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Zimbabwe

THE 2021 NATIONAL BUDGET STATEMENT

'Building Resilience and Sustainable Economic Recovery'

Presented to the Parliament of Zimbabwe

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By

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INTRODUCTION

1. In 2018, Zimbabweans made a strong commitment to rebuild the economy, with a Vision of attaining "*Empowered and Prosperous Upper Middle-Income Society by 2030*". The agenda for real change was henceforth drawn to guide the process to the Vision, with the initial phase outlined in the Transitional Stabilisation Programme: October 2018–December 2020.

2. The Transitional Stabilisation Programme (TSP) primarily provided for creating the necessary macro-fiscal environment for stabilisation and investment mobilisation to facilitate growth. Admittedly, the path to this goal had quite a number of hurdles and risks, but Zimbabweans remained resolute and got the benefits. In a short period of two years implementing the TSP, through hard work, basics were fixed, that way, paving way for durable stability and faster economic growth.

3. In summary, key TSP milestones were as follows:

Summary of Progress on Reforms

Macro-Fiscal Economic Reforms

Enhanced Revenue Collections

- Strengthened ZIMRA revenue administrative structures and mechanisms including ICT and automation.
- Enhanced Revenue collection through taxes, customs and 2% Intermediated Mobile Transfer Tax.

Monetary Policy

- Re-introduction of local currency to enhance country competitiveness.
- Introduced Reserve Bank Monetary Policy Committee.
- Monetary targeting.
- Instituted disciplinary measures to remove speculative activities.
- Introduction of Market based Forex Auction system from 23 June 2020 for stabilizing the foreign exchange market.
- Exchange rate, which had moved from ZWL$25:US$1 to ZWL$80:US$1; has since stabilized around that level during the better part of July to date.
- Price stability now visible in line with convergence of parallel and Introduced a second auction systems for small scale operators.

Expenditure Containment

- No more recourse to Central Bank overdraft.
- Issuance of TBs only for the Budget and through market-based operations.
- Public Wage Bill below 50% of total revenues from 92% in 2017.
- Rationalisation of posts, freeze on hiring, save for critical sectors/posts
- PFMS controls rolled to all departments and local levels.
- New Procurement Act now functional.
- Removal of fuel and electricity subsidies, with all remaining and targeted subsidies accommodated in the Budget.
- Government commenced migration of the Public Service Pension scheme from pay-as-you-go- pension to defined benefit pension scheme. An amount of ZWL$70.4 million was allocated as seed money.

Fiscal Balance

- Deficits turned into surpluses or small deficits below 3% of GDP SADC threshold since January 2019. Cumulative surplus of ZWL$437 million (0.3% of GDP) by Dec 2019.
- Surplus of ZWL$3.8 billion for the period Jan to September 2020, and a deficit for the year at about -0.5% of GDP
- The surpluses serve as a buffer for shocks such as impact of Cyclone Idai, drought and COVID-19 pandemic.
- Surpluses are also supporting social services delivery, social protection and infrastructure

Financial Sector Reforms

- Introduced inter-operability of mobile money platforms.
- Bursting the speculative bubble on the Zimbabwe Stock Exchange, driven by dually listed shares.
- Use of the Anti-money laundering act and rules to monitor and regulate transactions auction rates, especially in speculative activities on the foreign exchange market.
- Tighter regulation of payment system, e.g. cash in-cash out limits at mobile banking agents.
- Regulating unethical practices on the Stock Exchanges and Bureau De Changes (e.g placed a vesting period of 90 days for dually listed shares).

Growth

Tourism

- Tourism Support Package.
- Destination Branding and Image Transformation.
- Digital Marketing Campaign.
- Diaspora Tourism Promotion.
- US$ 50 million investment, by a UAE Company, involving the purchase and complete refurbishing of Meikles Hotel, Harare.
- Tax incentives to support capitalization of the industry.

Mining

- Launched US$12 billion Mining Industry Strategy.
- US$4.2 billion Great Dyke Investments Platinum Mine already under construction.
- US$4 billion Karo Resources Mhondoro-Ngezi platinum project ahead of schedule.
- Arcadia Lithium mine being developed.
- Coal production –new coal mines opened.
- US$ 25 million Invictus Energy Oil and Gas Project in Muzarabani where drilling is expected to begin in October 2021.

Agriculture

- Replaced Command Agriculture with private sector funded Smart Agriculture.
- Commenced Land Audit to bring sanity in the agriculture sector resulting in farm downsizing which is currently underway.
- Signed Global Compensation Deed to resolve the land issue.
- Supporting 1.8 million farmers through training for Pfumvudza/Intwasa programme.
- Undertaking revival and expansion of Irrigation Schemes.
- Supporting revival of cotton production.
- Capacitated extension workers with mobility.
- US$ 58 million Belarus Farm Mechanisation Facility; and
- US$ 50 million deal with John Deere Tractors to supply farming equipment to Zimbabwe; and the prospect of a further US$ 200 million deal with the same US company to supply additional farming and construction equipment to Zimbabwe.

Industry

- Operationalisation of ZIDA
- Implementation of Special Economic Zones.
- US$ 50 million Chinese investment by Sunny Ying Tile Company in Norton.
- US$ 45 million Pepsi-Cola plant established by Varun Beverages of India.
- US$ 20 million Mauritian investment into the processing of cooking oil, stock feeds and grain milling.

Youth, Women. SMEs and Empowerment

- Government is establishing a National Venture Capital Fund to the tune of ZWL$500 million. National Venture Capital Company has been incorporated, and a Steering Committee set up to drive the process.
- Capitalisation of empowerment institutions such as Women Development Fund, Community Development Fund, Zimbabwe Women's Microfinance Bank, EmpowerBank and Small and Medium Enterprises Development Corporation (SMEDCO).

Summary of Progress on Reforms (cont'd)

Infrastructure

Power Generation

- Hwange Unit 7&8 (600MW)-53% complete.
- Rehabilitation and repowering of other thermal power stations ongoing
- Zambezi Gas and Coal -750 MW.
- Zimbabwe Zhongxin Electrical Energy -430 MW
- REA through various micro Solar projects – about 300 MW and bio digesters.
- Grid extension by REA
- Upgrading of the transmission and distribution infrastructure is ongoing.

Water

- Construction of Causeway, Gwayi-Shangani and Marovanyati, Chivhu, Semwa, Bindura and Tuli-Manyange dams
- Other urban water projects in Victoria Falls Municipality Water and Sanitation Project and the Chiredzi Town Council Water and Waste-Water Augmentation.
- Several Boreholes rehabilitated and drilled.

ICT/Digital Economy

- Launched virtual network for cabinet meetings
- Launched national switch for electronic banking transactions
- Launched e-learning platform for universities and schools
- Developed framework for e-procurement platform for Government
- Rolling out of ICT kiosks across provinces.
- Post-Cabinet press briefings to update the public on agreed positions
- COVID-19 communication rolled out to provincial and community level
- Social media-based communication by government
- Various Ministries and Government Departments are now active in social media platforms like twitter
- Websites are active.

Regional Economic Development

- Launched Devolution and Decentralisation Policy
- Allocation of Z$ 703 million 2019 and Z$2.9 billion for 2020.
- Implementation of various projects in roads, education, water and sanitation, health ongoing in all provivces.
- Spatial development in Victoria Falls.
- Agriculture-related spatial development in:
- Bulawayo Kraal (Binga); and
- Kanyemba (Mash Central).

Construction

- Construction of New Parliament Building.
- Expansion and modernization of Beitbridge Border Post.

Aviation

- Expansion of RGM Airport.

Road Works

- Beitbridge-Harare-Chirundu Dualisation under construction.
- Karoi-Binga Road under construction.
- Makuti-Chirundu stretch under construction.
- Mutare-Harare-Gweru-Bulawayo Dualisation u8nderway
- Rehabilitation of urban roads funded by ZINARA underway.
- DDF rehabilitating rural roads in all districts.
- Chiredzi-Tanganda road completed.
- Makuti-Chirundu stretch under construction.

Social Services

Health Services

- Building of new health centres.
- Upgrading and renovation of hospitals and other health centres.
- Acquisition and installation of new hospital equipment.
- Recruitment of additional health workers.
- Special allowances for health COVID19 frontline workers.
- Restructuring of the Ministry of Health and Child Care underway.

Education

- Implementation of new school curriculum.
- Introduction of Education 5.0.
- Student Accommodation being built at universities.
- Establishment of Innovation Hubs at Universities.
- Construction of new schools.
- Recruitment of additional teachers.

Social Protection

- Drought Mitigation Programme being implemented.
- Basic Education Assistance Module.
- Support to disabled persons.
- Harmonised Social Cash transfers.
- Support to elderly persons.
- Support to children in difficult circumstances.
- Health assistance.
- Distribution of farming inputs through Presidential Input Scheme.
- Established Government Employee Mutual Saving Fund (GEMS) to support the civil servants borrowing needs.

Governance

Political Reforms

- Repeal and replacement of POSA.
- Repeal and replacement of AIPPA.
- Implementation of devolution ongoing.
- Alignment of laws to the Constitution almost complete.
- Constitutional Amendments ongoing.

Justice Delivery

- Separation of judges of high court from constitutional court
- Construction of magistrates courts
- Construction of Labour Court
- Establishment of a commercial court
- E-Justice project launch ed
- Increased skills development in prison facilities to improve reintegration into society.

Re-engagement

- Changing of diplomatic staff in key embassies.
- Economic diplomacy thrust.
- Regular engagement with foreign diplomats.
- Continuous engagements with multilateral and bilateral creditors on international debt arrears.

Continuous payment of token payments on international debt arrears.

4. The TSP reform progress was just the first phase of a long journey. As the curtain closes on the TSP, Government launched the second *"leg"* of the reform and development agenda – ***The National Development Strategy 1 (NDS1)***, running from 2021 to 2025.

5. The Strategy seeks to consolidate and advance stabilisation and supply strides made under the TSP and further give the economy momentum for faster growth, with capability to create jobs, increase economic resilience and create a more competitive economy. The Strategy, therefore, constitutes a crucial segment for full recovery, to leave the next NDS 2 to consolidate the attainment of Vision 2030

6. Implementation of the National Development Strategy 1 starts with the 2021 National Budget, under the theme: ***"Building Resilience and Sustainable Economic Recovery".*** Learning from the past and guided by the NDS1, the 2021 Budget, therefore, firmly sets focus on strategic priorities for economic recovery and growth, stressing on the importance of building resilience against various shocks.

7. Recent shocks in form of drought, floods, cyclones, the COVID-19 pandemic coupled with macroeconomic risks have undermined efforts on building physical infrastructure and delivery of planned public services, with consequences for attaining Vision 2030 and meeting internationally agreed milestones such as the Sustainable Development Goals.

8. Therefore, looking into 2021 and beyond, Government will pay particular attention to the following issues, that are aligned to the 2021 Budget theme and the main pillars of the National Development Strategy 1.

i. Inclusive Growth and Macro-stability

- *Implementing sound policies and strategies for continued macro-stability and inclusive broad-based economic growth; and*
- *Enhancing the role of the private sector including small and medium-sized enterprises as the engine for growth and job creation.*

ii. Developing and Supporting Productive Value Chains

- *Developing systems and mechanisms to mitigate the impact of shocks with a focus on agriculture; while continuously improving agricultural productivity and expanding rural non-farm services and dealing with the impacts of climate change; and*
- *Building productive capacities and fostering structural economic transformation through industrialisation that emphasises on commodity diversification, value addition and value chains.*

iii. Optimising Value in our Natural Resources

- *Leveraging on the vast mineral resources for faster growth that also protects the environment; and*
- *Taking advantage of natural heritage and other tourist attractions as low hanging fruits.*

iv. Infrastructure, ICT and Digital Economy

- *Building physical and technological infrastructure, as well as requisite institutions and capacities; and*
- *Strengthening Devolution agenda by bringing decision making, infrastructure and knowledge to local communities for addressing asset deprivation and poverty.*

v. Social Protection, Human Capital Development and Well-being

- *Building better and resilient firewalls (social safety nets) to protect the most vulnerable sections of our society, including women, children and the physically and mentally challenged;*
- *Addressing gender inequalities, expanding opportunities for all by dealing with income inequality, improving access to finance and other social services such as health, sanitation and education; and*
- *Actions on cushioning the vulnerable against natural disasters, ill health, disability and gender-based violence.*

vi. Effective Institution Building & Governance

- *Strengthening governance and public services delivery institutions that are responsive to the needs of people.*

vii. Engagement and Re-engagement

- *Normalising relations with other countries for socio-economic cooperation and engaging creditors to resolve the debt overhang.*

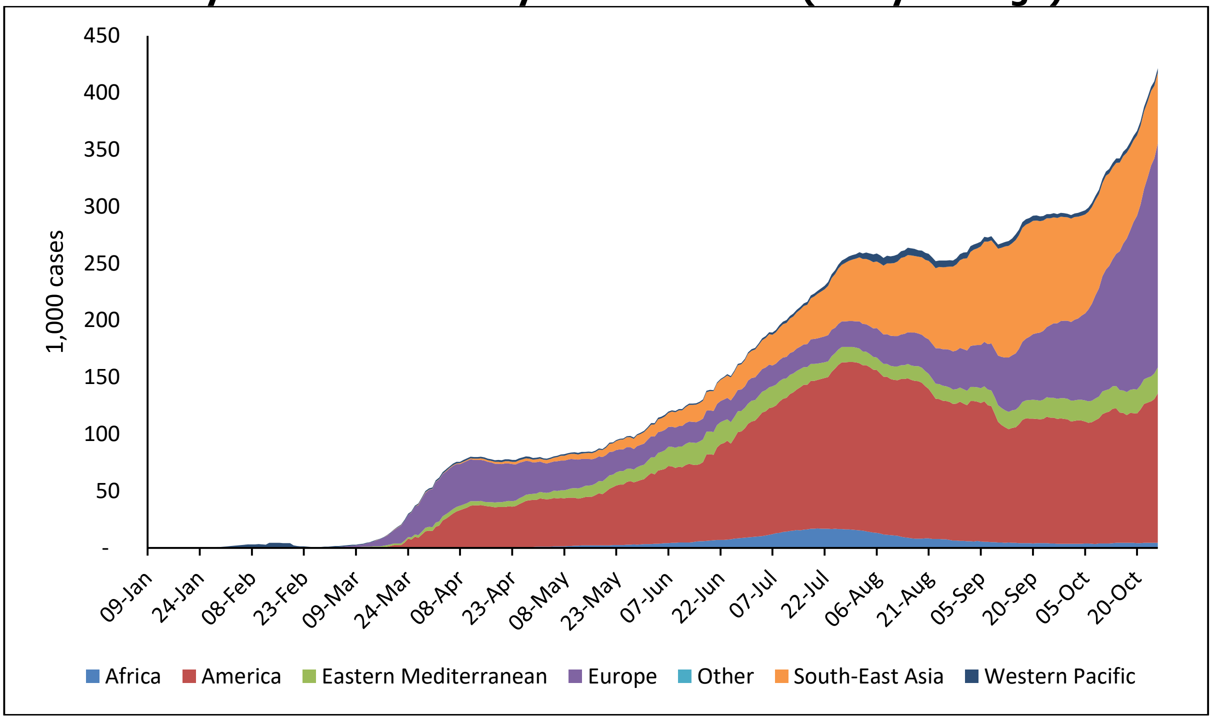
9. The prioritisation process for the various programmes, projects and other interventions for the above pillars under the 2021 National Budget is guided by the Programme Based Budgeting (PBB) System, which emphasises on results and has been adopted for all MDAs. The PBB fully integrates national planning and budgeting in line with IRBM principles promotes high performance, quality service delivery, measurement, goal clarity, continuous improvement and accountability across the public sector.

10. In contextualising the above issues, the 2021 Budget starts by giving an overview of the overall global, regional and domestic economic environment and outlook.

GLOBAL AND REGIONAL OUTLOOK

11. Global growth prospects for 2021 remain dominated by the dynamics of the COVID-19 pandemic. While the global economy has started to recover during the second half of 2020, the outlook for 2021 remains uncertain as the spread of the disease is once more accelerating in many parts of the world.

Daily new cases January – October 2020 (7-day Average)



Source: John Hopkins University, MOFED Calculations

12. In 2021, the global economy is projected to grow by 5.2% from projected GDP decline of -4.4% in 2020. The projection for this year has slightly improved compared to the June forecast of -4.9%, mainly on account of a less severe than expected contraction during the second quarter of the year.

13. Following the recovery in 2021, the level of global GDP is hence expected to be only 0.6% above that of 2019. This is nearly 7 percentage points lower than what was projected at the beginning of 2020, before the COVID-19 pandemic hit the global economy.

14. The impact of the pandemic is expected to be unequal across country groups. Advanced economies are projected to grow on average by 3.9% in 2021, recovering only part of the -5.8% contraction incurred in 2020. The worst hit

countries are those of the Euro Area, especially Spain (-12.8% in 2020, 7.2% in 2021) and Italy (-10.6% and 5.2%), as well as the United Kingdom (–9.8% and 5.9%), in 2020 and 2021, respectively.

15. For emerging market and developing economies, the pandemic-induced downturn is expected to be less severe, with a -3.3% output drop in 2020. Recovery is however projected to be steeper, with an expected 6.0% average output growth in 2021. Among this group, India is expected to be worst hit at (-10.3% in 2020, 8.8% in 2021), closely followed by Mexico (–9.0% and 3.5%).

16. China is the only major economy that appears to have avoided a recession and still records positive growth of 1.9% in 2020, with a projected 8.2% in 2021.

Global Economic Growth Outlook (%)

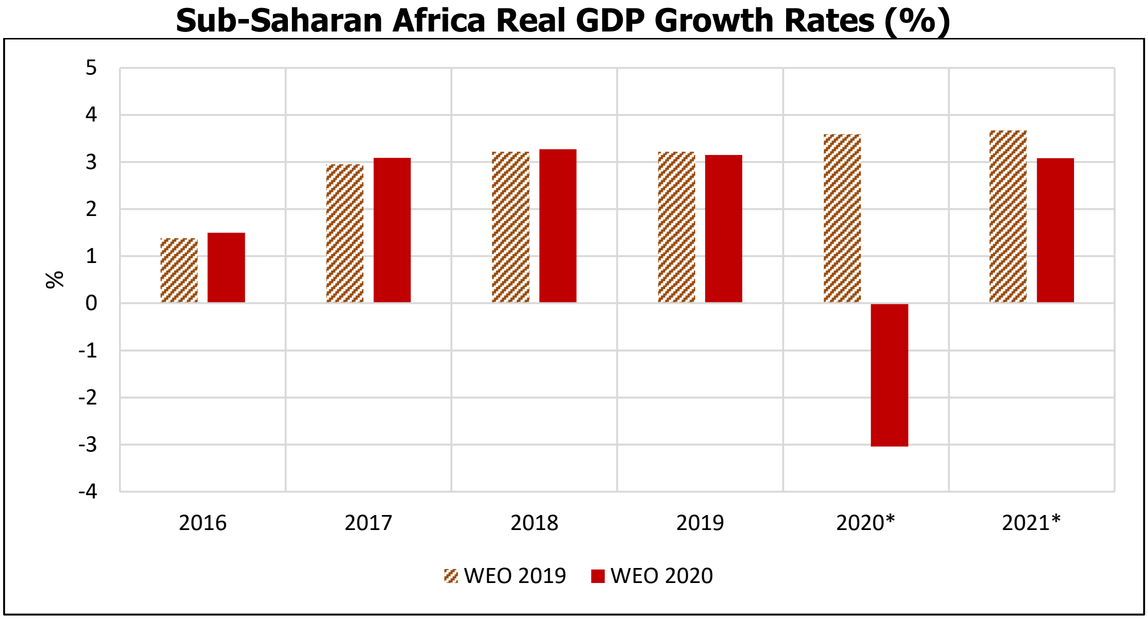
Country Group Name	2018	2019	2020*	2021*
World	**3.6**	**2.9**	**–4.4**	**5.2**
Advanced Economies	**2.2**	**1.7**	**–5.8**	**3.9**
United States	2.9	2.3	–4.3	3.1
Euro Area	1.9	1.3	–8.3	5.2
United Kingdom	1.3	1.4	–9.8	5.9
Other Advanced Economies (excluding G7**)**	2.7	1.7	–3.8	3.6
Emerging Market and Developing Economies	**4.5**	**3.7**	**–3.3**	**6.0**
Emerging and Developing Asia	6.3	5.5	–1.7	8.0
China	6.7	6.1	1.9	8.2
India	6.1	4.2	–10.3	8.8
Emerging and Developing Europe	3.2	2.1	–4.6	3.9
Latin America and the Caribbean	1.1	0.1	–8.1	3.6
Middle East and Central Asia	1.8	1.0	–4.1	3.0
Sub-Saharan Africa	**3.2**	**3.1**	**–3.0**	**3.1**
Nigeria	1.9	2.2	–4.3	1.7
South Africa	0.8	0.2	–8.0	3.0

*Source: IMF World Economic Outlook, October 2020 * Projection*

Sub-Saharan Africa

17. Across Sub-Saharan Africa, growth in 2021 is projected at 3.1%, following a projected downturn of -3.0% in 2020. While the region has, thus far, been relatively less affected by the COVID-19 pandemic, it severely suffers from

economic ramifications, such as decreased foreign direct investment and remittances, low tourism activity, and disruptions to economic activity due to containment measures such as lock-downs.



Source: IMF World Economic Outlook, October 2020 and October 2019
** Projection*

18. The early months of the pandemic were marked by large capital outflows from emerging and frontier markets, amounting to US$5 billion in Sub-Saharan Africa between February and March.

19. While capital inflows have been slowly trickling in during the second half of the year, investment levels still remain well below pre-pandemic levels.

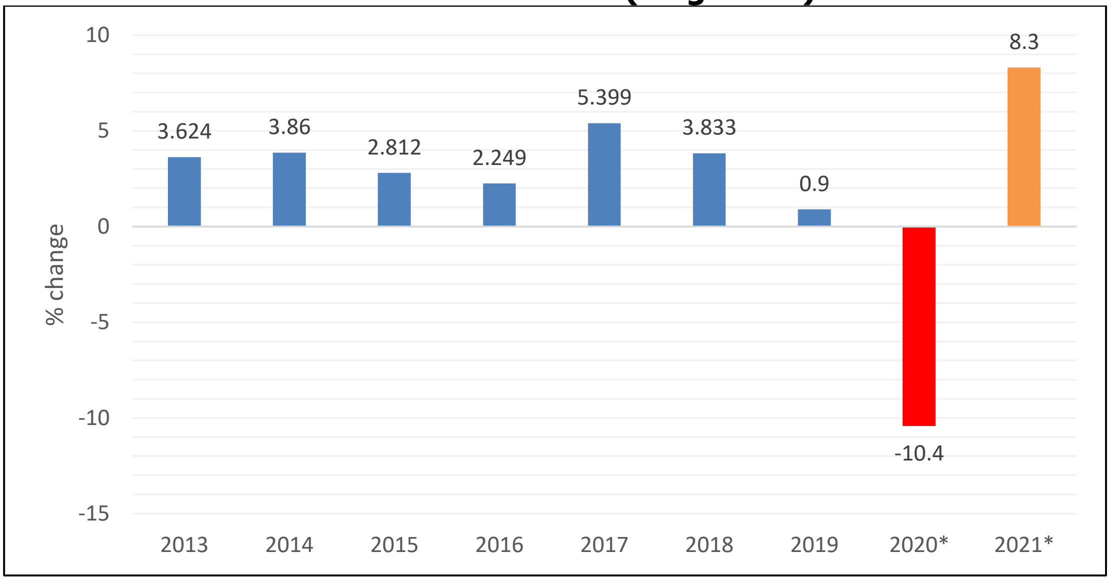
20. Remittance flows are expected to remain suppressed in 2021 as economic conditions in sending countries have tightened during the global recession, and they remain subject to uncertainties about the pace of economic recovery.

21. With regards to domestic investment sources, Sub-Saharan Africa has less scope for expansionary policies than other regions of the world, partly reflecting limited fiscal space and cautious approach on debt.

Global Trade

22. Global trade is expected to grow by 8.3% in 2021, partly recovering from a projected -10.4% contraction in 2020. This is due to a gradual pick-up in international mobility and domestic demand, in line with the general recovery from the pandemic.

Global Trade Volume (% growth)



*Source: IMF World Economic Outlook Update, June 2020 * Projection*

23. As with GDP growth, uncertainty also surrounds trade projections for 2021 on account of resurging pandemic. However, following the USA election results, developments around the previous trade tensions between the United States and China may take new dimension and this also applies to the trade relations between USA and EU, and other countries.

24. The effects of the COVID-19 pandemic are likely to go beyond short-term fluctuations in trade volumes. Likely long-term implications include the increased regionalisation of value chains, and decreased international travel as companies develop digital workflows and tourists remain cautious about long-distance travel.

Commodity Prices

25. In general, the global economic downturn of 2020 has largely led to a decrease in commodity prices. Oil has been particularly affected, as containment measures involved drastic reductions in transport and production, hence low demand for fuel.

26. Metals are projected to decline by about 13% in 2020, before recovering in 2021. However, precious metals (gold and silver) have been moving against the general trend and are projected to increase by 13% in 2020, as investors turn to safe-haven investments. Prices are projected to remain stable through 2021.

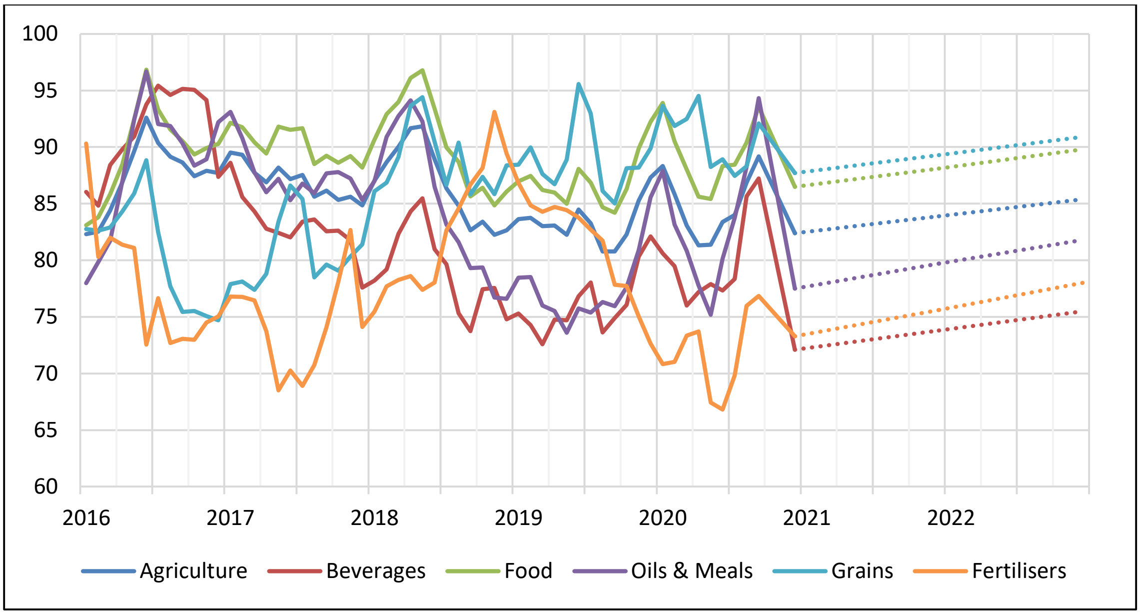
International Commodity Prices

	2018	2019	2020*	2021*	2022*
Energy	87	76	45	54	57
Non-energy commodities	85	82	78	79	81
Agriculture	87	83	82	84	85
Beverages	79	76	72	74	75
Food	90	87	87	88	90
Oils and Meals	85	77	78	80	82
Grains	89	89	88	89	91
Other food	99	98	97	98	99
Raw materials	81	78	77	79	80
Fertilizers	82	81	73	76	78
Metals and minerals	83	78	68	71	73
Base Metals	91	82	70	74	76
Precious Metals	97	105	119	119	118

Source: World Bank Commodity Markets Outlook, April 2019; Pink Sheet Data, October 2019

27. Agricultural prices are expected to remain relatively stable in 2020 and 2021, as they are less sensitive to economic activity than industrial commodities. However, some countries have already announced temporary trade restrictions such as export bans, while others began stockpiling food commodities through accelerated imports. Price spikes at the local level are likely to occur, as supply chain disruptions and border closures associated with the pandemic may lead to temporary shortages.

Selected Commodity Price Indices

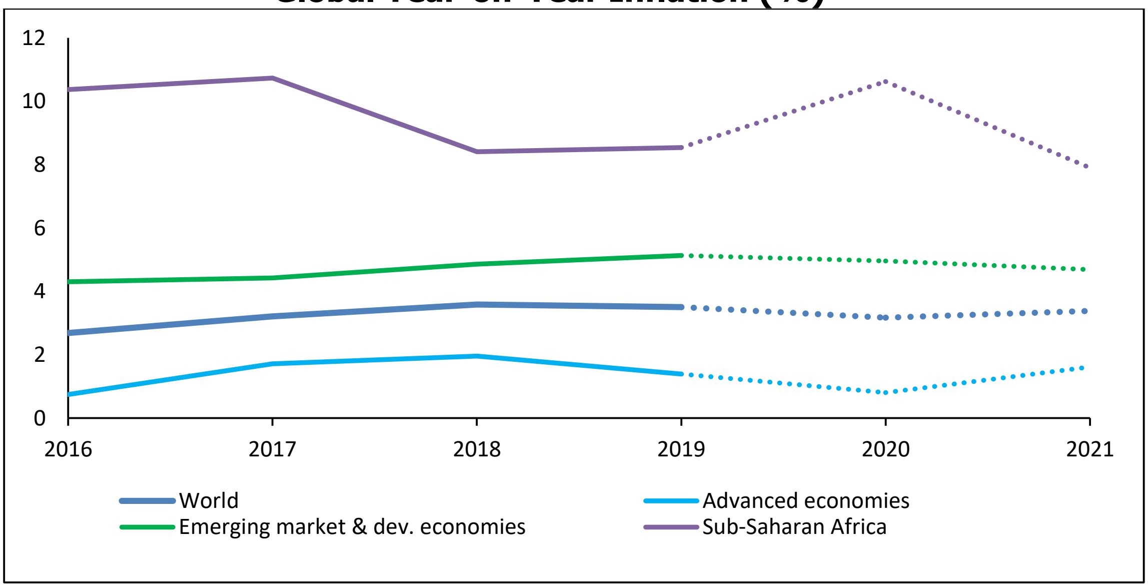


Source: World Bank Commodity Markets Outlook, October 2019

Global Inflation

28. Global inflation projections for 2020 and 2021 have been revised downwards, mainly on account of depressed demand and lower commodity prices, oil in particular.

Global Year-on-Year Inflation (%)



Source: IMF World Economic Outlook Update, June 2020, Projections for 2020 and 2021

29. However, in Sub-Saharan Africa, inflation is expected to remain higher than in other parts of the world fuelled by food prices, weaker currencies and supply

disruptions from the pandemic, as well as compulsion for expansionary monetary and fiscal policies.

30. For 2021, consumer prices in the region are expected to increase by an average of 7.9%, compared to 4.7% in emerging markets and developing economies and 3.4% in advanced economies.

31. Inflationary pressures may also stem from a surge in aggregate demand as households make purchases, they had postponed due to the pandemic, or because of increased costs on the supply side due to ongoing supply-chain disruptions.

32. On the other hand, inflationary pressures may be curbed because of ongoing subdued demand, as households feel an increased risk of unemployment or other hardships. Furthermore, there are indications that the pandemic has shifted incomes and wealth towards wealthier households, which traditionally have a smaller propensity to consume.

OVERVIEW OF THE DOMESTIC ECONOMY

Economic Developments

33. The year 2020 was exceptional for the country and the rest of the world, like no other year in the past. The COVID-19 pandemic caught the country in the midst of other challenges, dealing with devastating impacts of climatic shocks associated with drought and cyclone, which all had profound impact on the country's health system, livelihoods and the economy at large.

34. Whilst the mainstay sector of agriculture was less affected by the impact of the COVID-19 pandemic, the drought had already caused some damage to the sector's summer season. Other sectors such as mining, manufacturing, tourism, construction, distribution and other service sectors had faced the full negative

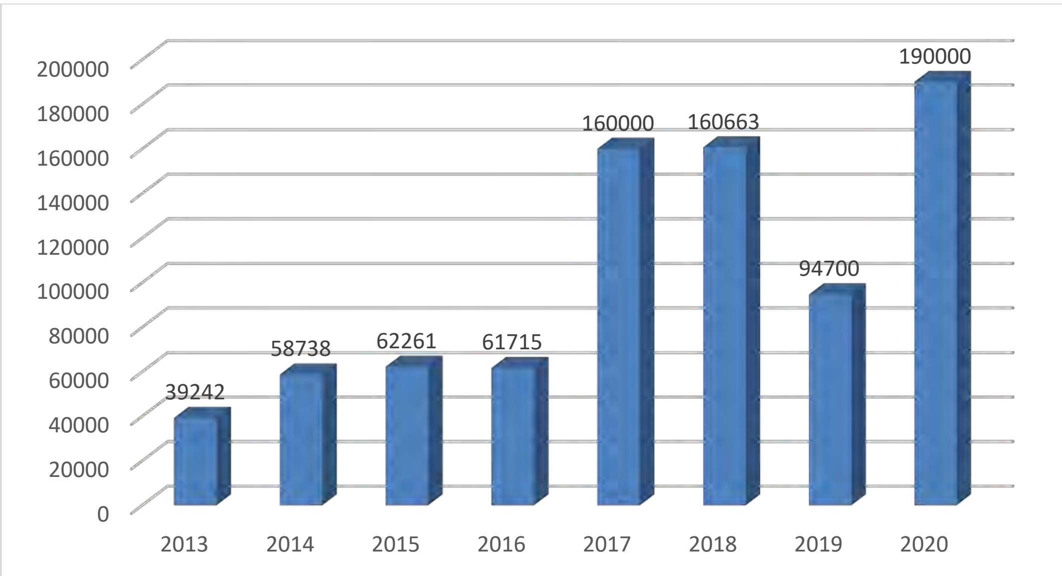
impact of all shocks either through lockdowns, reduced investment inflows, lost production hours, closed borders, grounded distribution transport systems, broken supply chains and low demand, among others.

35. The key objective was, therefore, to save lives and livelihoods, strengthening resilience of communities, and give lifeline to the economy to pull through the waves and get the reforms back on track.

36. Government's initial response to the COVID-19 pandemic was first targeted at saving human lives through reprioritising budget allocations, supported by private sector and development partners goodwill. This was followed by extended support to the rest of the economy through a Stimulus Package of $18.2 billion.

37. Of this amount, about ZWL$6 billion supported food security related programmes, particularly the winter wheat programme (ZWL$1.5 billion) and about 190,000 tons in deliveries to GMB are expected this year compared to 94 700 tons of last year.

