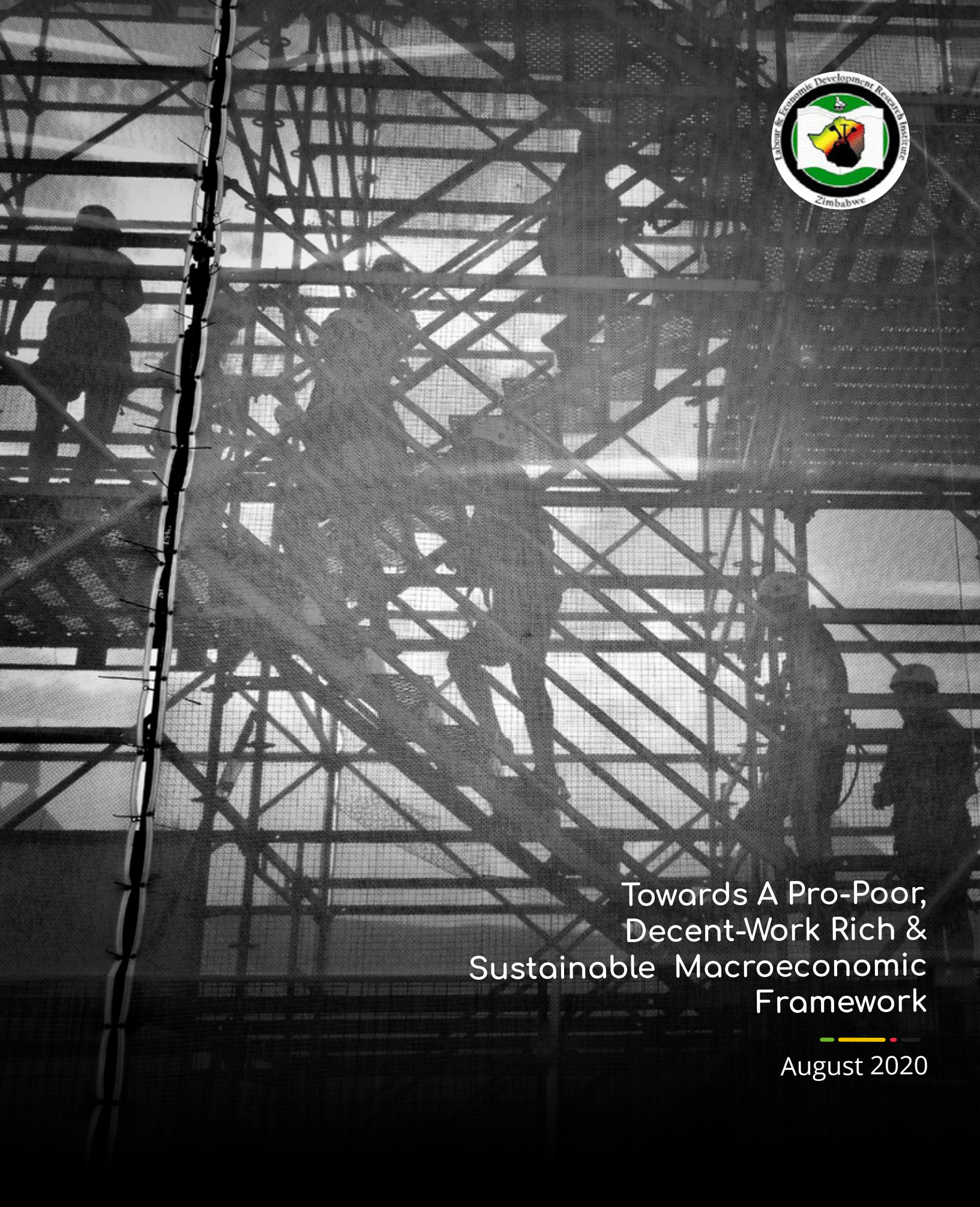

Towards A Pro-Poor, Decent-Work Rich & Sustainable Macroeconomic Framework

August 2020

Contents

List of Acronyms

AfDB	African Development Bank
COVID-19	Corona virus disease
CZI	Confederation of Zimbabwe Industries
DRC	Democratic Republic of Congo
ESAP	Economic Structural Adjustment Programme
FDI	Foreign Direct Investment
GDI	Gender Development Index
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
IPRSP	Interim Poverty Reduction Strategy
LFCLS	Labour Force and Child Labour Survey
MERP	Millennium Economic Recovery Programme
MSMEs	Micro, Small and Medium Enterprises
NCDs	Non-Communicable Diseases
NEDPP	National Economic Development Priority Programme
NEET	Not in Employment, Education or Training
NERP	National Economic Revival Programme
PPP	Purchasing Power Parity
PPPs	Public Private Partnerships
RBZ	Reserve Bank of Zimbabwe
SSA	Sub Saharan Africa
TSP	Transitional Stabilisation Programme
TVEs	Township and Village Enterprises
ZANU PF	Zimbabwe African National Union Patriotic Front
ZEDS	Zimbabwe Economic Development Strategy
ZIMASSET	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZIMSTAT	Zimbabwe National Statistics Agency

