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**THE SPEAKER OF THE NATIONAL ASSEMBLY**

**HONOURABLE ADVOCATE J. F. MUDENDA**

**AT THE**

**2019 PRE-BUDGET SEMINAR**

**“Prudent fiscal deployment of resources for optimal economic results”**

**31 OCTOBER 2019 – 4th NOVEMBER 2019**

**Elephant Hills, Victoria Falls**

**The Senate President, Hon. M. Chinomona;**

**The Deputy Speaker of the National Assembly, Hon. T. Gezi;**

**The Deputy President of the Senate, Hon. Lt. General (Rtd) M. R. Nyambuya;**

**The Minister of State for Provincial Affairs for Matabeleland North Province, Hon. Richard Moyo;**

**The Minister of Finance and Economic Development, Hon. Professor Mthuli Ncube;**

**Honourable Ministers here present;**

**The President of the Council of Chiefs, Hon. Chief F. Charumbira, his Deputy Hon. Chief Khumalo and all other Honourable Chiefs;**

**Honourable Committee Chairpersons and Members of Parliament here present;**

**The Clerk of Parliament, Mr. K. M. Chokuda and Staff of Parliament;**

**All Permanent Secretaries and Senior Government Officials here present;**

**The Governor of the Reserve Bank of Zimbabwe, Dr. J. P. Mangudya;**

**Ladies and Gentlemen;**

On 1 October 2019, the President of the Republic of Zimbabwe, His Excellency, the President, Cde E. D. Mnangagwa, set out an ambitious but nonetheless surmountable national development agenda in his State of the Nation Address presented during the official opening of the Second Session of the 9th Parliament. That national development agenda takes cognizance of the opportunities and hopes of Zimbabwe which can only be achieved through productivity, innovation, responsiveness, persistence, deliberate planning and disciplined focus. The 2020 National Budget is meant to anchor the opportunities and hopes that Zimbabwe hankers for. This can only be achieved through judicious exploitation of natural resources and prudential optimal allocation of public resources. The Budget should, therefore, persuasively influence the behaviour of all economic stakeholders to contribute towards the achievement of national objectives and goals. In this context, Parliament and the Executive should create seamless synergies which must promote convergence of development priorities which should ground our national Budget. Thus, this seminar enjoins Parliament and Line Ministries, particularly the Ministry of Finance and Economic Development to engage in a vicious discourse in crafting a realistic Budget responsive to the economic interests of the people of Zimbabwe. Principally, this is an opportunity for all Members of Parliament, through their respective Committees, to positively influence the architecture of the 2020 Budget. Members will also get an opportunity to dissect all the nuances of the 2020 Budget in order to enhance inclusivity and ownership of the process thereby giving legitimacy to the Budget Assumptions and Proposals by Treasury, if endorsed by the people’s representatives.

This Seminar specifically seeks to achieve the following objectives: -

1. To review the macro-economic performance of the current Budget as a point of departure to the 2020 Budget process;
2. To take into account what the people of Zimbabwe, through their representatives in Committees, expect in the National Budget formulation process and its content thereof;
3. To robustly engage line Ministries in determining the national economic priorities and programmes for the ensuing National Budget;
4. To ensure that there is gender and the Sustainable Development Goals mainstreaming in the Budget; and
5. To facilitate and enhance Parliament’s consultation with the Ministry of Finance and other line Ministries on how to fund the Budget deficit through Domestic Resource Mobilisation thereby reducing the Fiscal Deficit to acceptable thresholds.

Honourable Members, Ladies and Gentlemen;

As I alluded to in my Pre-Budget Briefing Seminar, this Seminar is being held amid a myriad of challenges and uncertainties threatening to turn the Budgetary process into a mere academic exercise. Chief among them is the exchange rate volatility which is feeding into the price madness that has engulfed the domestic market. This jittery and fluid market environment has eroded public trust in our national economy. The theme of this seminar, “Prudent fiscal deployment of resources for optimal economic results”, therefore, aptly summarises our quest for the 2020 Budget that ensures allocative efficiency and effectiveness of the appropriated resources in order to bring about the envisioned economic growth with equity. That way we should be able to regain public trust. The theme is, therefore, a call to action for us all as key stakeholders in this Budgetary process so as to set the Budget on a sustainable fiscal framework. Without such a framework, it will be a futile colossal task to frame and implement the programs that do not meet the legitimate economic development expectations of the citizenry.

