



October 2014 Policy Brief

Accelerated government efforts on Policy and legal reforms are pivotal to the successful implementation of Zim Asset and achievement of sustainable socio-economic development, says PRFT

Introduction

The International Monetary Fund (IMF)'s 2014 regional economic outlook report for Sub-Saharan Africa shows that the region is experiencing strong growth rates. According to the report, the regional economy is expected to grow by 5% in 2014 and 5.75% in 2015. Despite this commendable progress, the major concern is the lack of inclusivity growth in the region as evidenced by most developing countries lagging behind in achieving the MDGs targets and sustainable human development. From all angles, Zimbabwe's story is different. According to Minister Chinamasa's 2014 mid-term Fiscal Policy review statement, announced in October, the first half of 2014 has shown evidence of further economic depression with annual projected Gross Domestic Product (GDP) growth rate revised downwards from 6.1% to 3.1% by the year end. This clearly shows that Zimbabwe is not part of the positive growth trajectory being experienced by other African countries in the region. The recent liquidity crunch coupled with policy gaps and political uncertainty has further propelled economic decline through lack of investment and continuing de-industrialization especially in the manufacturing sector. These macro economic ills have further compounded human development challenges as witnessed by high levels of unemployment and deteriorating social service delivery. The unemployment level, which is closely linked to income generation and expenditure patterns, has been estimated to be above 80% with the labour organization, Zimbabwe Congress of Trade Unions indicating that 4,172 people have lost their jobs during the first nine months in 2014. Currently the national budget is skewed towards recurrent expenditure leaving few resources to fund social projects especially in education and health, which have direct impacts on the socio-economic livelihoods of ordinary Zimbabweans.

PRFT's Basic Needs Basket Surveys (BNB)

PRFT's October BNB surveys have established deteriorating economic opportunities as one of the factors compounding urban residents' livelihoods. To complement the results of the BNB social research tool on analyzing urban livelihoods, PRFT went deeper to engage Mutare residents in a public dialogue to discuss urban challenges and solutions within the government's Zim Asset framework. Zim Asset outlines the following key clusters aimed at reviving the economy and bringing about sustainable development;

- Social services and poverty eradication
- Food security and nutrition
- Public infrastructure and utilities
- Value addition and beneficiation.

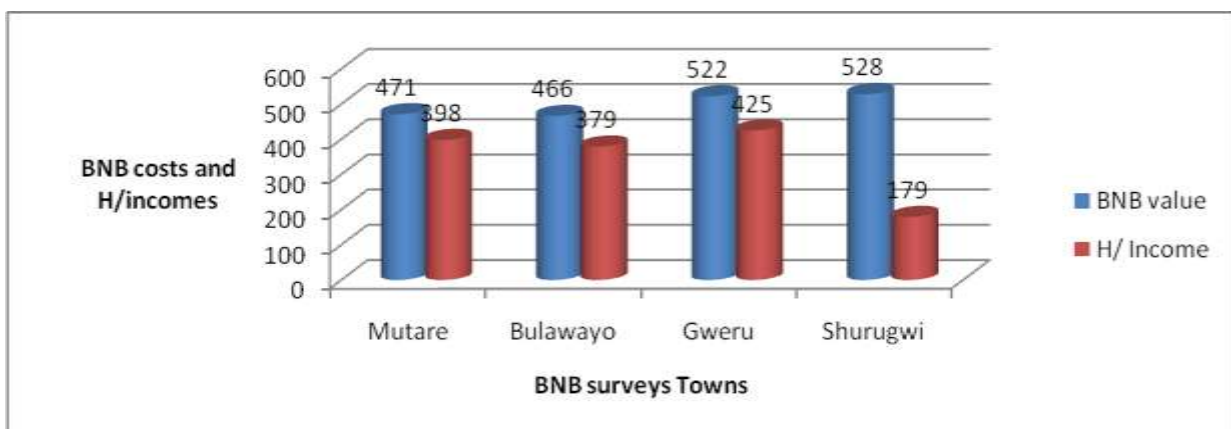
Through PRFT's engagement with residents during the public dialogue on the national economic programme, a lack of a favourable policy and legislation environment emerged as one of the factors deterring the fulfilment of the aspirations of Zim Asset. Although the government has started to work on policy and legislative alignment issues, most of the policies and laws are on the draft stage. Some of the draft bills in the social services and poverty eradication cluster include policy on social services, revised gender policy, public accounts and Auditors Amendment Bill, local authorities Bill, Provincial and Metropolitan Bill. However, evidence gathered by PRFT clearly shows that there is need for accelerated efforts on key policy and legislation reforms in all sectors. This will enable the ordinary people to participate and realise better standards of living out of socio and economic empowerment programmes as enshrined in the Zim Asset blueprint. For example, in the mining sector, there is an urgent call for a new Mines and Mineral policy which should address a variety of issues including how small scale miners can be incorporated into the bigger mining sector. The thrust of the Zim Asset's social services and poverty eradication is to avail and increase economic opportunities for women, youth and vulnerable groups through economic empowerment programmes. In Mutare, it is evident that there are many community empowerment projects which can be implemented to create local employment and these range from energy generation, timber processing and honey making. However, most of the time, residents have no where to start from because they lack the resources and a supportive national policy framework. In particular, residents in Mutare have indicated that they are facing policy challenges in trying to venture into private energy generating projects despite the deregulation of the electricity act and adoption of the national energy policy in a bid to lure private players to invest in energy. According to the residents, the Zimbabwe Electricity Regulation Authority (ZERA)'s buying price of 12 cents per unit does not generate enough incentives to attract investors into private energy generation projects. Furthermore, there is a concern from residents over the bureaucracy in ZERA in processing of independent power producers licences which has led to many investors pulling out.