Introduction

Since independence, the government has come up with so many economic blueprints including: Growth with Equity (1981); Transitional National Development Plan (1982-85); 1st Five Year National Development Plan (1986-90); Economic Structural Adjustment Programme - ESAP (1991-1995); Zimbabwe Programme for Economic and Social Transformation - ZIMPREST (1996-2000); Millennium Economic Recovery Programme - MERP (2000); Ten Point Plan, with an emphasis on agriculture (2002); National Economic Revival Programme - NERP (2003); Macroeconomic Policy Framework (2005–2006): 'Towards Sustained Economic Growth'; Expansionary Monetary Policies (2003–2008); National Economic Development Priority Programme - NEDPP (2007); the Zimbabwe Economic Development Strategy (ZEDS) which was supposed to run from 2008-2013;Short-term Emergency Recovery Programme (2009); the Zimbabwe Agenda for Sustainable Socio-Economic Transformation – ZIMASSET (2013-2018); the Interim Poverty Reduction Strategy Paper – IPRSP (2016-2018); the Transitional Stabilisation Programme – TSP (2018-2020).

Past and present economic policies have failed to result in a structural transformation and diversification of the economy and they have also lacked a consistent pro-poor, decent-work rich and sustainable development framework that puts people at the centre. Even where growth has been achieved it has been insufficient to ensure significant poverty reduction and decent-work creation. Furthermore, the policies have been crafted without the much-needed broad-based participation of all key stakeholders, especially the working class and civil society. In particular, a major critique of past and the current government policy blueprint, the Transitional Stabilisation programme (TSP), is that there were no effective consultations and dialogue with key stakeholders to reach a consensus and to achieve buy-in and support. The global consensus is that broad-based stakeholder participation in policy development is critical as it engenders national ownership. In fact, the major reason for policy stillbirth and failure in many countries is the lack of effective participation by the citizens and key stakeholders. Lack of effective participation has also eroded trust between the government and citizens which has weakened political and economic confidence.

Importantly, the COVID-19 pandemic has provided an opportunity to rethink the macroeconomic framework. An important lesson emerging from the COVID-19 pandemic is that strategic and smart state intervention is very critical. This necessitates the need for the reorientation of the State into a developmental welfare state. Countries with a strong developmental welfare orientation/model (such as Finland, Denmark, Norway) have been better able to deal with the pandemic. Developmental welfare states put people and their basic human rights at the centre of development. Therefore and importantly, our macroeconomic and development priorities must be based on the attainment of socio-economic rights through the adoption and implementation of a human rights approach to development that ring-fences expenditures in sectors such as agriculture, water, sanitation, health, education, infrastructure, employment-enhancement, well targeted cash transfers for households living in extreme poverty conditions such as child headed families, persons living with disability, the elderly, and the chronically ill to enable them to live a life of dignity.

Structure of the Zimbabwean Economy

A quick analysis of the anatomy of the Zimbabwean economy will reveal that there are deeply embedded structural imbalances that have not been successfully addressed by past economic policies. These imbalances were largely shaped by the ideology of white supremacy and patriarchy that characterised the period 1890-1979. Through this ideology, a dual and enclave economy was created, through which a relatively developed and diversified formal economy co-existed with a largely neglected and underdeveloped peasant-based rural economy.

The enclave nature of the economy refers to the fact that the most dynamic and efficient part of the Zimbabwean economy that accounts for the greater part of GDP is the formal sector. The formal sector has a growth momentum of its own, mainly externally based that is relatively isolated from the activities of those in the non-formal sectors (informal and communal). In effect, the informal economy provides a buffer to those retrenched in the formal sector. Most activities in the informal economy are characterised by slow economic growth, low levels of productivity, and low wages.

According to the 2019 Labour Force and Child Labour Survey, 75.6 percent of total employment is informal. The high level of informality has presented challenges for domestic resources mobilization as it has eroded the tax base. One reason for the high levels of informality is the onerous and distortionary tax regime (there are so many taxes, levies, statutory fees and other unofficial charges through corruption which increase the cost of doing business). This has discouraged formalization while seriously eroding competitiveness resulting in some businesses going under. It has been demonstrated in empirical literature and country case studies that having so many taxes and levies encourages tax evasion and forces small businesses to go/remain, informal. Evidence also suggests that tax compliance rises as tax rates fall.

Review of recent Macroeconomic Policies

Following the electoral victory of ZANU PF in the 31 July 2013 harmonised elections the new government unveiled the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) as the economic blueprint to guide economic development over the period October 2013 until December 2018. ZIMASSET was a cluster-based development strategy with the following clusters: Food Security and Nutrition; Social Services and Poverty Eradication; Infrastructure and Utilities; and Value Addition and Beneficiation. These four clusters are supported by three enabling clusters namely: Fiscal Reform Measures; Public Administration, Governance and Performance Management; and Aid Coordination. While ZIMASSET had a detailed expose of the key binding constraints and the targets that were envisaged to be achieved by 2018, what was lacking was a clear institutional framework and financial capacity to address the binding constraints. At best the ZIMASSET goals and targets were just aspirations based on overly optimistic and unrealistic assumptions.