In that regard, Hon Members, I feel constrained by the Doctrine of the Separation of Powers to speak my mind freely. Be that as it may, it goes without saying that Parliament is the embodiment of citizens’ aspirations and interests and, therefore, citizens look up to Parliament to ensure that there is compelling stewardship of the national economy. Admittedly, Zimbabwe’s economic challenges call for penetrating wisdom to understand the underlying economic fundamentals, lest we misdirect our efforts to addressing symptoms of our economic ills. Regulations alone are not a panacea to solving economic challenges. That is why Winston Churchill, in his boundless wisdom, observed that “If you make 10,000 regulations you destroy all respect for the law”. Israel more Ayivor, a young multi-talented Ghanaian author and a dynamic inspirational blogger, corroborated the same when he opined that “Success becomes evident when the principles that bring about success are obeyed!”. It is, therefore, pertinent that before we delve deeper into the nitty gritties of mapping out the 2020 Budget, let us examine how we can make the Budget work in the ensuing year.

Honourable Members, Ladies and Gentlemen;

It is no secret that numerous fundamental and technical factors influence the exchange rate. These include relative supply and demand of the United States dollar and the RTGS, economic performance, an outlook for inflation, interest rate differentials, capital flows and technical support just to mention but a few. These factors are currently in a state of perpetual flux, thus making budgeting an unenviable and onerous task, if not rectified. Parliament, therefore, should proffer practical solutions on how to strengthen the local currency and make it generally acceptable as a medium of exchange and a unit of account let alone to make it the currency of the national Budget. One way to strengthen the store value of our currency is to use the weighted average value of our diverse minerals so as to mitigate against the effect of fluctuations in the value of the currency and the consequential price hikes. I am persuaded by one Tapiwa Chizana, who in 2013 suggested that Government designates disaggregated mineral-rich geographical areas as “currency zones”. These would not be exploited by private individuals or companies but by Government which can then issue a local tradable Zimbabwe currency equal to the deemed value of minerals in the designated mineral zones. No more and no less. The gross market value of minerals available in the designated areas, less costs required to extract the minerals, can be determined as the “deemed value” of the minerals in the ground. Such designation would be verified and certified by the African Development Bank or other international financial bodies. Mining in these designated areas would only be permitted if the equivalent value of minerals extracted from those areas were to be deposited with the Central Bank and retained as currency reserves. Alternatively, why not sell or auction 15 of 22 ZMDC dormant gold concessions to some of Asian financial giants after carrying out some rapid geomagnetic surveys. Sweden has such an equipment. We can easily raise US$50 Billion and sort out our economic challenges once and for all.

Honourable Members, Ladies and Gentlemen; Mindful of the need to preciously nurture the ‘Goose that Lays the golden eggs,’ I challenge the Committee on Mines and Mining Development to think through the emerging demands for settlement of statutory obligations in forex by the mining industry. Specifically, consider the pros and cons of recent directives for Mining Companies to pay electricity and royalty in foreign currency from the current retention thresholds model that excluded payment of royalty and electricity in forex. The Committee should also thoroughly consider the appropriate retention thresholds that guarantee viability and growth of this sector which has the potential to raise US$12 Billion in the next three to five years through export earnings.

I also yearn to hear discussions around Zimbabwe’s re-admission into the London Bullion Market Association (LBMA) from which the country can derive comparative advantage to turnaround its mining sector. Mindful that the country has already met the requirement to produce at least 10 tonnes of bullion for three consecutive years, the resource owners(the citizens) need satisfactory answers on why the country is continuing to sell the valuable metal through Rand Refineries? The Country can also reap rich rewards by joining other major international gold exchange markets like the America Gold Market, Zurich Gold Market and Hong Kong Gold Market, among others. Gingered innovation is what is required to realize these propositions.

Honourable Members, Ladies and Gentlemen;

It will be remiss on my part to talk about how to strengthen the value of the local currency without mentioning the critical role which can be played by our Diasporans in economic development and foreign currency supply. In that regard, I expect this seminar to call for a revision of the diaspora policy to make Zimbabwe an irresistible investment destination for the diaspora community. Such investments can be in infrastructure projects. We need to take a leaf from countries like Ethiopia which sold US$56 million worth of infrastructure bonds to its diaspora population to finance the 6,450 megawatts Grand Ethiopian Renaissance Dam (GERD) being built on the Blue Nile river. Ethiopia found itself bearing most of the US$4.7 billion cost alone after international donors boycotted the project because of environmental issues raised by exasperated countries that use the waters of the Nile. The Ethiopian diaspora chipped in with US$56m as seed money. This is the reason why Ethiopia has set aside a Diaspora Day to celebrate their diaspora community. I am still to be convinced on why we haven’t established a Diaspora Directorate within the Ministry of Foreign Affairs and International Trade to tap into this fountain of foreign currency.