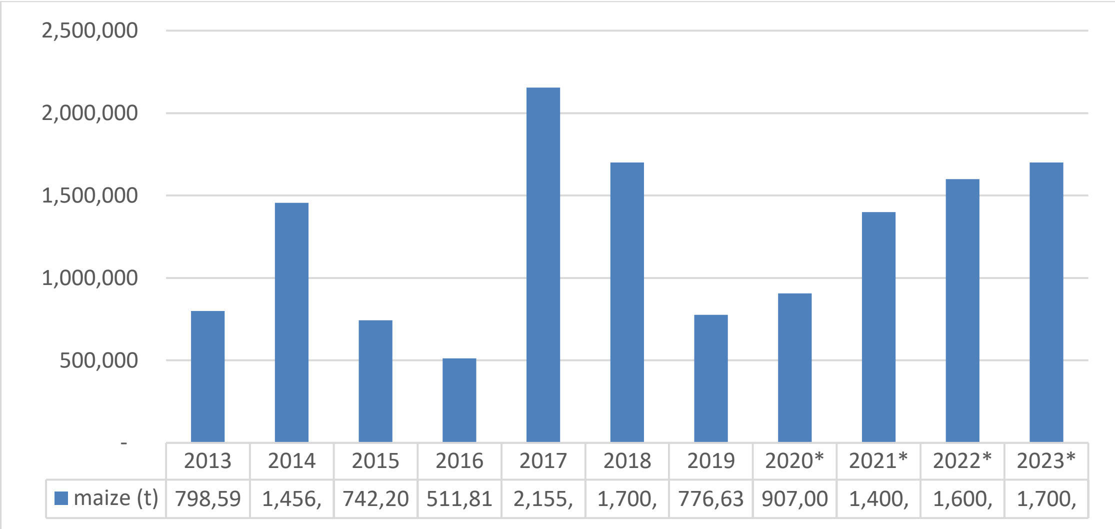
Wheat Production: 2013-2020



38. A further ZWL$4 billion was directed towards the Pfumvudza/Intwasa Programme in support of vulnerable households as a way of ensuring firm

preparations for the forthcoming season in line with the Smart Agriculture Strategy. This funding will translate to conservative projected maize output of 1.4 million tons.

Maize Production: 2013 - 23



39. Furthermore, Government through the Reserve Bank availed ZWL$3 billion (initially ZWL$2.5 billion which was increased to ZWL$3 billion) through the Medium-Term Bank Accommodation Facility. To date, about ZWL$2.6 billion has been accessed by industry.

40. The beneficiaries are in sectors of mining, tourism, manufacturing, construction etc for working capital purposes and the Facility is continuously being reviewed based on utilisation. Under this Facility, a ZWL$2.5 billion has since been transformed into a Revolving Fund which industry will continue accessing.

41. In addition, an allocation of ZWL$1 billion was set aside for supporting empowerment programmes for SMEs, youths, artists and sports, through respective financial institutions such as EmpowerBank, Zimbabwe Women Microfinance Bank, POSB and SMEDCO.

COVID-19 Cash Transfers/Social Protection

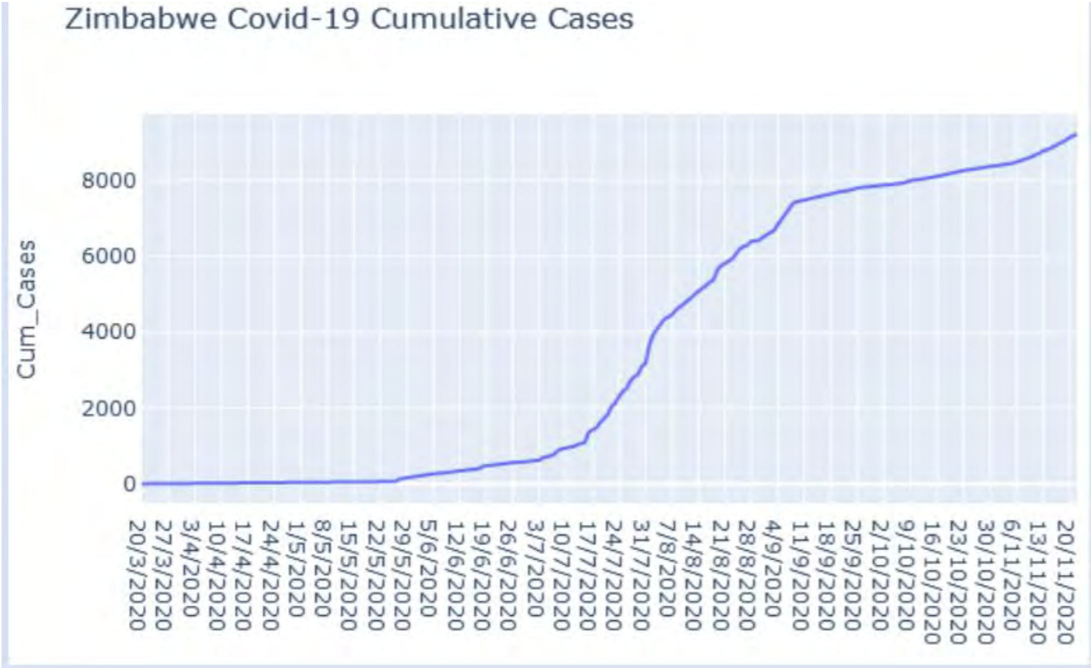
42. To cushion the vulnerable members of society, Government allocated ZWL$2.4 billion for COVID-19 cash transfers. The identification of beneficiaries is ongoing and it is expected that the number will significantly increase. So far, over 202 077 beneficiaries are in the database and already receiving allowances.

COVID-19 Transfers to Households as at 13 October 2020

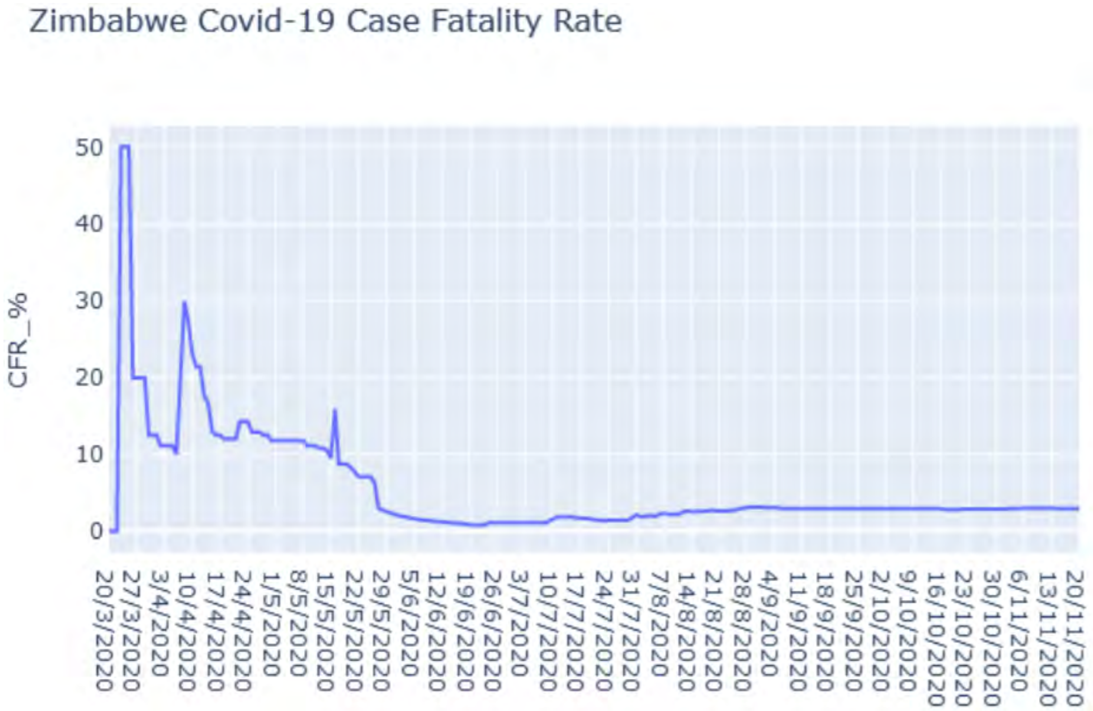
Province	Beneficiary Households	Amount ZWL$
Harare	91,468	24,753,147
Mashonaland West	13,130	3,066,022
Manicaland	18,349	3,959,952
Matabeleland North	3,586	707,692
Mashonaland East	5,273	1,119,560
Midlands	8,123	1,500,088
Matabeleland South	7,270	1,448,199
Mash Central	10,085	1,820,847
Masvingo	14,113	2,548,102
Bulawayo	30,680	8,120,114
TOTAL	**202,077**	**49,043,722**

43. At current monthly allowances of ZWL$300 per household, Treasury has disbursed ZWL$98 million through the Ministry of Public Service, Labour & Social Welfare towards vulnerable households. In view of the escalating cost of living, the monthly allowances are being increased and Treasury is making the necessary adjustments on this facility.

44. The result was better management of the pandemic, that way saving lives and the economy.



Source: Ministry of Health and Child Care



Source: Ministry of Health and Child Care

45. As we close the year, the pandemic has not ended and continue posing a number of risks especially to delivery of public services such as education, tourism and trade. Hence, a cautious approach on managing the pandemic will be essential, during the last quarter of the year and from 2021.

GDP Growth and Outlook

46. In terms of the economy, a GDP contraction of -4.1% is anticipated by year end, taking into account latest information indicating improving capacity utilisation than earlier anticipated and this particularly relates to the manufacturing sector.

Sectoral GDP Growth Rates (%)

	2019	2020	2021	2022	2023
Overall GDP	**-6.0**	**-4.1**	**7.4**	**5.5**	**5.2**
Agriculture and forestry	-17.8	-0.2	11.3	8.9	7.6
Mining and quarrying	-12.4	-4.7	11.0	7.4	8.8
Manufacturing	-8.7	-9.6	6.5	6.5	7.7
Electricity and water	-19.2	-7.9	18.8	14.4	5.9
Construction	-13.9	-11.4	7.2	5.0	4.0
Distribution	-8.2	-7.5	5.7	6.6	5.1
Transport and Communication	12.9	3.2	7.1	4.5	4.4
Finance and Insurance	-6.1	-7.1	7.2	3.8	5.3
Government Services	1.4	-2.1	6.2	1.7	2.2
Other Services	-2.6	-2.1	4.3	3.1	2.5

Source: Ministry of Finance and Economic Development and RBZ

47. Going forward, Government's response is now transitioning to ensure the economy recovers strongly, taking advantage of the milestones from the TSP, and targeting additional support measures to cushion vulnerable households.

48. Furthermore, Government will bring forward business and infrastructure investment activity, adequately prepare and support the forthcoming agriculture season and other productive sectors, albeit in a manner that does not promote vulnerabilities and instability.

49. Therefore, economic growth is expected to rebound in 2021 from the consecutive two-year slump to record 7.4%. From supply side, this growth will be driven by strong recovery in agriculture, mining, electricity, construction, transport and communication as well as finance and insurance.

50. In line with economic rebound projected in 2021, formal employment is projected to grow with about 150 000 formal jobs are expected to be recovered after having been lost due to COVID-19 pandemic. Similarly, incomes are also expected to rise, with per GNI per capita expected to increase to US$1 835 from current levels of US$1 156.

51. Beyond 2021, growth is expected to level off to around 5% annually. The projected growth trajectory assumes reduced severity of COVID-19 pandemic as vaccine coverage expands and therapies improve. The attendant macroeconomic stability, improved supply of electricity, favourable agricultural season and effective policy implementation will also assist the growth and development agenda.

Inflation

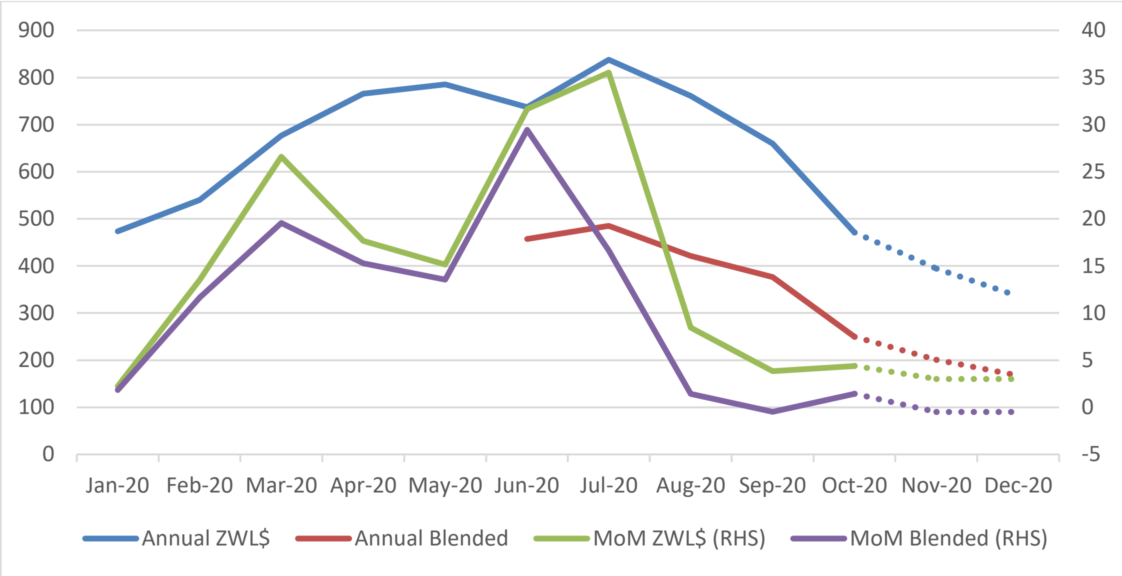
52. To quote Milton Friedman, the Economist Nobel Laureate, "*Inflation is taxation without legislation*". Therefore, Government will make every effort to reduce this '*inflation tax'*.

53. As such, the 2021 Budget embraces and consolidates the various fiscal measures on containing expenditures combined with monetary management through reserve money targeting, as well as disciplinary measures in the financial sector so as to contain inflation.

54. Relative stability in the foreign exchange market, following adoption of the auction system and measures taken by Government to deal with indiscipline among economic agents; particularly the mobile money firms, have restored sanity and integrity in the financial service sector.

55. As a result, there has been significant slow-down in inflation as from August 2020. Year-on-year inflation in local currency for the month of October declined to 471% from 659% in September 2020, while month-on-month stood at 4.4%.

Inflation Profile

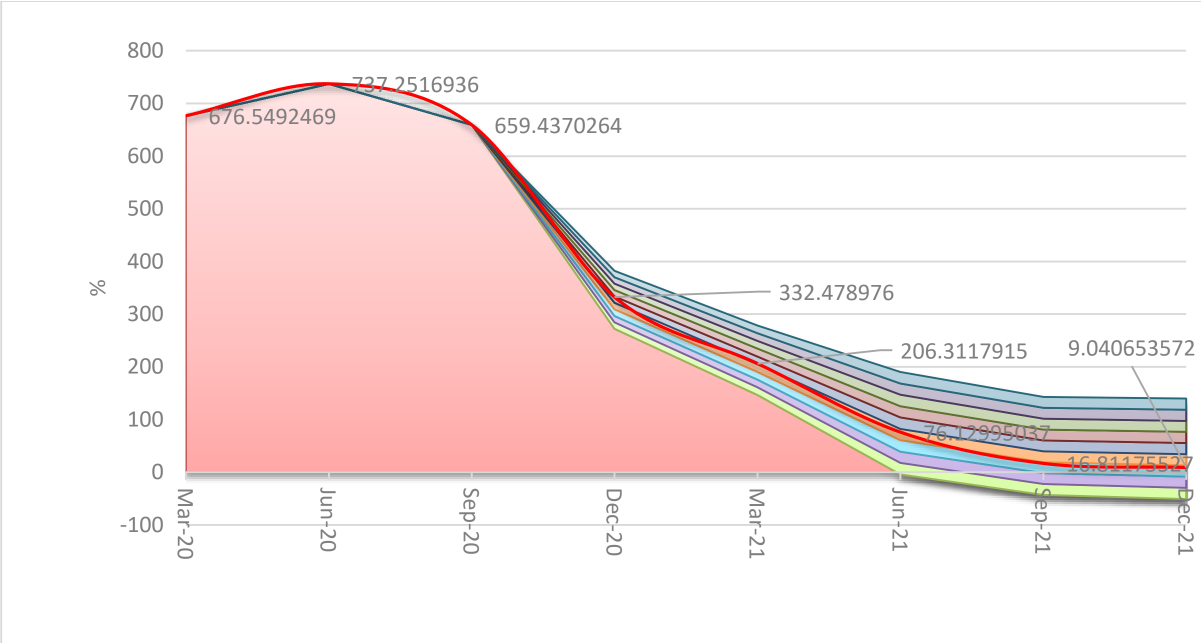


56. Similarly, blended year-on-year inflation, which measures the combined price changes of goods and services in both the ZWL$ and US$ declined to 249% from 376% during the same period, while blended month-on-month inflation stood at 1.4% by October 2020.

57. Further consolidation of stabilisation measures in the last quarter of 2020 will see month-on-month inflation closing the year at around 2% and the respective annual inflation at around 336%.

58. In the outlook, annual inflation is expected to drastically slow down to an average of below 135% in 2021, while average month-on-month inflation is expected to be below 1%.

Projected Inflation (Year-on-Year) Path: Oct 2020 - Dec 2021



Source: RBZ

59. In light of the efforts to keep inflation low, Government will also be embracing reforms on enhancing efficiencies of public utilities. This will ensure that the shocks on inflation from the utilities are minimised.

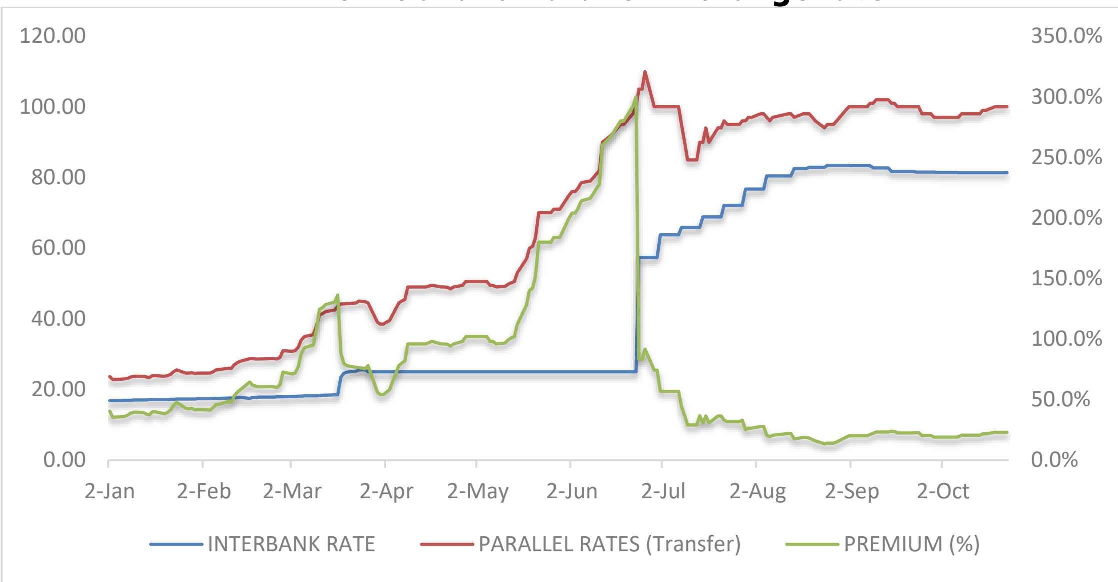
Exchange Rate

60. The introduction of the foreign exchange auction in June 2020 has managed to stabilise the exchange rate, which, in turn, anchored inflation expectations and slowed down the increase in prices witnessed before June 2020.

61. Official exchange rate has stabilised around US$1:ZWL$81 throughout the months of July to November, while the parallel market exchange rate premium, which had risen to more than 300% when the auction was introduced has fallen to less than 10%, a tolerable parallel market premium based on international best practice.

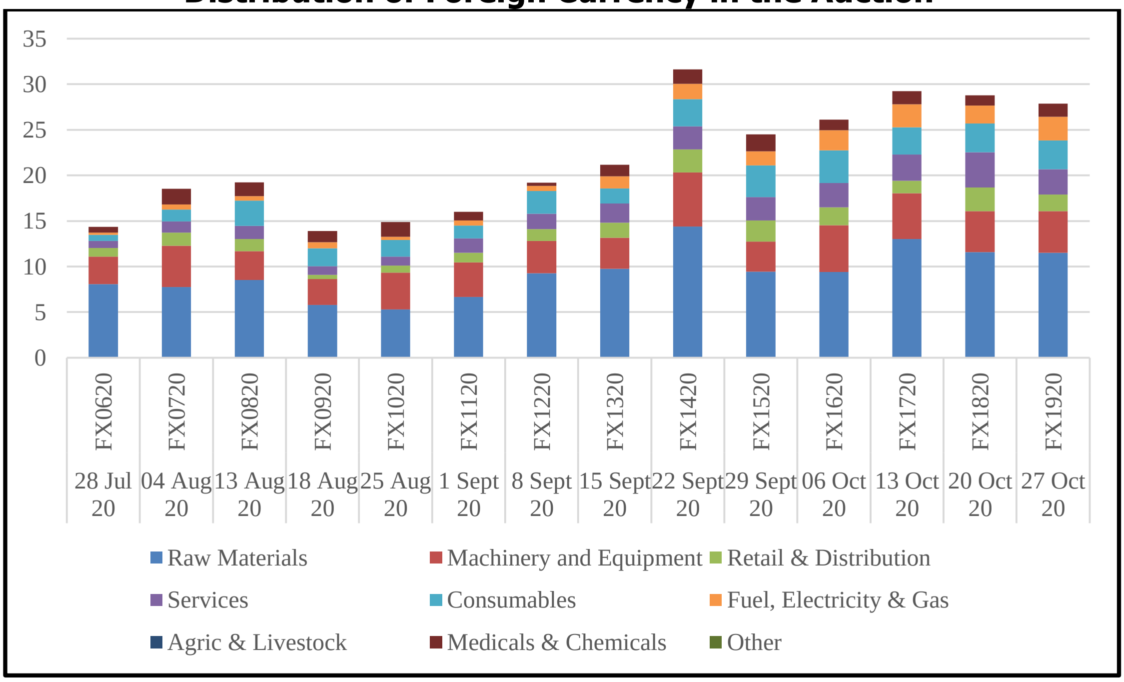
62. Furthermore, most prices are now aligned to the official exchange rate instead of being indexed to the parallel exchange rate as was the practice before the auction system.

Official and Parallel Exchange rate



63. In terms of foreign currency distribution, a significant proportion of foreign currency (more than 60%) has gone towards imports of raw materials, machinery and equipment while essential and strategic imports including pharmaceuticals and chemicals, fuel and electricity have been allocated about 11% of the total allotments.

Distribution of Foreign Currency in the Auction



64. John Maynard Keynes once said, "*The importance of money flows from it being a link between the present and the future*". Therefore, maintaining currency stability is critical.

65. Government is, therefore, committed to continue with the foreign exchange auction system, which has greatly assisted in discovering and establishing the appropriate exchange rate, restrained the speculative pass-through effects of the exchange rate on prices and dampened inflation pressures in the process.

66. In 2021, the exchange rate is expected to remain stable, supported by the auction market exchange rate system and improved supply of foreign currency as the economy and trade, pick up.

Balance of Payments

67. The country's external sector position continues to show improvement with the current account remaining in surplus. Preliminary estimates show that the current account improved from a surplus of US$319.9 million in the first nine months of 2019 to a surplus of US$938.9 million for the same period in 2020.

68. The strong external sector position has been spurred by merchandise exports which increased by 11.0% from US$3.2 billion in 2019 to US$3.5 billion for the first nine months of 2020. Export performance has been largely driven by gains in platinum group metals (PGMs) exports amid improved palladium and rhodium prices. The increase was, however, partially offset by declines in gold, tobacco, pure manufactures, chrome ore, high carbon ferrochrome (HCF) and diamond exports.

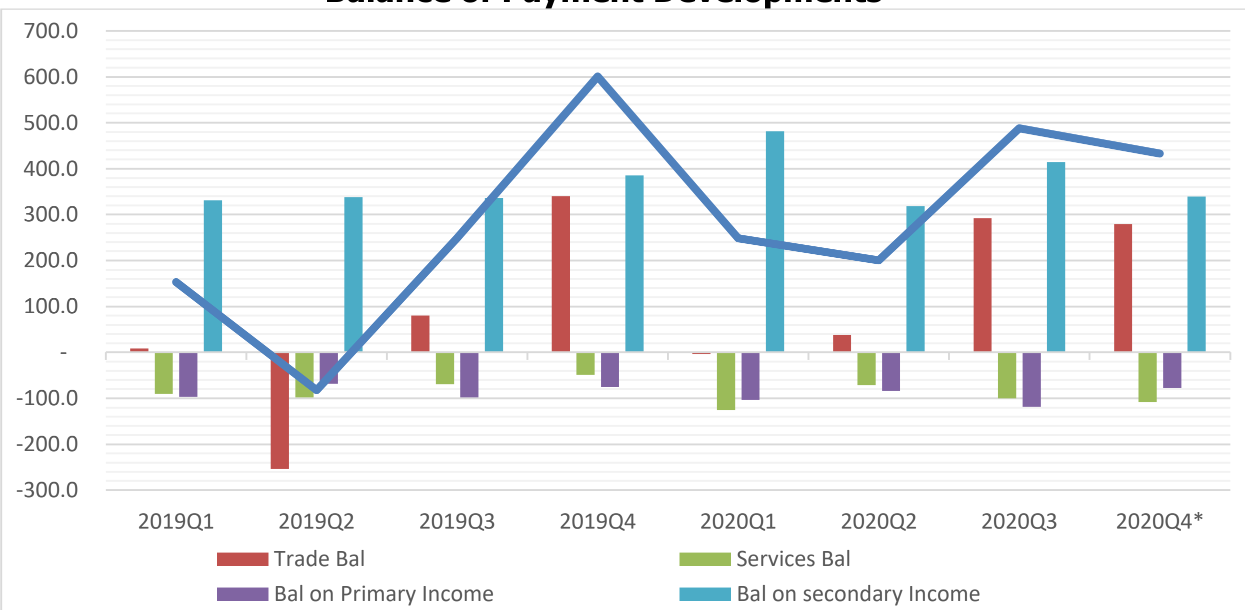
69. Most commodity prices (nickel, platinum, copper, chrome, coal and cotton) except for gold and rhodium have fallen amid weaker global demand occasioned

by the COVID-19 pandemic. Gold prices have benefited from safe haven demand amid global uncertainty. Logistical challenges due to lockdown measures domestically and in export markets also weighed down on exports.

70. Merchandise imports are estimated to have contracted by 4.3% to US$3.2 billion in the first nine months of 2020 from US$3.3 billion for the same period in 2019. The declines were mainly witnessed in imports of fuel, raw materials, machinery, manufactured goods and vehicles, on account of the impact of COVID-19 restrictions. Food imports, however, increased from US$140.5 million in the first nine months of 2019 to US$458.0 million for the comparable period in 2020 on account of high grain imports the country had to procure following two consecutive drought years.

71. The COVID-19 pandemic was mainly felt in trade in services with both exports and imports registering sharp declines. Services exports sharply contracted to US$245.2 million for the period January to September 2020 from US$422.3 million for the comparable period in 2019, owing to weak travel and tourism, transport and other business services exports. Services imports similarly declined from US$679.9 million in 2019 to US$250.5 million in 2020 for the same period.

Balance of Payment Developments



Source: RBZ and ZIMSTAT Estimates

72. Reflecting developments to date, the overall current account balance for 2020 is projected to be in surplus at about US$1,229.3 million, to give two consecutive years of positive current account balance.

73. In 2021, the current account is projected to remain positive, despite vulnerabilities in the global economy, driven by continued recovery of exports and imports, coupled with an increase in remittances and efficient foreign exchange market auction system, which prioritise allocating foreign currency to industry raw materials, rather than consumptive goods.

74. Growth of exports will be driven mainly by increased production and productivity riding on stable domestic macroeconomic environment. Imports are projected to grow in line with the reopening of the economy and growth pressures thereof.

Financial Sector

75. The financial sector remains strong with all financial soundness indicators depicting satisfactory conditions and performance, including adequate capitalisation, satisfactory asset quality and sustained earnings.

Banking Sector Capitalization

76. The banking sector remained adequately capitalized, with aggregate core capital of ZW$29.85 billion as at 30 September 2020, a 42.21% increase, from ZW$20.99 billion as at 30 June 2020. The banking sector average capital adequacy and tier 1 ratios of 47.16% and 27.61% respectively, were above the regulatory minima of 12% and 8%, respectively.

77. The growth in banking sector aggregate capital was mainly attributed to growth in retained earnings, buoyed by revaluation gains from foreign exchange denominated assets.

78. Cognisant of the prevailing challenging environment, exacerbated by the negative impact of the COVID-19 pandemic, the deadline for banking institutions to comply with the new minimum capital levels has been extended by one (1) year to 31 December 2021.

79. The Reserve Bank of Zimbabwe is working closely with banking institutions to ensure the sector remains adequately capitalized and has demonstrable capacity to meaningfully support the funding requirements of the economy.

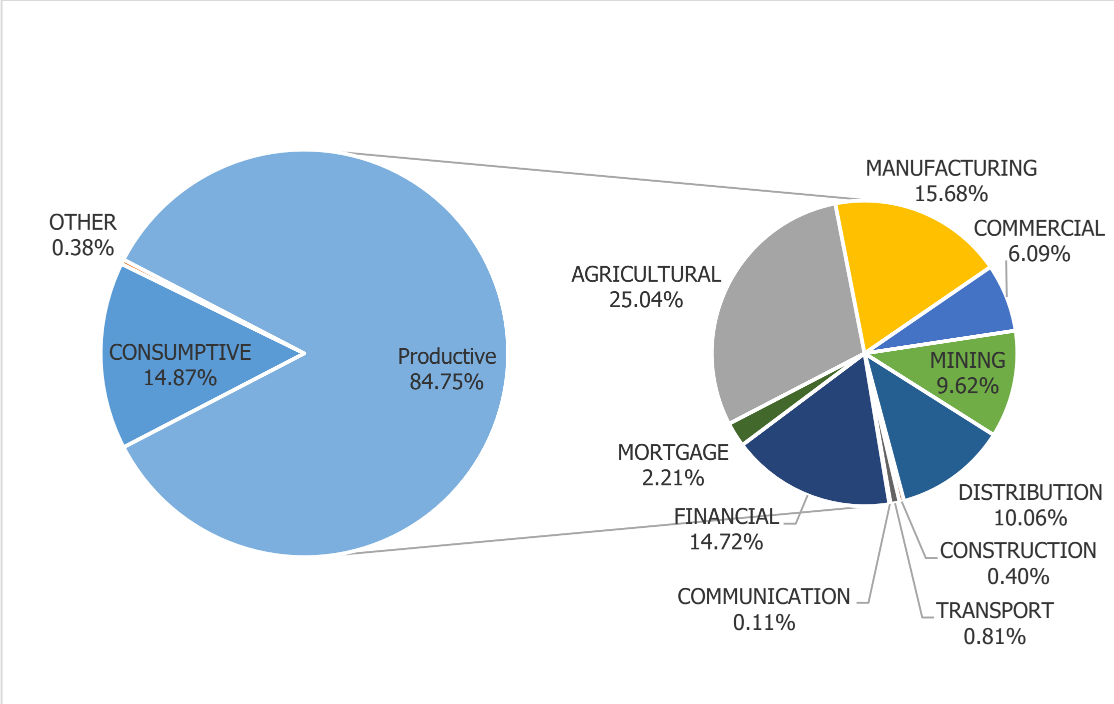
Banking Sector Loans and Advances

80. Total banking sector loans and advances increased by 50.28%, from $37.77 billion as at 30 June 2020 to $56.76 billion as at 30 September 2020. The growth in total banking sector loans and advances is largely attributed to the increase in the value of foreign currency denominated loans in local currency terms, due to the exchange rate movements during the reporting periods.

81. There is scope for the banking sector to scale up its financial intermediation role as reflected by the low loans to deposits ratio of 36.75% as at 30 September 2020 largely as a result of cautious lending approach adopted by some banking institutions.

82. Loans to productive sectors of the economy constituted 84.75% of total banking sector loans as at 30 September 2020, as shown in the figure below.

Sectoral Distribution of Loans as at 30 September 2020



Source: Reserve Bank of Zimbabwe

Asset Quality

83. The quality of the banking sector loan portfolio continued to improve, as reflected by a decline in the non-performing loans (NPLs) to total loans ratio, from 1.03% as at 30 June 2020, to 0.41% as at 30 September 2020.

84. The improvement in the NPLs ratio was mainly driven by an increase in total banking sector loans and advances during the period under review as well as a 39.88% decline in the stock of non-performing loans from $390.87 million as at 30 June 2020 to $235.00 million as at 30 September 2020.

Earnings Performance

85. All banking institutions were profitable during the period under review. Aggregate banking sector profits for the period ended 30 September 2020 amounted to $23.37 billion up from $2.09 billion reported for the corresponding period in 2019.

86. The growth in net income was largely sustained by revaluation of foreign currency denominated assets and investment properties. As such, other non-interest income, mainly from revaluation gains on foreign currency assets, was the key revenue driver in the sector, followed by fees and commissions.

Collateral Registry

87. The implementation of the Collateral Registry awaits completion of the procurement process by the Bank, which was delayed due to the COVID-19 pandemic restrictions.

88. The procurement process, once completed, will pave way for the establishment of a web-based registry for the registration and publication of security interests in movable assets. The Collateral Registry is expected to benefit households and MSMEs by enabling them to leverage their movable assets to access funding from formal financial institutions.

Financial Inclusion

89. The Bank remains focused on the evaluation and assessment of the impact of financial inclusion initiatives during the first phase of the National Financial Inclusion Strategy (NFIS), which is coming to an end in December 2020 and is informing NFIS Phase 2.

90. In addition to addressing the deficiencies and unmet objectives and targets of NFIS Phase 1, the second phase will focus on key areas including use cases and quality of financial services, FinTechs and their impact on financial inclusion, as well as expansion of digital financial literacy.

91. Since the launch of the National Financial Inclusion Strategy in March 2016, there has been notable progress on access to formal financial services by the targeted

groups such as women, MSMEs and the youth. Notable growth has been registered in respect of loans to MSMEs, women and the youth. Total loans to Women, MSMEs and youth increased from $2.25 billion, $1.46 billion and $669.51 million as at 31 March 2020, to $2.54 billion, $2.90 billion and $964.86 million as at 30 June 2020, respectively.

Victoria Falls Stock Exchange

92. The Victoria Falls Stock Exchange (VFEX) was launched on 23 October 2020, to kick start Offshore Financial Services Centre aimed at attracting foreign capital.

93. Its competitiveness is being enhanced through low cost of listing, removal of some taxes such as the capital gains tax. Furthermore, diversified products such as the Exchange Traded Funds, Unit trusts and Real Estate Investment Trusts, among others, will be listed.

94. Public awareness programmes on the new products will soon be rolled out.

Fintech Developments

95. Technological innovations in financial services (fintech) have significantly transformed the financial landscape and way financial services and products are provided.

96. The Bank remains cognisant that while the technological transformation opens opportunities it also creates potential risks. The Bank thus remains focused on harnessing the benefits of fintech and promoting a conducive environment for innovation while ensuring financial system stability, consumer protection and financial inclusion.

Legal & Regulatory Developments

97. In line with its mandate of promoting financial stability, the Bank continued to strengthen the regulatory framework and direct its supervisory efforts towards the promotion of a safe, stable and sound financial system in Zimbabwe.

98. The Bank is working with the Deposit Protection Corporation and Ministry of Finance and Economic Development to consider further enhancing banking laws on cross border banking, bank resolution and crisis management to align it with best practices.