Government launched the Interim Poverty Reduction Strategy Paper (IPRSP) on 26 September 2016 to be implemented from 2016 to 2018. It was hoped that the successful implementation of the IPRSP would lay a firm foundation for the implementation of a full PRSP. The IPRSP was anchored on seven pillars namely: Agriculture Productivity, Growth and Rural Food Security; Social Sectors; Private Sector; Infrastructure and Climate Change; Environment and Climate Change; Gender Women and Youth Empowerment; and Strengthening Governance and Institutional Capacity. Just as with ZIMASSET, the

major problem with this approach is that the country was trying to achieve so many things simultaneously within a short space of time with very little resources (spray gun approach) and limited capacity. In the words of Rodrik (2007), 'development must be based on a diagnostic analysis of identifying the most binding constraints and then focusing on attacking those binding constraints in a sequential and incremental approach.' The IPRSP was also predicated on overly ambitious macroeconomic targets and assumptions with no clear focus on employment creation and poverty alleviation (Chitambara, 2016).

Government promulgated the Special Economic Zones (SEZs) Act in October 2016 to promote foreign direct investment (FDI) inflows. Notwithstanding, the investment climate has remained highly problematic with both foreign and domestic investment remaining largely subdued. The extent to which SEZs can function effectively and benefit the host economy as a whole depends on wider economic conditions. The more business friendly and competitive the surrounding environment, the greater the potential SEZs have to stimulate economic activity both within and outside of the zone. International evidence indicates that SEZs are most successful when they are targeted toward particular industries (in particular labour intensive and export-oriented manufacturing). On the downside, SEZs in a number of countries have been criticised for negative social, economic and environmental impacts particularly the rampant exploitation of workers especially women and the loss of government revenue.

The Transitional Stabilisation Programme (TSP) was launched on 5 October 2018, and will run from October 2018 – December 2020. The focal areas of the TSP include: stabilising the macro-economy, and the financial sector; introducing necessary policy, and institutional reforms, to transform to a private sector led economy; and launching quick-wins to stimulate growth. The TSP is underpinned by the vision 'Towards an Upper Middle-Income Country' by 2030. However, attaining upper middle-income status and attaining pro-poor, decent-work rich and sustainable development are not the same thing. Indeed, the country can attain upper middle-income status by 2030 without necessarily reducing poverty. The growth experiences of most poor countries have actually shown that countries can actually attain stellar economic growth without creating full and productive employment opportunities, a phenomenon known as 'jobless' growth and/or without reducing poverty. Full and productive creation and poverty eradication must be strategically, proactively and directly promoted and not rely on 'trickle-down.' A number of African countries have attained upper middle-income status and yet they are not yet developed. For instance, despite Africa's robust economic growth from 2000 to 2015, the absolute number of poor has increased on the continent. In their seminal 2016 publication, 'Poverty in a Rising Africa', Kathleen et al (2016) estimate that Africa had at least 50 million more poor people in 2013 compared to 1990. Kharas and Fengler (2017) estimate that at least 2.4 million of new poor were added in 2017 alone. Therefore, the attainment of upper middle-income status must not be the end in itself but rather a means to an end. The end must be pro-poor, decent-work rich and sustainable development which eradicates poverty.

The TSP envisages overall real GDP growth (%) of 6.3% (in 2018); 9.0% (in 2019); and 9.7% (in 2020) as shown in Table 1. While the TSP has clear economic growth targets there are no clear targets on employment creation and poverty reduction. The TSP is therefore not based on a holistic approach to sustainable development that integrates economic, social and environmental imperatives and considerations. The TSP is rather predicated on the underlying assumption of 'trickle down' that once economic growth is attained that will automatically result in employment creation and poverty reduction. Also given that future economic growth is projected to be underpinned by the natural resource sectors (in particular mining) it is highly unlikely that a lot of employment opportunities would be created. Such a projected growth pattern will also likely result in many people being left behind and left out of the growth dynamic.

Trends in Socio-economic Performance

Economic growth slowed down from about 16.7 percent in 2012 to 4.83 by 2018 before declining by -6.5 percent in 2019. The economy remains constrained by a lack of confidence (and trust); infrastructural deficits; political instability and institutional weaknesses among others. According to the World Bank Global Economic Prospects for June 2020, economic growth is projected to decline by -10% in 2020 making the country one of the worst performing economies in the world owing to the COVID-19 pandemic and a poor harvest in 2020. The high cost of production has seriously eroded the country's internal and external competitiveness. The major cost drivers in Zimbabwe include: corruption, financing charges, electricity and energy costs, transport costs, high taxes, levies and statutory fees among others. Infrastructure remains inadequate.

Table 1: Trends in Selected Macroeconomic Indicators, 2012-2019

	2012	2013	2014	2015	2016	2017	2018	2019
Annual Real GDP growth (%)	16.67	1.99	2.38	1.78	0.76	4.70	4.83	-6.5
Real GDP per capita	1,310	1,306	1,309	1,304	1,285	1,315	1,348	-
Annual average inflation (%)	3.7	1.6	-0.2	-2.4	-1.6	0.9	10.6	255
Savings (% of GDP)	-13.97	-5.47	-3.17	-8.39	-1.47	-2.21	9.97	-
Investment (% of GDP)	12.15	9.18	9.61	10.00	9.81	8.10	12.53	-
Budget Balance (% of GDP)	0.0	-1.7	-1.4	-1	-8.4	-12.7	-10.8	0.3
Exports (% of GDP)	25.16	21.99	20.93	19.16	19.94	18.99	22.92	-
Imports (% of GDP)	48.99	36.67	33.74	37.59	31.28	29.34	25.51	-
Current Account Balance (% of GDP)	-10.73	-13.23	-12.34	-8.41	-3.49	-1.35	-5.4	0.7
FDI (% of GDP)	2.04	1.95	2.43	2.00	1.67	1.08	2.40	0.6

Source: ZIMSTAT, World Bank World Development Indicators (WDI), IMF World Economic Outlook database.