Honourable Members, Ladies and Gentlemen;

Smart Agriculture Financing can boost productivity in the agriculture sector. The Agriculture Committee should read the research by the Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) titled ‘Sustainable Financing Options for Agriculture in Zimbabwe’. In the paper, ZEPARU argues that the country’s agriculture sector is bankable and creditworthy. The paper emphasizes the importance of information, social cohesion and peer loan guaranteeing for successful lending to the sector. The paper also recommends that institutions such as the Grain Marketing Board, with assistance from Government, should invest in establishing farmer data bases on past farmer loan performance, production performance and indebtedness that banks need in appraising farmers’ loan applications. Banks on the other hand need to adopt collateral substitution lending approaches that have been used by successful agriculture finance institutions in other countries to lend to the sector without collateral security. The Committee should interrogate the line Ministry why it is not taking on board the ZEPARU research findings.

Honourable Members, Ladies and Gentlemen;

It goes without saying that the 2020 Budget should build on the epoch-defining landmarks inclusive of fiscal and monetary reforms couched in peaceful democratic space in order to leap frog our economic development.

Let me hasten to mention that austerity measures are not peculiar to Zimbabwe alone, for in 2014, the European Union (EU) imposed austerity measures on Greece during its debt crisis. The country’s debt-to-GDP ratio was 175% (one of the highest in the world) in 2012. The austerity measures included tax reforms in a country where unemployment and tax hikes had curtailed economic growth for years. The Bloc directed Greece to reduce public sector head count by 150 000, lower civil service wages by 17%, reduce pension benefits above US$1 300 per month by 20-40% and raise property taxes. The Greek government warmed up to these reforms and privatised more than US$38 billion in state-owned assets in 2014. As a result, Greece slowly came back to economic life after years of turmoil, thanks to the tough austerity measures it adopted. Greece’s economy is expected to grow by at least 2.8% in 2020 from 2% in 2019, despite coming out of a nine-year debt crisis that shrank it by more than a quarter. Buoyed by such testimonials, what we need is fortitude, perseverance and a political will to weather the current economy glitches. We too shall overcome if we religiously adopt these tenets of economic self-introspection.

It is common knowledge that lack of accountability, good governance and transparency in government operations impede the progress towards sustainable economic development. I, therefore, implore you Hon Members to broaden the scope of your recommendations for economic policies to include other elements, popularly known as “second generation reforms.” These are vital for economic growth and financial stability and include the following:

i. Reduction in extravagant and unproductive government expenditure which is driven by consumerism;

ii. Higher spending on primary health and education with a bias towards science and technology; and adequate social protection for the poor, the unemployed and other vulnerable underprivileged sections of the society;

iii. The creation of a more level playing field for private sector economic activity, by increasing the openness in our operating environment, stepping up the privatization process, reducing the power of monopolies through appropriate legal and administrative measures, and setting up more transparent and simpler legal and regulatory systems and frameworks;

iv. Strengthening the financial sector to protect small savers and other depositors, and reduce risks for shareholders and creditors by enforcing stricter prudential standards and information disclosure requirements;

v. Reforming of the tax systems to make them more efficient, effective, equitable and fairly comprehensible but operationally simple; and

vi. Greater transparency and accountability in government and corporate affairs.

vii. The Budget should revitalize the private sector’s confidence and investment through removal of anti-investment biases.

These elements could be considered to constitute the basic framework of good economic governance. Herein lies the imperative to enact the Zimbabwe Investment Development Act soonest.

Honourable Members, Ladies and Gentlemen;

We would have done injustice to the people we represent if the Budget does not address energy and power deficits in the country which have seen households and businesses going for up to 18 hours without electricity, much to the detriment of businesses. This seminar should, therefore, propose measures to create affordable, reliable, and sustainable energy for all.

In this regard, it would be remiss for me not to share some perspectives I have on Monitoring and Evaluation (M&E) systems. As you might be aware, under the Transitional Stabilisation Programme, there is an implementation framework which shows who should be doing what and over which period.