99. The proposed amendments to the Banking Regulations S. I. 205 of 2000, to provide for matters that require to be prescribed under the Banking Act including the new minimum capital requirements, is under review by the Attorney General's office.

BUDGET PERFOMANCE AND OUTLOOK

100. Performance of the 2020 Budget continue to inspire hope and confidence in the management of the fiscus, stabilisation and building of appropriate conditions for stimulating economic activity.

Revenues

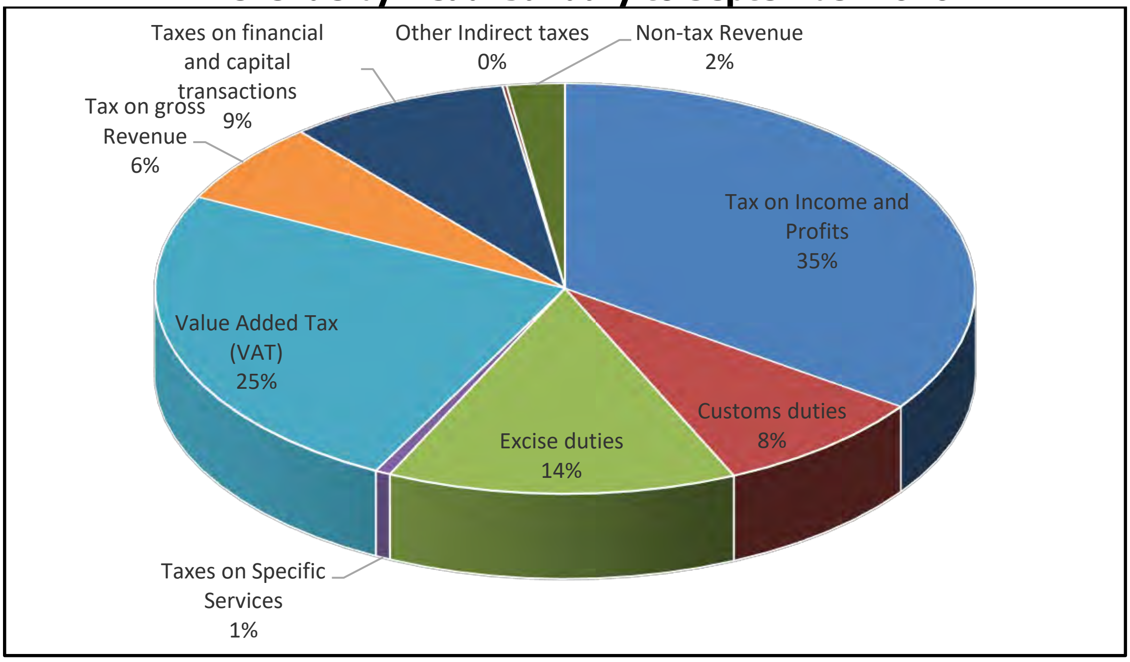
101. Cumulative revenue collections for the first nine months of 2020 stood at ZWL$88.7 billion, against a target of ZWL$72.2 billion, giving a positive variance of 22.7%. Of this amount, tax revenues amounted to ZWL$86.6 billion against a target of ZWL$71.5 billion, while non-tax revenue amounted to ZWL$2.0 billion.

Revenue Sources

102. Major contributors to total revenue collections were Tax on Income and Profits (TIP), 35%. This revenue head comprise of individuals tax, companies' tax',

domestic dividends and interest, presumptive tax as well as other income taxes. Tax on Income and Profits’ contribution to total revenue is followed by (VAT) at 25% and the Excise duties at 14%.

Revenue by Head: January to September 2020



103. Intermediated Money Transfer Tax was below target of ZW$9.24 billion, reflecting slowing down of transactions during the COVID-19 lockdown and the new regulatory measures on mobile banking platforms.

104. In the outlook, momentum in revenue collection is expected to increase in the last quarter of the year.

Public Finance Performance and Outlook 2020 (ZWL$ million)

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Total
Total Revenues	**4,182.0**	**3,895.7**	**6,103.8**	**3,818.5**	**4,717.8**	**11,095.2**	**12,015.8**	**17,286.0**	**25,880.7**	**23,890.8**	**26,150.3**	**34,790.0**	**173,496.3**
Tax Revenues	4,118.2	3,785.1	5,955.8	3,743.2	4,566.0	10,785.5	11,894.9	16,931.3	24,859.9	23,725.8	25,975.3	34,601.0	**170,942.0**
Non-Tax Revenues	63.8	110.6	148.1	75.2	151.8	309.7	120.9	354.7	690.5	165.0	175.0	189.0	**2,554.3**
Total Expenditures & Net Lending	**3,072.3**	**3,664.2**	**7,014.3**	**4,237.0**	**4,702.5**	**6,275.1**	**17,506.8**	**15,710.2**	**22,671.7**	**27,270.5**	**34,960.2**	**31,411.1**	178,496.0
Compensation of Employees	1,003.1	1,441.1	2,162.8	2,155.9	2,001.0	2,086.6	9,394.8	6,834.7	4,743.4	12,878.1	14,093.9	15,275.6	**74,071.0**
Use of Goods and Services	402.3	745.6	1,180.2	827.6	893.6	1,155.9	1,431.8	2,308.4	2,099.5	2,281.0	2,000.0	1,955.1	**17,280.9**
Social Benefits	291.0	166.8	318.6	125.9	606.2	90.0	1,304.6	951.0	2,754.6	3,391.3	4,000.0	5,000.0	**19,000.0**
Subsidies	0.0	26.9	290.7	162.1	147.0	493.4	451.9	467.2	673.6	580.0	500.0	507.3	**4,300.0**
Interest	26.7	110.7	169.5	21.5	51.6	28.5	13.9	34.9	23.2	160.0	160.0	199.5	**1,000.0**

Non-Financial Assets	1,249.9	1,144.9	2,593.8	896.7	1,000.3	2,400.1	4,639.9	5,106.6	12,162.5	5,980.0	11,694.0	5,300.4	**54,169.0**
Transfers to Local Authorities	99.4	28.2	298.7	47.4	2.9	20.5	270.1	7.4	214.9	2,000.0	2,512.3	3,173.3	**8,675.1**
Budget Balance	**1,109.7**	**231.4**	**-910.5**	**-418.5**	**15.2**	**4,820.2**	**-5,491.0**	**1,575.8**	**3,206.8**	**-3,379.7**	**-8,809.9**	**3,464.2**	**-4,999.7**

Source: MOFED, NB January to September are actuals. October to December are estimates

105. Cumulative revenue collections for 2020 are projected at ZWL$173.5 billion (16.3% of GDP), underpinned by the resumption of operations by businesses across sectors from June, limiting of tax incentives as announced during the Mid-Term Budget Review and the monitoring of remote border locations in order to limit revenue leakages.

Expenditures

106. Expenditures for the period January to September 2020 were ZWL$84.9 billion, against a target of ZWL$49.4 billion. Of this amount, current expenditures amounted to ZWL$53.0 billion, transfer to provincial and local authorities ZWL$688.4 million while capital expenditures and net lending amounted to ZWL$31.2 billion.

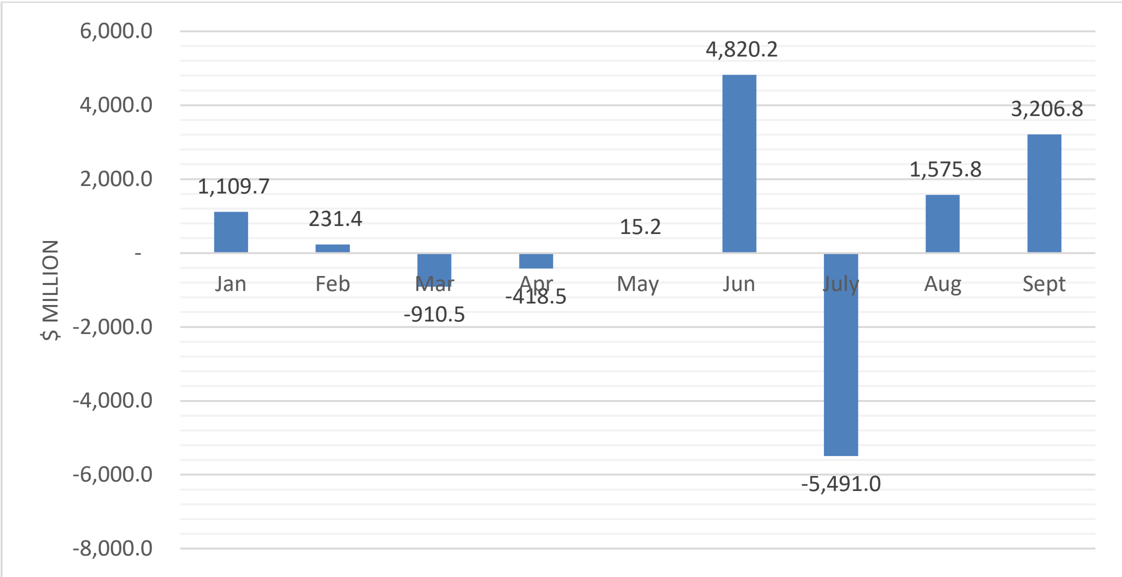
107. Expenditures to year-end are estimated to reach ZWL$162.4 billion. The main expenditures would on employment costs estimated at 39.9% of total expenditure due to bonuses that would be paid as well as employment costs of recently recruited employees in the critical sectors, which are education and health.

108. Capital expenditure and net lending are estimated at 33.6% of total expenditure.

Budget Balance and Financing

109. The budget was generally in the surplus over the period January to September 2020, save for March, April and July, where there were pressures for mitigating the impact of the COVID-19 pandemic, cushioning of civil servants as well as other operational cost escalations.

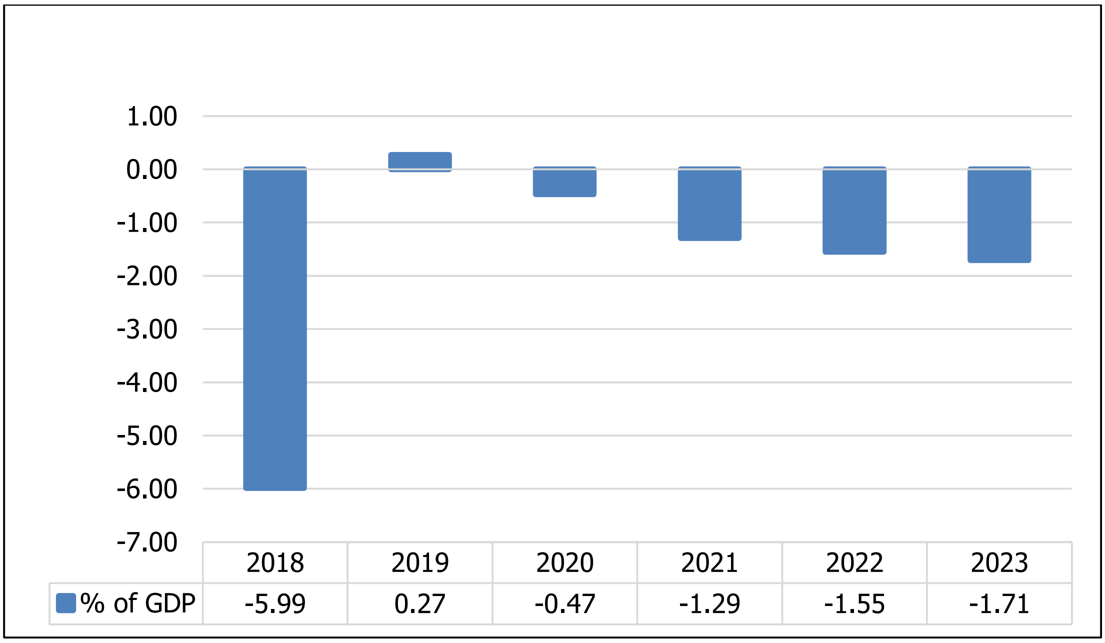
Monthly Budget Balance



Source: MOFED

110. In the outlook, a budget deficit of ZWL$4.9 billion (-0.5% of GDP) is anticipated by end of 2020, reflecting better performance of revenues against managed expenditures. The small deficit position marks the beginning in building of essential buffers for unforeseen exogenous shocks and expanded implementation of developmental programmes.

Budget Balance



	2018	2019	2020	2021	2022	2023
% of GDP	-5.99	0.27	-0.47	-1.29	-1.55	-1.71

Public Debt

111. Total Public and Publicly Guaranteed (PPG) debt is estimated at 78.7% of GDP by end of 2020. The debt stock is marginally above the SADC recommended threshold of 60% of GDP and the Public Debt Act threshold of 70% of GDP.

112. Relative to other countries such as Italy, Greece, Japan, whose debt to GDP ratios is above prudential thresholds of 60% of GDP. This calls for Zimbabwe to pay more attention to managing its debt to avoid fiscal sustainability risks.

Debt Levels for Selected Countries (% of GDP)

Country	Last	Previous	Reference
Japan	237	238	Dec/19
Greece	177	181	Dec/19
Italy	135	135	Dec/19
Singapore	126	112	Dec/19
Mozambique	109	113	Dec/19
Mauritius	64.6	63.4	Dec/19
South Africa	62.2	56.7	Dec/19
Malawi	62	62.7	Dec/19
Zambia	59	55.6	Dec/18
Ethiopia	57	60	Dec/19
Kenya	57	57.1	Dec/18

Source: Trading Economics

Domestic Debt

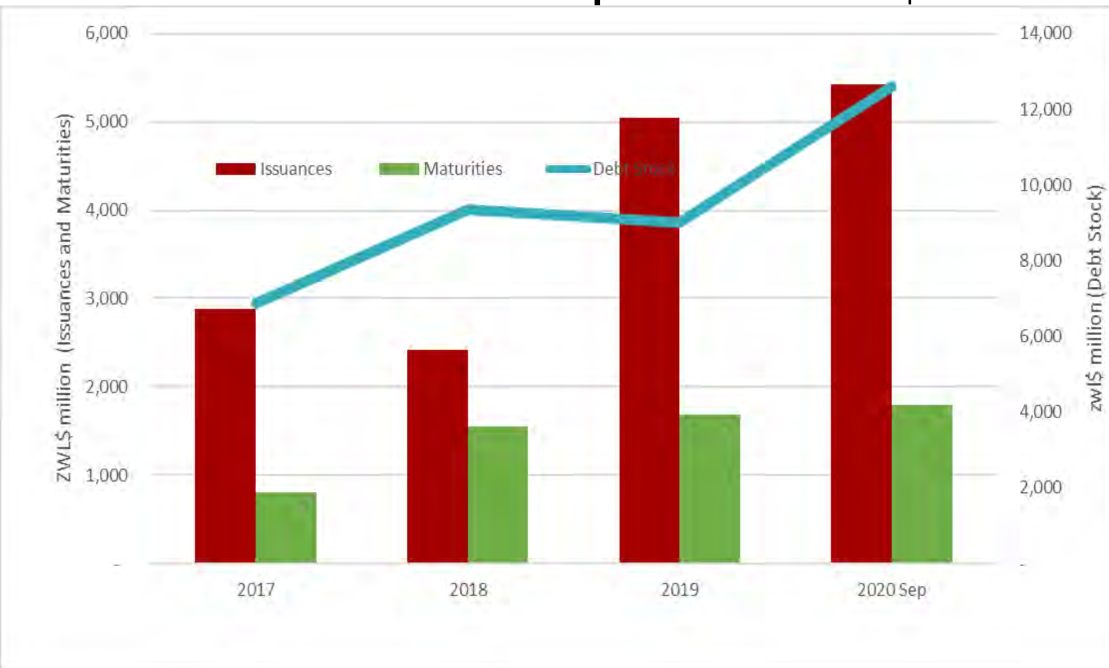
113. Domestic Debt as at 30 September 2020 was ZWL$12.5 billion, which is 1.2% of GDP and 1.8% of the total public debt.

114. In 2020, domestic debt has been stable reflecting improved management of the fiscus together with some increased debt service repayments. This was realised through implementation of the following measures:

- Zero recourse to Central Bank financing window including overdraft;
- Non issuance of Treasury bills to ZAMCO;

- Continuation of issuance of Treasury bills through the auction system for price discovery, improve accountability and transparency; and
- No quasi- fiscal operations at the RBZ, hence no monetisation of the budget deficit.

Domestic Debt Trend 2017 to September 2020 ZWL$ million



Source: MOFED

External Debt

115. Total external debt is estimated at US$8.2 billion, as at end September 2020. This is an increase by US$106 million from the end 2019 amount of US$8.09 billion and was mainly on account of penalties and interest arrears. Of the total external debt, 17% is owed by public entities through guarantees.

116. Arrears remain a major component of the external debt, at US$6.34 billion, constituting 77% of external debt.

Public and Publicly Guaranteed External Debt end September 2020 (US$m)

	Non-Guaranteed			Guaranteed			Grand Total
	DOD	Arrears	Total	DOD	Arrears	Total	
External Debt	**1,832**	**4,990**	**6,823**	**28**	**1,349**	**1,378**	**8,200**
a. Bilateral Creditors	*1,560*	*3,165*	*4,724*	*28*	*803*	*831*	*5,555*
Paris Club	145	2,669	2,814	25	785	810	*3,624*

Non-Paris Club	1,193	418	1,611	3	18	21	*1,632*
RBZ Assumed Debt	222	77	299	0	0	0	*299*
b. Multilateral Creditors	273	1,826	2,098	0	547	547	*2,645*
World Bank	184	1035	1,220	0	291	291	*1,510*
African Development Bank	33	602	635	0	87	87	*723*
European Investment Bank	17	160	177	0	168	168	*345*
Others	38	28	67	0	0	0	*67*

Source: Zimbabwe Public Debt Management Office

117. Multilateral external debt, as at end September 2020, stood at US$2.65 billion, of which 90% are arrears. Arrears to the World Bank Group are US$1.33 billion, African Development Bank, US$689 million, European Investment Bank, US$329 million and other multilateral creditors, US$28 million.

118. Similarly, bilateral external debt is estimated at US$5.56 billion (68% of total PPG external debt), of which arrears account for 71% of total bilateral debt. Debt owed to the Paris Club creditors stood at US$3.63 billion and Non-Paris Club, US$1.63 billion.

External Loan Disbursements

119. External loans disbursements from January to September 2020 amounted to US$47.04 million for Hwange 7 & 8, Robert Mugabe International Airport, Poverty Alleviation Project, First Education Project, Small Holder Irrigation Revitalisation Project and TelOne Backbone Network and Broadband Access

120. In 2021, external loan disbursements are projected at US$426.6 million, towards Hwange 7 & 8 Thermal Power Station Expansion Project, NetOne Expansion Project Phase IV, Urgent Response Operation to Fight COVID-19 and other projects as listed below.

Jan-Sept 2020 Actual Disbursements and 2021 Projected Disbursements (US$)

Loan Facility	Loan Amount US$	2021 Projected disbursements	2020 disbursement
Hwange 7 & 8 Thermal Power Station Project	997,723,244	378,441,941	10,570,839

Robert G. Mugabe International Airport	153,000,000	7,800,000	27,669,301
Poverty Alleviation Project	7,800,000	3,000,000	968,787
First Education Project	20,000,000	-	2,025,764
Smallholder Irrigation Revitalisation Project	15,000,000	2,000,000	294,425
TelOne Backbone Network and Broadband Access	98,617,482	-	5,509,414
Deka Pumping Station & River Water Intake System	28,600,000	2,000,000	
Net*One Network Expansion Phase III	71,000,000	28,400,000	
Urgent Response Operation to Fight Covid-19	87,000,000	5,000,000	
SUB TOTAL	**1,478,740,726**	**426,641,941**	**47,038,530**

Source: Zimbabwe Public Debt Management Office

Loans Concluded and under Negotiation

121. In 2020, Government concluded two loans amounting to US$320 million for the repowering of Hwange 1-6 Thermal Power Station and for the procurement of Personal Protective Equipment (PPE) & laboratory equipment towards COVID-19 Pandemic.

Loans raised by Government January to September 2020 (US$ millions)

Loan Facility	Lender	Loan Amount	Maturity including grace period (years)	Interest Rate (%)
Repowering of Hwange 1-6 Thermal Power Station	India Exim Bank	310	20	1.75
Urgent Response Operation to Fight COVID-19	BADEA	10	25	2
Total		**320**		

Source: Zimbabwe Public Debt Management Office

122. In addition, the following loan facilities amounting to US$651 million are still under negotiations:

- Construction of Kunzvi Dam, US$600m with China Eximbank;
- Smallholder irrigation revitalisation programme, US$36 million with International Fund for Agricultural Development (IFAD); and
- Smallholder irrigation revitalisation programme US$15 million with OFID.

MACRO- FISCAL FRAMEWORK: 2021-23

123. Based on anticipated improvement in economic activity in 2021, Treasury projects to collect revenues amounting to ZWL$390.8 billion, (16.4% of GDP) a slight improvement from 16.3% estimated for 2020.

Revenue Outlook

	2018 Outturn	2019 Outturn	2020 Revised	2021	2022	2023
Total Revenue (ZWL$ M)	**5533**	**22971**	**173496**	**390803**	**512434**	**632640**
Personal Income Tax	856	3235	26584	72206	100555	129236
Corporate Tax	802	3155	27069	73523	97734	119902
Other Direct Taxes	261	964	13063	29091	35903	51161.9
Royalties	95	525	5953	11511	12942	23395.3
Tobacco Levy	15	62	385	473	529	607.467
Dom Div & Interest	73	256	4699	12233	16261	19949.2
Capital Gains Tax	35	65	853	2220	2810	3283.7
Vehicle carbon Tax	43	56	1173	2654	3360	3926.15
Customs Duty	433	1962	16337	21043	26696	33352.4
Excise Duty	909	4117	24904	60445	79881	96887.5
Fuel	648	3484	20185	45688	59865	72394.3
Beer	85	235	2081	4348	6319	9054.54
Wines & Spirits	25	53	214	448	608	746.861
Tobacco	32	54	215	527	679	760.989
Second Hand Motor Vehicle	4	9	19	20	20	20.8062
Airtime	115	282	2190	9415	12390	13910.1
Electric Lamp	0	0	0	0	0	0.01
Value Added Tax	1363	5949	45664	94816	120503	139291
Domestic Sales	1120	3627	29908	73659	95888	111618
Imported Goods	524	2993	19976	26848	30965	35169.1
Refunds	-281	-671	-4220	-5692	-6351	-7496.4
Other Indirect Tax	377	3189	18272	36128	46582	57185.9
of which IMTT	178	2663	15072	29039	37442	45964.9
other	200	526	3200	7089	9140	11220.9
Non- Tax revenue	**533**	**400**	**1603**	**3552**	**4580**	**5622.84**

124. The expected marginal increase is also based on assumed improvement in tax administration efficiencies. Consequently, in line with anticipated revenues and informed by market capacity and debt management strategy, a total envelope of ZWL$421.6 billion (17.6% of GDP) constitutes the 2021 National Budget expenditure ceiling. The table below summarises the Macro Fiscal Framework for the 2021 National Budget.

Macro- Fiscal Framework: 2021-23

	2018	2019	2020	2021	2022	2023
National Accounts (Real Sector)						
Real GDP at market prices (ZWL$ M)	20,234.56	19,024.30	18,236.22	19,593.28	20,663.35	21,734.96
GNI Per Capita Income (US$)	1,189.84	933.64	1,159.81	1,842.16	2,137.08	2,712.65
Nominal GDP at market prices (ZWL$M)	36,921.29	161,977.15	1,070,640.29	2,399,087.71	3,045,739.99	3,560,346.7
Real GDP Growth (%)	5.5	-6.0	-4.1	7.4	5.5	5.2
Gross Capital Formation (% of GDP)	10.07	8.55	8.56	9.45	10.60	12.01
Exchange Rate (Annual Average)	2.0	11.1	58.4	80.0	85.0	76.0
GDP Deflator	64.3	366.6	589.5	108.6	20.4	11.1
Inflation (Annual Average) %	10.6	173.3	654.9	134.8	23.7	10.5
Formal employments (000)	854.8	829.3	812.1	963.2	1094.7	1236.6
% of People in Extreme Poverty	29.5	42.5	38.9	24.5	19.2	15.4
Government Accounts						
Revenues (excluding Retained Revenue)	5,533.45	22,970.66	173,496.33	390,803.50	512,434.20	632,639.5
% of GDP	15.0	14.2	16.2	16.3	16.8	17.8
Expenditures & Net Lending (ZWL$ M)	7,744.78	22,533.66	178,495.98	421,616.26	559,451.83	693,191.1
% of GDP	21.0	13.9	16.7	17.6	18.4	19.5
Recurrent Expenditures	5,196.81	13,823.00	120,753.98	290,019.97	387,305.38	485,891.5
% of GDP	14.1	8.5	11.3	12.1	12.7	13.6
Employment Costs including Pension	3,934.75	7,118.72	70,499.00	172,635.01	220,359.97	255,106.96
% of GDP	10.7	4.4	6.6	7.2	7.2	7.2
% Total Expenditure	50.8	31.6	39.5	40.9	39.4	36.8
% of Revenue	71.1	31.0	40.6	44.2	43.0	40.3
Capital Expenditure & Net lending	2,547.96	8,710.65	57,742.00	131,596.29	172,146.45	207,299.6
% of GDP	6.9	5.4	5.4	5.5	5.7	5.8
Overall Balance	-2,211.32	437.00	-4,999.65	-30,812.76	-47,017.63	-60,551.6
% of GDP	-5.99	0.27	-0.47	-1.28	-1.54	-1.70
Public Debt	17,302.00	142,743.20	1,547,195.29	1,972,848.34	2,297,791.09	2,545,067.72
% of GDP	46.9	88.1	78.4	64.5	64.8	64.5
Balance of Payments Accounts						
Exports (ZWL$ M)	10,356.33	58,568.34	283,518.67	420,475.23	433,344.45	471493.0
% of GDP	28.05	36.16	26.48	17.53	14.23	13.2
Imports (Million ZWL$)	15,284.40	60,029.84	280,371.28	430,184.92	469,116.75	532381.9
% of GDP	41.40	37.06	26.19	17.9	15.4	15.0
Current Account Balance (ZWL$ M)	-1,379.63	10,235.65	67,560.85	73837.3	41646.7	14,697.1
% of GDP	-3.7	6.3	6.3	3.1	1.4	0.4
International Reserves (Months of Import Cover)	0.5	0.9	1.0	2.0	3.5	4.5
Deposit Corporations Survey						
Broad Money (ZWL$ M)	10,009.91	35,018.18	202,723.75	492,185.02	861,323.79	1,507,316.6
Growth %	28.0	249.8	478.9	142.8	75.0	75.0
Reserve Money (ZWL$ M)	3,258.22	10,327.81	25,214.40	61,523.13	123,046.26	215,330.95

Source: Ministry of Finance and Economic Development & Reserve Bank of Zimbabwe

125. The above proposed macro-fiscal framework is premised on the following assumptions:

Assumptions for the Macro-Fiscal Framework: 2021-23	
• Recovery from COVID-19 pandemic;	• Firming international mineral prices
• Resumption of global economic activity	• Recovery in domestic aggregate demand

• Good agricultural season	• Macro stability reflected by stable currency and prices
• Enhanced revenue collection	• Domestication of value chains
• Sustainability of the auction system;	• Further control of wasteful expenditures and value of money on all expenditures.
• Tourism and trade resumption	
• Materialisation of mining investment targets	

Deficit and Financing

126. A budget deficit of ZWL$30.8 billion (-1.3% of GDP) is targeted in 2021, a slight increase from -0.5% of GDP anticipated in 2020. The targeted fiscal deficit is also in line with the fiscal consolidation stance which strictly limits the fiscal targeted deficit to below 2% of GDP throughout the National Development Strategy 1 period.

127. The target is also within the SADC macroeconomic convergence threshold of below 3% of GDP and builds on achievements made in 2019 and 2020.

128. In terms of financing, the entire deficit will be met through the domestic market. The domestic borrowing plan below includes provision for other borrowings related to cash smoothening operations.

Borrowing Plan 2021 (ZWL$ Billion)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total Budget Deficit (billion)
Total Treasury Bills	3,083	6,166	9,249	12,332	30,830
180 days	1,233			2,466	3,700
270 days	1,233	3,083	4,624	4,933	13,873
365 days	617	3,083	4,624	4,933	13,257
Treasury Bond		1,541	3,083	3,083	7,707
Total	**3,083**	**7,707**	**12,332**	**15,415**	**38,537**

Source: Treasury

Note: Treasury Bond consist of maturities ranging from 2 to 10 years

THE 2021 BUDGET

129. Total bids submitted to Treasury by various line ministries and departments are much higher than the capacity of revenues and borrowings. Therefore, given the macro-fiscal stabilisation objectives of the budget and the National Development Strategy 1, adhering to an expenditure ceiling of ZWL$421.6 billion becomes imperative.

Development Partner Support

130. Government efforts are being complemented by development partners, notwithstanding their support being channelled outside the budget. Their support is directed at various Government planned projects which, ordinarily would have been funded through the budget.

131. The assistance will however, allow implementation of a number of projects and programmes in sectors of infrastructure, social services delivery, capacity building and governance, among others.

132. However, Government in conjunction with respective partners will strengthen monitoring and evaluation of projects and programmes being implemented to ensure their efficiency and effectiveness.

133. During the period January to September 2020, a total of US$579.8 million was disbursed by Development Partners, of which US$448.4 million was from bilateral whilst US$131.4 million was from multilateral partners.

134. In 2021, it is projected that Development Partner assistance will amount to US$841.5 million, of which US$559.3 million is expected from bilateral, whilst US$282.1 million will be from multilateral partners.

135. The breakdown of actual development assistance received from January to September 2020 and projections for 2021 are as shown in Table below:

Development Partner Support (Grants)

Development Partner	Actual Disbursements (US$)	Projected disbursements (US$)	
	Jan to Sept 2020	2020	2021
Bilateral			
USA	235,665,223	250,359,697	370,800,000
UK	72,438,979	143,940,000	97,343,177
European Union	61,183,537	75,533,000	24,026,083
Sweden	39,428,550	39,233,217	36,048,960
Japan	25,969,845	22,791,621	13,095,667
South Korea	-	300,000	-
Switzerland	5,426,155	5,426,155-	5,967,837
Germany	3,030,000	4,280,000	6,020,000
France	-	1,040,000	1,057,000
Netherlands	5,246,956	5,246,956-	3,790,800
Canada	-	-	1,200,000
Sub – total	**448,389,245**	**548,150,647**	**559,349,523**
Multilateral			
Global Fund	78,568,446	141,728,288	141,585,123
World Bank	14,459,898	54,138,046	30,076,016
AfDB	19,577,922	35,587,000	44,604,394
UNICEF	5,471,520	7,790,532	8,573,418
UNDP	3,584,507	4,935,383	1,885,000
WHO	2,456,210	2,987,651	2,874,031
UNFPA	4,439,514	6,940,048	3,430,000
IFAD	-	-	8,342,806
FAO	391,791	1,888,443	802,000
ILO	338,495	1,042,508	2,155,500
IOM	1,112	127,411	-
UNESCO	62,502	100,000	122,580
UNCTAD	480,000	650,000	650,000
UN WOMEN	-	200,000	-
GAVI	-	1,016,560	34,656,125
BADEA	-	-	500,000
UNAIDS	571,420	571,420	360,049
UNHCR	-	150,000	150,000
Global Partnership for Education	980,248-	5,600,000	1,400,000
WFP	-	1,500,000	-
Africa 50		10,000	-
Sub – total	**131,383,585**	**266,963,290**	**282,167,042**
GRAND TOTAL	**579,772,830**	**815,113,936**	**841,516,565**

136. The development assistance sectoral breakdown for the period January to September 2020 and 2021 projections is as follows:

Development Assistance Sectoral Disbursements (Grants)

Sector	Actual Disbursements (US$)	Projected disbursements (US$)	
	Jan to Sept 2020	2020	2021
Agriculture	23,421,502	44,796,090	37,887,247
Transport	5,591,000	1,579,849	6,174,000
Energy	1,051,845	8,280,000	26,619,152
Water and Sanitation	10,655,408	6,003,200	10,252,403
Health	351,727,042	579,321,924	495,879,615

Sector	Actual Disbursements (US$)	Projected disbursements (US$)	
	Jan to Sept 2020	2020	2021
Education	8,910,436	18,390,000	29,126,915
Governance	29,438,976	31,207,654	41,546,196
Multi-sector	34,381,339	40,750,079	43,808,522
Humanitarian	93,375,534	20,596,349	112,432,000
Capacity Building	6,159,911	16,624,745	8,570,463
Basic Social Services	2,723,817	5,826,000	2,612,000
Cyclone Idai	12,336,021	41,738,046	28,008,053
Total	**579,772,830**	**815,113,936**	**841,516,565**

Support from Government of the Peoples' Republic of China

137. Government also acknowledges and appreciates development assistance received in kind which at times might not be quantified in monetary value terms, from Peoples' Republic of China. The PRC supported the country through various ways, including PPEs from Jack Ma Foundation, financing of infrastructure development such as New Parliament Building, Hwange 7&8, Kariba South extension, renovation of health institutions, among others.

Allocations

138. Of the ZWL$421.6 billion Budget, capital expenditures constitute ZWL$131.6 billion (5.5% of GDP), while current expenditures are expected to consume ZWL$290 billion (12.1% of GDP).

Main Expenditures

	2018	2019	2020	2021	2022	2023
Nominal GDP at market prices (Million ZWL$)	36,921.29	161,977.15	1,066,986.78	2,389,907.09	3,033,524.27	3,549,123.1
Government Accounts						
Expenditures & Net Lending (Million ZWL$)	7,744.78	22,533.66	178,495.98	421,616.25	559,451.83	693,191.1
% of GDP	21.0	13.9	16.7	17.6	18.4	19.5
Recurrent Expenditures	5,196.81	13,823.00	120,753.98	290,019.96	387,305.38	485,891.5
% of GDP	14.1	8.5	11.3	12.1	12.8	13.7
Employment Costs including Pension	3,934.75	7,118.72	70,499.00	172,635.01	220,359.97	255,106.96
% of GDP	10.7	4.4	6.6	7.2	7.3	7.2
% Total Expenditure	50.8	31.6	39.5	40.9	39.4	36.8
Capital Expenditure & Net lending	2,547.96	8,710.65	57,742.00	131,596.29	172,146.45	207,299.6
% of GDP	6.9	5.4	5.4	5.5	5.7	5.8
Overall Balance	-2,211.32	437.00	-4,999.65	-30,812.79	-47,017.65	-60,551.5
% of GDP	-5.99	0.27	-0.47	-1.29	-1.55	-1.71
Public Debt	17,302.00	142,743.20	1,547,195.32	1,972,848.40	2,297,791.14	2,545,067.77
% of GDP	46.9	88.1	78.7	64.7	65.0	64.7

139. Key allocations under the 2021 Budget are goods and services (ZWL$59.4 billion), employment costs (ZWL$142.6 billion), interest (ZWL$1.5 billion) and transfers (ZWL$86.5 billion), with the balance reserved for capital development programmes.