Table 2 presents the sectoral spending performance of Zimbabwe based on the 2019 and 2020 National Budget estimates. There has been an increase in spending towards social protection from an estimated 0.25 percent of GDP in 2019 to an estimated 0.7 percent of GDP in 2020. Similarly, public health spending has increased from an estimated 7 percent of total public spending in 2019 to an estimated 10.1 percent in 2020, albeit still below the 15 percent Abuja Declaration benchmark. There has been a notable increase in agriculture spending from an estimated 12.7 percent in 2019 to an estimated 17.5 percent in 2020. Infrastructure spending has however declined from 8 percent of GDP in 2019 to an estimated 7.2 percent in 2020. This reflects the weak fiscal environment constraining government spending in general.

Table 2: Sectoral spending targets and performance based on the 2019 and 2020 estimates

Sector	Agreement	Target	2019 Estimate	2020 Estimate
Social protection	Social Policy for Africa (2008)	4.5% GDP	0.26%	0.7%
Health	Abuja Declaration (2001)	15 % government expenditure	7%	10.1%
Education	Education for All Initiative (2000)	20 % government expenditure	14.6%	13.3 %
Water & Sanitation	eThekwini Declaration (2008) Sharm El-Sheik Commitment (2008)	1.5 percent GDP	0.7%	0.7%
Agriculture	Maputo Agreement (2003)	10 % government expenditure	12.7%	17.5%
Infrastructure	African Union Declaration (2009)	9.6 percent GDP	8%	7.2%

Source: Calculations based on the National Budget statements.

Table 3 shows the industry value added per worker for Zimbabwe, Zambia, South Africa, Malawi, Mozambique, Botswana, SSA and the World over the period 2010 to 2018. Value added per worker is an important measure of worker productivity in an economy. Botswana has the highest value added per worker, followed by South Africa. Zimbabwe lags behind with an industry value added of US$7,438.50 as at 2018.

Table 3: Industry (including construction), value added per worker (constant 2010 US$), 2010-2018

	Zimbabwe	Zambia	South Africa	Malawi	Mozambique	Botswana	SSA	World
2010	4,977.94	15,516.35	29,652.03	2,327.18	3,378.35	35,073.56	12,314.14	27,253.58
2011	5,495.75	14,265.61	29,884.57	2,276.29	3,287.36	32,602.56	12,266.64	27,370.43
2012	6,037.16	12,925.32	30,252.45	2,285.43	3,157.55	30,799.86	12,198.88	27,198.75
2013	6,649.58	12,880.95	29,897.06	2,185.86	3,068.73	33,922.37	12,072.71	27,653.99
2014	6,991.42	12,581.06	29,540.60	2,192.43	2,990.47	33,364.31	12,009.63	28,189.24
2015	6,937.32	12,754.40	28,261.80	2,188.87	2,999.04	29,739.64	11,582.72	28,820.50
2016	6,979.84	12,760.41	28,685.55	2,173.71	3,100.55	29,409.62	11,283.80	29,591.30
2017	6,976.14	12,889.17	28,457.48	2,132.14	3,262.86	27,803.22	11,098.50	30,424.19
2018	7,438.50	12,897.55	27,965.49	-	3,238.57	28,631.37	10,120.43	25,391.60

Source: World Development Indicators, April 2020.

Fiscal space remains severely constrained owing to the poor performance of domestic revenue inflows

against the background of rising recurrent expenditures. The country is in an unsustainable fiscal position with the bulk of the fiscal revenues financing recurrent expenditures. The public sector wage bill poses a serious threat to fiscal and macroeconomic stability as the country has one of the highest public employment costs in Sub-Saharan Africa (SSA). In particular, the public sector wage bill has far exceeded growth in real GDP. The high public sector wage bill has crowded out necessary public investment in capital projects and the social services. Tables 4 and 5 show the analysis of the fiscal space and public expenditure for the period 2014-2019. As shown in Table 4, total revenue to GDP increased from 17.1 percent in 2016 to 21.5 percent in 2018 before declining to 17.6 percent by 2019. While tax revenue to GDP improved from 15.8 percent in 2016 to 21.1 percent in 2018 before coming down to 17.3 percent in 2019. The decline over the period 2018-2019 is on account of the economic slowdown.

Table 4: Analysis of the Fiscal Space, % of GDP

% of GDP	2014	2015	2016	2017	2018	2019
Total Revenue	20.0	19.1	17.1	17.3	21.5	17.6
Tax Revenue	18.2	18.1	15.8	16.9	21.1	17.3
Non-tax Revenue	1.8	1.0	1.3	0.4	0.4	0.3
FDI	2.4	2.0	1.7	1.1	2.4	-
Transfers	13.4	14.2	-	-	-	-
ODA	5.5	5.6	-	-	-	-

Source: calculated from Ministry of Finance data.