As this Budget takes us to the end of TSP Phase 1, we need not to enter into TSP phase 2 without an end of plan evaluation as happened after the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET). Evaluation helps Parliament and the Executive to draw lessons and put forward well thought out ideas on the implementation of the TSP and subsequent economic blueprints. The question we must ask ourselves in the evaluation of the TSP in its 2019 performance is: To what an extent has the TSP realized the aspirations of the people of Zimbabwe through its five strategic clusters, namely:

• Governance;

• Macro-economic Stability and Re-engagement; • Inclusive Growth;

• Infrastructure and Utilities; and

• Social Development?

Honourable Members, Ladies and Gentlemen;

Before I conclude, I am compelled to talk briefly about a pervasive phenomenon found in a wide spectrum of countries despite their vastly differing ideologies, economic conditions and social development, that is the phenomenon of administrative and financial malfeasance. We need to strive to reduce, if not eliminate altogether, the subversive impact of public and private sector improbity in our economic activities. The Budget should, therefore, strengthen the institutional framework as well as the administrative and technical capacities of public administrators so that sustainable socio-economic development can be realised. In that regard, the need to financially capacitate, through a stout Budget, institutions that fight corruption which include the Auditor General’s Office, Parliament itself, Zimbabwe Anti-Corruption Commission (ZACC), National Prosecuting Authority (NPA), Zimbabwe Republic Police (ZRP) and the Judiciary cannot be overemphasized. At this juncture, let me take this opportunity to commend Government for all the efforts towards strengthening the anti-corruption fight, more so through the establishment of special anti-corruption courts in the provinces. The special anti- corruption courts were set up by the Judicial Service Commission (JSC) in March last year in an effort to expeditiously deal with graft cases and dispose of them in an efficient and effective manner so as to achieve higher conviction rates and resultantly earn more public trust from the citizens. Relatedly, there is the need to enforce the implementation of the recommendations of the Auditor General otherwise the work of the PAC and Parliament as a whole is rendered purely an academic exercise signifying nothing.

Honourable Members, Ladies and Gentlemen;

As I conclude, let me implore you, Hon Members of Parliament, together with the executive branch to take bold decisions and exercise your oversight role with a view to amass courageous political will to move forward in the suggested direction. What we want, first and foremost, is a policy inspired mindset change before regulations. Baruch Spinoza a Jewish-Dutch philosopher aptly put it across when he opined that

*“All laws which can be violated without doing any one any injury are laughed at. Nay, so far are they from doing anything to control the desires and passions of men that, on the contrary, they direct and incite men's thoughts the more toward those very objects, for we always strive toward what is forbidden and desire the things we are not allowed to have. And men of leisure are never deficient in the ingenuity needed to enable them to outwit laws framed to regulate things which cannot be entirely forbidden... He who tries to determine everything by law will foment crime rather than lessen it.”*

Millions of our people look up to us for strategic direction. Such trust should and must not be betrayed by a perfunctory approach by Parliament in designing the 2020 National Budget.

Honourable Members, Ladies and Gentlemen; Although I have implored for consensus between Parliament and the Executive, I have not advocated for naked consensus that compromises constructive criticism unwittingly.

Our Committees, through the Chairpersons, should not only identify problems but be at the forefront in proffering solutions to our burning Budgetary questions. We are not here to condemn but to strengthen our Budgetary processes. Neither are we here to praise and glorify but to give constructive criticism. It is, therefore, axiomatic that as we deliberate during this seminar, we must proffer tangible solutions on how to make the Budget work soundly in advancing the national development agenda next year. Our collective wisdom should bolster our capacity to find solutions to our Budgetary challenges.

Honourable Members, Ladies and Gentlemen;

I conclude by taking this opportunity to profoundly thank the Ministry of Finance and Economic Development for wholly funding this seminar without forgetting the need to expeditiously pay off for the MPs’ vehicles and those for the Presiding Officers. My parting quotation is centred on the fidelity of hope as espoused by Hebrews 11:1 enjoining us to have an infectious faith which is “*the assurance of things hoped for, the conviction of things not seen*”.

I wish you constructive and fruitful deliberations during this crucially important seminar.

It is now my singular honour and privilege to declare this 2019 Pre-Budget seminar open.

GOD BLESS THE NINTH PARLIAMENT!

GOD BLESS ZIMBABWE!

I THANK YOU! TINOTENDA! SIYABONGA! TWALUMBA!

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