PRFT has observed that mining communities and local authorities have benefited so minimally from the so called social responsibility programmes from mining companies. The companies are capitalising on the old Mines and Minerals Act which does not offer meaningful benefits to communities affected by activities. Furthermore, a lack of transparency and accountability in the mining sector is undermining the potential of mining activities to fully contribute to the socio and economic development of the country. The economic blueprint (Zim Asset) clearly identifies Community Share Ownership Trust Schemes (CSOT) and Public Private Partnerships (PPPs) as key sources of resources to finance various infrastructure development projects

aimed at improving social service delivery and PRFT strongly supports this. Given the current fiscal position of the country in which the current budgets are skewed towards recurrent expenditure and less to infrastructure development, PRFT embraces the government's idea to utilise these options such as PPPs. The IMF 2014 regional outlook report even acknowledges successful PPPs stories coming out in a number of African countries such as Benin and Burkina Faso. However, Zimbabwe may not benefit from this popular option of financing infrastructural deficits because currently as it stands, there is no legal framework to regulate private public partnerships (PPPS) in Zimbabwe. PRFT's sees the absence of a regulatory framework, legal and institutional framework to strengthen the adoption of PPPs as a major draw back for Zimbabwe to benefit from PPPs

The huge infrastructure deficit in Zimbabwe has undermined productivity, employment and potential economic growth. In the social service sector, dilapidated water and road infrastructure has further worsened service delivery dragging more households into poverty. PRFT's October BNB surveys have revealed that households are bearing the consequences of lack of adequate social infrastructure such as schools. The analysis of household income and expenditure data collected from households under its sentinel surveys in Mutare indicates that Dangamvura households are forking out \$10 dollars every month from their dry pockets to fund the completion of a local primary school (Nyamauru) which the government has failed to complete citing lack of resources. PRFT takes this as a double jeopardy on the households who are supposed to pay the unaffordable schools fees for their children and still want to buy other essentials for their survival from the limited household incomes. Urban livelihoods in Zimbabwe have been mainly centred on unsustainable informal businesses in urban centres due to higher levels of unemployment in the country and financing public infrastructure development from households' pockets increases their poverty. An analysis of household incomes from the households under PRFT's sentinel surveys in Mutare revealed that on average, households earned an income of \$398 in the month of October which is far away from the Zimbabwe Statistical Agency (ZIM STATS)'s September Poverty datum line of \$502.

Fig showing graphical comparisons between households incomes and cost of Basic Needs Basket



Recommendations

The Poverty Reduction Forum Trust strongly recommends government to accelerate its efforts to fill all the policy and legislation gaps in each sector. PRFT feels that unless there is political will in realignment of the current laws with the new constitution, the economic blue print itself will join a long list of broken and non implemented government blueprints

PRFT sees the Zim Asset's two sub sectors namely Fiscal Measures and public administration, Governance and performance management as highly important toward achieving the intended objectives of the other four main clusters and therefore they have to be of priority going forward. We applaud the government's re-engagement process with IMF and its commitment to implement the second phase of the IMF's staff Monitored Programme (SMP) which aims to improve and raise capacity of the government to improve its fiscal position and channel more resources to capital expenditure and social projects through public sector institutional and governance reforms. PRFT also believes that Zim Asset's potential to improve the livelihoods of people hinges on the use of a revenue mobilisation approach that does not increase tax burden to the residents already wallowing in poverty. PRFT is a civil society organisation which advocates for pro poor policies, sustainable development and policy and legislation issues. In particular, PRFT's current priority areas are; strengthening transparency and accountability mechanisms in the extractive sector, transparency domestic revenue mobilisation, PPP framework and policy compliance. PRFT joins other organisations and bodies in advocating for Publish What You Pay in the extractive sector, domestication of international conventions and protocols such as the UN guiding principles on human rights.

At local levels, the communities have recommended for a new policy thrust that equitably distributes opportunities to ensure revival and sustenance of local firms, creation of employment through value addition and beneficiation at local levels and expanded revenue for local authority and improved infrastructural development. Residents are calling for the decentralization of the buy Zimbabwe campaign to provincial levels to ensure local employment creation and improved regional liquidity.

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