Table 5: Analysis of Public Expenditure, % of GDP

% of GDP	2014	2015	2016	2017	2018	2019
Total Expenditure	28.3	29.4	22.9	26.5	26.3	17.2
Current Expenditure	25.8	25.6	18.5	19.8	16.8	10.1
Capital Expenditure	2.5	3.8	1.9	6.7	10.0	7.2

Zimbabwe is rated among countries with high levels of corruption on account of weak institutions. Table 6 shows Zimbabwe's performance on major indicators of corruption perceptions. The Corruption Perception Index (CPI) score relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranged between 10 (highly clean) and 0 (highly corrupt) for the period up to 2011. As from 2012 the CPI score is on a scale from 0 (highly corrupt) to 100 (very clean). The country has experienced an improvement in terms of corruption perceptions with the CPI improving from 22 out of 100 in 2018 to 24 out of 100 in 2019 while the CPI ranking improved from 160/180 in 2018 to 158/180 in 2019.

Past macroeconomic performance has not been accompanied by structural transformation and diversi-

Table 6: Indicators of Corruption Perceptions

Year	Corruption Perceptions Index (CPI) – Transparency International	Corruption Perceptions Index (CPI) Ranking – Transparency International
2000	3 (out of 10)	65/90
2001	2.9 (out of 10)	65/91
2002	2.7 (out of 10)	71/102
2003	2.3 (out of 10)	106/133
2004	2.3 (out of 10)	114/145
2005	2.6 (out of 10)	107/158
2006	2.4 (out of 10)	130/163
2007	2.1 (out of 10)	150/179
2008	1.8 (out of 10)	166/180
2009	2.2 (out of 10)	146/180
2010	2.4 (out of 10)	134/178
2011	2.2 (out of 10)	154/182
2012	20 (out of 100)	163/174
2013	21 (out of 100)	157/175
2014	21 (out of 100)	156/174
2015	21 (out of 100)	150/168
2016	22 (out of 100)	160/180
2017	22 (out of 100)	157/180
2018	22 (out of 100)	160/180
2019	24 (out of 100)	158/180

Source: Transparency International and World Bank

Table 7 is a comparative analysis of the prevalence and incidence of corruption in Zimbabwe compared to two country groupings (SSA and Low income). As at 2016, Zimbabwe fares better than both SSA and Low-Income Countries in all the indicators.

Table 7: Comparative Analysis of Prevalence and Incidence of Corruption, 2011-12 and 2016

Indicator	Zimbabwe 2011-12	Zimbabwe 2016	Small Firms	Medium Firms	Large Firms	SSA	Low Income
Bribery incidence (percent of firms experiencing at least one bribe payment request)	16.2	17.5	17.2	20.5	9.8	22.7	24.6
Percent of firms expected to give gifts to get a construction permit	44	9.2	36.5	0.9	0	25.9	28.5
Percent of firms expected to give gifts to secure government contract	6.5	21.1	24.7	11.4	12.4	33.8	36.8
Percent of firms expected to give gifts in meetings with tax officials	12.6	12.6	11.8	17.5	4.6	17.2	18.9

Source: World Bank Enterprise Surveys

fication of production. Even where growth has been achieved it has been insufficient to ensure significant poverty reduction and decent-work creation. As presented in Table 8, the national unemployment rate stands at 16.4 percent in 2019. The female unemployment rate was higher at 17.2 percent as compared to 15.7 percent for males. There are regional disparities in terms of unemployment, Matabeleland North registering the highest unemployment rate at 30.0 percent while Harare had the lowest at nine percent. Youth (15-24) years had a national unemployment rate of 27.0 percent, higher for females at 30 percent than males at 25.0 percent. The national unemployment rate for youth (15-35) years was 21.0 percent again higher for females at 22.0 percent than males at nearly 20 percent.

Table 8: Indicators of Institutional Quality

Indicator	2014	2019
Unemployment rate 15+ years	4.8	16.4
Male unemployment rate15+ years	4.4	15.7
Female unemployment rate 15+ years	5.2	17.2
Youth (15-24 years) unemployment rate	6.8	26.8
Male youth (15-24 years) unemployment rate	5.9	24.6
Female youth (15-24 years) unemployment rate	7.8	30.3
Youth (15-35 years) unemployment rate	12	20.8
Male youth (15-35 years) unemployment rate	10.2	19.7
Female youth (15-35 years) unemployment rate	13.0	22.3

Source: 2019 LFCLS

The Zimbabwean economy is dominated by informal employment. The country faces a scarcity of regular wage employment for all who would like wage jobs and are capable of performing them. Would-be wage employees cannot afford to remain unemployed and continue to search so they find it better to create their own self-employment opportunities in the informal economy. The economic slowdown and the resultant company closures has resulted in a boom in the non-formal economy through informalisation with the 2019 Labour Force Survey showing that the share of informal employment to total employment is estimated at 76 percent in 2019 (see Table 9). Informal employment basically means that the country has abundant labour which is not being productively utilised

Table 9: Informal Economy

	2014	2019
Employment in the informal sector	859,060	975,880
Share of informal employment to total employment	94.5	75.6
Female share of informal employment	48.6	41.7
Male share in informal employment	51.4	58.3

Source: 2019 LFCLS

A major challenge for creating decent employment opportunities is the unfriendly doing business environment and regulatory framework. Estimates from Enterprise Surveys for the African continent reveal that about 1.3–3.0 million jobs are lost every year owing to administrative hurdles, corruption, inadequate infrastructure, poor tax administration, and other red tape. This figure is close to 20 percent of the new entrants to the labour force every year . Doing business reforms aimed at simplifying and streamlining the doing investment environment are vital to realising the full potential of the private sector to create decent job opportunities.