Expenditure by Economic Classification

	2019	2020	2021	2022	2023
Total Expenditures	**22,533.7**	**178,496.0**	**421,616.3**	**559,451.8**	**693,191.1**
Total compensation of employees	6,082.8	62,857.0	142,587.3	183,183.3	214,019.0
Use of goods and services	5,668.7	20,383.0	59,445.3	93,505.8	144,730.2
Interest	378.5	1,000.0	1,460.7	1,282.0	1,080.0
Domestic	289.9	1,000.0	730.0	479.0	280.6
Foreign	88.6	0.0	730.7	803.1	799.4
Transfers	1,692.9	36,514.0	86,526.6	109,334.3	126,062.3
Pension	1,035.9	7,642.0	30,047.7	37,176.7	41,088.0
Provincial Councils and Local Authorities	657.0	8,674.8	19,540.2	25,621.7	31,632.0
Subsidies	0.0	15,197.2	25,676.2	31,768.0	35,110.3
Social benefits	0.0	5,000.0	11,262.6	14,767.9	18,232.1
Gross capital formation net Lending	8,710.7	57,742.0	131,596.3	172,146.5	207,299.6
Loans on non-market basis	454.5			155,646.5	171,211.1
Infrastructure	8,256.2	38,242.0		11,500.0	12,650.0
Soft Capital	0.0	19,500.0		5,000.0	5,500.0
Of which Retained Expenditures	0.0			0.0	0.0
Other off-budget expenditures	4,265.0				
Overall balance	**437.0**	**-4,999.6**	**-30,812.8**	**-47,017.6**	**-60,551.5**

Wage Bill

140. Macroeconomic stabilisation has brought some stability in real wages. However, Government is committed to continuously review the remuneration of civil servants guided by macro fundamentals and capacity of the Budget.

141. Meanwhile, in recognition of the hard work by the civil servants, Treasury has made arrangements to pay bonuses in a staggered approach between November and December 2020.

Pension Fund Scheme

142. Government is moving from Pay as you go pension scheme to a fully funded pension scheme, which requires an equivalent of US$4.8 billion based on 2012 actuarial valuation report.

143. The objective is to gradually capacitate the Fund to ensure it attains its objective of promoting and protecting the pension contribution and rights of pensioners.

144. In line with Government policy of establishing a Public Service Pension Fund the 2021 Budget is setting aside ZWL$1.2 billion as employer contribution @ 4% in line with the agreed framework, to increase capital base to the fund for investment.

145. In addition, Government will bring the following assets - commercial buildings and infrastructure, land, farms and financial assets and will then conduct actuarial valuation to determine the cover of the assets to the liabilities in order to clear its pension liability.

THE 2021 BUDGET PRIORITY AREAS

146. In line with the National Development Strategy 1 priorities and various submissions from countrywide consultative engagements, the 2021 Budget prioritises the following areas:

I. INCLUSIVE GROWTH AND MACRO-STABILITY

147. The emerging macroeconomic stability currently being witnessed creates conducive environment for attainment of key inclusive growth objectives which include increased output and hence incomes, empowerment and job opportunities, access to basic public services such as healthcare, education, social protection, water and housing. It also creates scope for strengthening of governance institutions and hence, effective citizenry participation in critical decision making and implementation of policies.

148. Additionally, the devolution policy thrust fundamentally promotes the inclusive growth strategy from spatial sense.

149. Therefore, the 2021 National Budget will prioritise the following policy areas:

Fiscal Policy

150. The 2021 Budget targets a fiscal deficit of -1.3% of GDP in line with the National Development Strategy 1's fiscal consolidation objectives which strictly limit the fiscal targeted deficit to below 2% of GDP. The targeted deficit is also within the SADC macroeconomic convergence threshold of below 3% of GDP.

151. Attainment of the targeted deficit will also allow containment of the public debt of about 64% of GDP, which is within the 70% of GDP stipulated in the Public Debt Act and within reach of the SADC recommended threshold of 60% of GDP.

152. To attain the above targets, fiscal policy will continue to prioritise revenue enhancement measures, whilst pursuing expenditure management thrust initiated from 2018 on the launch of the TSP, and these evolve around:

- Strict observance of the Budget and PFM Act rules;
- Borrowing only for the budgeted expenditures and through market-based operations;
- No more recourse to Central Bank overdraft and other windows;
- Gradual reduction of the wage bill from current levels (of around 50% of total expenditures) towards 30% of total expenditures and below 10% of GDP;
- Continuous review and rationalisation of public service posts;
- Rolling of PFMS controls to all departments and local levels;
- Adherence to new Procurement Act rules;

- Minimising subsidies that are targeted and accommodated in the Budget;
- Complete migration of the Public Service Pension scheme from Pay-As-You-Go- pension to Defined Benefit Pension Scheme; and
- Continue strengthening taxation systems with a view of enhancing collection efficiency, sealing leakages, support productive sectors and manage consumption.

Public Finance Management System

153. The Public Finance Management System, the computer based accounting and financial management system in use by Government has been expanded to multiple levels across ministries and departments. The System is currently being rolled out to district levels to ensure effective use of the system for critical decision support, budget performance monitoring and reporting needs.

154. To buttress this, Government will work with stakeholders to develop a comprehensive Public Finance Management Reform Strategy that will provide for a properly sequenced and coordinated PFM reforms.

Public Procurement

155. The National Constitution provides that public procurement be contacted in a manner that is transparent, fair, honest, cost-effective and competitive.

156. The attainment of the targets set in the National Development Strategy 1 and Vision 2030 also requires that resources under the purview of Government and public sector entities are effectively deployed and efficiently managed.

157. Distortions in the domestic market, where supplies of some critical raw materials and equipment, including those imported, is through informal channels result in

incidences where some suppliers and contractors price their products and services outside market fundamentals.

158. The above challenges require urgent redress to ensure that as a nation, we continue to nurture and sustain the stability now prevailing in the market as well as provide public services at competitive costs.

159. In that respect, Government will work with stakeholders to explore arrangements that ensure effective implementation of existing frameworks, while also identifying opportunities for improvement in public procurement legal and regulatory and institutional framework.

160. In that context, the following will be up for consideration:

- Options that allow Government to achieve economies of scale in public procurement.
- Review and validation of existing contracts to ensure costs reflect the current economic conditions, including benchmarking such costs regionally and internationally.
- Engagement of reputable international procurement experts to validate and undertake spot checks on specific project/programme costings to allow for corrective action where necessary.
- Mechanisms for ensuring pricing by lowest compliant bidders to specifications is within the market and internationally benchmarked costs.
- Review of contract price variations provisions to limit approvals to cases where input costs are consistent with market and internationally benchmarked prices.
- Restricting SPOC approvals for all single sourcing and direct procurement to cases where the relevant accounting officer has submitted a due diligence report that demonstrates the competitiveness of the cost.
- Prioritising implementation of the electronic Government procurement system.

161. The above measures will be complemented by capacity development and licensing requirements for public procurement practitioners that meet applicable certification standards, with continuous professional development to enhance public procurement skills enforced through PPDPA Professionalisation Regulations.

162. Under those arrangements, PRAZ will monitor and evaluate compliance including making recommendations on any improvements required to the public procurement systems, and consistent with international best practice.

International Public Sector Accounting Standards (IPSAS)

163. Successful implementation of the National Development Strategy requires accurate and relevant information availed on a timely basis, to facilitate both effective decision making and foster transparency and accountability in the management of public resources.

164. Recognizing this imperative, Government adopted the International Public Sector Accounting Standards (IPSAS) framework; and is tackling critical pre-implementation requirements that include the review of policy and capacity factors with respect to ICT and human resources, to facilitate the smooth migration to the new reporting framework.

165. An IPSAS progressive pilot implementation strategy is under implementation. It targets 15 pilot entities presenting 2021 accrual based IPSAS dry-run accounts to the Auditor General for review. These are:
- Three ministries;
- Two constitutional entities;
- Two statutory boards; and
- Eight local authorities.

166. The rest of State Enterprises and Parastatals; and Urban Local Authorities will be expected to be taken on board and present 2022 accrual based IPSAS dry-run accounts whilst rest of Central Government and Rural Local Authorities are expected to do the same in 2023.

Professionalisation of Public Sector Accountancy Function

167. The success of the migration to IPSAS requires the development of appropriate accountancy skills within the public service. To that end, Government has embarked on a public sector accountants and auditors training program, with the Public Service Academy collaborating with local Professional Accountancy Organisations to deliver the appropriate training.

Retention Funds

168. The 2020 National Budget Statement announced a change of policy with respect to Retention Funds. It further informed respective line ministries and other entities to make necessary arrangements for winding up retention funds accounts in 2020 and transfer of the resources to the Consolidated Revenue Fund after 31 December 2020.

169. With effect from 1 January 2021, income that currently accrues to such Funds shall be payable to the Consolidated Revenue Fund (CRF), as part of the ongoing reforms on enhancing effective control, transparency and accountability over public funds.

170. Treasury Circular Number 9 of 2020 was issued on 17 November to facilitate the implementation process.

Managing the Public Debt

171. Public debt management will be guided by the Medium-Term Debt Strategy (MTDS), which will focus on maximising access to concessional financing, leaving non-concessional borrowing for commercially viable projects. The Debt Strategy will ensure consistency between the capacity to service the debt and minimising cost with the objective of fiscal consolidation.

172. In 2021, Government will develop a Medium-Term Debt Strategy (2021-2023) which is in line with the National Development Strategy. The MTDS will also guide the development of an Annual Borrowing Plan for 2021.

New Framework for Evaluating, Monitoring and Managing Guaranteed & On-lent Loans

173. Government has taken a decision for providing guarantees and on-lending to credit equivalent to y borrowers as a way of limiting risks from called-up guarantees and default on on-lent loans. Treasury has, therefore, developed a Framework for Evaluating, Monitoring and Managing Guaranteed and On-lent Loans, that outlines modalities for extending respective guarantees and on-lent loans. Key tenets of the Framework, among others, include capacity to pay back the loans and charging of guarantee and on-lending fees.

174. Based on this Framework, and evaluated risks, the current Treasury approved schedule of fees is as follows:

Credit Risk Scores and the respective fee

Credit Risk Score Range (%)	Fee (%) of Guaranteed/On-lending Amount
<55	Reject
55 – 65	2 .0
65 – 75	1.5
75 - 85	1.0
85 - 100	0.5

175. Therefore, Public Entities are invited to submit their requirements for guarantees and on-lending for consolidation into Government's Borrowing Plan.

Monetary Policy

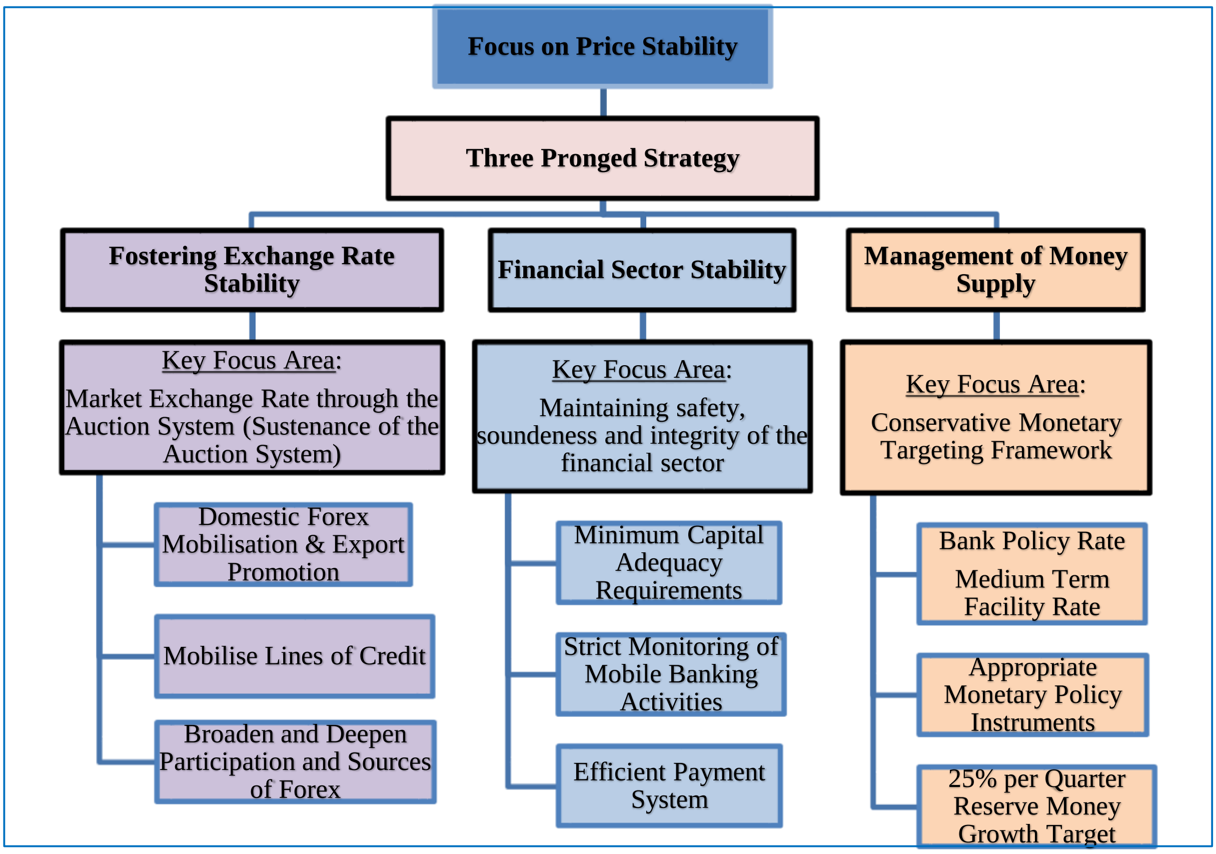
176. Complementary to the fiscal policy, will be tight monetary policy being pursued through a three-pronged approach to achieving price and exchange rate stability. The three-pronged approach focuses on exchange rate stability, financial sector stability and management of money supply.

177. To ensure foreign exchange stability, focus is on sustaining the foreign exchange market system through domestic foreign currency mobilisation, export promotion and mobilisation of lines of credit.

178. The Central Bank will ensure financial sector stability by maintaining safety, soundness and integrity of the sector through ensuring adequate capitalisation of the financial sector, strict monitoring of mobile banking activities and efficient payment system.

179. Further, the Central Bank will implement monetary targeting framework to manage money supply through bank policy rate, medium term facility rate and other appropriate monetary policy instruments.

Monetary Strategic Policy Framework



Source: RBZ

180. To improve confidence in the monetary targeting framework, the Bank has also been transparently publishing reserve money statistics on a weekly basis.

Reserve Money Developments- 16 October 2020

								PRELIMINARY ESTIMATES		
	Feb-20	**Mar-20**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**	**Aug-20**	**Week Ending 2 Oct-20**	**Week Ending 9 Oct-20**	**Week Ending 16 Oct-20**
Currency Issued by RBZ	1.22	1.31	1.34	1.46	1.67	1.90	2.06	2.14	2.21	2.14
Banking Sector Deposits at RBZ	7.09	8.79	10.20	12.08	10.42	11.46	10.06	11.75	13.09	15.34
Statutory (Required) Reserves	*1.08*	*1.21*	*1.21*	*1.39*	*0.89*	*1.05*	*1.24*	*1.40*	*1.38*	*1.49*
Banks' RTGS Liquidity	*6.01*	*7.58*	*8.90*	*10.70*	*9.53*	*10.41*	*8.83*	*10.35*	*11.71*	*13.85*
Other Deposits	1.08	1.61	0.92	0.28	0.58	2.79	0.26	0.40	0.08	0.08
Reserve Money	**9.38**	**11.71**	**12.46**	**13.82**	**12.65**	**16.15**	**12.38**	**14.29**	**15.38**	**17.55**
Memorandum Items										
Monthly Change in Reserve Money (%)	1.4	24.8	6.5	10.9	-8.4	27.6	-23.3	-4.7	7.6	14.1

Source: RBZ

Money Supply Growth

181. Broad money (M3) stood at ZWL$153.84 billion as at end September 2020, registering an annual growth rate of 552.8%. The bulk of this growth was, however, attributable to the foreign currency component of the deposits, which increased on account of exchange rate movements.

182. As at 30 September 2020, broad money consisted of foreign currency account (FCA) deposits, equivalent to ZW$92.11 billion (or 60% of total deposits), while local currency deposits and currency in circulation constituted the balance 40%.

183. Growth in broad money largely reflected increases in credit to the private sector, while banking sector credit to Government has declined markedly, owing to the fiscal consolidation measures being implemented by Government.

184. Going forward, the Bank will continue to utilize all the instruments at its disposal to ensure that money supply in the economy is maintained at levels consistent with the financing requirements of the productive and other sectors of the economy.

Reserve Money

185. The Reserve Bank is implementing a monetary targeting framework that has been successful in containing money supply growth and stemmed inflationary pressures. The framework targets containing reserve money growth to levels of below 25% per quarter in 2020, which remains critical in bringing inflation to regional and internationally acceptable levels, while at the same time sustaining exchange rate and financial sector stability.

186. The reserve money developments and targets are shown on the Table below.

Reserve Money Trends and Targets for 2020

Reserve Money	Quarterly Reserve Money		Reserve Money Quarterly Growth
	Actual (ZW$ Billions)	25% Quarterly Target (ZW$ Billions)	Actual (%)

Dec 2019	10.3		120.6
Jan 2020	9.3		
Feb 2020	9.4		
Mar 2020	**11.7**	**12.9**	**13.3**
Apr 2020	12.5		
May 2020	13.8		
Jun 2020	**12.7**	**16.1**	**8.1**
Sep 2020	**12.7**	**20.2**	**0.6**
Oct 2020	15.0		
Dec 2020		**25.2**	

187. The Reserve Bank will continue to apply a bank rate policy that supports productive sectors, whilst mindful of speculative risks and reserve money growth targets.

Complementary Supply-side Measures

188. Demand-side measures alone will not be sufficient for durable macro-stability. Hence, from 2021, more efforts will be directed on enhancing productivity, that way facilitating growth and dampening any further inflation pressures.

II. DEVELOPING AND SUPPORTING PRODUCTIVE VALUE CHAINS

189. Promotion of industrialisation and overall invigoration of domestic production through strengthening value chains which utilise local raw materials is a key tenet of the 2021 Budget and NDS1. The approach is expected to restore and strengthen synergies among sectors, especially the agriculture, mining manufacturing, construction and services sectors, increasing employment opportunities for inclusive growth in the process.

190. Additionally, well-coordinated value chains between large businesses and micro, small and medium enterprises are necessary to achieve sector wide development and generate broader employment opportunities.

Agriculture

191. Agriculture remains central not only in driving economic growth but also on powering the industrialisation and value chains strategy.

192. Interventions in the agriculture sector are informed by the Agriculture and Food Systems Transformation Strategy, whose objectives include assurance of national and household food security, creation of decent jobs as well as contributing towards sustainable industrial development through supply of raw materials and use of domestically produced agricultural inputs.

193. In addition, the Strategy particularly seeks to transform farmer mindset from subsistence orientation to taking farming as a business.

194. Starting with the 2021 National Budget, the target is to increase agriculture output to US$8.2 billion by 2025 and accordingly, ZWL$46.3 billion has been allocated to Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement.

195. Hence, for the forthcoming and subsequent agriculture seasons, four factors, among others, are imperative and these are:
    - Access and timely financing arrangements;
    - Mitigating against climatic change;
    - Guaranteeing viability and competitiveness of farming business and
    - Protecting the environment for sustainability of the sector.

Access and Timely Financing Arrangements

196. Current policy on financing of agriculture emphasises on sharing of the financing burden between the public and private players including farmers. While Government focusses on supporting vulnerable households through various input support programmes, the banking sector and other private players are

encouraged to support commercial farming, while Government facilitates the financing arrangements through guarantees and other capacity building services.

197. Through the 2021 National Budget, Government total support to agriculture amounts to ZWL$46.3 billion. This is in addition to the ZWL$6.1 billion provided under the ZWL$18.2 billion Stimulus Package towards stimulating agricultural production.

198. Government support is being complemented by private sector and individual farmer initiatives as well as development partner support. Consequently, for the 2020/21 farming season, a contract equivalent to US$253 million has been signed with local banks to support commercial farmers, and Government is providing guarantees on a case by case basis.

199. However, Treasury, the GMB and the respective banks will cooperate on loans recovery to ensure sustainability of the facilities. Currently, already the financing initiative excludes defaulting farmers.

Security of Tenure

200. Government is pursuing the issue of 99-Year Leases, which are acceptable to financial institutions as collateral and also taking cognisant of provision in the Constitution.

Land and Agriculture Development Bank of Zimbabwe (LADBZ)

201. The Government took a decision to re-model and restructure Agribank into a Land and Agriculture Development Bank as part of measures to strengthen and diversify agriculture and rural financial services across the entire agriculture value chain.

202. Restructuring of Agribank will promote and complete a sustainable agrarian reform process for accelerated development of the country. The LADBZ will be capitalised through the Budget from 2021.

Support to Vulnerable Households

203. The incessant droughts have forced Government to undertake a paradigm shift in the day to day farming approach. Supported by civil society partners and the private sector, focus is on promotion of the "Pfumvudza/Intwasa" farming concept among communities as a new farming business model. The concept has several advantages including climate proofing agriculture, less erosion and higher nutrient retention as well as reduced pest infestations, among others.

204. In this regard, the Budget has set aside ZWL$4 billion for vulnerable households with farming inputs for maize, traditional grains, soya beans and cotton.

205. The programme is targeting 1.8 million households with each getting 5kg maize seed, 1x50kg basal and 1x50kg top-dressing fertilizers, 200ml army worm pesticide, as well as 5kg of oilseed (soyabean).

206. For the drier regions, households are getting 2kg of small grain, 1x50kg basal and 1x50kg top-dressing fertilizers, 200ml army worm pesticide, as well as 1kg of oilseed (eg sunflower).

207. This support will ensure household food security and income generation. Through this Programme alone, at estimated yields of 2 tons per hectare, about 3.6 million tons of grains is expected from subsistence farmers under normal weather, financing and other conditions.

Cotton

208. As part of reviving value chains, Government is supporting vulnerable farmers in drier regions of the country with cotton inputs to ensure that they increase cotton production, which is pivotal in reviving the clothing industry and in ensuring domestic availability of the cooking oil raw materials.

209. Each household will be supported with 20kg cotton seed, 100kg basal fertilizer and 50kg top dressing fertilizer.

210. The support to cotton farmers is targeting about 300 000 household beneficiaries. This will also be complemented by private sector initiatives resulting in estimated rebound in cotton output at 102 000 tons in 2021.

211. Meanwhile, Government assures cotton farmers that they would be paid their outstanding dues. Farmers are therefore encouraged to open bank accounts, so that the money can be deposited and this process is being facilitated by Government, Reserve Bank, banks and COTTCO and will ensure that farmers do not bear the burden of travelling.

Mitigating Against Climatic Change

Insurance

212. The agricultural activities have become more prone to climatic shocks and hence high risks of crop and livestock failure. Farmers are therefore encouraged to secure weather-based index insurance to protect their businesses through managing such risks.

Sovereign Drought Risk Insurance

213. Government on its part has subscribed to the Africa Risk Capacity (ARC) under the AU and financed by AfDB and other various sources. The ARC provides

capacity building on preparedness for climatic shocks, as well as insurance against risks such as drought.

214. Following Government's participation in the African Risk Capacity (ARC) drought risk insurance policy, complemented by the UN WFP Replica Policy for the 2019/20 agricultural season, Government received a total pay-out of US$1 755 890 in June 2020.

215. The pay-out assisted the country's substantial number of vulnerable households in select districts, through disbursement of unconditional cash transfer assistance to food insecure labour-constraint households (chronically ill, older person headed households) in the worst drought-affected wards. A total of 77 767 households from Masvingo, (Chivi), Mat North (Binga), Mat South (Bulilima), Manicaland (Buhera) and Mashonaland East (UMP) benefited from the scheme.

216. The total cost to implement this activity amounted to US$18 cash value per household including a US$3 administration cost.

217. Zimbabwe is committed to participate in the 2020/21 ARC programme. To relieve fiscal challenges that member states face in paying their premiums compounded by the effects of the COVID-19 pandemic, ARC has facilitated application of premium subsidy from KfW of German Government towards premium funding for the 2020/21 agricultural season.

218. KfW of German Government and the World Food Programme (WFP) have committed to premium financing of $2 million each, to support Zimbabwe, whilst Zimbabwe will contribute US$500 000 towards premium financing. This will unlock maximum insurance cover of US$20 million.

Stepping up Irrigation Programmes

219. Government has, to date invested ZWL$693 million under the National Accelerated Irrigation Rehabilitation and Development Programme, which seeks to exploit irrigable potential in every district as part of our drought proofing strategy.

Banga Irrigation Scheme, Chivi South, Masvingo

220. At least 80 projects, mostly A1 and communal schemes are under implementation, with potential to deliver 10 000ha.

221. Under the NDS1, the target is to increase the area under functional irrigation to at least 350 000 ha by 2025 through irrigation revitalisation and expansion.

222. Therefore, overall support during 2021 for irrigation rehabilitation and development amounts to ZWL$3.9 billion, covering the following, among others:
    - Rehabilitation and development of 10 557 ha at 101 irrigation schemes.
    - Maintenance of 14 000 ha of communal irrigation schemes
    - Produce 30 irrigation design reports.
    - Capacitation of A2 farmers with irrigation equipment and funding for rehabilitation of infrastructure on acquired farms through market led facilities.

223. The Table below provides details of planned interventions during 2021.

2021 Targeted Irrigation Projects

PROJECT NAME	POTENTIAL HECTARAGE	TARGET HECTRAGE	FISCAL RESOURCES	LOAN	DEVELOPMENT PARTNERS	TOTAL RESOURCES
Development of irrigation infrastructure	43,520	6,757	1,775,046,000	680,000,000		2,455,046,000
Smallholder Irrigation Revitalisation Programme	6,100	3,800	30,000,000	170,000,000	1,015,155,000	1,215,155,000
Operation and maintenance of irrigation schemes	35,000	14,000	7,360,000			7,360,000
Irrigation Equipment Facility	2,900	320	34,000,000			34,000,000
Upgrading of Fels Demostration Centre	36	36	9,000,000			9,000,000
Upgrading and rehabilitation of irrigation demonstration plots	10	10	15,000,000			15,000,000
Offgrid Small Holder Farmer led Irrigation Systems	100	30	7,360,000			7,360,000
VIA (Vitual Irrigation Academy)			7,360,000			7,360,000
Technical performance evaluation of irrigation schemes			3,874,000			3,874,000
Project Management & Capacity building			111,000,000			111,000,000
Total	**87,666**	**24,953**	**2,000,000,000**	**850,000,000**	**1,015,155,000**	**3,865,155,000**

224. The smallholder irrigation revitalization programmes will also be financed through a grant of ZWL$709 million from IFAD and a loan facility of ZWL$170 million from OFID for the completion of construction works at 22 irrigation schemes covering 3 800ha.

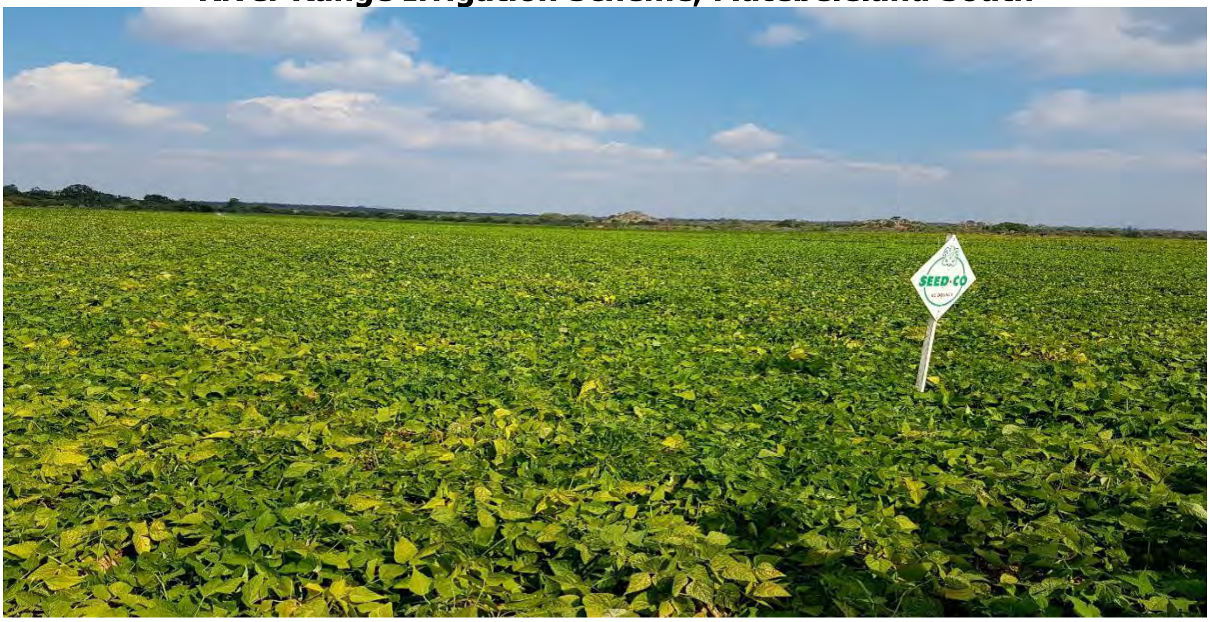
225. Other examples of communal irrigation schemes being supported by development partners are as indicated in the Table below.

Development Partner Support towards Irrigation Development

Name of Scheme	Province	District	Ha	No of beneficiaries	Development Partner
Nyakomba	Manicaland	Nyanga	580	731	JICA
Bwerudza	Manicaland	Chipinge	95	190	EU/FAO
Musikavanhu	Manicaland	Chipinge	120	120	EU/FAO
Fuwe Panganai	Masvingo	Zaka	390	480	FAO/SDC
Lapache	Masvingo	Mwenezi	400		Tongaat
River range	Mat South	Beitbridge	72	144	CESVI/FAO/EU
Kwalu	Mat South	Beitbridge	105	120	CESVI/FAO/EU
Shashe	Mat South	Beitbridge	120	240	CESVI/SAFIRE
Grand Total			**1,882**	**2,025**	

Nyakomba Irrigation Scheme, Nyanga, Manicaland

River Range Irrigation Scheme, Matebeleland South



226. An amount of US$3.6 million will also be disbursed under the UNDP funded Green Climate Fund project for Building Climate Resilience of Vulnerable Agricultural Livelihoods in Southern Zimbabwe Project in selected districts of Manicaland, Masvingo and Matabeleland South provinces.

227. The construction of Zhove irrigation project targeting 2500 hectares expected to benefit more than 600 households is scheduled to commence in 2021, with a disbursement of ZWL$730 million.

228. This will target rehabilitation and construction 21 irrigation schemes and capacity building of 6900 farmers.

Weather Early Warning Systems

229. Climate change has worsened the volatility of weather patterns detrimental to human lives and livelihoods as well as to agriculture activities. This requires investment in relevant weather forecasting and early warning systems.

230. Therefore, the 2021 National Budget sets aside ZWL$766 million to capacitate the Meteorological Departments to enable it to provide timely and accurate weather forecasts.

231. Meanwhile, the Meteorological Services Department predicts normal to above normal rainfall pattern for the 2020/21 rainfall season across the country and the country has made adequate preparedness in terms of input availability and land preparations.

Guaranteeing Viability and Competitiveness of Farming Business

232. It is evident that there is low productivity in the agriculture sector with maize yields standing at 0.6 tons per hectare in 2020 a slight improvement from 0.5 ton per hectare recorded last year. The productivity of smallholder cattle herds is low, with average calving rates of about 45% against a potential of 60%, and off take rates of about 6%, against a recommended 20%.

233. Productivity, which facilitates both viability and competitiveness is also a function of a number of factors which include levels of mechanisation, farming skills, financing and marketing systems, utility supply and research and new technologies.

Mechanisation

234. To improve mechanisation of the agricultural activities, Government targets to invest US$90 million in both acquiring new machinery and rehabilitation of the old equipment. Of this, the 2021 National Budget will provide ZWL$487.5 million.

235. To close the gap, Government will continue to engage potential private sector suppliers of farm mechanisation equipment which will be accessed through financial institutions to deserving farmers. This approach is informed by past experiences where some beneficiary of Government mechanisation programmes shirked their responsibility to repay.

236. Examples include the John Deere, Pedstock and Belarus facilities as part of the farm mechanisation programme. The US$50 million deal with John Deere Tractors to supply farming equipment to Zimbabwe was concluded. The prospect of a further US$200 million deal with the same US company to supply additional farming and construction equipment to Zimbabwe is being pursued.

Mechanised Wheat Harvesting (Zimbabwe, 2020)

John Deere Agriculture Equipment (Zimbabwe 2020)

237. In addition, Government has concluded a second US$58 million Belarus Mechanisation Facility which will be accessed by farmers in the form of over 800 units of farming equipment comprised of 60 self-propelled grain harvesters, 210 precision seed drills and 474 tractors, among others.

Electricity Supply

238. Some crops like wheat and barley are grown in the dry season and are 100% irrigated. These are strategic crops with potential to save the country foreign currency through import substitution. Any disruption in irrigation schedules due to power outages result in lower productivity.

239. Government is already addressing the power generation issues and will facilitate uninterrupted power supply to farmers through clustering.

Marketing Systems and Infrastructure

240. Functional agriculture markets are important in attracting investment in the agriculture sector. They provide critical signals, aiding decision making by farmers among various options before them.

241. The 2021 Budget is therefore allocating resources to capacitate DDF to maintain feeder roads that have been deteriorating over the years affecting farmer viability and access to markets.

Zimbabwe Commodity Exchange

242. Furthermore, Government is resuscitating the Zimbabwe Agricultural Commodities Exchange project, which was abandoned when the GMB assumed monopoly over maize and wheat.

243. The commodities exchange would address the agriculture marketing problems, which undermine market access and financial viability of farmers.

244. The exchange, to be supported by the Warehousing Receipt System (WRS), in particular offers organised marketing where future delivery contracts for graded commodities such as grains, cotton, sugar and coffee are bought and sold.

245. The project is private sector driven in partnership with Government. A pilot project is underway and is expected be officially launched in March 2021. On its part, Government, through the 2021 Budget is allocating equivalent of US$500 000 as shareholding capital.

Business Advisory and Extension Services, Training and Research

246. In line with the objective of transforming farmer's mindset into taking farming as a business, extension services are being transformed to include comprehensive business advisory services, inclusive of training and other skills.

247. To address this, Government has already started the process of capacitating agriculture specialists who offer advisory farming management, training/farming skills through acquiring necessary transport, communication and other tools for their work and this is an integral requirement for enhancing agricultural sector and in promoting agri-businesses.

248. Therefore, the 2021 National Budget is allocating ZWL$2 billion towards capacitating extension workers through providing mobility and other operational requirements.

Alternative Technologies and Traditional Grains

249. The impact of climatic changes and reliance on old agricultural methods over the years requires us to revisit our technologies with a view of enhancing production and productivity. Adoption of Climate Smart Agriculture that integrates agriculture development, climate responsiveness and environmental management will guarantee the country achieve food security and other broader development goals.

250. This include the necessity of adopting modern alternative technologies including tissue culture as well as further assessments of GMOs, through vigorously debate that examine the merits and demerits of genetic engineering.

251. Furthermore, Government is promoting precision agriculture (PA) that uses information technology (IT) to ensure that crops and soil receive optimum health and productivity, that way guaranteeing profitability, sustainability and protection of the environment.

252. Similarly, promotion of various traditional grains such as sorghum, millet and rapoko that are drought resistant, especially in the face of climate change affecting domestic agricultural activities will be pursued.

Protecting the Environment for Sustainability of the Sector

253. Environmental degradation is closely related to climate change. It is evident that some of the current agriculture activities are causing environmental degradation contributing to extreme weather conditions.

