It is crucial for the upcoming budget to stress and incentivize beneficiation and value-addition of our major exports such as platinum, diamonds, gold, tobacco and chrome in order to capture more value and broaden the country's manufacturing and industrial base. Beneficiation and value-addition will help Zimbabwe to take advantage of the Africa Continental Free Trade Area provisions.
- Agricultural land, non-free hold, has largely been dead capital in Zimbabwe. The broader economy has failed to use land to mobilize crucial finance. Even the 99-year

leases have failed to gain acceptance from the capital providers such as banks. In light of this, a more acceptable and legitimate arrangement of land titling could unlock capital to spur agriculture development and the growth of the broader economy. The 2022 budget could speak to this crucial factor.

Climate Change and Food Security

- Continued investments in climate smart technologies are critical. A review of taxes for those who manufacture such technologies in Zimbabwe may help spur the development of a new industry.
- Droughts have continued to be a major development and food security threat over the past many years; the funding of water harvesting and irrigation infrastructure such as dams and weirs, center pivots and pipelines need to be accelerated. Equally, financing of a water infrastructure for the new towns, growth points and cities in order to reduce the perennial potable water challenges is needed.
- There is a need for the creation of a Climate Fund from the carbon taxes from oil and other products. This local climate fund can be used to help vulnerable communities to adapt to climate change and also to address climate related disasters, especially climate disaster interventions.
- Funding renewable energy is perhaps one avenue for driving Zimbabwe's own transition to green energy. Reviewing the incentives for Public Private Partnerships and the independent power companies' operations in the space is vital. Over the years, many licenses in solar power production have been provided, but little has been achieved in terms of the implementation of the projects. Also important is to remodel the ZESA tariff model to catalyze private investments in the alternative energy space.
- Over the past many years' climate change has exposed the country's weak disaster risk management framework. Failures in disaster management (prevention, preparedness, response and recovery) have pointed to inadequacies in the institutional framework in the Civil Protection Unit, Meteorological Department of Zimbabwe, Communications and many other key institutions. Increased financing of disaster risk management in Zimbabwe has to be accelerated.
- Zimbabwe's transport sector is a major contributor to climate disaster. Not only that, the public transport system has been awful for many years, dominated by heavy polluters, and disorganization. To reduce the number of cars on the road, investments in the less polluting buses (preferably through a better arrangement than the failing ZUPCO model) will help curb pollution, congestion and use of oil.
- Food costs (inflation) have been escalating despite the country recording an improvement in internal food production, particularly with regards to cereals such as maize, sorghum, wheat and soya. In August food inflation was 50%, a factor which affects household food and nutritional consumption patterns. In light of this reality, the budget needs to also speak to improving smallholder agricultural production, enhancing food social safety nets (food aid), and ways for addressing the rising urban food insecurity.
- Equally upping investments in milk production, livestock production is critical in enhancing internal food production.

Peace, Security and Sustainable Development

Peace and security (defense, police, prisons, and intelligence) have been among the biggest consumers of public finance in Zimbabwe. In recent years, polarization, domestic violence, political friction and declining human security have been major drawbacks. In essence, the national budget should speak to this crucial factor. Our thoughts with regards to this theme are as follows.

- Investments in addressing past injustices (via transitional justice) through national healing, reconciliation, and development is vital. Efforts should be made, particularly towards heinous injustices such as Gukurahundi. The NPRC should be properly resourced to engage this matter urgently and ensure that a sense of justice prevails.
- There has been a rising spate of gun violence, muggings and robberies over the past few years. In light of this development, the ZRP could be better resourced in terms of vehicles, latest technologies and revamping of police-community relations in order to reduce this tide. The limited presence of police stations in certain areas, especially in rural areas makes reporting instances of rape, gender-based violence and other vices a major challenge. The police could be better remunerated to reduce corruption within the force.
- Investments in peace-building has to be crucial especially as we head towards the 2023 harmonized elections. Emphasis could be made towards reducing tensions between predatory investments versus communities, as has been the case in areas such as Uzumba, Mutoko, Dinde and Chilonga.
- Zimbabwe Prisons and Correctional Service (ZPCS) have not been adequately resourced and improved for many years. The budget could point at strategies geared towards rehabilitating them to be fit for humans and to equally revamp related materials such as beds, linen, water and educational and health facilities across the country.
- According to the World Bank 2021 report, 7.9 million Zimbabweans live in extreme poverty, an indicator of worsening human security in the country. In 2017 extreme poverty stood at 30% and now stands at 49% in 2021. Instead of apportioning more resources to hard security (defense, intelligence), a bit more finances could be directed towards social security than ever before. Establishing a stable and predictable social security framework that cushions orphans, pensioners, war veterans and collaborators, the elderly, persons with disabilities and women is now vital.
- As cyber-security is becoming a major threat to humans and the state, Zimbabwe needs to invest in cyber capabilities across all security institutions.