The prevalence of poverty remains high in the country. According to the Zimbabwe Poverty Report 2017 by the Zimbabwe National Statistics Agency (ZIMSTAT), the proportion of the population that was deemed poor dropped to 70.5 percent in 2017 from 72.3 percent in 2011/12 (see Table 10),. There are however regional disparities. For instance, the prevalence of poverty is more widespread in rural areas, with the rural individual poverty increasing from 84.3 percent in 2011/12 to 86.0 percent in 2017. Extreme poverty among the population increased from 22.5 percent in 2011/12 to 29.3 percent in 2017 on account of the economic slowdown over the past few years. Extreme poverty levels among the rural population rose from 30.4 to 40.9 percent between 2011/12 and 2017 while extreme poverty rates among the urban population actually dropped from 5.6 percent to 4.4 percent.

Table 10: Household and Individual Prevalence of Poverty-1995, 2001, 2011 and 2017 (%)

	Household		Individual	
	Poverty	Extreme Poverty	Poverty	Extreme Poverty
PICES 2017				
Rural	76.9	31.9	86.0	40.9
Urban	30.4	3.3	37.0	4.4
Zimbabwe	60.6	21.9	70.5	29.3
PICES 2011/12				
Rural	76.0	22.9	84.3	30.4
Urban	38.2	4.0	46.5	5.6
Zimbabwe	62.6	16.2	72.3	22.5
ICES 2001				
Rural	73.0	42.3	82.4	52.4
Urban	33.8	10.5	42.3	14.5
Zimbabwe	60.6	32.2	70.9	41.5
ICES 1995				
Rural	76.2	50.4	86.4	62.8
Urban	41.1	10.2	53.4	15.0
Zimbabwe	63.3	35.7	75.6	47.2

Source: PICES 2017, PICES 2011, ICES 2001 and ICES 1995.

As presented in Table 11, the individual national poverty rate for females stood at 70.3 percent, slightly lower than the individual national poverty rate for males at 70.7 percent. The females living in the rural areas have the highest individual poverty rate of 86.3 percent, while their female counterparts in the urban areas have the lowest individual poverty rate of 36.5 percent.

Table 11: Poverty Prevalence (Percent) for people, Males and Females, Rural and Urban Areas

Area	Male	Female	Total
Rural	85.6	86.3	86.0
Urban	37.7	36.5	37.1
Total	70.7	70.3	70.5

Source: PICES 2017

The prevalence of poverty among the youths aged 15-35 years is much lower than prevalence of poverty at the national level as shown in Table 12.

Table 12: Poverty Prevalence (Percent) for People Males and Females Youths (15-35 Years)

Area	Male	Female	Total
Rural	82.5	85.7	84.1
Urban	35.0	35.3	35.2
Total	66.2	65.9	66.0

Source: PICES 2017

The prevalence of household poverty ranges from 22.3 percent in Bulawayo Province to 81.6 percent in Mashonaland Central Province as shown in Table 13. Manicaland Province has the highest proportion of poor households (16 percent of all poor households live there), while Bulawayo (2.1 percent) has the least proportion of poor households. Poor households in Zimbabwe were characterised by large families, high dependency ratios, and, on average, older heads of households. Male-headed households were poorer (61.6 percent is poor) than female-headed households (58.9 percent). Extreme poverty was also slightly higher for the male-headed households with 25.2 percent compared to the prevalence of extreme poverty in the female-headed households with 21.2 percent.

When it comes to individual poverty, Manicaland Province has the highest proportion of the poor (16.4 percent), while Bulawayo has the least proportion of the poor at 2.2 percent. Mashonaland Central Province has the highest individual poverty rate of 87.9 percent and the lowest individual poverty prevalence was in Bulawayo Province, 29.9 percent. Extreme individual poverty is highest in

Mashonaland Central Province with 49.5 percent of the population below the food poverty line followed by Matabeleland North province with 45.1 percent while the lowest is found in Bulawayo Province (1.3 percent).

Table 13: Household and Individual Poverty Indices by Province

Province	Percent poor households	Poor households	Extremely poor households	Percent poor people	Poor people	Very poor people
Manicaland	16.5	71	27.9	16.4	80.7	36.9
Mashonaland Central	12.5	81.6	41.2	12	87.9	49.5
Mashonaland East	12.6	65.6	22.2	12.2	75.8	29.9
Mashonaland West	12.8	71.1	31.6	12.6	78.7	38.7
Matabeleland North	6.1	74.3	33.3	6.5	85.3	45.1
Matabeleland South	5.3	62.8	17.8	5.7	76.9	27.3
Midlands	11.4	63	21.8	11.8	73.8	30.2
Masvingo	12.8	64.8	20.7	13.3	75	27.9
Bulawayo	2.1	22.3	0.9	2.2	29.9	1.3
Harare	7.9	31.1	3.8	7.3	37.3	5.2
All Zimbabwe	100	60.6	21.9	100	70.5	29.3

Source: PICES 2017

The prevalence of poverty for people with disabilities is higher at 74.1 percent when compared with a prevalence of 69.5 percent for people without disabilities. Male-headed households are poorer than female-headed households. The prevalence of poverty among male-headed households is 61.6 percent when compared with 58.9 percent for female-headed households. Extreme poverty is also higher among male-headed households at 25.2 percent when compared to the prevalence of extreme poverty in the female-headed households of 21.2 percent.