Use of Renewable Energy

254. The country has benefited from growth in tobacco production over the recent years, thereby contributing to foreign currency generation, income and jobs. This positive development has however come at a huge cost to the environment as most farmers depend on wood for curing tobacco.

255. Government has designated Tobacco Levy to address environmental damages caused by tobacco farming activities. There is need for inclusive stakeholder participation in planning and implementation of tree planting programmes so that the Fund can have an impact.

256. In addition, efforts should be made for stakeholders in the industry to invest in improved tobacco curing technology, including the use of coal instead of woods.

Financing of Tobacco Farming

257. Furthermore, in order to ensure the country derives maximum value from tobacco farming, the country will be utilising more domestic financing facilities to finance tobacco farming activities as opposed to foreign loans in order to maximize foreign currency earnings from the subsector.

Veld Fires

258. There has been an upsurge in the occurrence of uncontrolled veld fires causing environmental degradation by destroying biodiversity and pasture condition.

There is, therefore, need to review upwards penalties for causing veld fires to make them deterrent.

259. Therefore, EMA and other relevant institutions will step up their surveillance and monitoring functions to control environmental degradation including uncontrolled veld fires.

Horticulture

260. The diversity and quick turn-around of horticulture activities provides scope for household income generation, jobs creation, high export earnings and growth. It also allows high per unit area yield, high returns per unit area, best utilization of wasteland, provision of raw materials for industries, and production of more food and other high value cash crops.

261. Therefore, Government has launched the Horticulture Development Strategy to promote this subsector and address some of the challenges affecting its viability and competitiveness.

262. The 2021 National Budget will also establish appropriate financing facilities, marketing linkages and conducive regulatory environment to promote horticulture production for both small, large and rural farmers.

Livestock

263. The country has lost substantial livestock attributable to drought and floods which reduced pastures as well as the continued outbreak of pests and disease attacks including the fall army worm; tuta absoluta, foot and mouth disease, anthrax and theileriosis in cattle.

264. To support livestock production, Government will continue to assist farmers to restock the national herd through disease control and surveillance including game fencing and rehabilitation of dip tanks.

265. Therefore, the 2021 National Budget allocates ZWL$5.3 billion towards enhancing livestock production and productivity.

266. This will be supported by private sector initiatives like the Zimplats Cattle Ranching Project and development partner support including the Zimbabwe Agriculture growth Programme (ZAGP) meant to develop beef, dairy, poultry and goats and piggery value chains.

267. In protection of livestock, the Budget is supporting the following essential programmes:

Dipping Programme

268. To contain the devastating effects of January disease (Theileriosis) which has resulted in the loss of over 300 000 cattle valued at around ZWL$4.3 billion, arrangements are underway to increase the dipping sessions from the current 32 to 48 dipping sessions per year.

269. To sustain the anticipated dipping sessions, Government will avail ZWL$577 million for the procurement of dipping chemicals.

270. In addition, Government has supported procurement of 600 000 kg of tick grease for distribution to vulnerable households, with 80 000 kg having already been distributed to the targeted beneficiaries.

271. Furthermore, the 2021 Budget provides for the upgrading of at least 50 existing dipping facilities per province as well as rehabilitation of dip tanks countrywide.

Foot and Mouth Disease

272. Government remains committed towards controlling the outbreak of Foot and Mouth Disease especially in the non-traditional areas of Mashonaland and Manicaland provinces. This entails conducting regular vaccinations of cattle in the traditional red zones as well as contain the spread of the disease through fencing of National Parks. The erection of Game Fence will ensure permanent separation of the African Buffalo which is the host for the disease.

273. To this effect, resources amounting to ZWL$650 million will be availed during the year 2021 completion of the remaining 100km fence at Gonarezhou National Park.

Agriculture Outlook

274. In view of the above interventions, agriculture is projected to grow by 11.3%, in 2021.

Agriculture Production (000 tons): 2018-23

In 000	2018	2019	2020	2021	2022	2023
Sectoral Growth Rate (%)	***8***	***-18***	***-0.2***	***11***	***9***	***8***
Tobacco (t)	252	260	192	205	205	210
Maize (t)	1831	777	907	1400	1600	1700
Beef (kg)	75	63	57	55	60	75
Cotton (kg)	144	77	101	102	125	140
Sugar cane (t)	3903	4000	4100	4200	4300	4500
Horticulture (kg)	71	77	94	96	105	120
Poultry (kg)	161	152	149	149	152	160
Groundnuts (kg)	127	71	87	134	153	163
Wheat (t)	161	95	178	193	220	230
Dairy (m lt)	92	96	92	97	105	115
Coffee (kg)	0.59	1	0.531	0.65	0.8	0.9
Soybeans (t)	54	60	47.1	80	120	150
Tea (kg)	20	19	21	21	23	25
Paprika (kg)	0.8	0.8	0.1	0.1	0.1	0.1
Pork (kg)	11	12	12	14	15	17
Wildlife (kg)	33	33	26	27	28	30

In 000	2018	2019	2020	2021	2022	2023
Sorghum (t)	70	41	103	45	61	63
Barley (t)	33	29	25	25	25	25
Sheep & goats (kg)	10	7	8	8	6	9
Sunflower seeds (kg)	4	6	9	11	14	15
Ostriches Kg)	19	19	19	19	19	19

Source: MOFED, RBZ & ZIMSTAT

275. Beyond 2021, sustainable growth in the sector will hinge on resilience building efforts against shocks, in addition to productivity enhancement initiatives mentioned above. The sector is projected to grow on average by above 7%.

Food Imports

276. Meanwhile, given the 2020 total cereal production of 1,060,143MT against a national requirement of 2,127,782MT, a net deficit of 1,067,639MT is required.

277. Consequently, Government will be mobilising resources to close the food deficit gap.

Development Partner Support to Agriculture

278. The Agricultural sector also received US$23.4 million from Development Partner support during the period January to September 2020, whilst projected disbursements for the sector in 2021 amount to US$37.9 million.

279. The European Union under the Zimbabwe Agricultural Growth Programme (ZAGP) is supporting the value chains in beef, poultry, animal health & food safety, dairy, pigs, and goats.

280. In 2020, resources amounting to US$3.9 million were disbursed towards the programme which supported among others, the construction of ten Cattle Business Centres (CBC), two of them having centre pivot irrigation, and

establishment of five Poultry Business Management Units, of which two are already operating at a profit.

281. In addition, the ZAPG supported the establishment of two Agricultural Centres of Excellence at Chibero Agricultural College, Matopos Research Station, and four other District Agricultural Centres of Excellence (DACEs) which provide practical trainings to students.

282. Government, in partnership with the UNDP secured US$26.7 million from the Green Climate Fund (GCF) for Building the Climate Resilience of Vulnerable Agricultural Livelihoods in Southern Zimbabwe Project.

283. The support will be going towards strengthening the resilience of agricultural Livelihoods of vulnerable communities in selected districts of Manicaland, Masvingo, and Matabeleland South provinces.

284. In 2021, US$3.6 million is projected to be disbursed under the GFC project towards rehabilitation and setting up of 21 irrigation schemes (6 New and 15 existing), installation of solar energy for irrigation up to 30 hectares per scheme as well as capacity building of 6,900 lead farmers.

285. The Agricultural sector also benefitted resources amounting to US$7.3 million during the period January to September 2020, from the Zimbabwe Resilience Building Fund which is financed by the United Kingdom, European Union, Sweden and UNDP.

286. The support includes trainings, crop and livestock activities, productive infrastructure development, access to water and sanitation, internal savings and lending (ISAL) groups, safety nets, and disaster risk management (DRM) activities.

287. In addition, the ZRBF programme also supported conducting of the two national data collection exercises, Zimbabwe Vulnerability Assessment Committee (ZIMVAC) Rapid Assessment and the first & second round Crop and Livestock Assessment first and second round. The projected disbursements for the programme in 2021 amount to US$21 million.

288. As John Maynard Keynes once noted, "*If farming were to be organised like the stock market, a farmer would sell his farm in the morning when it was raining, only to buy it back in the afternoon when the sun came out".* Therefore, Government is making sure that our farmers are organised and well supported, not like the Keynesian quotation.

Industrialisation

289. Preliminary projections indicate that the manufacturing sector will contract by -9.6% in 2020, largely as a result of reduced aggregate demand and a reduction in working hours brought by the COVID-19 pandemic.

290. However, the pandemic had also positive impact to some sub-sectors such as pharmaceuticals, chemicals and petroleum, rubber, foodstuffs and ICT, as well as exporters. This, together with the gradual re-opening of the economy under improving macroeconomic environment arising from fiscal and monetary reforms and enhanced availability of foreign currency from the foreign exchange auction system, should provide impetus for the sector to rebound by 6.5% in 2021.

Manufacturing Sector: 2018-2023

Manufacturing	2018	2019	2020	2021	2022	2023
Growth Rate	**2.0**	**-8.7**	**-9.6**	**6.5**	**6.5**	**7.7**
Foodstuffs	119.2	109.4	90.0	100.0	105.0	113.0
Drinks, Tobacco and Beverages	94.7	76.6	72.7	76.0	88.0	98.0
Textiles and Ginning	104.0	90.6	91.5	93.0	102.0	112.0
Clothing and Footwear	30.9	26.8	25.4	28.0	31.0	33.0
Wood and Furniture	257.4	214.4	203.7	210.0	215.0	230.0
Paper, printing and Publishing	100.4	90.1	72.1	81.0	85	115.0
Chemical and Petroleum Products	82.5	76.3	83.9	88.0	92.0	92.0

Non-metallic mineral products	131.7	130.2	104.2	110.0	118.0	128.0
Metals and Metal products	61.8	59.7	53.7	55.0	60.0	62.0
Transport, Equipment	57.3	56.6	50.9	52.0	55.0	56.0
Other manufactured goods	94.3	95.2	85.7	87.0	90.0	92.0
Manufacturing Index	**95.8**	**87.4**	**79.1**	**84.2**	**89.7**	**96.6**

291. Attainment of the growth target in 2021 hinges on speeding up implementation of the NDS1, the Zimbabwe National Industrial Development Policy and the MSME Policy (2020-24), whose implementation was disrupted by the pandemic. To achieve this, Government will continue to facilitate access to affordable financing to enable recapitalization of the industry especially SMEs and emerging new competitive industries. Priority areas are:

Medium-Term Bank Accommodation Facility

292. The Stimulus Package of ZWL$18.1 billion also targets manufacturing sector as part of support to productive sectors affected by the COVID-19 pandemic. Hence, industries have an opportunity to close their working capital requirements gap through the Medium-Term Bank Accommodation Facility, which was increased to ZWL$3 billion from the original ZWL$2.5 billion, which has since been turned into a revolving fund.

Competitiveness and Investment Attraction

293. The manufacturing sector heavily depends on the doing business environment to attract investment and also improvement in the productivity and formalisation of MSMEs in the sector.

294. Therefore, the 2021 Budget will advance the ease of doing business environment as part of the wider reform agenda under the Integrated Results Based Management system underpinned by the Rapid Results Approach. This is expected to attract more investment into the country.

295. Concerted efforts in implementing relevant reforms in this area saw Zimbabwe being rated as one of the top 20 in the world and top five in Africa doing business reformers according to the 2019 World Bank Doing Business Report.

296. This progress give impetus for further improvement as Government moves into phase 2 of the reforms.

Zimbabwe Investment Development Agency

297. The Zimbabwe Investment Development Agency (ZIDA), as a vehicle for promoting an appropriate and competitive investment environment, is now fully functional following the enactment of the Zimbabwe Investment and Development Agency Act in February 2020.

298. ZIDA Act repeals Zimbabwe Investment Authority Act [Chapter 14:30], Special Economic Zones Act [Chapter 14:34] and Joint Ventures Act [Chapter 22:22]. ZIDA's One Stop Shop now houses all of these functions under one roof, which will see the ease of doing business improve significantly.

299. The 2021 National Budget will therefore, allocate ZWL$135 million to enable the Agency to fully undertake its mandate, which is important in improving the country's image and in attracting investment.

Value Chains

300. Value chains are a critical industrial development strategy as they promote inclusive growth, as well as economic viability and sustainability for both business and beneficiary groups.

301. Government will, therefore, strengthen local agro-processing value chains in agriculture and mining through promoting local production and where possible, incentivising local private sector participation.

302. Furthermore, the COVID-19 pandemic has created an opportunity for domesticating value chains, particularly in manufacturing industry. Through appropriate funding models, Government will support small, medium and large enterprises that seek to exploit such opportunities.

303. With regards to agro-processing, the priority is on supporting various agro-value chains linked to agriculture outputs such as grains, horticulture, cash crops including tobacco, soya bean and cotton, dairy and livestock local production and processing.

304. To facilitate the envisaged local manufacturing, Government is reviewing issuance of import licences and import duties on both imported raw materials and finished products, with a view of encouraging and incentivising local producers of agro inputs, as well as local manufacturers for local processing.

305. With regards to cotton, Government will expand the ginning capacity of the domestic industry from current levels of around 15 000 tons of cotton against national production levels of above 70 000 tons. The remainder is being exported in raw form prejudicing the country of both foreign currency and jobs. This will be achieved by supporting the recapitalisation of Cottco to expand their ginning capacity.

306. As for tobacco, a meagre 1.5% is channelled towards local processing, with the rest being exported in raw form, which ironically is used for blending in export markets, owing to the good quality of Zimbabwean tobacco. Government is therefore taking advantage of this quick-win by engaging relevant and potential investors for tobacco cigarettes manufacturing, so as to enhance value benefits to the country.

307. In mining, Government seeks to maximise revenue through mineral beneficiation and value addition in line with the National Reindustrialisation Policy, SADC Protocol on Mining and the Africa Mining Vision.

308. Five key minerals have been targeted and these are gold, PGMs, diamonds, coal, and chrome, and Government will target to develop the following mineral value chains:

- Gold ore to bullion processing;
- Diamond cutting and polishing;
- Base metals (nickel, copper, iron, cobalt) recovery from PGMs;
- Coal to Coke;
- Phosphate to fertiliser; and
- Chrome to ferrochrome.

Buy Zimbabwe Campaign

309. The Buy Zimbabwe Campaign is designed to unlock our country's full potential and support economic growth and competitiveness of local brands, jobs generation and management of the import bill. It also supports our strategy on domestication of value chains.

310. Therefore, the 2021 Budget will strongly support programmes of the Buy Zimbabwe Campaign on raising awareness and the profile of home-grown goods and services, assisting local companies in improving the quality of their products and services, and connecting local producers to retailers, consumers and other relevant stakeholders that include government and quasi-government institutions.

Ziscosteel Revival

311. The revival of Ziscosteel is key to the economy through its potential benefits in job creation and value chain impact in companies such National Railways of

Zimbabwe and Hwange Colliery and the resultant savings in foreign currency in excess of US$1 billion through importation of steel products.

312. In 2021, Government will resuscitate Ziscosteel through innovation and harnessing inward opportunities, while working closely with local investors. This will be done through courting new investors who will bring new technology and new skills

313. While the search for new investors is in progress, Government is currently implementing a short-term roadmap of resuscitating the firm's subsidiaries which include ZimChem, Lancashire Steel, and Buchwa Iron Mining Company (Bimco) among others.

314. Meanwhile, current operations are targeted at raising capital through the sale of waste and boulders, among other activities, while plans are underway to resuscitate the mills to restart the manufacturing processes which are expected to benefit Lancashire Steel.

315. Accordingly, ZWL$2.3 billion has been allocated to the Ministry of Industry and Commerce to spearhead the industrialisation thrust.

Exports Promotion

316. The country targets to grow manufactured exports by 4.1% in 2021 from an estimate of 3.6% in 2020. This will be achieved through focusing on diversifying exports into non-traditional markets and exploiting existing preferential trading agreements with various countries.

317. Growth of exports will also leverage on country's competitiveness and the on-going ease of doing business reforms under the Rapid Results Initiative (RRI).

318. Efforts will also be made to strengthen strategic partnerships and networks with development cooperating partners and other organisations such as Eosta, Europe-Africa-Caribbean-Pacific Liaison Committee (COLEACP) and the EU, among others, to assist various companies to improve their technical capabilities and to enhance export performance.

319. Furthermore, the country will strive to benefit from the vast continental market of about 1.3 billion people and over US$3.4 trillion in GDP in terms of exports generation. Hence, implementation of the Trade Policy, as well as operationalisation of the Africa Continental Free Trade Area through participation in regional and continental value chains

Research and Development

320. The national industrialisation and development agenda relies on research and development (R&D) as the country pursue implementation of the NDS towards Vision 2030. Therefore, research in various sectors will be given requisite priority in promoting innovation, science, technology and industrial development.

321. As such, the 2021 Budget makes provision for the following industrialisation policy programmes:

- Mineral and agro-processing programmes for value addition, value chains and beneficiation;
- Equipping training and R&D Institutions with state-of-the-art infrastructure;
- Engaging private, public and other stakeholders to develop state of the art research infrastructure and cooperation mechanisms; and
- Strengthen Centres for Educational Research, Innovation and Development (CERIDs), among others.

322. Accordingly, for the various research projects and programmes, the Budget allocates a total of ZWL$5.5 billion.

Industrial Upgrading

323. With the ever-changing global technological landscape, it is imperative that industry adopts the Fourth Industrial Revolution which encompasses the two vital elements of upgrading and modernization.

324. The Budget, therefore, support industry collaboration with higher education institutions and research bodies to come up with new technologies and also to ensure that educational institutions are oriented towards producing high end scientific, technological, research and engineering skills that enable local industries to compete globally.

Empowerment Initiatives

325. Government is committed to empowering the disadvantaged and marginalised members of the society. In support of the empowerment drive and a more inclusive society, Government is setting aside resources equivalent to US$37.5 million for the benefit of women and US$37.5 million for youth entrepreneurs, as well as another US$37.5 million for war veterans, all through the National Venture Fund.

Jobs Creation/Industry Regeneration and New Enterprises

326. Current high levels of formal unemployment reflect the economy's structural weaknesses, which invariably promote poverty, inequality and social problems. Government is also cognisant of the difficult situation currently prevailing in the job market, especially among the youth and graduates from institutions of higher learning.

327. The above outlined strategies on value addition and mineral beneficiation together with empowerment measures outlined in the 2020 National Budget will

be carried forward in 2021 with focus on job creation through promotion entrepreneurship, SMEs and cooperative development.

National Venture Capital Fund

328. The 2020 National Budget alluded to the established the National Venture Capital Fund. The objectives of the Fund are to encourage entrepreneurship by youth and women, and to help start-ups to grow, generate new employment opportunities and this will stimulate economic growth.

329. Government has made progress in operationalizing the Fund, having created National Venture Capital Company responsible for taking equity in the investee companies. Guidelines are being finalised for operationalising the company. Engagements have also been done with the potential fund managers both local and international who have the capacity to contribute to the Fund and the investee companies.

330. In 2021, priority will be to ensure full operationalization of the Fund while mobilising additional capital to ensure that it meets the capitalisation demands of the economy. The Budget will therefore provide funds for the National Venture Capital to commence its operations in assisting start-ups and other small firms in accessing financial capital, technology and knowledge.

SMEs, Youths and Women

331. Youths and women will be primary empowerment and job creation targets in as much as they are the majority who make an important contribution as productive workers, entrepreneurs, consumers, and agents of change. The country stands to realise demographic dividend by harnessing the youthful populace to productive use through inclusive growth.

332. In support of this sector, Government disbursed a total of over ZWL$77 million by end of September 2020 and these funds were channelled through local empowerment financial institutions such as Women Development Fund, Community Development Fund, Zimbabwe Women's Microfinance Bank, EmpowerBank and Small and Medium Enterprises Development Corporation (SMEDCO), benefitting a total of 6 763 micro, small and medium enterprises (SMEs).

333. The 2021 Budget is further allocating ZWL$1 billion for the capitalisation of the above respective empowerment entities in order to support SMEs in their operations.

334. Overall, the 2021 Budget is allocating ZWL$2.2 billion to the Ministry of Women Affairs, Community, Small and Medium Enterprises Development.

335. Furthermore, the 2021 Budget will extend the Youth Employment Tax Incentive (YETI).

Capacitation of the Sovereign Wealth Fund

336. In November 2014, the country enacted Sovereign Wealth Fund Zimbabwe Act and subsequently set up a SWF in 2015. The objective of the Fund is to:

- Facilitate investments for the benefit of future generations of Zimbabweans;
- Support the development objectives of the Government, including its long-term economic and social development;
- Support fiscal or macroeconomic stabilisation, in particular to supplement (in accordance with this Act and the Finance Act) the revenues of Zimbabwe when these are prejudiced by the fluctuation of prices payable for those minerals on which royalties and other taxes are collected for the benefit of the Consolidated Revenue Fund; and

- Contribute to the revenues of Zimbabwe from the net returns on its investments in accordance with section 21 of the Act.

337. The Fund was to be primarily funded by 25% of royalties from mineral exports and special dividends on sales of diamonds, gas, granite and other minerals through the Zimbabwe Mining Development Corporation.

338. Therefore, the Fund now need to be capacitated in order to perform its functions. In this regard, Government has set aside resources equivalent to US$97.5 million to capacitate the Fund and ensure its objectives are achieved.

Sport, Arts and Recreation

339. Government recognises the importance of building necessary environment, infrastructure and relationships for developing youths, sport, arts, recreation and diversity of culture.

340. To that end, Government launched the Cultural and Creative Industries Strategy 2020-30 (CCIS) which is a roadmap that guides the development and growth of the cultural and creative industries sector.

341. The Strategy has the following 10 pillars:

Cultural Markets and Business Development	Intellectual Property
Funding, Financing and Investment	Education, Capacity Building and Training
Cultural Infrastructure	Cultural Statistics and Research
Media, Information and Communication Technologies	Cultural Diplomacy and Global Business
Cultural Governance	Safeguarding Cultural Heritage

342. Products from the CCIS sector inherently contribute to economic growth, as well as building of social cohesion, peace and the marketing of Zimbabwe.

343. Government is therefore inviting the corporate world, development partners, agencies and educational institutions to pick aspects among the 10 pillars that they wish to run with or partner the respective or CCIS sector players in their implementation support processes.

344. On its part, Government, through the 2021 Budget is allocating ZWL$3.4 billion to the Ministry of Youth, Sport, Recreation, Arts and Culture.

345. In the same vein, Government is imploring agencies, such as the National Arts Council of Zimbabwe, the National Gallery of Zimbabwe, the CCIS sector genres of Film and Video, Visual Arts, Dance, Theatre, Music, Spoken word, Literary Arts, Fashion, Graphic Design, Crafts to pick up from this National Cultural and Creative Industries Strategy for crafting their own strategies/plans.

III. OPTIMISING THE VALUE OF OUR NATURAL RESOURCES

Mining

346. The severity of the COVID-19 pandemic on the mining sector was counterbalanced by factors such as firming international mineral prices, particularly for precious minerals, and Government supportive measures under the Stimulus Package. In addition, due to the nature of mining operations, most mining houses did not completely shut down during the lockdown period like other sectors.

347. Mostly affected in terms of both output and price compression were base minerals such as chrome ore and ferrochrome. As a result, the sector ameliorated contraction to only -4.7% in 2020.

Mining Performance

	2018	2019	2020	2021	2022	2023
Overall Mining Growth	**15.3**	**-12.4**	**-4.7**	**11.0**	**7.4**	**8.8**
Black Granite \t	213	155	155	173	200	210
Chrome \t	1756	1550	1000	1500	1800	2000
Coal \t	3348	2730	3000	3300	4000	5000
Cobalt \t	402	402	411	432	479	537
Copper \t	9076	8678	9000	9331	9400	10539
Gold \kg	35054	29429	27958	32000	34000	37000
Nickel \t	17810	16278	15000	15100	15300	15600
Palladium \kg	12094	11640	11869	12231	12566	13404
Phosphate \t	51393	27148	25791	26500	28000	40000
Platinum \kg	14,703	13857	14169	14600	15000	16000
Rhodium \kg	1334	1224	1256	1320	1462	1560
Ruthenium \kg	1155	792	836	879	973	1038
Diamonds	3252	2119	2100	2600	3500	4000

348. In terms of export earnings, mineral exports were around US$2.4 billion for the period January to September 2020, compared to US$2.1 billion recorded over the same period in 2019.

349. In 2021, the mining industry is projected to rebound by 11% driven by planned expansion programmes aimed at increasing production by miners as we move towards the attainment of US$12 billion industry. The programmes include increased exploration, expansion of existing mining projects, resuscitation of closed mines, opening of new mines and mineral beneficiation and value addition.

350. Further, expected improvement in availability of power supply and foreign currency are expected to propel production and capacity utilisation from current 61% to about 80% in 2021.

351. Other factors necessary for achievement of the US$12 billion target includes a stable macroeconomic environment, policy consistent and availability of long-term capital to fund mining projects along the entire mineral value chain.

352. To achieve the desired growth target, Government will undertake the following:

Capacitation of the Ministry of Mines and Mineral Development

353. Government recognise the importance of capacitating the Ministry of Mines and Mineral Development for the country to derive value from its minerals. Therefore, the Budget allocates a total of ZWL$1.4 billion towards the operations of the Ministry for planning, promotion of exploration, data capturing and automation, among other key mining processes. This is critical for the attainment of the US$12 billion mining economy by 2023.

Capitalisation of the Mining Industry Loan Fund

354. The Mining Industry Loan Fund supports small-scale miners through prospecting grants, mining establishment loans, plant and equipment procurement loans, among others.

355. The Ministry of Mines and Mining Development is, therefore, capitalising the Mining Industry Loan Fund and the 2021 Budget has an allocation of ZWL$198.5 million.

Mining Cadastre System

356. A cadastre system is important for mining title administration. In this regard, resources to the tune of ZWL$247.4 million have been set aside from the 2021 National Budget to meet the target of early next year upon which migration should be completed from the existing manual to the computer-based cadastre system.

Exploration

357. More effort is required for undertaking exploration activities to discover new mineral resources as well as ascertain the quantum of mineral reserves in the

country. The viable option is for Government to partner the private sector for exploration.

358. Already, a total of 13 Exploration and Prospecting Orders (EPOs) were granted. Meanwhile, ZMDC is working on operationalising and capacitating Zimbabwe Exploration Company.

359. Similarly, the Department of Geological Survey has already forged a partnership with Japan's JOGMEG for technical support in the area of remote sensing to identify new possibilities. The Department also partnered the Chinese to undertake geochemical exploration in some parts of the country and recruiting of staffing is in progress.

Mining Promotion Corporation

360. Government has over the years negotiated mining contracts based on inadequate geological data. This compromises the Government's negotiating position and often result in the signing of undesirable mining agreements.

361. To alleviate this challenge, the Budget is increasing funding to the Mining Promotion Corporation (Government owned company) to enable it to undertake mineral exploration and gather geological data which is a key requirement in facilitating investment into the sector.

Mines Legislative Agenda

362. Government is prioritising the completion of amending the Mines and Minerals Act to align it with international best practice. The amendment of the Act will also see the inclusion of a policy that legalises the "use-it or lose-it" policy where mining title holders with under-utilised or idle claims would be re-possessed. Furthermore, the amended Act will help enhance investor confidence.

363. In this regard, Government has set itself an "early 2021" deadline upon which this will be passed.

364. Therefore, the Budget has set aside ZWL$18.2 million for the finalisation of the Mines and Minerals Act, amendment of the Gold Trade Act and Precious Stones Trade Act, development of Minerals Development Policy, and mineral specific policies.

Gold Deliveries

365. Fidelity Printers and Refiners has committed to reducing the turnaround time for payment of gold delivered by both large and small-scale producers. Lead times will be reduced from maximum of two weeks to a week for large scale producers and on spot payments will be done to small scale producers from the current maximum lead time of 5 days.

Mineral Leakages

366. Gold leakages remain on the increase and require tightening of surveillance and penalties for illegal externalisation and other dealings. Therefore, the Gold Mobilisation and Surveillance Committee, as well as the Minerals and Border Control Unit will be strengthened and capacitated to be able to execute their mandate.

Resuscitation of Old Mines

367. In order to promote and increase investments in the mining sector, the Ministry of Mines and Mining Development will purse resuscitation of old mines in 2021 including the Shabane Mine.

368. In this regard, the Budget allocates ZWL$131.4 million towards resuscitation of old mines and opening new mines to increase investment in the mining sector.

Mining Health and Safety

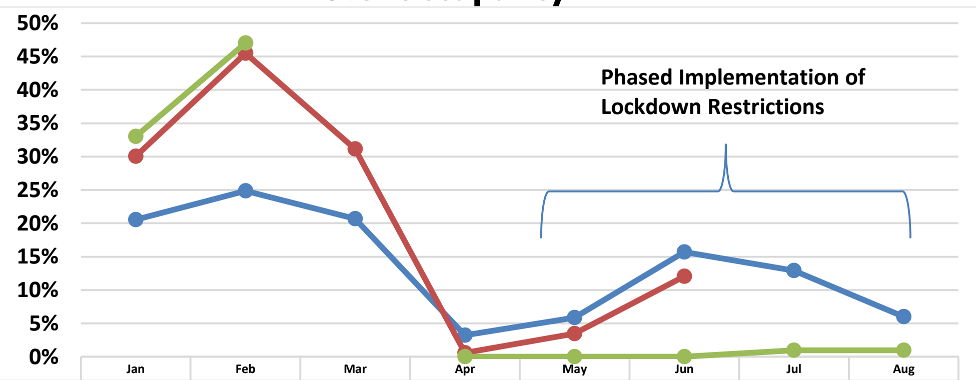
369. To promote mine health and safety and reduce the number of mining accidents, the Ministry of Mines intend to increase conducting investigations, inspections and audits and implementing the occupational health and safety strategy and enforcement guidelines to reduce occupational injuries, fatalities and dangerous occurrences.

370. In this regard, the Budget allocates ZWL$21.4 million towards health and safety of mining activities.

Tourism

371. As the country is gearing for post-COVID-19 recovery, the tourism industry has been proactive in formulating the Tourism Recovery and Growth Strategy to guide the process. The Strategy, which was launched by H.E. the President of the Republic on the 6th of August 2020, seeks to revive and grow the industry whilst overcoming challenges relating to destination image, connectivity and quality of products and services.

Hotel Occupancy



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Harare	21%	25%	21%	3%	6%	16%	13%	6%
Bulawayo	30%	46%	31%	1%	3%	12%		
Victoria Falls	33%	47%		0%	0%	0%	1%	1%

Source: ZTA

NB: *March information for the Victoria Falls region was not available upon compilation, July and August information for Bulawayo not available at the time of compilation of the report.*

372. Revival of the tourism industry is set to achieve a US$5 billion by 2025, anchored on the country’s abundant natural resources, rich cultural heritage and diverse scenery.

373. As we look into 2021, the Budget, in line NDS1, has allocated ZWL$1.8 billion in support of the Ministry of Environment, Tourism and Hospitality Industry.

374. Additionally, Government has exempted VAT on all tourism services for domestic tourists in a bid to reduce the prices of tourism products and services. The recently launched ZIMBHO/Vakatsha promotion (domestic tourism campaign) will also help encourage locals to visit tourist attractions in the country.

375. Specific tourism recovery and growth programmes are as follows:

Domestic Tourism Promotion

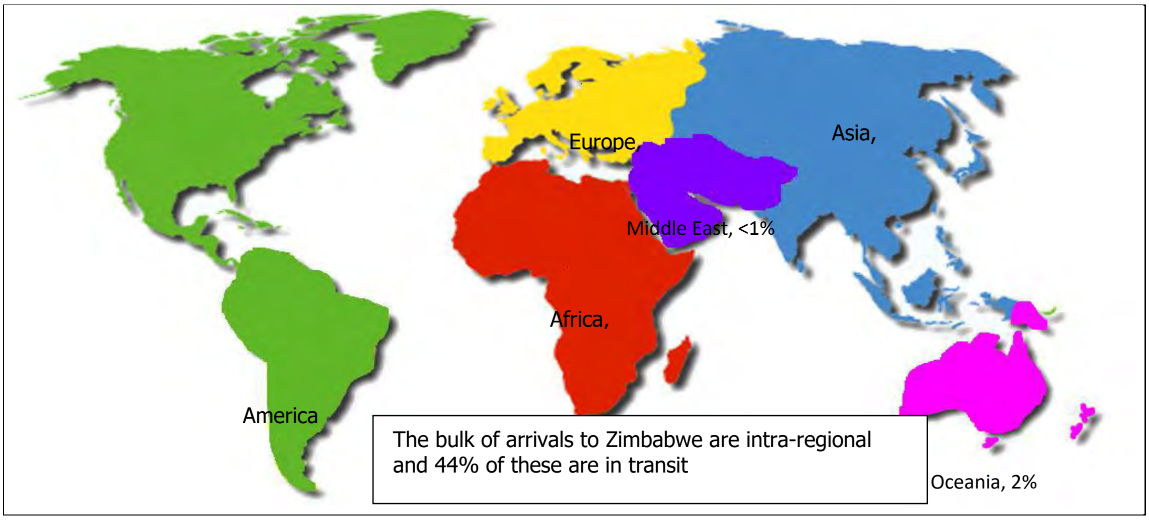
376. Cognisant of the expected slow recovery of the global tourism market as countries cautiously re-open their economies since the onset of the pandemic, the industry’s focus is initially on the domestic market.

377. Efforts are being channelled towards extensively promoting domestic tourism development in close collaboration with the tourism private sector. Products are expected to be affordable and exciting to the local market taking advantage of the easing of restrictions on travel and gatherings.

Regional Tourism Promotion

378. The 2019 Annual Tourism Report shows that intra-regional arrivals to Zimbabwe are significant with Africa constituting 82% of total tourist arrivals. However, 44% of total arrivals are transit tourists. Apart from transit tourists, visiting friends and relatives and leisure are the main purposes of visits.

Tourist Arrivals Market Share: 2019



Source: ZTA

379. It is anticipated that as countries further ease travel restrictions and open up their economies, intra-Africa tourism will recover ahead of international tourism. Accordingly, Zimbabwe is set to extend marketing efforts to the regional tourism source market. Government also welcomes sporting and cultural tourism under this initiative and stands ready to collaborate with operators in the industry.

Destination Branding and Image Transformation

380. The country has over the years suffered negative publicity with the effect of denting the destination image. In order to reverse this, collective efforts are being channelled towards a Destination Image and Transformation Programme aimed at generating new storylines and messaging for Zimbabwe.

381. Key activities in 2021 will include hosting of educational and familiarisation tours for opinion leaders including celebrities, the local and international media and the travel trade. It however, remains the responsibility of all citizens to be brand ambassadors and marketing the destination through creating and communicating positive narratives to enhance its appeal.

Diaspora Tourism Promotion

382. Zimbabwe prides itself with a vibrant diaspora population that has over the years sustained families through remittances. Whilst it has been a tradition for many to visit their friends and relatives during long public holidays such as Easter holiday and the festive season, restrictions during this pandemic have constrained travel.

383. Going forward, the easing of restrictions and opening up of airports and land borders to individual travellers and residents, forms part of an initiative to tap into the diaspora community for tourism. Industry operators are being challenged to develop products that appeal to this market so as to increase the visitors' length of stay and expenditure.

International Tourism Promotion

384. International tourism generates the largest share of tourism receipts due to high average expenditure per stay. In 2019, it is estimated that foreign receipts accounted for about 70% of the overall receipts at US$868 million while domestic tourism receipts were about 30% or US$379 million of the overall receipts. It is important, therefore to pay special attention to the overseas source market as it is a niche in boosting export earnings.

