



## **POVERTY REDUCTION FORUM TRUST (PRFT) SUBMISSIONS TO PARLIAMENT OF ZIMBABWE FOR THE 2021 NATIONAL BUDGET**

### **1. INTRODUCTION**

The Poverty Reduction Forum Trust (PRFT) is a civil society organization charged with the mandate of influencing the formulation and implementation of pro-poor policies and advocating for sustainable human development in Zimbabwe. PRFT does this through research, engaging with policy makers, promoting broad-based consultative dialogue and processes and raising public awareness. This is the PRFT submissions as part of that mandate.

### **2. REVENUE**

#### **2.1 Tax incentives**

The BSP notes that plugging of revenue leakages and streamlining tax incentives is one of the priorities for 2021. In the 2019 and 2020 budgets, the Minister made a commitment to publish detailed information on tax incentives including the cost and benefits. There is need for the Minister to provide the information to enable further discussions on the current tax incentives and help identify harmful tax incentives that need to be discarded.

#### **2.2 Mining**

Revenue leakages in the mining sector at a time the country is reliant on regressive taxes like VAT and the 2% IMMT is a cause for concern. The 2021 budget must come up with clear timelines to put in place policies and systems that plug the revenue leakages in the sector. These include the amendment of the Mines and Minerals Act, which should facilitate improved mining fiscal regime and plug revenue leakages. There must also be explanations for the missed deadlines in putting in place the Mining Cadastre System. Government has also in the past given too many concessions to mining companies on value addition, there is therefore need for a clear plan on mining value addition including outlining clear incentives for value addition. The BSP is silent on Extractive Industries Transparency Initiative which is another tool which should help in improving transparency and accountability. All these reforms must be completed to help increase the mineral revenue contribution in line with increased mineral prices.

#### **2.3 Potential Revenue Losses**

The reintroduction of the USD in March 2020 has seen more retailers and economic agencies charging their prices in USD but issuing ZW\$ denominated receipts resulting in tax revenue losses. Compliance mechanisms must be put in place to ensure maximum revenue collection.

### **3. EXPENDITURE**

#### **3.1 Sustainable Development Goals (SDGs)**

The SDG framework must guide the development planning and the implementation of the 2021 budget. One way of doing this is through linking the indicators in the budget to the country's targeted SDGs indicators. This will help in tracking SDGs progress while ensuring that there is a clear plan in terms of the means of implementation for the SDGs.

#### **3.2 Health**

Government has committed to increasing allocation to the health sector towards the Abuja target of 15 percent of National Budget. However, in addition to the budget allocation, budget disbursements must also match the allocation for improved health service delivery. The situation where the health budget had only utilised 39% of the budget by 30 June 2020 during a health pandemic and at a time when the access and affordability of health services was worsening is deplorable.

#### **3.3 Education**

COVID-19 has exposed the infrastructure gap in the education sector with most schools not able to operate safely at full capacity. Although, the education budget allocation has been at the recommended 20% of the total budget in the past decade, more than 90% of that has been going towards employment costs leaving little for infrastructure projects. There is therefore need for an increase in the infrastructure budget towards construction of schools and making those available fit for purpose during and after the pandemic. We commend the government for completion of the Construction of 17 primary and secondary schools, funded through OPEC Fund for International Development (OFID). However, the NDS1 and the 2021 budget should prioritise construction of the 100 schools identified for feasibility studies under the TSP.

#### **3.4 Social Protection**

We commend Government for putting in place various social protection schemes including the Drought Mitigation, Basic Education Assistance Module, Drought Mitigation, Basic Education Assistance Module, Sustainable Livelihoods, Support to disabled persons, Harmonised Social Cash transfers, Support to elderly persons, Children in difficult circumstances.

However, Government must ensure that the figures disbursed are realistic to make a difference. Timely disbursements of funds is also of equal importance. The figures must also respond to inflation to enable the cushioning of the targeted beneficiaries. For example, the \$300 cash transfers were announced in July 2020 at a time the Poverty Datum Line for a household of five persons was at \$15 572,85 and this has since risen further. Where it is not, possible we urge the Government to streamline the beneficiaries and target the most in need first to ensure that whatever is disbursed is significant and in line with costs.

### **3.5 Agriculture**

Government has mainly focused on improving agriculture productivity through interventions such as the rehabilitation of irrigation schemes, agriculture mechanisation and the Pfumvudza/Intwasa scheme, which will also be important for poverty eradication. However, in addition there is need to establish an agricultural marketing system that promotes agriculture viability. The 2019 budget was supposed to establish the Agriculture Commodity Exchange but the project seems to have stalled. There is need for the 2021 budget to revisit this issue so that the sector can reap the benefits of market including increased agriculture financing options.

### **3.6 Tripartite Negotiating Forum (TNF)**

The BSP highlights Government's commitment to review wages and salaries in line with inflation developments and budget capacity to restore eroded incomes as the economy recovers. There is an urgent need for an agreed formula for wage adjustments and wage floors factored into the 2021 budget within the TNF framework to break the current impasse, which is affecting public service delivery especially in the health and education sectors.

### **3.7 Stabilising the National Currency and Prices**

As PRFT, we agree that the stabilisation of the national currency and prices is important for sustainable growth. However, we urge more transparency and accountability in the management of the foreign exchange Auction system. The cost of funding the auction system including the terms and conditions of borrowing for the auction system must be made public as well as beneficiaries. Equally important is putting in place legislation that heavily punishes recipients of foreign currency from the auction system that use the currency for speculative behaviour. Further, the RBZ must provide cash to bureau de change to increase the liquidation of remittances into the official market.

### **3.8 Local Procurement Policy**

In order to stimulate local demand there is need for government to promote local content through local public procurement in line with the Local Content Strategy and the Industrial Development Policy.

### **3.9 Public Finance Management**

Government's progress and commitment to the Open Budget Survey is commendable. Further to that, we urge the government to adhere to the progressive public finance provisions in the Constitution and the PFMA etc. Of particular concern is the lack of adherence to the monthly, quarterly and yearly reporting requirements in part IV of the PFMA. This is important to enable budget monitoring and tracking by citizens and strengthening transparency and accountability. Improved reporting can also assist in improving budget implementation and budget disbursements particularly to the social sectors. The actual budget disbursements must closely reflect the approved budget allocations. Parliament must therefore ensure enforcement of PFMA provisions and timely disbursements to critical social sectors.