Table 14 traces Zimbabwe's Human Development Index (HDI trends for the period 1990-2018. During this period, the country's HDI value initially decreased from 0.498 to 0.425 in 2005, before increasing to 0.563 in 2018. While the improvements in all the components of the HDI are observed since 2010, it is the spectacular increase in life expectancy from a low of 43.2 years in 2005 to 61.2 years by 2018 that is noteworthy. Zimbabwe's HDI value of 0.563 in 2018 lifts the country into the medium human development category, ranked at 150 out of 189 countries, which is an improvement from the rank of 153 in 2017. The 2018 female HDI value for Zimbabwe is 0.540 compared to 0.584 for males, which results in a Gender Development Index (GDI) value of 0.925. However, when the HDI value is adjusted for inequality, Zimbabwe losses 22.8 percent of its value to stand at 0.435.

Table 14: Zimbabwe's HDI Trends, 1990-2018

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP$)	HDI rank
1990	58.1	9.8	4.5	2,693	0.498
1995	50.5	9.8	5.5	2,574	0.472
2000	44.6	9.8	6.5	2,747	0.452
2005	43.2	9.5	6.8	1,853	0.425
2010	50.6	10.1	7.3	1,689	0.472
2015	59.5	10.3	8.3	2,226	0.543
2016	60.3	10.4	8.3	2,246	0.549
2017	60.8	10.5	8.3	2,318	0.553
2018	61.2	10.5	8.3	2,661	0.563

Source: Human Development Report 2019: Inequalities in Human Development in the 21st Century, Briefing note for countries on the 2019 Human Development Report, Zimbabwe. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/ZWE.pdf

Conclusion and Policy Recommendations

It is necessary and desirable to rethink the current conventional macroeconomic thrust. Conventional macroeconomic policy framework inordinately focuses on the attainment of macroeconomic stability as an end in itself at the expense of employment creation and poverty reduction. It has been observed in many countries that, obsession with eliminating fiscal and current account deficits, if achieved through cutbacks in public expenditure, especially on development and social services, can retard the process of growth and result in an increase in poverty. Importantly, in the words of Nayyar (2011), 'it is essential to return a developmental approach to macroeconomic policies that is based on an integration of short-term counter-cyclical fiscal and monetary policies with long term development objectives.' There is a need to redefine macroeconomic objectives so that there is an equal focus and prioritisation of both economic growth and employment creation. For instance, the fiscal policy must contain clear economic growth and employment creation targets. Macroeconomic policies must contain policy tools and strategies for employment creation in labour-intensive sectors. It is vital to adopt a pro-poor, decent work rich and sustainable development framework. This alternative approach prioritises people and their basic needs (such as food security, healthcare, education, housing, transport, access to public utilities, decent jobs, social protection and rural infrastructure) as well as ring-fencing expenditures thereto. In particular, investments in health, education and infrastructure have a positive effect on the accumulation of human and physical capital as well as total factor productivity.

Macroeconomic policies for development require partnership and coordination. Government policies must be the result of a process that involves the much-needed broad-based participation of all key stakeholders, including the working class and civil society; not just the private sector. The global consensus is that broad-based stakeholder participation in policy development is critical as it engenders national ownership, accountability and transparency. In fact, the major reason for policy stillbirth and failure in many countries including in Zimbabwe is the lack of effective participation by the citizens and key stakeholders.

Leverage Decent-work Rich Growth: In the context of a dual and enclave economic structure and the consequent prevalence of poverty and deprivation, it is vital that the poor and marginalised be integrated into the growth dynamic. Economic growth must be translated into productive employment growth which is a key nexus between growth and poverty reduction. It has been demonstrated that economic growth does not necessarily ensure poverty reduction and development, but only does so when it is accompanied by a rapid expansion of productive employment. The government should consider employment creation and the attainment of full employment as priority macroeconomic policy objectives for poverty eradication.

Improve the Investment Climate: To stem the tide of deindustrialisation and informalisation requires the creation of enabling and supportive policy, institutional and regulatory framework that reduces the cost of doing business and improves the investment climate. There is an urgent need to streamline and simplify the doing business environment. The plethora of taxes, levies and statutory fees must be reduced through the adoption of a uniform tax regime. Government must urgently embrace an e-government system that includes company registration and national procurement. E-governance can also help to make public service provision and governance more efficient and effective and also mitigate corruption by raising transparency and accountability through digital footprints and reducing face-face interaction. The e-governance system must also entail the adoption of biometric payroll registration of public sector workers and pensioners.

Undertake Institutional Reforms: It is important to strengthen and reform key institutions namely: state enterprises and parastatals. The reforms should be designed to enhance accountability and transparency in state operations and in major economic institutions. In particular, our state enterprises and parastatals must be transformed into autonomous and profit-oriented institutions with pro-market regulations and corporate governance mechanisms. It is now recognised that a participatory approach to restructuring is key to its success (Chitambara, 2015). Public sector reforms are most likely to achieve their objectives of delivering efficient, effective and high-quality services when planned and implemented with the full participation of public sector workers and their unions and consumers of public services at all stages of the decision-making process (Ganesh, 2008). A participatory restructuring culture helps to transform the public enterprises into an effective results-oriented long-term coalition by reconciling the various conflicting interests. This is also known as Socially Sensitive and Inclusive Enterprise Restructuring. There is also a need to reform and strengthen property rights in the agricultural sector through granting transfer rights. A productive economy requires that assets be used by those who can do so most productively, and improvements in property rights facilitate this by enabling an asset's mobility as a factor of production (e.g., via a rental market).