385. In order to achieve this, market presence will be enhanced in the overseas source markets through deployment of Tourism Attachés and market representatives as resources permit.

386. In addition, there will be engagement in international travel trade and conducting travel trade training and participation in key international travel fairs once the pandemic is contained. Targeted marketing will be done to markets that will recover first, post the COVID-19 pandemic and priority will be given to

those markets likely to travel based on least economic stress and greatest appetite for risk.

I. INFRASTRUCTURE, ICT AND THE DIGITAL ECONOMY

387. Focus on addressing the country's infrastructure gap remains central for sustaining growth and delivering adequate public services in the context of an evolving global landscape.

388. While, the macro-economic conditions in the country have been complex, with some planned infrastructure projects being postponed, or significantly scaled down, Government has maintained momentum on infrastructure projects implementation by mobilizing requisite resources from both domestic and external sources.

389. As we embrace projects identified under the National Development Strategy, and embark on COVID-19 post recovery measures, strengthening of our public institutions' ability to plan and implement projects timeously and within budget, remains critical.

390. This includes ensuring that projects submitted for implementation have gone through a rigorous technical analysis, have been properly costed, including their fit within the overall National Development Strategy.

391. Consistent with National Development Strategy 1, priority will be to maintain and repair current assets, complete ongoing and stalled projects whilst also capacitating public entities involved in infrastructure delivery to effectively and efficiently manage the assets.

392. Furthermore, in view of the impact of the economic sanctions imposed by some countries, the thrust is on relying more and more on building capacities of our

local companies and use of local resources in the rehabilitation and development of our infrastructure. A case in point is the recently commissioned Marovanyati dam, which was constructed using local resources.

393. Overall support under the 2021 Infrastructure Investment Programme amounts to ZWL$139.8 billion, distributed as indicated in the Table below.

Funding Mix for 2021 Priority Infrastructure Projects

SECTOR	FISCAL	STATUTORY	OWN RESOURCES	GRANTS	LOAN	TOTAL
Energy	1,037,610,000	1,218,000,000	8,700,000,000	2,472,170,000	32,370,000,000	45,797,780,000
Transport	24,832,000,000	7,140,000,000		629,000,000	3,825,000,000	36,426,000,000
Water & Sanitation	13,405,400,000			990,335,000		14,595,735,000
ICT	4,094,500,000	500,000,000	950,000,000		2,414,000,000	7,958,500,000
Health	9,375,700,000			238,000,000	425,000,000	10,038,700,000
Education	7,525,400,000					7,525,400,000
Irrigation	2,064,342,000			1,015,155,000	850,000,000	3,929,497,000
Housing	10,104,402,600					10,104,402,600
Other	3,640,000,000					3,640,000,000
TOTAL	**76,079,354,600**	**8,858,000,000**	**9,650,000,000**	**5,344,660,000**	**39,884,000,000**	**139,816,014,600**

394. Consistent with Government decision that projects with capacity to generate cash flows be funded from the market, ZWL$39.9 billion will be mobilized through loans, mainly targeting the energy and transport sectors.

395. Details of specific projects funded through the 2021 Budget are provided in the 2021 Infrastructure Investment Programme.

Transport

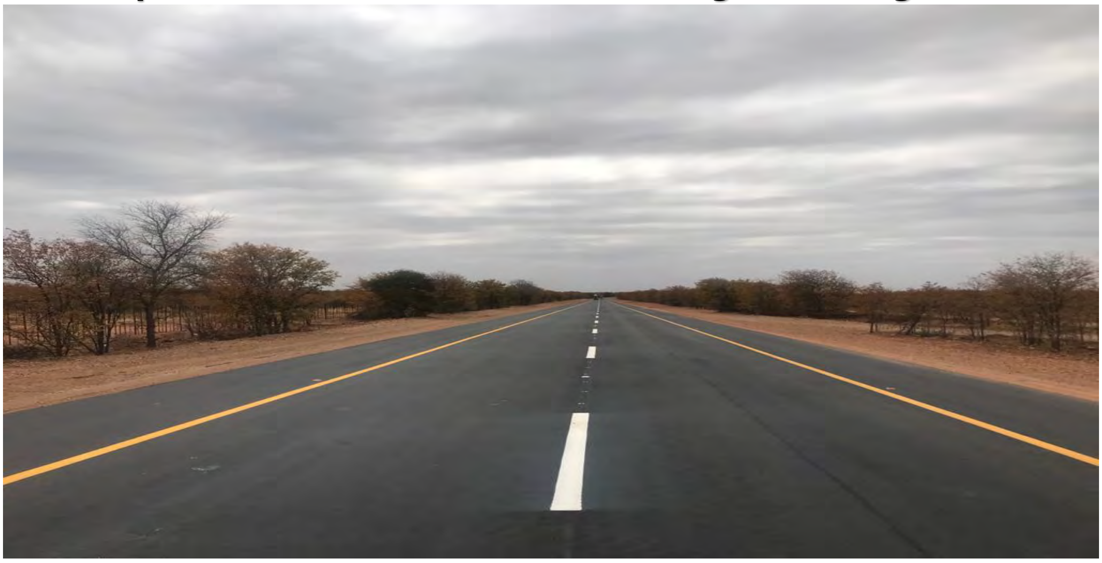
396. A good transport network is regarded as a crucial enabler for trade and development as it allows movement of people and commodities from one point to another. An improved transport sector will help in creating a conducive environment for business through reducing costs of production and increasing efficiency in trading and commerce, among other benefits.

397. Given the strategic importance of our road and railway network in enhancing accessibility as well as promoting domestic and regional trade, the priority is to ensure that the current assets are rehabilitated and upgraded with expansion in critical areas.

398. However, our main modes of transport that serve our economy of roads, railways, aviation and inland waterways are faced with a number of challenges arising from lack of investment, climatic change and COVID 19 among others.

399. Consistent with the NDS1, investments under the Road Development Programme will be prioritised in 2021, with overall support towards the roads sub-sector amounting to ZWL$31.6 billion, comprising of fiscal resources (ZWL$24.1 billion), Road Fund interventions (ZWL$6 billion) and development partner support (ZWL$629 million).

Completed section of the Harare-Masvingo-Beitbridge Road



400. Of the above amount, ZWL$10 billion will go towards the Harare-Beitbridge Project consistent with the target to complete an additional 200km in 2021 that should enable overall completion of the project in 2022.

401. Other regional trunk road projects, implemented through the Department of Roads, have an allocation of ZWL$1.7 billion, targeting decongestion of three main urban roads (Mbudzi Overpass Detours, Lomagundi Road and Esigodini Road) as well as other upgrading works.

402. Under the North South Corridor Improvement Project, the Japanese Government has committed to invest ZWL$1.78 billion million to upgrade 6.5km on the Harare –Chirundu Road, Makuti-Hellsgate Section. During 2020, ZWL$476 million was disbursed towards the project with an additional ZWL$527 million expected to be disbursed towards the project in 2021 that will ensure completion of Phase 1.

403. Furthermore, the African Development Bank is providing support towards rehabilitation of damaged road infrastructure in Chimanimani to the tune of ZWL$102 million in 2021 under the Zimbabwe Idai Recovery Project.

404. Other regional trunk road projects, implemented through the Department of Roads, have an allocation of ZWL$12.9 billion, targeting upgrading works for identified roads in provinces.

405. Regravelling of feeder roads and related bridge construction works have been allocated ZWL$928 million, to be implemented through the District Development Fund.

Road Fund

406. Over the last few years, the Road Fund has not been able to meaningfully intervene in the road development programme due to reduced disbursements from the fund emanating from low user charges, revenue leakages and incidences of abuse, among other issues.

407. In 2021, the inflows into the Road Fund are anticipated to gradually improve due to tariffs reviews and this is expected to compliment fiscal resources towards the Road Development Programmes.

408. During 2021, the Fund will disburse ZWL$4.8 billion to all road authorities as follows:

- Department of Roads, ZWL$1.3 billion.
- District Development Fund, ZWL$867 million.
- Urban Local Authorities, ZWL$1.5 billion.
- Rural Local Authorities, ZWL$1.1 billion

409. Additionally, motorists are experiencing increased delays at toll gates, due to inefficient systems of collections. To address congestion and improve on revenue collection, an amount of ZWL$1.1 billion has been set aside from the Fund towards upgrading and construction of tollgates as indicated in the Table below.

Upgrading and Construction of Tollgates

NAME OF TOLLGATE	TARGETED WORKS	AMOUNT
Norton	Construction of structures to accommodate the addition two lanes, back offices, lighting and installation of toll fees collection system	162,063,000
Skyline	Relocation of toll gate to a new site covering six lanes	208,300,000
Esigodini	Upgrading to a standard toll plaza with six lanes	208,300,000
Mushagashe	Upgrading to a standard toll plaza with six lanes	208,300,000
Mupfurudzi	Upgrading to a standard toll plaza with four lanes	104,000,000
Dema	Upgrading to a standard toll plaza with four lanes	104,000,000
Coleen Bawn	Construction of a new toll plaza with four lanes	104,000,000
TOTAL		**1,098,963,000**

Rail

410. Lack of investment in maintenance and upgrading of the railway infrastructure has seen freight carriage falling from a peak of 18 million tonnes in 2007 to

current averages of 3 million tonnes per annum, putting pressure on the country's road network.

411. In line with NDS1 strategies of transforming our railway transport, in 2021, the 2021 Budget has set aside Z$250 million targeting rehabilitation and maintenance infrastructure.

Aviation

412. The priority in the aviation sector is to ensure that the country complies with the minimum requirements of the International Aviation Organisation (ICAO) and the European Union Air Safety Committee.

413. Compliance with the above will ensure that our aviation sub sector moves from category 2 to category 1 that will result in increased access to the international markets.

414. This would entail rehabilitation and upgrading of civil aviation facilities, with the ongoing works at the R. G. Mugabe International Airport being the most significant. Airspace management and air safety require immediate intervention through procurement and installation of the requisite equipment and leveraging on CAAZ's cash flows.

Ongoing Works at the R. G. Mugabe International Airport landside section

415. An amount of ZWL$3.8 billion will be disbursed towards R.G. Mugabe International airport through the loan during 2021, targeting works on the terminal building, the VVIP pavilion, installation of navigation and lighting equipment. The eight-month delay on the project due to COVID 19 has resulted in the completion date being moved from 2021 to 2022.

416. Through the Budget, an amount of ZWL$200 million will be channelled towards construction of the tower at the J. M. Nkomo International Airport and an additional amount of ZWL$550 million has been allocated towards the rehabilitation and upgrading of Kariba, Buffalo Range and Grand Reef Airports.

Border Posts

417. Existing infrastructure deficiencies and operational arrangements at some border posts promote inefficiencies which cost the economy. Hence, upgrading of infrastructure at ports of entry is critical in improving border operations, processes and procedures that facilitate intra-regional trade, as well as movement of people, goods and services.

418. Therefore, the 2021 Budget has set aside resources amounting to ZWL$1.5 billion towards upgrading of facilities at ports of entry.

419. In order to facilitate movement of goods and people there is need to improve coordination of Government departments working at our borders, improve border crossing procedures, install modern ICT systems and facilities.

420. Under the NDS1, it is proposed that a National Port Authority be established to oversee the efficient management of our ports of entry.

Beitbridge Modernisation Project

421. The financial clause for the Concession Agreement for the upgrading and modernisation of Beitbridge Border Post between Government and Zimborders Consortium under a Build Operate Transfer arrangement, is now expected to be concluded during the last quarter of the year.

422. Some works commenced in March 2019 using equity funding, with the EPC contractor, Raubex Group Ltd, having undertaken construction of the maintenance building, construction of road for light commercial vehicles, civil works on the access routes and freight warehouse platform.

Water Supply and Sanitation

423. The availability and supply of water and sanitation services is critical for improved quality of life of citizens as well as reinforcing developmental disparities between communities as well as impacting on the quality of life for citizens as some spent long productive hours looking for water.

424. The absence of reliable water supplies is also impacting on the productive sectors, particularly agriculture and manufacturing.

425. The current COVID-19 pandemic has also shown the extent of vulnerabilities of populations with limited coverage of WASH services including other supportive infrastructure to contain spread such as hand washing.

426. The sector's current performance is also being affected by climate change related emergencies such as cyclones, droughts and floods.

427. The main thrust under NDS1 is to close the gap between water supply and demand, as well as providing sanitation services that meet basic minimum requirements for citizens.

428. In this regard, NDS1 seeks to implement rehabilitation, upgrading and maintenance programmes to remedy deficiencies in existing water infrastructure such as dams, treatment plants and distribution networks.

429. This will also include expanding availability of raw water, particularly for water stressed settlements, through construction and completion of ongoing dam projects among other interventions.

Dam Projects

430. The dam projects, namely Bindura, Causeway, Gwayi Shangani, Chivhu, Dande and Tunnel, Marovanyati, Tuli Manyange, Semwa, Vungu and Silverstroom are at various stages of completion, with funding from the fiscus.

431. An amount of Z$10.7 billion has been set aside to support ongoing works at these dams. Allocations to some of the respective dam projects are as indicated in the Table below.

2021 Dam Construction Projects

PROJECT	LOCATION	PROGRESS (%)	2021 TARGETED WORKS	2021 ALLOCATION

Bindura Dam	Mashonaland Central	38	Foundation excavations, grouting, back filling to original river bed level and relocation of HT lines on the left bank of saddle dam	314,200,000
Causeway Dam	Mashonaland East	92	Outstanding certificates, irrigation conveyancing and other minor works	217,000,000
Chivhu Dam.	Mashonaland East	37.5	Construction of spillway, outlet works, main dam embankment, water treatment plant, pipeline and reservoir	2,085,000,000
Dande Dam	Mashonaland Central	20	Grouting on the main dam foundation, outlet works and spillway. Blasting 4km out of the 7km tunnel	300,000,000
Gwayi-Tshangani Dam	Matabeleland North	39	Construction of 18m of the dam wall, installation of precast concrete formwork for drainage galleries, construction of spillway apron and outlet works tunnel. Construction of 46m of the dam to reach full height of 72m, construction of power plant and outlet works	4,532,400,000
National Matabeleland Water Project - Pipeline	Matabeleland North	0	Detailed designs, procurement of Contractor and commencement of works	535,000,000
Water use master plans	Nstional	0	Development of water use master plans	200,000,000
Marovanyati Dam.	Manicaland/ Buhera	99	Outstanding certificates, irrigation conveyancing and other minor works	200,000,000
Semwa Dam	Mashonaland Central	38	Construction of the diversion tunnel, cofferdam, cut-off trench and mobilisation for RCC wall equipment and crushing of concrete aggregates at site	750,000,000
Silverstroom Dam	Mashonaland Central	2	Relocation of HT lines and foundation excavation	350,000,000
Tuli-Manyange	Matabeleland South	5	Site Establishment and foundation excavation	400,000,000
Kunzvi Musami	Mashonaland East	0	Site establishment and construction of access road	250,000,000
Ziminya Dam	Matabeleland North	0	Procurement of Contractor, site establishment and construction of access road	250,000,000
Vungu Dam	Midlands	0	Procurement of Contractor, site establishment and construction of access road	250,000,000
Dam Safety	National	0	Inspection of 5 dams	40,000,000
Total				10,673,600,000

432. Completion of Gwayi Shangani dam, now at 40% is being accorded top priority with the bulk of the allocation of $4.5 billion. This marks the first phase of the National Matabeleland Zambezi Water Project, meant to provide a long-term solution to the water challenges facing the City of Bulawayo, whilst also creating a green belt that will benefit communities along the pipeline.

433. Government has also allocated ZWL$535 million to ZINWA to enable the parastatal immediately undertake detailed designs, including commencement of works on the conveyancing infrastructure to Bulawayo.

434. Taking into account existing water challenges for Harare, Government has also set aside ZWL$250 million to enable commencement works for the Kunzvi Water Project.

435. To fully exploit the potential of existing water bodies, ZWL$200 million has been allocated towards water use master plans for Gwayi Shangani, Marovanyati, Dande, Semwa, Kunzvi and Causeway Dams that will ensure communities immediately benefit from such investment.

Urban Water and Sanitation

436. The water supply and sanitation in most urban centres such as Harare and Bulawayo is now critical requiring immediate Government intervention in order to contain the situation.

437. Investment in new raw water supply sources, complimented by rehabilitation and upgrading of existing infrastructure has become urgent given the failure by affected Local Authorities to provide minimum services.

438. In this regard, the 2021 Budget has set aside an allocation of ZWL$700 million under conditional grants for water improvement works in Harare, Bulawayo, Marondera, Chegutu and Rusape.

439. The African Development Bank will disburse ZWL$491 million for the Bulawayo Water Supply Improvement targeting upgrading of water supply and sanitation infrastructure.

440. Under ZIMFUND's Urgent Water Supply and sanitation rehabilitation project Phase II, a total of ZWL$63.8 million will availed towards water and sanitation consolidation works for Chitungwiza, Ruwa, Harare and Redcliff municipalities.

441. In addition, these interventions will be complemented by devolution funds under the intergovernmental fiscal allocations to Local Authorities, which will also be channelled towards water and sewer projects at community level.

Water Supply Schemes for Small Towns and Growth Points

442. Government has also prioritised water supply improvements for strategic rural settlements in order to stimulate economic activity and improve living conditions.

443. In this regard, the 2021 Budget has a provision of ZWL$172 million for the upgrading of water supply schemes for the following settlements as indicated in the table below.

2021 Water Supply Projects for Small Towns and Growth Points

PROJECT NAME	2021 PLANNED WORKS	2021 BUDGET ALLOCATIONS
		ZWL$
Goromonzi Water Supply	Rehabilitation of the breached Chinyika Dam trailing wall, pump station and 100m3/hr conventional treatment plant.	10,900,000
Nyanga Water Supply	Raw water gravity main, reservoirs, pump sets and water reticulation network extended	9,900,000
Gokwe Water Supply	Construct a 7km water reticulation pipe network for Mafungautsi	5,300,000
Hauna Water Supply	Raw water gravity main, pump sets, , clear water storage reservoirs constructed, water treatment plant and clear water pumping mains	8,300,000
Collen Bawn Water Supply	Raw water pipeline, upgrading of treatment plant and 8km pipeline	8,200,000
Parirewa Water Supply	Construction of a pump station, treatment plant and reservoirs	14,200,000
Filabusi Water Supply	Reservoir, 15km pumping main, reticulation extension	5,800,000
Inyathi Water Supply	Construction of treatment plant, reticulation extension and installation of pump sets	7,500,000
Dete Water Supply	Rehabilitate and Equip 6 boreholes, reticulation extensions, 20km x pumping main and 250m^3 brick reservoir	8,500,000
Rushinga- Chimhanda Water Supply	10km long water pumping mains from Chimhanda treatment works to Rushinga and additional water reservoir, pump sets, rehabilitation of treatment works	14,300,000
Dema Water Supply	Construction of treatment plant, reservoir, 3km pumping mains, booster station	10,100,000
Nyabira Water Supply	Completion of treatment plant, ground reservoir, booster station. Electrify two water distribution points and reticulation extension to 500 stands	12,400,000
Mberengwa Water Supply	Construction of storage reservoir at Mberengwa turn off, reticulation extension,	7,300,000
Lutumba Water Supply	Construction of 20km pumping main from Beitbridge to Lutumba, reservoir	12,400,000

Mhangura Water Supply	Construction of raw water abstraction station, rehabilitation of treatment plant, waste water stabilisation ponds, Construction of 1km sewer trunk mains, construction of manholes	15,900,000
Checheche Water Supply	Upgrading of treatment plant, reticulation extension, installation of pump sets, 6km x pumping main	6,000,000
Jerera Water Supply	Construction of Storage reservoir, Reticulation extension, Upgrading of treatment plant Installation of pump sets	15,000,000
Total		**172,000,000**

Rural WASH

444. Inadequate access to water and sanitation services in rural areas is a developmental challenge that is reinforcing the rural urban divide.

445. Successive droughts have diminished yields of boreholes with others drying up, thereby exacerbating the water security situation for affected communities.

446. Capacitation of ZINWA and DDF including their presence in districts is critical in ensuring increased access to water for rural communities. In this regard, the 2021 Budget has set aside ZWL$262 million to ZINWA and ZWL$328 million to DDF for procurement of 10 and 8 drilling rigs, respectively.

447. An additional amount of ZWL$391 million and ZWL$350 million has been allocated to DDF and ZINWA respectively, for the borehole rehabilitation and maintenance programme, to be complemented by support from the Chinese Government.

Energy

448. The quality of electricity supply remains a challenge, largely affected by lack of maintenance of aging generating plants, transmission and distribution networks as well as disruptions in the supply of coal for generation.

449. There is enormous potential for solar and mini-hydro plants still to be exploited and private sector interest has steadily increased, adding to the national grid by Independent Power Producers.

450. The NDS1 has identified the need for increased capacity and supply of energy services.

451. Progress at the Hwange 7 & 8 Thermal Power project is now 40% complete, although delays in procurement of imported materials due to COVID 19 affected some of the targeted works.

452. Consistent with the NDS1 thrust of increasing energy supply capacity, the 2021 Budget is prioritizing ccompletion of ongoing energy projects as well as investments in new capacity.

453. In this regard, through the Budget, an amount of ZWL$900 million will cover local taxes for the Hwange 7 & 8 Expansion Project with an additional ZWL$32.2 billion expected to be disbursed through the US$997.7 million loan facility from China Exim Bank.

454. An amount of ZWL$176 million has been set aside to cover legacy debt commitments due to the Zambezi River Authority.

455. Meanwhile, Cabinet has reviewed ZESA tariffs informed by international best practices and viability requirements for ZESA. The improved tariff levels should enable ZESA invest ZWL$8.7 billion of own resources towards repair and maintenance of existing plants.

456. On account of climate change impacts in electricity generation, the diversification of the current energy mix will be enhanced through investments in solar energy projects, to be implemented through REA and the private sector, with ongoing and new projects expected to contribute to the National Grid.

457. Electricity connections for new settlements and rural communities will be expanded through the Rural Electrification Programme, with ZWL$1.2 billion

from the Rural Electrification Fund being invested in new projects, to be complemented by fiscal resources of ZWL$137.6 million.

458. In terms of Development Partner Support, a total of ZWL$1.96 billion will be availed in 2021 towards energy projects. The resources will support Alaska-Karoi Power Transmission Reinforcement, the Kariba Dam Rehabilitation and the Emergency Power Infrastructure Rehabilitation Projects, among others, which are all meant to improve the country's energy sector.

Digital Economy

459. In order to improve access of ICT services, Government will facilitate deployment of broadband infrastructure and investments in Last Mile Connectivity by industry players that will ensure affordable, accessible, ubiquitous and reliable ICT services that support an inclusive digital economy.

460. Priority will also be on implementation of measures that create creating a conducive environment for private sector investment, full implementation of ICT infrastructure sharing, as well as full roll out of the e-Government programme.

461. The current COVID-19 pandemic, has shown that technology is a new frontier for driving change and transformation within economies and communities in the conduct of day to day business.

462. The of the thrust of NDS1 to facilitate achievement of an e-enabled economy where all sectors embrace ICT to improve efficiency through exploiting opportunities that ensure a conducive business environment that enables access to ICT services through deployment of broadband infrastructure as well as implementation of Last Mile Connectivity.

463. A total of ZWL$8 billion will be invested in the sector during 2021, mainly targeting rollout of the optic fibre network, digital television services and access to online public services by citizens.

464. The Table below summarises the broad ICT interventions during 2021.

2021 ICT Interventions

PROJECT NAME	TOTAL APPROPRIATION	STATUTORY AND OTHER RESOURCES	TOTAL RESOURCES
	ZWL$	ZWL$	ZWL$
Broadcasting Digitalisation Migration Project	684,700,000		684,700,000
ZIMRA Automation	600,000,000		600,000,000
E-Government Flagship Projects	111,000,000		111,000,000
Voice over internet (VOIP) - Cost	300,000,000		300,000,000
National Data Centre	600,000,000		600,000,000
Integrated Electronic Case Management System	116,000,000		116,000,000
Telone - Backborne Infrastructure - Loan		950,000,000	950,000,000
Towers/ Base Stations		500,000,000	500,000,000
Netone Network Expansion		2,414,000,000	2,414,000,000
Upgrading and mentainance of national systems			
PFMS	715,800,000		715,800,000
SSB	24,726,000		24,726,000
Pensions	21,065,000		21,065,000
Impilo Electronic Health Management System	375,000,000		375,000,000
Smart Policing	100,000,000		100,000,000
Community Information Centres (CICs)	82,000,000		82,000,000
Computerisation of Schools- ICT Lab Per School	410,000,000		410,000,000
TOTAL	4,140,291,000	3,864,000,000	8,004,291,000

465. The Netone National Expansion Project Phase II will kick off next year with loan funding from China Eximbank amounting US$71 million of which ZWL$1.9 billion will be disbursed during 2021 and mainly targeting the roll out of the 4G network around the country.

466. Through the Universal Services Fund, POTRAZ has set aside ZWL$500 million for the construction of ten base stations, with the infrastructure being shared by all players in the industry.

Devolution

467. The Devolution policy, which recognises the right of communities to manage their own affairs and to further their own development, with the various tiers of Government complementing each other in providing efficient and effective service delivery to the citizenry, is progressing well.

468. A case in point is the impact of Devolution Funds in Makonde District, which in 2020 received more than ZWL$4,8 million. The District has made great strides in the delivery of water, health and education through use of devolution funds. In addition, at least seven wards in the district now have solar-powered boreholes and tanks, while a school is under construction in Ward 18.

469. For roads rehabilitation, the District acquired a motorised grader to improve its road service network system.

470. Targeted for the year 2021 are more than 20 health institutions in the rural parts of the district and increase the clinics to shorten distance being travelled by people to access health facilities.

471. In 2020, total devolution allocation is ZWL$2.93 billion, of which ZWL$703.8 million was disbursed by 30 September 2020. These resources supported various impactful projects being undertaken at the community level, and these are in the areas of health, education, water and sanitation, roads, among others.

472. The Table below shows disbursements per province for the period to 30 September 2020.

Devolution Disbursements Per Province

	Total Grant (ZWL$)	Disbursements to 30 September	Balance
Provincial Councils	586,400,000	2,463,640	583,936,360
Local Authorities			
Bulawayo Metropolitan	66,060,000.00	36,300,000.00	29,760,000.00
Manicaland	321,942,000.00	93,158,818.00	228,783,182.00
Mashonaland Central	211,165,000.00	48,621,800.00	162,543,200.00
Mashonaland East	259,498,000.00	79,914,833.33	179,583,166.67
Mashonaland West	320,370,000.00	90,059,894.00	230,310,106.00
Matabeleland North	138,015,000.00	41,597,724.00	96,417,276.00
Matabeleland South	254,271,000.00	66,550,297.00	187,720,703.00
Midlands	315,674,000.00	90,473,152.56	225,200,847.44
Masvingo	289,794,000.00	52,707,900.00	237,086,100.00
Harare Metropolitan	168,811,000.00	101,986,233.21	66,824,766.79
Total	**2,345,600,000.00**	**701,370,652.10**	**1,644,229,347.90**
Grand Total	**2,932,000,000.00**	**703,834,292.10**	**2,228,165,707.90**

473. In 2021, an allocation of ZWL$19.5 billion is being proposed, consistent with the Constitution to be allocated to Provincial Councils and Local Authorities and respective authorities are urged to prioritise water and sanitation, health services, education and road infrastructure, in view of challenges in these areas.

474. For efficient management of resources, accountability and transparency, as well as effective implementation of projects, Government is building capacities of the local authorities including strengthening of financial and project management systems. Furthermore, Government is finalising the establishment of appropriate structures to ensures that devolution resources are efficiently utilised with accountability.

Housing Development

475. Government continue to pursue housing development as one of the basic human need for reducing poverty and accordingly, overall support to the Ministry of National Housing and Social Amenities during 2021 amounts to ZWL$2.8 billion, to be complemented by other private sector initiatives.

Public Works

476. Overall support for public works during 2021 amounts to ZWL$10 billion, covering institutional and other housing development interventions as indicated in the table below.

2021 Housing Development Interventions

PROJECT TITTLE	PROJECT NAME	2021 ALLOCATION
Composite offices and other offices	Lupane Composite Office	212,055,000
	Mutoko Composite Office	77,945,000
	Hwedza Composite Office	100,000,000
	District Registry Offices	113,530,000
	Court Infrastructure	610,933,000
	Rehabilitation of other Government buildings	2,472,690,400
	Sub-Total	**3,587,153,400**
Security Services Institutional Accommodation	Special Services	670,000,000
	Zimbabwe Republic Police	627,484,000
	Defence	1,263,617,000
	Zimbabwe Prisons and Correctional Services	512,500,000
	Sub-Total	**3,073,601,000**
Social Housing	Kariba-Kasese houses	101,000,000
	Crown Lands houses	284,000,000
	Hwange Empumalanga houses	297,500,000
	Binga houses	8,500,000
	Chigwizi houses	29,000,000
	Sanitisation of informal settlements	42,500,000
	Chimanimani Houses	100,000,000
	Tsholotsho houses	50,000,000
	Sub-Total	**912,500,000**
Other Institutional Accommodation	State Residences	600,000,000
	Youth Training Centres	326,400,000
	Immigration Management Staff Accommodation	83,040,000
	Rehabilitation of community infrastructure	500,000,000
	Staff accommodation for health institutions	472,000,000
	Beitbridge houses	595,000,000
	Rehabilitation of Children's Homes and Rehabilitation Centres	47,639,000
	Spatial Plans	127,540,000
	Rehabilitation of Embassies	1,100,000,000
	Staff accommodation for Agriculture institutions	1,955,824,000
	Sub-Total	**5,807,443,000**
Other	Construction of National Transport Management Centre	125,000,000
	Construction of Beitbridge VID Deport	50,000,000
	Sub-Total	**175,000,000**
	Total	**9,968,544,000**

477. Work on the New Parliament Building remains on course with the super structure now complete and remaining works expected to completed in 2021.

Spatial Planning

478. Land use and development decisions on settlements must promote a harmonious relationship between the housing development and environment protection, whilst ensuring sustainable land development over the long term.

479. The 2021 Budget has a provision of ZWL$202 million in support of sustainable development of spatial plans for the following:

- Tugwi Mukorsi, ZWL$50 million.
- New City, ZWL$123 million.
- Masvingo South Regional Plan, ZWL$5 million.
- Victoria Falls Zambezi Regional Plan, ZWL$11 million.
- Harare Metropolitan Regional Plan, ZWL$13 million.

Civil Service Housing Fund

480. In order to ensure that civil servants are capacitated to secure their accommodation, the 2021 Budget proposes to allocate ZWL$800 million towards the Civil Service Housing Fund.

II. HUMAN CAPITAL DEVELOPMENT, WELL-BEING AND SOCIAL PROTECTION

Healthcare

481. Despite the challenging economic environment, the New Dispensation has over the last two years been providing significant resources to revive the health system in areas such as reproductive, maternal, new-born and adolescent health and nutrition services.

482. However, the COVID-19 pandemic has put a spotlight on the challenges in the healthcare system and infrastructure, from shortages of testing and medical supplies to access of health services for underserved populations.

483. Infrastructure gaps still exist in service delivery and availability, as well as readiness of health facilities to provide basic health-care interventions in the country.

484. The health crisis provides useful lessons for longer-term reforms required to build greater resilience in our health systems against any future shocks.

485. In this regard, the NDS1 provides a commitment to revamp the public health infrastructure, covering upgrading and construction of health facilities, installation of medical equipment, procurement of ambulances and utility vehicles.

486. Building on the country's resilience to deal with health crises through stringent Public Health and Social Measures (PHSM) as noted by a survey carried in August 2020, the 2021 National Budget will endeavour to increase the allocation to the health sector so that it gravitates towards the Abuja target of 15% of National Budget to ensure the country achieves the desired health outcomes.

487. In this regard, ZWL$54.7 billion has been allocated to the Ministry of Health and Child Care. Some of the interventions to the sector are indicated in the Table below.

2021 Health Sector Interventions

PROJECT NAME	PROJECT SCOPE	2021 BUDGET ALLOCATIONS ZWL$
Impilo National Electronic Health Information System	Procurement of high-grade servers, network access points, laptops and solar systems	375,000,000
Ambulances and utility vehicles	Procurement of 110 ambulances and utility vehicles	590,000,000
Sub Total		**965,000,000**
Central Hospitals	Procurement of medical equipment for Chitungwiza, Sally Mugabe, Mpilo, Ingutsheni and United Bulawayo Hospitals.	515,000,000
	Construction and refurbishment of facilities at Chitungwiza, Sally Mugabe, Mpilo, Ingutsheni and United Bulawayo Hospitals	1,317,147,000
	Refurbishment and upgrading of infrastructure at Parirenyatwa Group of Hospitals	813,010,000

Sub Total		**2,645,157,000**
Provincial Hospitals		
Refurbishment of provincial hospitals	General refurbishment of infrastructure and installation of fixed equipment at provincial hospitals	945,500,000
Lupane Provincial Hospital	Construction of outpatient department, pharmacy, wards, administration offices and staff accommodation	500,000,000
Sub Total		**1,445,500,000**
District Hospitals	Procurement of medical equipment for district hospitals.	250,000,000
	Upgrading of Buhera and Siakobvu to district hospitals, construction of new district hospitals at Nyamandlovu and Bulila and rehabilitation of facilities for district hospitals	2,234,500,000
Mission hospitals	Refurbishment and equipping of 8 mission hospitals	280,000,000
Sub Total		**2,764,500,000**
Rural Health Centres	Procurement of medical equipment and furniture for rural health centres.	82,543,000
	Construction, upgrading and rehabilitation of Rural Health Centres	423,000,000
Health posts	Construction of 100 health posts	50,000,000
Sub Total		**555,,543,000**
Other facilities	Procurement and installation of medical oxygen generator for the Southern region	25,000,000
	Civil works for the new warehouse and rehabilitation of offices at National Pharmaceutical Company warehouse	70,000,000
	Equipping of the laboratories and renovation of buildings at National Institute of Health Research	100,000,000
	Equipping of the laboratory and renovation of building at Government Analyst Laboratory s	60,000,000
Sub Total		**640,000,000**
Grand Total		**8,630,700,000**

488. Further to the above allocations, institutional reforms which include restructuring the Ministry of Health and Child Care will be essential, focussing on production, research and service quality.

Development Partner Support to Health

489. Overall Development Partner support in the health sector amounted to US$351.7 million for the period January to September 2020, whilst the projected disbursements for the sector in 2021 amount to US$495.9 million.

490. The resources include support from the Global Fund which was channelled towards complementing Government efforts in fighting HIV/AIDS, Tuberculosis (TB) and Malaria.

491. To this end, Government welcomes the extension of the Global Fund support into another funding cycle (2021–2023) with total resources amounting to US$523 million.

Health Development Fund (HDF)

492. The Health sector also benefitted from the Health Development Fund (2016-2020) which is financed by the European Union, the United Kingdom, Ireland, Sweden, and GAVI. The fund supports maternal new born child health & nutrition, sexual reproductive health rights, medical supplies, vaccines and technologies. During the period January to September 2020, about US$42.6 million was disbursed.

493. In light of this, the HDF will support interventions, which capacitate the health systems to prevent, detect and control health emergencies, as well as focused support for COVID-19 response pillars namely Coordination, Infection Prevention and Control (IPC), Risk Communication & Community Engagement (RCCE), Case management, Procurement & Logistics and Points of Entry.

Global Financing Facility (GFF)

494. The sector also got US$5.2 million in 2020 from the Global Financing Facility (GFF), towards supporting increased coverage and quality of maternal and child health services.