With Regards to Sustainable Development

Sustainable development is a broad concept. It speaks to improving human welfare without compromising the ability of future generations in attaining the same. In light of this, these brief wishes to see the following:

- In light of glaring inadequacies in Zimbabwe's health system as further exposed by the Covid-19 pandemic, ensuring that the national budget portion matches the Abuja Declaration of 15% of the total budget will be a positive move. Investments are direly needed in areas such as human resources (especially specialists), facilities, consumables and infrastructure. Improvements in the health system will reduce

medical tourism to other countries, which has gobbled up more than US\$ 4 billion (Mid-term Review 2019). Even more important is to expedite the national vaccination program, which now stands at about 30% as of November 2021. The rate of vaccination is likely to impinge on the economic recovery efforts.

- The education sector suffered over the past two years, mainly due to the Covid-19 pandemic. Inadequate infrastructure in schools (WASH facilities, classroom blocks, absence of ICT and energy, and other teaching and learning materials) will compromise Zimbabwe's drive into the 4th industrial revolution. In light of these shortfalls, the education budget (both for primary and secondary, and tertiary education) should focus on addressing these deficits. For tertiary education, emphasis should be made to address skills gaps, especially in science, technology, engineering and mathematics fields as articulated in the 2018 National Skills Audit Report. Vocational and technical skills are crucial, and availing more training facilities in these areas is fundamental. Equally, the post-graduate level support in STEM could be promoted via scholarships, and amplification of innovations.
- Zimbabwe still ranks poorly when it comes to ICTs infrastructure development. As exposed by the Covid-19 pandemic, modern lives are now running on ICTs and the future will be dominated by this crucial development enabler. The budget could speak to ways of incentivizing technology providers such as telecoms companies (fiber and broadband) to ease importation and deployment of base stations in rural areas, invest in 4G and 5G, connecting all schools and public facilities and reduce ICTs inequities. Other crucial areas to incentivize include development of payment platforms, e-commerce, e-government, e-health and Skills development incentives in ICTs related areas could help spur the development of this crucial sector.
- Energy supply, particularly electricity has been erratic, resulting in many difficulties for industries and the broader economy. In light of this, this budget needs to speak to both immediate and long-term plans for boosting electricity supply and on connecting more people to the national grid (reducing energy poverty through rural electrification and other programs). Equally crucial is to reduce the levels of tax of oil (petrol, diesel and paraffin), which make the product the most expensive in the region. High oil prices have a debilitating effect on key economic activities.
- Unemployment is one of the biggest threats to sustainable development. Government ought to better incentivize employment of youth in the mainstream economy. The Youth Employment Tax Incentive (YETI) introduced in the 2020 annual budget can be improved to make it attractive for employers to get more youth in employment. The current ZW\$ 500 tax credit per month for employers who get additional employees may not be attractive anymore because of inflation.

Governance and Increased Political Participation

The quality of key public institutions remains a major handicap to national development. In essence enhancing good governance is crucial and the 2022 national budget ought to support this.

- Key pillars that require financial support include Zimbabwe Anti-Corruption Commission (ZACC), National Peace and Reconciliation Commission (NPRC), Zimbabwe Electoral Commission (ZEC), Zimbabwe Gender Commission, Zimbabwe Human Rights Commission (ZHRC), and Zimbabwe Media Commission. By and large, these institutions may need to improve their capacity in dealing with key issues such as corruption, human rights abuse and gender exclusion. Equally crucial, it

enhances the performance of the judicial system and ensures that it has adequate personnel to dispense justice fairly and timeously.

- The Parliament of Zimbabwe and its different committees play a crucial role in promoting good governance. Increasing resources towards key activities and resources (not luxury vehicles) by parliamentarians is vital.
- Devolution is a fundamental constitutional provision. In order to realize meaningful devolution, increasing intergovernmental fiscal transfers is fundamental and it helps to bring people into development processes.