Enhancing the Fiscal Space for Sustainable Development: There is considerable scope for enhancing fiscal space in Zimbabwe and thereby strengthening domestic resource mobilisation for sustainable development. This can be achieved through:

- **Taxation reforms:** Taxation plays a fundamental role in the mobilization of resources for the allocative, distributive, growth and stabilization functions of the state. The current taxation regime is onerous and distortionary (with so many taxes, levies and statutory fees) seriously eroding competitiveness. While some progress has been made in tax policy and administration, it is imperative to further reduce the high marginal tax rates in order to lower the high cost of doing business and to increase real incomes among economic agents so as to boost aggregate demand in the economy. High marginal tax rates encourage tax evasion (through illicit financial flows) and force small businesses to go/remain, informal. Evidence from a number of countries suggests that tax compliance rises as tax rates fall. There is plenty of scope for the country to expand the fiscal space base and broadening the tax base by migrating beyond broad-based taxes to alternative revenue sources. One promising option is corrective taxes because they can promote efficiency while raising revenues. A number of Asian countries have introduced corrective taxes. Corrective taxes, or 'sin taxes,' are levied on goods and services that are considered to be bad for the individual or society at large (demerit goods). Examples include taxes on alcohol, cigarettes and products and activities with negative environmental consequences. Corrective taxes can improve fiscal revenues while at the same time reducing socially and environmentally undesirable activities thereby promoting good public health. A review of literature in many countries has demonstrated that tobacco taxes reduce tobacco consumption while providing a stable and reliable source of fiscal revenues. The World Health Organisation (WHO) has also been advocating for a sugar tax on sugar-sweetened beverages to fight the scourge of non-communicable diseases (NCDs). The sugar tax apart from reducing consumption of sugary drinks also raises additional revenues for the treasury. On 1 April 2017, South Africa introduced a 20% sugar tax on sugary beverages. This is part of the South African Government's strategic objective of preventing and controlling NCDs and obesity.

- **Rationalising the structure of government:** It is imperative to undertake structural reforms to reorient and restructure the anatomy of government and the public sector in general. It is often argued that Zimbabwe is 'overgoverned encumbered with a lot of bureaucracies and red tape, overregulated,

overpoliced, overtaxed, overlevied and yet its underdeveloped.' The bloated structure and bureaucracy has imposed a severe opportunity cost on development. What the country needs is a lean but efficient service-oriented government that is responsive to the development needs of its citizens, and stakeholders fully harnessing and embracing the potentialities of e-government. A number of countries have taken the bold action of closing down and merging some of their ministries and departments. For example, Kazakhstan in 1997 through a presidential decree reduced the number of ministries from 21 to 14 and the number of government bodies from 47 to 24. The optimal and ideal cabinet size for Zimbabwe is 15.

There is also scope for the country to reduce its military spending and deploy those saved resources to social expenditures and capital investments. Huge military expenditures that are largely recurrent in most African countries including Zimbabwe are behind the slow pace of development. Collier (2007) shows that military expenditure retards development by diverting government resources that could be put to better development use. He argues that military expenditure is not an effective deterrent of rebellion, and, if it is reduced in a coordinated manner across a country then external security interests would be unaffected. The resources freed by reduced military expenditure can be used to enhance development which in turn would reduce the risk of internal conflict. Hence development, not military deterrence, is the best strategy for a safer society. In Uganda, the Government committed itself to implementing a reduction in expenditure on security, justice and governance from 39 percent of the national budget in 2008 to 36 percent in 2011 to allow for a scaling up of pro-poor expenditure on rural development, energy, road infrastructure and human development. This has resulted in Uganda scoring significant gains on the development front (Ter-Minassian et al, 2008).

• **Plugging loopholes to eliminate leakages and illicit financial flows.** The country must also implement the recommendations of the High-Level panel on Illicit Financial Flows (IFFs). Corruption has contributed to significant increase in the cost of doing business, levels of informality and underground economic activities in the country. Moreover, corruption has discouraged production and provided strong incentives for rent-seeking and conspicuous consumption while discouraging domestic savings and investments. Economic growth has been undermined while the ability of government to mobilise resources domestically has been seriously emasculated. Scholars such as Hope (2000) and Tanzi (2002) have argued that when top political leaders fail to lead by example, either because they engage in or condone acts of corruption to the benefit of relatives, friends, political associates; employees in the public administration and private sector players; cannot be expected to behave differently. Once leadership destroys the cankerworm within itself, the rank and file of the public sector and society will be frightened to indulge in corrupt practices. Therefore, the best way of ridding a country and society of corruption is by ridding it of corrupt aristocrats and politicians.

• **Leveraging remittance from the diaspora.** It has been shown that remittances are a significant and stable source of financing in many developing economies contributing immensely to development and poverty alleviation. There is scope for the country to leverage greater remittances inflows for sustainable development by increasing incentives, reducing the cost of remittances services and improving the overall investment climate.

• **Harnessing private sector participation in infrastructure investment through Public Private Partnerships (PPPs).** There is need to harness private sector participation in infrastructure investment through Public Private Partnerships. However, PPPs need to be properly evaluated, structured, and regulated.

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Towards A Pro-Poor, Decent-Work Rich & Sustainable Macroeconomic Framework

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