495. An additional grant of US$25 million has been secured from the GFF, out of which US$10.7 million is targeted for disbursement in 2021 towards supporting reproductive, maternal, neonatal, child, adolescent health & nutrition interventions in 18 rural districts and demand-side maternal health voucher scheme in selected areas of Bulawayo and Harare, as well as management and capacity building.

496. The Peoples' Republic of China (PRC) is also supporting Government through the construction of pharmaceutical warehouse to the tune of US$20 million with the project now at 60% completion and expected to be completed in 2021.

497. Additionally, the Government of Japan is also supporting the procurement of medical equipment equivalent to US$2.8 million for Sally Mugabe Children's Hospital with delivery now in 2021.

Higher Education

498. As Government pursues industrialisation and modernisation, the education sector plays a pivotal role in re-skilling and right-skilling the current and future workforce, matching the demand by the industry. Whilst the new curriculum is meant to provide a strong foundation for learning, Education 5.0 model promotes the production of goods and services at higher and tertiary levels.

499. This new approach to learning and development of innovation hubs and Industrial Parks at tertiary level should provide the basis for a stronger partnership between education, industry and the overall economy.

Midlands State University Innovation Hub, Gweru

500. The 2021 Budget will also prioritise education infrastructure provision in the form of building of student accommodation and setting up of innovation hubs at universities. Priority will be given towards construction works at Industrial Parks in Harare, the University of Zimbabwe Farm and Chinhoyi University of Technology.

501. Therefore, the 2021 Budget has a provision of ZWL$14.4 billion for the Ministry of Higher & Tertiary Education, Science and Technology Development, of which ZWL$4.3 billion is for infrastructure development.

2021 Higher Education Infrastructure Development

Intervention	2021 Allocation
Universities	
Construction of additional facilities at State Universities	2,909,000,000
Pan African Mining University of Science and Technology-Teaching Centre	120,000,000
Sub Total	**3,029,000,000**
Teachers and Polytechnic Colleges	
Construction of additional facilities	810,000,000
School of Hospitality -Designs	34,000,000
Chivi College -Designs	12,000,000
Sub Total	**856,000,000**
Innovation Development	
High Performance Centre expansion	80,000,000
Innovation Hubs at Bindura and HIT Universities	150,000,000
Industrial parks at four state universities (CUT, UZ, Marondera & MSU)	200,000,000
Sub Total	**430,000,000**
Grand Total for Tertiary	**4,315,000,000**

502. A number of tertiary institutions and universities are actively involved in the production of Personal Protective Equipment (PPEs) and sanitisers, with others showing potential to produce at commercially viable levels.

Basic Education

503. The staggered re-opening of schools during this pandemic as a measure to contain the spread of the disease in schools has also allowed school authorities to adjust to the 'new normal' without risking the health of the teachers and learners.

504. In view of the fact that schools must comply with the WHO Guidelines, whilst delivering education services, the 2021 Budget will provide support towards the purchase of PPEs. Additionally, Government is recruiting additional teachers in order to reduce teacher/pupil ratio and hence meeting the WHO guidelines.

505. Furthermore, it is imperative that schools put up additional structures in order to reduce overcrowding and hence the Budget is supporting the following schools infrastructure projects.

Schools Infrastructure Projects

Intervention	2021 Allocation
Infant Education	
Construction of ECD Learning Centres at 17 schools countrywide	194,200,000
Rehabilitation of schools	190,800,000
Borehole drilling and water reticulation	350,000,000
Sub Total	**735,000,000**
Primary Education	
Construction of 4 new schools	270,000,000
Construction of classroom blocks at 21 Schools countrrwide	238,000,000
Rehabilitation of storm damaged schools	508,000,000
Sub Total	**1,016,000,000**
Secondary Education	
Construction of classroom blocks at 21 schools countrywide	425,400,000
Rehabilitation of schools	517,600,000
Provision of moblie science laboratories countrywide	300,000,000
Sub Total	**1,243,000,000**
Grand Total Primary and Secondary Education	**2,994,000,000**

506. In view of the current limited budget capacity, school authorities are being urged to contribute towards infrastructure needs through School Development Committees (SDCs).

Teaching and Learning Materials

507. Priority will also be placed on the purchase of teaching and learning materials, as well as learning aides for children with special needs, and an allocation of resources has been made under this Budget.

508. Furthermore, Government will continue to provide the tuition Grant with a provision of ZWL$1 billion to support P3 and S3 schools whilst the Basic Education and Assistance Module (BEAM) will be scaled up to cover at least 1.5 million learners from vulnerable households with a proposed allocation of ZWL$2 billion.

Subsidy on Exam Fees

509. Similarly, the 2021 Budget provides a subsidy on public examination fees for learners in public schools to the tune of ZWL$500 million.

School Feeding

510. Cognisant of the impact of the pandemic and last-year's drought, the 2021 Budget will continue to support the school feeding programme, with ZWL$1.1 billion and this will target less privileged schools. Government also encourages school authorities to partner with parents in setting up nutrition gardens and livestock projects that complement the school feeding programme and raises income for schools.

Sanitary Wear

511. Government acknowledges the plight of the girl-child during these difficult times and commends initiatives to reduce their burden. As such, Government will continue to collaborate with development partners, the private sector and civil society in providing sanitary wear to female learners from vulnerable households.

The 2021 Budget, therefore, allocates ZWL$500 million for provision of sanitary wear.

Schools Monitoring

512. Monitoring and evaluation of schools will be strengthened to ensure quality education outcomes in all institutions and this will be complimented by the provision of supervision vehicles at a total allocation of ZWL$220 million. Prioritise are Teacher on the job re-training in order to meet the requirements of the new competence-based curriculum and introduction of teaching and learning of all 16 languages at schools.

513. Government allows non-exclusion of pregnant girls in schools and to ensure observance of this provision, psycho –social support will be enhanced at schools and an allocation of ZWL$123 million has been set aside.

514. Overall, an allocation of ZWL$55.2 billion is being provided for the Ministry of Primary and Secondary Education.

Development Partner Support to Education

515. Development Partners also supported programmes and projects in the education sector amounting to US$8.9 million in 2020, whilst projected disbursements in 2021 amount to US$27.7 million.

516. The disbursed resources include US$3.9 million from the United Kingdom through the Zimbabwe Girls Secondary Education Project, which provides support for marginalised girls and boys in the country’s selected districts.

517. The sector is also benefitting from a grant amounting to US$7 million issued by the Global Partnership for Education (GPE) to address the impact of COVID-19

on education, out of which US$1 million was disbursed during the period under review.

518. In 2021 US$1.4 million is projected to be disbursed towards capacity building activities under the GPE.

519. Furthermore, the Education Development Fund (EDF), administered by UNICEF continues to support the education sector, with disbursements amounting to US$9.8 million during the period January to September 2020.

520. The support was directed towards the provision of textbooks, support to the school improvement grants (SIG), school feeding programme, as well as, improved access to reliable water and sanitation services for schools. In 2021, US$21.6 million will be disbursed to continued supporting the above-mentioned activities.

Social Protection

521. The challenging environment facing the country has resulted in increases in the number of vulnerable households while the capacity of the existing social safety nets has equally deteriorated. This then calls for establishment of strong Integrated Social Protection Programme, which is resilient and inclusive.

522. This requires a robust database of all vulnerable members through the Social Protection Management Information System in order to improve on targeting and delivery of benefits.

523. The 2021 Budget will therefore scale up social protection to all vulnerable groups, with an allocation of ZWL$5.5 billion, distributed as follows:

- BEAM (ZWL$2 billion);
- Children in Difficult Circumstances)/Streets (ZWL$100 million);
- Harmonised Cash Transfer (ZWL$900 million;

- Health Assistance (ZWL$70 million);
- Support to Persons with Disabilities (ZWL$140 million);
- Support to the elderly (ZWL$50 million);
- Sustainable livelihoods (ZWL$25 million); and
- Drought Mitigation (ZWL$1.7 billion).

524. In total, the 2021 Budget has an allocation of ZWL$6.9 billion for the Ministry of Public Service, Labour and Social Services.

Child Protection

525. Government remains concerned with the threats to the well-being of children and youths emanating from various forms of abuse. In order to safeguard children, Child Protection Committees will be strengthened to support the National Case Management System that protects children from abuse.

Peace and Security

526. In recognition of the importance of peace, the security sector has to be adequately supported and hence, the 2021 Budget has made provision for essential requirements of security services such as training, accommodation, mobility, equipment, uniforms, medical facilities and other welfare essentials.

527. Therefore, I propose allocations to the security cluster as follows:
   - Defence, Security and War Veterans, ZWL$23.8 billion; and
   - Home Affairs and Cultural Heritage, ZWL$23.6 billion.

War Veterans

528. The 2021 Budget appreciates and recognises the significant effort of our war veterans and war collaborators in bringing about independence and peace. In line with the Constitution, the Budget therefore, owns up by supporting the

welfare of our war veterans in terms of medical care, general welfare, schooling of their children and promotion of their economic empowerment.

529. For that purpose, budgetary resources have been set for the War Veterans, including the additional equivalent to US$37.5 million for the War Veterans Fund through the National Venture Fund.

III. EFFECTIVE INSTITUTIONS BUILDING AND GOVERNANCE

Social Contract

530. The Tripartite Negotiating Forum (TNF) was launched in June 2019, with the main objective of consulting and negotiating over social and economic issues affecting the country. Key social partners are Government, Labour and Business.

531. As part of consensus building process, the TNF managed to hold a number of meetings in 2020 on various pertinent issues such as finalization of the labour law, creation of an effective management and administrative framework for the TNF as well as economic issues around macroeconomic stability, cushioning of workers, effective utilisation of the Stimulus Package and strengthening the currency regime.

532. In 2021, Government will fully operationalize and strengthen the TNF through setting up of an independent Secretariat headed by an Executive Director as well as instituting the necessary statutory instruments, with necessary operating procedures to guide the TNF.

533. For that purpose, the 2021 Budget is, therefore, setting aside resources for the full operationalization of the TNF thus departing from the current situation where the Ministry of Public Service, Labour and Social Welfare is acting as the secretariat.

State Owned Enterprises

534. The State Enterprises and Parastatal Reform Agenda remains one of the key policy thrusts for Government. This has seen the New Dispensation consistently implement State Enterprises and Parastatals (SEPs) reforms to ensure that they, once again, begin to contribute meaningfully towards the revival of Zimbabwe's economic fortunes.

535. Notwithstanding drawbacks from the Covid-19 pandemic, the 2020 momentum will be accelerated in 2021 and beyond, through completion of on-going partial privatisation transactions of identified SEPs and implementation of the new SEPs Ownership Model approved by Cabinet.

SEPs Ownership Model

536. Zimbabwe has historically been following a Decentralised SEPs Ownership model, whereby the Government shareholder function is spread across different Line Ministries. This ownership model has been associated with a number of challenges, including inconsistencies in governance practices, Ministerial interferences, delays and/or reversals of Government approved SEPs reforms due to vested interests within some line Ministries, and generally weak and passive oversight function, among others.

537. Hence, this model has also been related to the poor performance of the SEPs sector not only in Zimbabwe, but the world over, wherever this model has been followed. Resultantly, many countries in the region, such as South Africa, Mozambique, and more recently, Namibia and Zambia; as well as those on the continent and beyond, such as China, Malaysia, France, among others, have migrated from this traditional ownership model in favour of the deemed more progressive Centralised or Dual ownership models. Centralised ownership models have underpinned positive performance for SEPs in those countries.

538. In line with international best practices, Government took a deliberate decision to review the SEPs ownership model. Following approval by Cabinet, implementation of the new ownership model will also be one of the central SEPs reforms to be implemented in the 2021 fiscal year.

SEPs Restructuring

539. The other supportive 2021 SEPs Policy Priorities that would be implemented simultaneously with the transformation of the SEPs Ownership Model would entail the following:

i. Privatisation of 11 SEPs, 6 IDC Subsidiaries, and 17 ZMDC subsidiaries;
ii. Merging of the remaining 5 entities;
iii. Completing the dissolution of all subsidiary Boards for ZESA Holdings and allowing ZPC to engage strategic partners for its power generation projects;
iv. Recapitalisation of the newly established Silo Foods through Strategic partnership;
v. Implementation of recommendations arising from the Performance Reviews for 10 SEPs to come up with effective turnaround strategy options. The 10 SEPs identified for this Review process include ZMDC, ZINARA, SIRDC, ALLIED TIMBERS, IDBZ, AGRIBANK, SMEDCO, ZETDC, ZIMPARKS, EMA Forestry Commission, and ZIMRA;
vi. Developing and implementing reform strategies for Printflow, Traffic Safety Council of Zimbabwe, Kingstons, CMED, NOIC, NatPharm and ARDA;
vii. Finalisation of the SEPs ownership Model Review and implementation of the recommended new model;
viii. Develop and implement a coordinated and integrated marketing and communication programme for SEPs earmarked for reforms to ensure all stakeholders participate effectively in the programme through effective information dissemination;

540. With regards to Telone and Netone, Government is working with the World Bank Group on an appropriate privatisation roadmap.

Transparency & Accountability

541. In order to foster and promote transparency and accountability culture and practices within the SEPs sector, Government enacted the Public Entities Corporate Governance (PECG) Act in 2018. In implementing provisions of the PECG Act, dissemination and training workshops have been conducted to all line Ministries and the respective SEPs Boards and management, which training will be extended Heads of Ministries and Honourable Ministers in the near future.

542. The objective of the entrenchment of corporate governance tenets being rolled out is to ensure that all actors within the SEPS sector who contribute or influence corporate governance of each and every SEP are fully cognisant of the transparency and accountability obligation reposed on them.

543. Disclosure and transparency provisions in the PECG Act relate to:

- Conflicts of interest on the part of either the Board, management or staff;
- Members appointed to public entities boards with regards to qualifications, other boards they sit on and criteria of appointing them;
- Remuneration of both non-executive and executive directors, as well as senior staff of public entities, and available for inspection by members of the public;
- Strategic Plans, Board Charters, and Codes of Ethics;
- Exemptions given to any public entity, specifying the terms and reasons why they were granted;
- Declaration of assets, by Board members and senior staff of public entities; and
- Reporting of objections to any questionable activity, directive or instruction.

544. Effectiveness of the PECG Act is also underpinned by provisions for surcharge on unlawful payments, with conduct of special investigations provided for with regard to affairs or dealings of a public entity through either forensic audits. All these provisions are meant to ensure organisational best practices, financial management and probity, among other good corporate Governance practices and tenets.

545. In support of the effectiveness of the PECG Act, there are requirements for electronic accessibility of all such disclosure information for inspection by members of the ordinary public, some also through the website being developed by the Corporate Governance Unit.

546. During 2021, Government will also be further strengthening the PECG Act by reviewing the legislation to also allow for introduction of penalties for non-adherence.

Implementation, Monitoring and Reporting

547. Government will operationalise the Monitoring and Evaluation Policy through the Results Based Monitoring and Evaluation Framework, which is one of the five pillars of Integrated Results Based Management. The thrust will be on assessing the overall performance of Government programmes and projects, including tracking achievement towards desired results (outputs, outcomes and impacts) with the overall objective of improving the quality of life of citizens.

548. MDAs will complete and submit Strategic Plans, Secretary's Performance Contract, Ministerial/Programme and Sub-Programme Performance Management documents to ensure delivery of the envisaged outputs and outcomes. They will also be required to submit priority 100-day cycle projects and programmes. All these documents are aligned to the Budget and NDS1.

549. All this information will be captured in the Whole of Government Performance Management System (WOGPMS) which is web-based. This will be complemented by the Executive Electronic Dashboard, including quarterly budget performance reports to be submitted to the Ministry of Finance and Economic Development.

550. The Tripartite comprising the Office of the President and Cabinet, Ministry of Finance and Economic Development and the Public Service Commission will be responsible for the overall implementation of the performance management system using the tools highlighted above. The Tripartite will undertake joint monitoring of projects to ensure timely decision making to identified constraints.

551. Therefore, Treasury will provide periodic reports and recommendations regarding 'value for money' from public resource utilisation.

Fighting Corruption

552. The New Dispensation is committed to deal with corruption challenges and enforcement of the rule of law to improve the business climate and support private-sector-led inclusive growth.

553. Corruption is a structural obstacle to development progress as it adversely impacts the availability, quality and accessibility of goods and services for the most vulnerable. It also undermines the functioning and legitimacy of institutions, processes and the rule of law, in the end seriously impacting the achievement of SDGs.

554. Therefore, the fight against corruption scourge for the next five years will be guided by the National Anti-Corruption Strategy (NACS): 2020-24 whose objectives are:
   - Support citizen empowerment and awareness of their rights and responsibilities relevant to the fight against corruption;

- Enhance the structures for deterrence, detection, adherence, and enforcement through improved compliance with anti-corruption and integrity management obligations and mechanisms across sectors;
- Increase public demand for transparency and accountability and rejection of corruption in government offices, ministries, agencies and State-owned enterprises (SOEs)/parastatals, public institutions, media houses and the private sector;
- Ensure protection of whistle-blowers and victims of corruption, thereby encouraging active participation in anti-corruption efforts by members of the public;
- Recover assets and proceeds from corruption crimes, and compensate damages inflicted on the state and corruption victims; and
- Increased level of political parties' transparency, political will, and accountability.

555. The fight against corruption involves several state actors which include the Zimbabwe Anti-Corruption Commission, the National Prosecuting Authority, the Zimbabwe Republic Police (Minerals, Flora and Fauna Unit), the Auditor General and the Procurement Regulatory Authority of Zimbabwe which all require capacitation to enable their effectiveness. Therefore, the 2021 National Budget has set aside ZWL$3.6 billion for operations and capital requirements of these institutions.

556. The Zimbabwe Anti-Corruption Commission (ZACC) has also launched an anti-corruption whistle-blowing platform to improve corruption detection. To make the tool more effective, in 2021, Government will expedite the enacting of the appropriate legislation to protect whistleblowers in line with international best practices.

557. Furthermore, ZACC is implementing an asset recovery strategy on illegally acquired assets through the 'Unexplained Wealth Orders'. Meanwhile, Treasury is engaging ZACC on innovative financing of its operations.

Strengthening Data Collection

558. As we move towards Vision 2030, it is important to have timely and accurate data to enable real time monitoring. Quality data is important in the design, implementation, monitoring and evaluation of national development policies and programmes such as the NDS1 and SDGs.

559. Therefore, the 2021 National Budget has allocated ZWL$3.8 billion to ZIMSTAT specifically for 2021 census activities.

560. Government also appreciates support from various Development Partners in capacitating ZIMSTAT under various programmes and overall strengthening of the statistical systems.

Effective Information Dissemination

561. Access to information empowers citizens to effectively participate in policy formulation, implementation and monitoring. It is also a fundamental democratic right as enshrined in the Constitution.

562. As such, Government will continue to promote access to information through arrangements such as weekly Cabinet updates, opening up of airwaves, various public dialogues between Government, Labour and private sector, consultations on policy aspects between Government and the general public, among other channels.

563. Accordingly, the 2021 Budget allocates ZWL$1.4 billion to the Ministry of Information, Publicity & Broadcasting Services.

564. Support will also be extended to different Government media houses, to enable them to effectively carry out their mandate of ensuring that the citizens receive the right information, at the right time.

Governance and Oversight Institutions

Legislative Agenda

565. Government has made strides in aligning laws to the Constitution. Since the inception of the Constitution in 2013, 183 laws that required alignment, of which about 150 have so far be attended to including the Access to including the Information and Protection of Privacy Act and the Public Order and Security Act, among others.

566. The target is to complete the process in 2021, by aligning the remaining 33 laws, of which, 18 have been prioritized to be completed during the first half of the year 2021. Government also target to enact 46 new laws in conformity with the Constitution.

567. Therefore, the 2021 National Budget has provided ZWL$7.3 billion to Ministry of Justice, Legal and Parliamentary Affairs for completion of the process, in addition to its other programmes.

Parliament, Audit Office and Commissions

568. Parliament, Audit Office and Commissions are some of the key institutions with oversight role on utilisation public resources, among other functions. Therefore, the 2021 National Budget makes appropriate allocations to these entities to ensure their smooth operations.

569. Parliament, on its part has been allocated ZWL$7.2 billion.

Reconciliation by Settling Claims

Compensation of Former Farm Owners

570. On 29 July 2020, Government and Former Farm Owners (FFO) signed a historical Global Compensation Deed following some long-protracted negotiations. The value is for compensation of farm improvements, in line with the Constitution.

571. Accordingly, this Budget provides ZWL$2 billion for payments to vulnerable farmers and will continue with annual payments.

572. Meanwhile, as part of resource mobilisation for compensation, Government is engaging a financial advisor to explore models for raising the requisite resources without compromising fiscal, debt and overall growth objectives.

Compensation for Losses Incurred During Currency Reform Process

573. As part of a broader reform process under the TSP, Government through the Central Bank introduced market determined exchange rate through the Monetary Policy of (SI 33 of 2019) on 20 February 2019. This entail transition from exchange rate of US$1:RTGS$1, initially to US$1:RTGS$2.5 and thereafter determined by the interbank market activities.

Depositors

574. This transition resulted in currency losses to small and vulnerable households with deposits less than US$1 000 in the bank. The movement in the exchange rate from US$1:RTGS$1 to US$1:RTGS$2.5 resulted in a loss for such depositors.

575. Therefore, Government has made a decision to compensate the small and vulnerable depositors who had US$1000 and below, for the exchange rate movement loss from US$1:RTGS$1 to US$1:RTGS$2.5, with resources

equivalent to US$75 million. The resources will be administered by the Deposit Protection Corporation (DPC).

Pensioners

576. Similarly, the above development affected pensioners, with the transition causing losses for pensioners as at 20 February 2019. They too will be compensated with resources equivalent to US$75 million, which will be co-managed by Government and the Insurance Pension Commission (IPEC). This arrangement excludes recommended compensation under the Smith Report.

Compensation for Loss of Value

577. The implementation of the Commission of Inquiry's recommended compensation framework for loss of value suffered during the pre-2009 period was slowed down by the 2019 currency reforms. However, the Insurance and Pension Commission (IPEC) has registered significant progress on implementation of the compensation schemes in response to 2019 currency reforms through ensuring an equitable allocation of revaluation gains arising from currency reforms.

Review of Insurance and Pensions Legislation

578. In line with legal reforms recommended by the Justice Smith-led Inquiry, three Bills namely the IPEC Bill, the Pensions and Provident Funds Bill and the Insurance Bill are at different stages of approval.

579. The Pension and Provident Funds Bill is now awaiting presentation in Parliament whilst the Attorney General's Office has finalised drafting of the Insurance and Pensions Commission Bill and the Insurance Bill, both of which are set for approval by Cabinet to facilitate introduction in Parliament.

580. Issues addressed in the Bills include regulatory deficiencies identified by the Commission of Inquiry such as improving governance, proper asset separation between shareholders and policyholders, data integrity, pension portability and the establishment of the Policyholder and Pension Fund Members Protection Fund, among others.

581. It is expected that the bills will be promulgated into law by end of second quarter 2021.

Anti-money Laundering, Counter-financing of Terrorism and Proliferation Financing (AML/CFT/PF)

582. Earlier in the year, Government, in collaboration with the Reserve Bank of Zimbabwe and the Financial Intelligence Unit, put in place effective measures to curb the rampant abuse of mobile money platforms for money laundering and other illicit activities.

583. These measures include reduction of transaction limits for individuals currently pegged at ZWL$35,000 per week, abolition of mobile money agent wallets and restriction of bulk-payer wallets to approved humanitarian aid agencies and farming establishments.

584. These decisive measures, coupled with the introduction of the foreign currency market auction system, have contributed significantly to the exchange rate and price stability.

585. The FIU will continue to monitor transactions across all financial platforms, including bank and non-bank platforms to identify and deal with entities suspected of involvement in illegal foreign currency trade and other illicit transactions.

Integrated Social Protection Framework

586. The pension system lacks an integrated social protection framework that speaks to all the basic three pillars namely:
    i. A mandatory National Social Security Scheme
    ii. Private Occupational Pension Fund and the Government Pension Fund
    iii. Voluntary Retirement Annuity Contracts underwritten mainly through life assurance companies.

587. The absence of a clear co-existence framework, results in pension arrangements imposing a heavy financial burden to employers. This becomes evident in a difficult operating environment characterised by viability challenges on the part of the employer.

588. The IPEC is finalising detailed modalities on the operationalisation of the proposed integrated social protection framework.

Prescribed Assets

589. The insurance and pensions industry's compliance with minimum prescribed asset requirements has persistently been quite low in violation of regulatory requirements. The industry has often cited the challenging macroeconomic environment and absence of attractive inflation indexed instruments, to be militating against their fiduciary duty of providing reasonable return on investments to their policyholders and fund members.

590. As part of compliance enhancement measures, IPEC is implementing the following:
    (i) Encouraging industry players to come up with projects, which can be considered for prescribed asset status, given the need to preserve value.

(ii) Widening asset classes that can be conferred prescribed asset status, for example, private equity investments albeit with proper safeguards in place to guard against abuse of funds.

IV. ENGAGEMENT AND RE-ENGAGEMENT

Re-affirming and Rebuilding Relations

591. Government remains committed to rebuilding political and economic relations through engagement and re-engagement with international communities. The process is registering successes in strengthening relations, rebuilding broken ties and establishing new relationships with the rest of the world, notwithstanding restricted access to international financial markets.

592. From the economic point of view, the thrust is on promoting the country as a reliable trading partner and safe investment and tourist destination. Consequently, progress is being recorded in the above areas with a number of investment deals have been concluded, benefiting key sectors, such as agriculture, mining, water, energy, and transport.

593. Apart from concluded investment agreements, there are also a number of investment proposals and projects being negotiated and will come on board soon.

594. The above developments are a sign of confidence from the international community on ongoing economic and governance reforms and given that re-engagement is a process and not an event, Government will continue to engage all countries and creditors to ensure that the country occupies its rightful position in the family of nations.

595. Consequently, 2021 Budget is allocating ZWL$8.6 billion in furtherance of various programmes and operations of the Ministry of Foreign Affairs and International Trade.

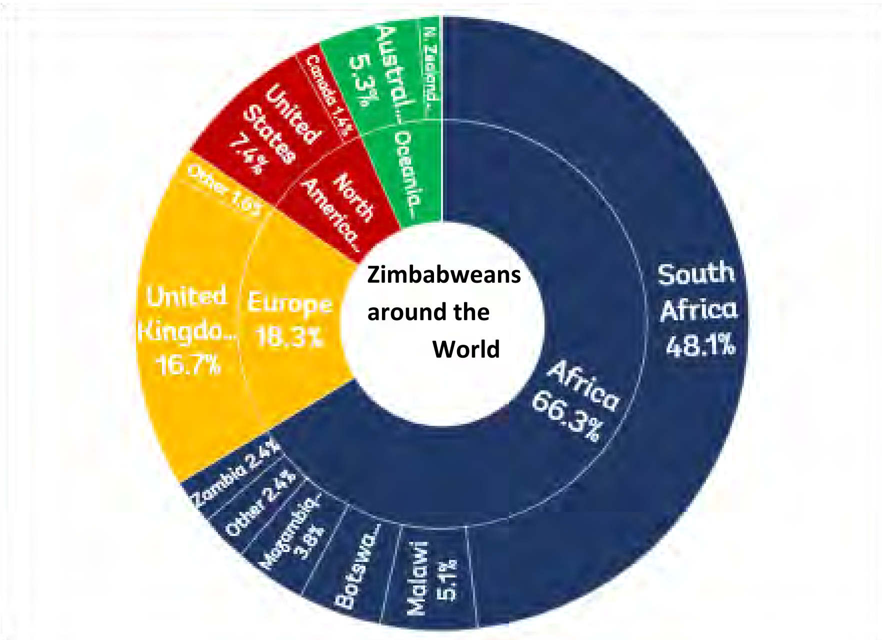
Refurbishment of our Embassies and Missions

596. The state of some of our embassies and missions require rehabilitation and constant maintenance. Through a targeted approach, the 2021 Budget is setting aside resources for rehabilitation and maintenance of these foreign missions.

Diaspora Engagement

597. Diaspora engagement is being prioritised under the re-engagement process in order to allow diasporans to positively contribute into the national development agenda, through skills transfer, investments back home, in addition to remittance inflows, which have been useful in providing both foreign currency and supporting local expenditure at household level.

Number of Zimbabweans around the World



Source: World Bank, Bilateral Migration Matrix 2018

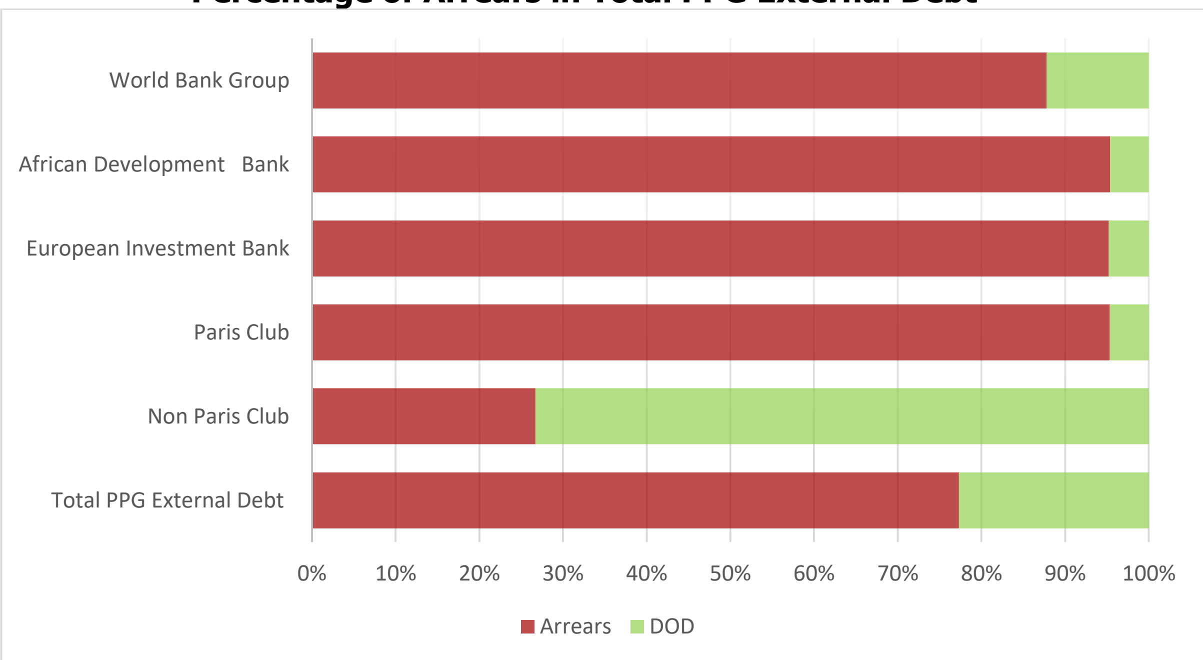
598. During the first 8 months of 2020, the country has received close to US$1 billion in the form of remittances. Therefore, the 2021 National Budget will seek to actualise some of the strategies outlined in the Zimbabwe Diaspora Policy, which, among others, include the following:

- Create formal channels for investing in Zimbabwe by the Diaspora in order to harness and maximise the potential of their contribution to Zimbabwe's development;
- Undertake dialogue and partnership events with Zimbabweans abroad and guide them to develop joint venture investments and partnerships;
- Engage Diaspora to participate in national skills development in national institutions of Higher learning; and
- Explore and improve various mechanisms for capturing remittances.

External Arrears Clearance

599. Arrears remains a major challenge to the economy, making up over 77% of total external debt. On average, almost all external debt to multilateral development financial institutions (MDBs) is now in arrears, (World Bank Group, 88%, African Development Bank, 95% and European Investment Bank, 95%).

Percentage of Arrears in Total PPG External Debt



Source: Zimbabwe Public Debt Management Office

600. Therefore, re-engagement with MDBs and other creditors for arrears clearance remains critical in unlocking new external financing. Going forward, Government's strategy is as follows:

- Prioritise token payments to MDBs and payments to creditors with positive net inflows;
- Focus on concessional external financing;
- Limit non-concessional borrowing to economically viable projects; and
- Continue re-engaging MDBs and other creditors for a programme, preferably post Staff Monitored Programme (SMP) stage, given progress made so far in stabilisation and other supply-side, governance and structural reforms under the Transitional Stabilisation Programme.

601. In addition, to ensure transparency, comprehensive reports on performance of the public finances including public debt reports detailing the stock of public debt and its main features will be published regularly in line with the Constitution and the Public Debt Management Act.

Summary of Vote Allocations

602. Having presented the various measures and allocations under seven priority areas, in summary the 2021 Budget proposes the following Votes:

Proposed Votes Allocations

Vote Appropriations	2020 REVISED BUDGET	2021 Proposed Estimates	2022 Indicative Estimates	2023 Indicative Estimates
	ZWL$	ZWL$	ZWL$	ZWL$
Office of the President and Cabinet	2,614,476,300	14,260,000,000	18,223,000,000	21,264,000,000
Parliament of Zimbabwe	1,869,495,000	7,186,000,000	9,075,000,000	10,392,000,000
Public Service, Labour and Social Welfare	2,370,969,000	6,929,000,000	8,624,000,000	11,684,000,000
Defence and War Veterans	3,141,896,000	23,754,000,000	30,006,905,000	34,321,000,000
Finance and Economic Development	3,254,374,700	21,327,000,000	23,933,000,000	27,965,000,000
Audit Office	171,930,000	1,199,000,000	1,532,000,000	1,782,000,000
Industry and Commerce	368,013,000	2,345,000,000	3,449,000,000	4,131,000,000
Lands, Agriculture,Water, Climate and Rural Resettlement	11,358,459,000	46,259,000,000	62,836,000,000	74,297,000,000
Mines & Mining Development	353,725,000	1,399,000,000	1,789,000,000	2,085,000,000
Environment, Tourism and Hospitality Industry	615,376,000	1,786,600,000	2,304,000,000	2,718,000,000
Transport and Infrastructural Development	3,224,178,000	30,064,400,000	39,859,000,000	47,786,000,000
Foreign Affairs and International Trade	1,385,435,000	8,640,000,000	11,292,000,000	12,920,000,000
Local Government and Public Works	1,779,784,000	10,069,700,000	13,107,000,000	17,019,000,000
Health and Child Care	6,644,317,000	54,705,000,000	70,675,000,000	86,167,000,000
Primary and Secondary Education	8,676,223,000	55,221,000,000	71,038,000,000	81,990,000,000
Higher & Tertiary Education, Science and Technology Development	2,890,889,000	14,368,000,000	18,422,000,000	22,518,000,000
Women Affairs, Community, Small and Medium Enterprises Development	503,976,000	2,157,000,000	2,787,000,000	3,291,000,000

Home Affairs and Cultural Heritage	2,833,964,000	23,556,600,000	30,032,000,000	34,763,000,000
Justice, Legal and Parliamentary Affairs	845,513,000	7,340,000,000	9,073,000,000	10,458,000,000
Information, Publicity and Broadcasting Services	409,799,000	1,479,000,000	1,916,000,000	2,274,000,000
Youth, Sport, Arts and Recreation	330,187,000	3,447,000,000	4,403,000,000	5,116,000,000
Energy and Power Development	525,804,000	1,641,000,000	2,136,000,000	2,552,000,000
Information Communication Technology and Courier Services	120,660,000	1,972,000,000	2,570,000,000	3,076,000,000
National Housing and Social Amenities	262,570,000	2,801,000,000	2,993,000,000	3,575,000,000
Judicial Services Commission	328,070,000	2,487,000,000	3,170,000,000	3,673,000,000
Public Service Commission	1,530,542,000	9,004,000,000	11,500,000,000	13,331,000,000
Council of Chiefs	25,200,000	317,000,000	404,000,000	469,000,000
Human Rights Commission	26,680,000	148,000,000	192,000,000	225,000,000
National Peace and Reconciliation Commission	31,200,000	133,000,000	171,000,000	200,000,000
National Prosecuting Authority	207,167,000	610,000,000	781,000,000	913,000,000
Zimbabwe Anti-Corruption Commission	71,550,000	317,000,000	407,000,000	476,000,000
Zimbabwe Electoral Commission	91,200,000	2,320,900,000	3,886,000,000	9,353,000,000
Zimbabwe Gender Commission	25,900,000	153,000,000	197,000,000	232,000,000
Zimbabwe Land Commission	163,100,000	934,000,000	1,165,000,000	917,000,000
Zimbabwe Media Commission	13,900,000	175,000,000	228,000,000	270,000,000
TOTAL	**59,066,522,000**	**360,505,200,000**	**464,175,905,000**	**554,203,000,000**
Debt Service: Interest Bill	704,320,000	1,462,000,000	1,282,000,000	1,080,000,000
Pension	2,814,500,000	30,624,000,000	40,675,000,000	47,089,000,000
Transfers to Provincial Councils and Local Authorities	2,932,000,000	19,540,000,000	25,758,000,000	31,800,000,000
Other Constitutional & Statutory Appropriations	137,680,000	1,477,000,000	1,888,000,000	2,188,000,000
Unallocated Reserve		8,009,100,000	26,301,095,000	57,607,000,000
Total Expenditure & Net Lending	**65,655,022,000**	**421,617,300,000**	**560,080,000,000**	**693,967,000,000**
Repayment of Loans	**4,893,122,000**	**7,724,000,000**	**4,678,000,000**	**3,836,000,000**
Total Expenditure & Net Lending Including Loan Repayments	**70,548,144,000**	**429,341,300,000**	**564,758,000,000**	**697,803,000,000**

Source: MoFED

603. Independent Commissions will get allocations to ensure they undertake their Constitutional mandates.

604. Similarly, the National Council of Chiefs has a provision of ZWL$187 million, to ensure effective operations and other requirements, including transport.

