

2015 NATIONAL BUDGET

NOTES FOR REMARKS BY SIMBA MAKONI

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LOT'S OF SOUND BITES, - NO CONTENT

Salutations & welcome

In the introduction to the statement, the Minister said he would propose a **developmental and inclusive** budget, which would:

- improve the ease of doing business in Zimbabwe;
- un-lock the country's productive capacity;
- clarify the indigenisation laws;
- present a strategy for Special Economic Zones (SEZs); and,
- mobilise resources for implementing ZIMASSET.

However, the budget statement did none of those things.

This year's statement lacks sound rigorous analysis.

I am sure the professionals in the ministry and other departments of government, RBZ and ZEPARU, are capable of providing such analysis. But I assume such analysis would be considered 'politically incorrect and unacceptable, especially in the week before the 'elective congress', against the background of the 'blood bath in ZANU-PF'.

The minister used some attractive sound bites, but gave no content. For example:

- mining is the anchor for socio-economic transformation;
- we operate an unsustainable pricing structure;
- there has been progress in strengthening the financial services sector, and the sector is stable;
- we have a 15 point debt resolution strategy;
- our balance sheet is very strong;
- we need new capital injection into the economy; etc.

But when you analyse the statement, you find no elaboration of those sound bites, and worse, no proposals or measures for realising them.

The brief analyses he made, and the numbers he presented point to worsening conditions. Revenue performance in this current year will be lower than budgeted, and the economy is in deflation, yet he proposes higher expenditure next year.

He estimates GDP growth of 3.1% this year, and projects it at 3.2% next year. But he does not explain what the source(s) of that growth will be. At the same time, he predicts slow down in all sectors, especially agriculture and mining. These were the anchor of his projected 6.1% growth this time last year; which he subsequently reduced to 3.1%.

He proposes to spend \$4.15 bn, 81% of it in employment costs, 11% in operations and maintenance and 8% in capital expenditure. He makes this confounding admission ... **'we are paying people to sit in offices'**.

One painful aspect of the employment costs is that we are paying huge amounts to **'ghost workers'**. A government HR audit about 2 years ago revealed that up to 39% of civil servants do not exist. Yet, their emoluments are included in the huge and growing employment costs. Remember last year, Min Chinamasa estimated that employment costs would chew up 75% of the government budget; this year it's up to 81%.

The table on company closures (4610) and job losses (55443), is a welcome confirmation of the economic implosion. However, as with other areas, the minister gives no proposal/plan for mitigating the catastrophe.

2 important revelations on agriculture:

- he obtrusively predicts a drought this year, hence an allocation for cloud seeding; and,
- the much heralded **Presidential Input Scheme** is after all a government programme, gobbling \$252 m in a stressed budget. Yet all these years, we have been told this is a private initiative of our caring President Mugabe, resourced by himself and 'well wishers'. Of course, the people have always known that this is public money being used for political patronage. It's the same as the Presidential Scholarship Scheme.

Now that the minister has publicly confirmed that this is our money, the programme should be located in, and administered by the relevant government ministry and institutions, using transparent and accountable mechanisms and criteria.

In light of the allocation for cloud seeding, the Met Department and AGRITEX should immediately and openly advise the nation, especially farmers, about the prospects for the season.

On indigenisation, the minister's statement further confused, rather than clarifying the matter. There is need for clear public guidelines and parameters for i local and foreign investors to apply.

The minister haughtily announced that he would present **a raft of measures** to stimulate the economy. He then proceeded to give a litany of 12 month extensions of peripheral duty rebates. One analyst called that **'majoring on minors'** or **'focusing on micro issues'**.

No ministry allocations. It is noteworthy that the minister did not announce any allocations to line ministres, apart from the \$252 m allocated to the Presidential Input Scheme. It must be the first time that a budget has been presented without announcing the allocations to the different ministries.

Apart from giving the income and expenditure, or sources and applications statements of national finances, the budget statement should present a vision and road map of where the government

plans to take the national economy. It should also provide a compass for the rest of society to follow and base their own actions.

In our current situation, a few anchor issues should have been posited. A government that is basking in the glory of a so-called landslide victory, should have the guts and will to break new ground. The place of the following factors in our future economy should be clearly defined:

- **manufacturing:** what is the vision for this sector, and it's future make up? There seems to be a hankering for the import substitution model inherited from Rhodesia.

What effect do you expect from export incentives given to operations that are globally un-competitive?

- **cost drivers**

power: as a nation we are spending huge amounts of money on generators, diesel, and repairs and maintenance arising from power surge damage. Put together, those resources could significantly capitalize a rational, efficient power development plan, with significant Independent Power Producer contributions.

Labour: the government needs to generate courage and conviction to usher in a flexible labour regime that supports retention of current jobs, but more importantly generate many many new formal jobs. We should stop the romanticisation of the informal sector as the back bone of our future economy.

- **mining revenues:** we must recognise that minerals are wasting asset. Consequently, apart from reviewing royalties and taxation of mining, we need a framework on the utilisation of mineral revenues, for purpose that benefit future generations.
- **land agriculture:** we should transit form the colonial injustice mantra, to managing land as a productive asset.
- **knowledge base:** high literacy rates and skills levels need to be leveraged to create competitiveness. But this won't happen if we are driving our human resources into exile.

My sense is the minister was not ready for this budget. The statement was incoherent, and in some respect, even contradictory. He was rushed t meet a date, and just net through the motion.

THANK YOU