REVENUE MEASURES

605. Mr Speaker Sir, the revenue measures that I am proposing are complementary to the thrust of the *National Development Strategy* which seeks to promote value addition, improve domestic revenue mobilisation and strengthen tax administration.

Support to Industry

Fertilizer Industry

606. Notwithstanding the abundant phosphate deposits, fertilizer manufacturing has gradually declined due to antiquated equipment and competition from imports, among other factors.

607. In order to complement the thrust of the *National Development Strategy* which includes recapitalisation of fertilizer manufacturing companies and investment in new technology, I propose to introduce a *Fertilizer Manufacturers' Rebate*, whereby raw materials used in the production process will be imported tax and duty free by *Approved Manufacturers*, as follows:

Rebate of Duty on Selected Raw Materials

Tariff Code	Description
2603.00.00	Copper ores and concentrates
2809.20.00	Phosphoric acid and polyphosphoric acids
2814.10.00	Anhydrous ammonia
3102.60.00	Double salts and mixtures of calcium nitrate and ammonium nitrate

Dairy Industry

Suspension of Duty on Milk Powder

608. In support of the growth and development of the dairy industry, Government has, over the years, availed a *Duty Free Importation Facility* for inputs which include milk powder, raw cheese and packaging materials, among others.

609. Capacity utilisation for the dairy industry, has, thus, increased from 25% in 2015 to 75% in 2019.

610. Despite efforts by the dairy industry to revitalise raw milk production, annual output of 70 million litres remains lower than the national demand of 130 million litres. This is mainly due to successive droughts and high cost of stock feeds, which has forced farmers to reduce herd sizes to remain viable.

611. The raw milk supply deficit is expected to continue in the medium term, hence the need to augment local production.

612. I, thus, propose to extend duty suspension on milk powder for the year 2021, as shown in Annexure 1.

Suspension of Duty on Raw Cheese

613. Due to inadequate supply of raw milk, a key ingredient in the processing of cheese, Government, in 2020, suspended duty on raw cheese.

614. In view of the continued deficit in the supply of raw milk, I propose to extend the suspension of duty on ring-fenced quantities of raw cheese, for a further period of 12 months, beginning 1 January 2021, as follows:

Raw Cheese: Ring-fenced Allocation under Suspension of Duty

Name of Company	2021 Proposed Allocation (Kgs)
Kefalos Cheese Products	250 000
Gouda Gold. t/a Yomilk	15 000

Leather Industry

Shoe Manufacturers' Rebate

615. Government, in 2017, introduced the *Shoe Manufacturers' Rebate* to support value addition of leather.

616. Some players in the shoe manufacturing subsector have taken advantage of the incentive to develop new product lines.

617. These products require additional raw materials that are not locally produced, hence I propose to expand the list of materials that qualify for importation under the *Shoe Manufacturers Rebate* to include the following:

Shoe Manufacturers Rebate

Tariff Code	Description
5209.42.00	Denim
6006.22.00	Other dyed knitted or crocheted fabrics
6006.90.00	Other knitted or crocheted fabrics
6406.90.00	Other parts of footwear

Tourism Industry

Suspension of Duty on Motor Vehicles used by Safari and Tour Operators

618. Tourism is one of the key sectors that has been severely affected by COVID-19 pandemic, mainly due to travel bans imposed as a preventative measure to curb spread of the disease.

619. Some of the *Safari and Tour Operators* have, thus, not been able to utilise the existing *Suspension of Duty Facilities*.

620. I, therefore, propose to extend suspension of duty on the following sub-sectors, by a further twelve months, with effect from 1 January 2021:

- Motor vehicles imported by Safari Operators; and
- Buses imported by Tour Operators.

Transport Industry

Suspension of Duty on Cross-Border Luxury Coaches

621. Due to the outbreak of the COVID-19 pandemic, and the concomitant lockdown restrictions, luxury bus operators have not been able to fully utilise the *Suspension of Duty Facility*, which expires at the end of the year.

622. I, therefore, propose to extend the *Facility* on the outstanding quota of 20 luxury buses for a period of 12 months.

Motor Industry

623. In order to resuscitate idle capacity within the motor vehicle industry, Government introduced duty free importation of *Completely Knocked Down* and *Semi-Knocked Down* bus kits for approved assemblers.

624. Furthermore, Government compelled Line Ministries and Departments to purchase locally assembled motor vehicles.

625. Enhancement of local assembly creates linkages with upstream industries that provide inputs such as bolts, batteries, upholstery and paint among others.

626. In line with the above thrust, I propose the following measures:

Procurement of Public Service Buses

627. As an interim measure aimed at easing the transport challenges, Government in 2019, ring-fenced importation of 100 public service buses of a sitting capacity of at least 60 passengers at a reduced customs duty rate of 5%.

628. *Public Transport Operators* took advantage of this *Facility* to replenish aged fleet, hence, as at October 2020, 33 buses, valued at US$2.5 million, were imported.

629. Consistent with the NDS1, Government will prioritise procurement of locally manufactured buses, hence, I propose to terminate the *Facility* with effect from 31 December 2021.

630. Whilst transport operators are expected to source locally, as a *quid pro quo*, bus assemblers should produce a competitive product and also work towards raising the local content to a minimum of 35%.

Zimbabwe United Passenger Company

631. Resuscitation of the Zimbabwe United Passenger Company (ZUPCO) has enabled the public to access an affordable public transport service.

632. In order to consolidate the gains realised, I propose to extend the *Suspension of Duty Facility* available to *Public Service Bus Operators*, through availing additional 250 buses to be imported by ZUPCO.

633. The suspension of duty will be availed for a period of 12 months beginning 1 January 2021.

Importation of Motor Vehicles by Government Departments

634. In order to support local assembly, single and double cab motor vehicles imported by Government were removed from the *Duty Free Certificate Facility*.

635. A number of Line Ministries and Government Departments have not adhered to this directive, thereby, diverting resources from critical social needs.

636. In line with the NDS1 thrust on value addition, I propose that motor vehicles for use by Line Ministries and Government Departments be purchased from local assembly plants.

637. Furthermore, Treasury will not accommodate any request for waiver of duty or additional funding for imported motor vehicles. This should encourage sourcing of vehicles from local assembly plants.

Exemption of Sugar from Open General Import License

638. In order to encourage consumption of locally produced sugar, the commodity is excluded from importation under the *Open General Import Licence*.

639. The current price of locally produced sugar, which is 50% above the landed price, has rendered exports of products such as confectioneries and beverages, uncompetitive.

640. In order to enhance exports of goods where sugar is the main ingredient, the Ministry of Industry and Commerce will issue import licence, in line with exports realised in the past 2 years.

641. Manufacturers will, thus, be able to take advantage of the *Inward Processing Rebate* and the *Duty Draw Back* schemes availed by Government to facilitate duty free importation of raw materials.

Revenue Enhancing Measures

Cannabis Levy

642. Cannabis (mbanje/imbanje) production has immense potential to generate export receipts and tax revenues. The potential value of cannabis exports for medicinal purposes is estimated at about US$1.25 billion for the year 2021.

643. In recognition of the immense benefits that can accrue to the country from cannabis exports, Government promulgated legislation to govern the production, procurement, distribution, possession, sale, provision and transportation of the crop.

644. I, therefore, propose to introduce a *Cannabis Levy*, chargeable on the value of exports, at the following varied rates of tax that correspond to the level of processing:

- 10% on the export sales value of finished packaged medicinal cannabis oils that are ready for resale;
- 15% on the export sales values of bulk extracted medicinal cannabis oils that require further processing and/ or packaging; and,
- 20% on the export sales value of dried medicinal cannabis flowers.

Excise Duty

Tobacco and Alcoholic Beverages

645. Honourable Members will recall that Government, in 2019, adopted an optimal policy mix of specific and ad-valorem excise taxes for tobacco and alcoholic beverages. This is intended to preserve the share of excise revenue contribution, promote sustainable growth of the industry, as well as discourage consumption of hazardous substances.

646. The specific excise duty component on both tobacco and alcoholic beverages has, however, been eroded by inflation.

647. Consequently, specific excise duty rates per unit of excisable products are negligible, compared to the selling price.

648. I, therefore, propose to review the specific excise taxes as follows:

Excise Duty on Alcoholic Beverages and Cigarettes

Category	Current Rate of Excise Duty	Proposed Rate of Excise Duty
Tobacco	ZWL$100 per 1 000 cigarettes plus 20% of the ex-factory price	An equivalent of US$5 per 1 000 cigarettes plus 20% of the ex-factory price
Spirits	30% + ZWL$10 per LAA	30% + an equivalent of US$1 per LAA
Fortified Wines	ZWL$4/L	An equivalent of US$0.25/L
Unfortified (Still) Wines	ZWL$3.50/L	An equivalent of US$0.25/L

Other Fermented Beverages	ZWL$3/L	An equivalent of US$0.25/L
Opaque Beer Powder	ZWL$0.50/Kg	An equivalent of US$0.05/kg

Alignment of Excise Duty on Fuel

649. Honourable Members would be aware that excise duty on diesel and petrol is currently pegged at US$0.25 and US$0.30 per litre, respectively.

650. The different rates of excise duty for diesel and petrol present an arbitrage opportunity, whereby petrol imports may, in some instances, be disguised as diesel in order to minimize the tax burden.

651. In order to eradicate the potential misclassification of fuel, it is proposed to align the excise duty rates of diesel and petrol to US$0.30 per litre.

652. Furthermore, I propose to review taxes and levies on diesel to align with rates applicable on petrol. These taxes and levies include, *Carbon Tax*, *ZINARA Road Levy*, *NOCZIM Debt Redemption* and *Strategic Reserve* levies.

Payment of Excise Duty in Foreign Currency

653. Current statistics show that 70% of fuel is sourced under the *Direct Fuel Importation* (DFI) facility, while the remaining 30% is funded through the auction system. The currency in which excise duty revenue is collected should, thus, reflect the same ratio.

654. In order to ensure proper accounting of excise duty revenue, fuel imports shall be deemed to be in foreign currency under the *Direct Fuel Importation Facility,* unless the importer provides satisfactory documentary evidence to the effect that funds were sourced through the auction system.

Presumptive Taxes

655. Standard assessments of presumptive taxation in which a fixed lump-sum tax is levied on individuals or businesses on the basis of the occupation or business activity was introduced with effect from 2005. The tax corresponds to the average income level presumed to be earned by members of a particular occupation or business grouping.

656. Selected sectors on which *Presumptive Tax* legislation was introduced include transport operators, hairdressers, informal traders, cross-border traders, restaurants operators & bottle-stores, cottage industry, as well as commercial waterborne vessels, among others.

657. The current rates of presumptive taxes have, however, been eroded by inflation whilst the cost of collection has significantly increased, thereby undermining efficiency in tax administration.

658. In order to restore value of revenue collections, I propose to review the presumptive tax structure, with effect from 1 January 2021, as shown in Annexure 3.

Self-Employed Professionals

659. Self-employed professionals provide valuable services that facilitate socioeconomic growth, hence complement other economic activities.

660. Notwithstanding the valuable contribution to national development, there is considerable underreporting of incomes generated from such activities, hence, the contribution to the fiscus remains relatively low.

661. In order to enhance the contribution of such professionals, I propose to introduce the following *Presumptive Tax Structure* for selected *Self-Employed Professionals*:

Presumptive Tax Structure for Selected Self-Employed Professionals

Nature of Profession	Presumptive Tax Per Month (ZWL)
Medical	500 000
Engineers	500 000
Legal	500 000
Architects	250 000
Realtors	1 000 000

662. Presumptive tax will, however, not apply to professionals who produce a valid *Tax Clearance Certificate* for the year of assessment.

663. This measure is effective from 1 January 2021.

Taxation of Micro and Small Enterprises and Informal Operators

664. Honourable Members would be aware that Government has implemented a presumptive tax structure on informal businesses that include micro and small enterprises, with a view to ensure that they contribute to the *Fiscus*.

665. A number of enterprises operate from designated business premises where the landlords are either *Local Authorities* or private property owners such as the *Gulf Complex* and *Kwame Mall,* among others. Their place of business is, thus, comprised of partitioned units in commercial buildings.

666. The fixed nature of business, thus, presents an opportunity for the tax administration to improve tax collections from presumptive taxes.

667. I, therefore, propose to introduce a presumptive tax of an equivalent of US$30 per unit per month.

668. In the case of *Hairdressers,* restaurants, bottle store operators and cottage industry, the following presumptive tax rates will apply:

Presumptive Tax Structure: Other Categories

Category	Presumptive Tax Rate Per Month (ZWL)
Hairdresser	2 500
Restaurant & Bottle Store	10 000
Cottage Industry	10 000

669. Landlords will be responsible for the collection of the above taxes which take effect from 1 January 2021.

670. Landlords that fail to collect and remit the tax will be subject to a penalty equivalent to the amount of tax payable and interest.

671. Furthermore, landlords have the responsibility to keep accurate records regarding the number of occupants or operators in respective properties, in order to facilitate administration of tax.

672. I, further, propose to remove the obligation for informal traders to notify landlords in order to facilitate collection of presumptive tax.

Micro, Small to Medium Enterprises Specialized Unit

673. *Micro, Small and Medium Enterprises* (MSMEs) are an engine for growth and development, hence contribute significantly to economic activity.

674. However, their contribution to the *Fiscus* has remained generally lower than anticipated.

675. In order to tap into this potential, Zimbabwe Revenue Authority will establish a *Specialised Unit* that focuses on MSMEs during the first quarter of 2021. This will

ensure that the sector's contributions to fiscal revenues is commensurate with the level of economic activity.

Micro, Small to Medium Enterprises: Infrastructure Development

676. Government has, since 2017, supported the recapitalisation of *Micro, Small and Medium Enterprises* (MSME) through ring-fencing of revenue generated from presumptive taxes for on-lending to such enterprises by the Small and Medium Enterprises Development Corporation (SMEDCO).

677. This *Facility* has enabled some MSMEs to procure capital equipment required in their respective trades.

678. The growth of MSMEs, has, however, been hindered by lack of operating infrastructure, which is also a key consideration in accessing loan financing.

679. Consequently, a number of micro and small enterprises are operating at undesignated places such as along major roads, in front of shops and residential properties, without appropriate sanitary facilities. This exposes the transacting public to disease outbreaks.

680. In order to avail the necessary infrastructure required for a vibrant MSME sector, the-ring fenced facility will be used to finance construction of MSME operating infrastructure, in partnership with the *Infrastructure Development Bank of Zimbabwe.*

681. Furthermore, in line with the NDS1 thrust, the Ministry of Local Government and Public Works, in collaboration with the Ministry of Women Affairs, Community and Small to Medium Enterprises Development, will identify suitable operating sites and structures.

682. Development of infrastructure will ensure that MSMEs operate in designated places, accessible to tax administrators, thereby enhancing contribution to the *Fiscus* and reducing health hazards.

683. This measure will be complemented by strict enforcement of council by-laws.

Review of Fees, Charges and Levies

684. The efficient provision of goods and services by Government Ministries and Departments largely depends on the availability of resources. Fees, charges and levies are a complementary source of revenue to fund such goods and services.

685. The fees, levies and charges have not been reviewed in line with economic developments.

686. In order to enhance sustainable service provision, it is critical that fees and charges be reviewed to reflect market fundamentals and cost recovery levels.

687. I, therefore, call upon Ministries and Departments that have not reviewed fees, levies and charges to do so by 1 January 2021.

688. The review process for social service fees should take into account affordability.

689. Furthermore, in order to lessen the administrative burden fees will be reviewed bi-annually in line with the *Consumer Price Index.*

Rentals for Government Accommodation

690. *Government Pool* housing units are designed to provide accommodation for civil servants. The rental fees are, thus, linked to housing allowances payable to members.

691. It has, however, been observed that a number of housing units are being leased to *Third Parties* at rentals way above those charged by Government. In addition, a number of civil servants who were allocated such properties have either moved to more comfortable places or secured own properties, hence opt to lease Government houses.

692. Such practices deprive other civil servants, particularly those transferred from other provinces, of accommodation.

693. In order to prevent infinite occupation of Government pool houses and sub-letting by tenants, occupation of such houses will be restricted to a period not exceeding twenty four (24) months. Current tenants who have exceeded the twenty four (24) months should, thus, be placed on three (3) months' notice to vacate the houses.

Rentals for Housing Guarantee Fund and National Housing Fund Houses

694. Government has over the years failed to adequately provide resources for maintenance of housing units administered through the *Housing Guarantee* and *National Housing Funds*.

695. Resources to maintain such properties should be generated from rentals, hence rentals will be charged on a cost recovery basis, with effect from 1 January 2021.

Zimbabwe National Road Administration Fees

696. The Zimbabwe National Roads Administration Authority (ZINARA) collects user fees, which are used for the development, repair and maintenance of roads infrastructure.

697. Over the years, user fees have not been adequate to finance road maintenance works, hence, this was complemented by external borrowing. A case in point is

the rehabilitation of the *Plumtree-Harare-Mutare* road, which was funded from an external loan facility.

698. Revenue collections from user fees have, however, dwindled due to inflation, thereby constraining the *Department* to execute its mandate, and also service external debt obligations.

699. In order to capacitate ZINARA to execute its mandate, I propose the following measures:

Dual Pricing of User Fees

700. A number of motorists voluntarily opt to pay toll fees using other currencies. Such foreign currency resources would enhance the ZINARA's capacity to pay external debts.

701. I, therefore, propose that toll fees be payable in foreign or local currencies at the *Foreign Currency Auction Rate* as follows:

Proposed Toll Fees

Type of Vehicle	Proposed Toll Fee (USD)
Motorcycles	Free
Light Motor Vehicles	2
Minibuses	3
Buses	4
Heavy Vehicles	5
Haulage Trucks	10
Residential Discount	10 per Month

Toll Fees for Foreign Registered Vehicles

702. In addition, toll fees for foreign registered vehicles will be payable in United States Dollars or equivalent in other foreign currencies, using the above rates.

Licensing of Imported Motor Vehicles at Ports of Entry

703. Mr Speaker Sir, current legislation empowers the *Central Vehicle Registry* (CVR), a Department under the Ministry of Transport and Infrastructure Development, to register, issue number plates and keep records of locally purchased and imported motor vehicles, among other functions.

704. In order to facilitate smooth registration of motor vehicles, the CVR has already engaged agents such as the Zimbabwe Revenue Authority, taking advantage of its revenue collection mandate and geographical spread across the country.

705. In order to reduce malpractices in the registration of motor vehicles, thereby enhancing national security and safeguarding revenue to the *Fiscus*, I propose that the Zimbabwe Revenue Authority registers imported motor vehicles at the *Port of Entry* or at the time the vehicle is taken out of bond, after payment of duty.

706. Furthermore, for ease of doing business, a minimum of one term *Vehicle Licencing Fee* will also be collected by the Zimbabwe Revenue Authority at the *Port of Entry,* on behalf of ZINARA.

707. These measures takes effect from 1 January 2021.

Petroleum Importers' Levy

708. Mr Speaker Sir, there is an increase in the amount of fuel that is being imported through road, thereby causing significant damage to road infrastructure. Whereas, the *Petroleum Importers' Levy*, which is currently pegged at ZW$1.147 and ZW$3.441 per litre of diesel and petrol, respectively, is intended to discourage importation of fuel by road, its value has been significantly eroded by inflation.

709. In order to encourage importation of fuel by pipeline, I propose to review the *Petroleum Importers' Levy* to USD$0.05 a litre on both diesel and petrol.

710. Fuel importers have viable options such as use of the pipeline or railway, thus, minimising the impact of the levy on consumers.

711. However, imports of Jet A1 transported through the road will remain exempt from the levy.

Tax Relief Measures

Personal Income Tax

712. Mr Speaker Sir, Government remains committed to improving workers' disposable income as part of the broader agenda to increase aggregate demand and savings.

713. The recent salary and wage adjustments for public and some private sector employees necessitates a corresponding review in the personal income tax framework.

714. I, therefore, propose to review the *Tax-Free Threshold* from ZWL$5 000 per month to ZWL$10 000 per month.

715. I, further, propose to adjust the tax bands to begin at ZWL$10 001 and end at ZWL$250 000 per month, above which the *Highest Marginal Tax* rate of 40% will apply.

716. The above measures are effective from 1 January 2021.

717. In addition, I propose to review upwards, the bonus *Tax-Free Threshold* from ZWL$5 000 to ZWL$25 000, with effect from 1 November 2020.

Intermediated Money Transfer Tax

Tax-Free Threshold

718. Mr Speaker Sir, Intermediated Money Transfer Tax (IMTT) has, over the past years, generated substantial resources that have enabled Government to support various infrastructure projects, including responding to the COVID 19 pandemic.

719. Notwithstanding this thrust, there is need to review the value of non-taxable transactions, in order to cushion low income earners and high volume businesses, in line with macroeconomic developments.

720. I, therefore, propose to review the *Tax-Free Threshold* from the current ZWL$300 to ZWL$500 and the maximum tax payable per transaction by corporates from the current ZWL$25 000 to ZWL$800 000 on transactions with values exceeding ZWL$40 million, with effect from 1 January 2021.

721. For transactions in foreign currency, the *Tax-Free Threshold* remains at US$5.

Exemptions

722. I, further, propose to exempt from tax, the transfer of Zimbabwe Manpower Development Fund training levy which is calculated on the gross wage bill.

Corporate Income Tax

Corporate Income Tax Rate: Mining Companies

723. Government reduced the corporate income tax rate from 25 to 24 percent with effect from 1 January 2020. The decision was motivated by the desire to enhance

the return on equity, a key success factor in the drive towards improving investment flows.

724. However, the lower tax rate was not extended to income derived from mining operations.

725. I, therefore, propose to retrospectively review the tax rate on income accruing from mining operations from the current 25 percent to 24 with effect from 1 January 2021.

Payment of Tax in Foreign Currency

726. Businesses that trade in local and foreign currency are obligated to pay corporate tax in proportion to the gross income that is earned in either currency, without regard to the prevailing retention or liquidation thresholds.

727. In particular, exporters are liable to a standard retention threshold of 30 percent of export earnings while local traders are compelled to liquidate 20 percent of foreign currency receipts at the prevailing foreign exchange auction rate.

728. I, therefore, propose that businesses pay corporate income tax in foreign currency on the basis of gross foreign currency receipts remaining after deducting the prescribed retention or liquidation thresholds.

729. This measure is with effect from 1 January 2021.

Capitalization of Expenditure Incurred under Build Operate and Transfer (BOT) or Build Own Operate and Transfer (BOOT) Projects

730. Expenditure incurred on construction or alteration of infrastructure such as industrial buildings, staff housing and commercial buildings, among others is deductible against taxable income, subject to specific limitations.

731. The scope of the infrastructure that qualifies for deductibility, however, excludes key infrastructure that is being constructed under some BOT projects.

732. In order to accelerate infrastructure rehabilitation and development, I propose to extend the scope of infrastructure whose expenditure can be capitalised and deducted against taxable income under the BOT framework.

Unredeemed Balances on Capital Allowances

733. Mr Speaker Sir, assessed losses and capital allowances are deductible against gross revenue in the determination of taxable income. Following the promulgation of Statutory instrument 33 of 2019, unredeemed capital allowances and assessed losses that were denominated in United States dollars were converted and carried forward as RTGS dollars on a one-to-one basis.

734. Whereas gross revenue for most corporates is increasing in line with inflation, the unredeemed balances for capital allowances have remained pegged on a *one-to-one* basis with the United States dollar. Consequently, most companies are recording artificial profits, thereby increasing the tax liability.

735. In order to minimize the tax burden on corporates, unredeemed capital allowances as at 1 January 2021 will be rebased to the local currency equivalent of the outstanding foreign currency invoice value at the beginning of each financial year.

Tax Incentives for Real Estate Investment Trusts (REITs)

736. Government in 2019, promulgated legislation to facilitate introduction of Real Estate Investment Trust (REITs) that invest in different types of real estate such as residential, office & industrial parks, and retail centres.

737. REITs, which can be a catalyst for the development of new real estate, provide investors with an opportunity to own a portion of real estate which generates guaranteed dividend-based income. Depending on the performance of the property portfolio, REITs distribute that income as dividends to shareholders.

738. In the case of pension funds, REITs provide liquidity and enable beneficiaries to own units in the underlying asset while also being guaranteed of dividends.

739. In recognition of the capabilities of REITs to mobilise resources for new infrastructure projects and also incentivise investors into this alternative high yielding financial instrument, I propose to exempt income accruing to REITs from corporate income tax, subject to the following conditions among others:

- In the case of investors other than pension funds, income must accrue from new real estate projects;
- Receive at least 80 percent of its gross income from real estate;
- Distribute a minimum of 80 percent of its taxable income in the form of shareholder dividends each year;
- Have a minimum of 100 shareholders after its first year of existence;
- Have no more than 50 percent of its shares held by five or fewer individuals during a taxable year. This condition does not apply to REITs sponsored by pension funds; and
- Be listed on an exchange registered in terms of the Securities and Exchange Act.

Youth Employment Tax Credit

740. As part of measures to support job creation, Government availed the *Youth Employment Tax Credit* through the 2020 National Budget.

741. However, the effectiveness of the programme was negatively affected by measures to contain the COVID-19 pandemic which resulted in a number of

companies retrenching employees to sustain operations in a depressed economic environment.

742. The 2021 positive economic outlook presents an opportunity for companies to increase their staff complement.

743. Government, therefore, stands ready to support such companies through the *Youth Employment Tax Credit*.

744. I, therefore, propose to review the tax credit for each employee hired from ZWL$500 to ZWL$1 500 per month, and the limit on the maximum credit from ZWL$60 000 to ZWL$180 000 in a year of assessment.

Interest Rate on Loans to Employees

745. As part of measures to retain staff, a number of employers extend loans to employees at rates of interest lower than prescribed in the tax statutes.

746. In such circumstances, the monetary value of the difference in interest rates between the prescribed rate and what is offered to the employee is deemed a benefit which is liable to tax.

747. I, therefore, propose to peg the prescribed rate of interest for ZWL denominated staff loans at 15 percent per annum.

Tax Administration

Value Added Tax Recording of Electronic Transactions

748. Following Government's authorisation of the use of foreign currency on the local market, *Value Added Tax Registered Operators* are compelled to configure *Fiscal Devices* to capture all transactions in the currency of trade.

749. Furthermore, in order to mitigate the risk of understating revenue, as well as enhance transparency, especially where foreign currency transactions are reported in local currency, registered operators are obliged to produce customer sales receipts reflecting the currency of trade.

750. In order to enable data collection, analysis and also manage *Electronic Fiscal Devices* in a manner that enhances accounting for VAT collection, the *Zimbabwe Revenue Authority* has already been directed to avail the requisite technology which interfaces with *Registered Operators'* systems.

751. Notwithstanding the above, market intelligence surveys show that some *VAT Registered Operators* are not adhering to statutory requirements. Thus, sales in foreign currency are not accurately accounted for, thereby undermining fiscal revenues.

752. Despite the fact that several companies are transacting in United States, receipts generated are denominated in local currency, which is a deliberate attempt to avoid remitting tax in the currency of trade. In other cases, operators entice customers to pay in foreign currency by inflating the local currency price using high parallel market exchange rates.

753. Government is, thus, deprived of foreign currency revenue due to non or under declaration of foreign currency transactions. This is also exacerbated by slow implementation of the *Fiscalisation Programme*.

754. In order to safeguard fiscal revenues, I propose the following measures:

- *VAT Registered Operators'* systems should be interfaced with the ZIMRA server with effect from 1 December 2020, failure of which no operator will be issued with a *Tax Clearance Certificate*;

- In addition, non-compliant operators will be excluded from participating in the weekly foreign currency auctions;

- Furthermore, the *Revenue Authority* will, with immediate effect, undertake a comprehensive audit of all *VAT Registered Operators*, with a view to account for all sales in foreign currency;

- ZIMRA will also provide the public with a 24 hour *Hotline* where reports on non-compliant operators can anonymously be made, particularly where operators issue local currency receipts after receiving payment in foreign currency; and,

- In addition, the Zimbabwe Revenue Authority will, with immediate effect, roll out awareness campaigns aimed at educating the transacting public to demand receipts showing the correct currency of trade, in order to reduce fraudulent activities by operators.

Rebate of Duty on Goods Imported for Use in Approved Projects

755. Honourable Members will recall that the *Rebate of Duty* on goods imported for use in *Approved Projects* was initially put in place to cater for *Public Sector Investment Programmes* (PSIP), due to the quantum of the investments and the national impact.

756. The *Approved Project Status* was, however, extended to other private sector projects, in support of strategic industries such as agriculture, manufacturing, mining and power generation.

757. Government has, however, availed a number of facilities which cater for strategic industries as shown in Annexure 2.

758. In order to enhance transparency, accountability and ease of administration, I propose to limit the *Rebate of Duty* on goods imported for use in *Approved Projects* to *Public Sector Investment Programmes,* with effect from 1 December 2020.

759. Furthermore, the *Rebate of Duty* will be granted subject to fulfilling the following additional conditions:

- Completed *Feasibility Studies* endorsed by the responsible Ministry;
- Proof of funding for the project;
- Evidence of the physical place of business where the project will be undertaken;
- Compliance to regulatory requirements such as *Environmental Impact Assessments* (EIA) and Local Authority by-laws; and
- In the case of rebate extension, traceable utilisation of previous concessions.

760. Strategic industries will continue to benefit under existing duty concessions which confer similar benefits to the *Rebate of Duty on Goods Imported under Approved Projects*.

Transit Traffic

761. Honourable Members would be aware that the country is a transit hub linking Southern Africa to the Central and Eastern African region, due to its strategic central location for international trade purposes.

762. In order to mitigate the adverse effects on fiscal revenues as a result of transit fraud, Government has already implemented an *Electronic Cargo Tracking System* (ECTS) that uses electronic seals and transmitters to monitor transit cargo.

763. Whereas the ECTS system automatically alerts the *Revenue Authority* on offences such as tampering of the devices and geo-fence violations, there is, however, no provision for use of a single route, hence transit vehicle drivers may opt to use any other road, as long as they are within the geo-fence perimeter for purposes of transit.

764. Whereas designation of the geo-fence perimeter through which transit traffic uses across the country has assisted in safeguarding revenue to the *Fiscus*, there has been an increase of incidences of congestion in transit cities, particularly Harare, which is the confluence of all traffic from Beitbridge, Nyamapanda, Forbes and Plumtree.

765. In order to reduce congestion and safeguard revenue to the *Fiscus*, I propose to introduce a *Traffic Zone Restriction* on heavy vehicles, including transit traffic, whether loaded or unloaded.

766. Such vehicles will be prohibited from the *City Centre* and residential areas.

767. This measure will be implemented with effect from 1 January 2021, in collaboration with *City Councils*.

Legislative Amendments

Exemption of Income Accruing from BOT/ BOOT Projects from Non-Resident Shareholders' Tax

768. An attractive return on investment is central to the success of BOT/BOOT projects.

769. In order to guarantee an attractive return on equity, mindful of the need to ensure affordability of public goods that are provided through BOT/ BOOT

arrangements, I propose to exempt income accruing from such projects from *Non-Resident Shareholders' Tax*.

Income from Power Generating Projects Available for Distribution

770. Income accruing from power generation projects during the first five years after commencement of operations is liable to conflicting tax treatment. The income is either exempt or liable to a tax rate of 0 per centum.

771. In line with Government's policy thrust to promote investment into power generation, I propose to repeal the tax exemption applicable to receipts and accruals of power generation projects.

772. Power generation projects will, thus, be liable to a tax rate of zero percent, which enables the investor, among other benefits to carry forward assessed losses incurred during the project development phase.

Alignment of Tax Statutes to the ZIDA Act

773. Government recently promulgated the Zimbabwe Investment and Development Agency (ZIDA) Act and subsequently repealed the Special Economic Zones Act, the Zimbabwe Investment Authority Act and the Joint Ventures Act.

774. I, therefore, propose to align the provisions in the various tax statutes with the provisions of the ZIDA Act.

Deductible Expenditure for Short Term Insurance

775. Taxpayers, with the exception of short term insurance companies are allowed to deduct the value of shares given to employees under a share ownership trust or scheme and donations towards infrastructural development undertaken by local authority against taxable income.

776. In line with the fairness principle of taxation, I propose to extend the same privilege to short term insurance companies.

Objections to Decisions of the Commissioner

777. Decisions of the Commissioner to which taxpayers are entitled to object are legislated.

778. However, a number of new legislative provisions have not been included among determinations to which taxpayers are entitled to object.

779. I, therefore, propose to include the following matters among determinations qualifying for objection by taxpayers:

- Whether or not a financial institution has mediated the transfer of money;
- Whether or not a selected transfer pricing method is the most appropriate one; and,
- Whether property or insurance commission tax was paid on commission accruing to a freelance agent.

Payment Date for VAT on Imported Services

780. Whereas registered operators are required to remit VAT on the twenty-fifth day of the month commencing after the end of a tax period, VAT on imported services is accounted for within 30 days from the date of invoice or payment.

781. I, therefore, propose to align the payment date for VAT on imported services with the payment date for all other registered taxpayers so that payment is due by the twenty-fifth day of the month following the date of payment or invoice whichever is earlier.

Administrative Arrangements for Payment of VAT and Income Tax on E-Commerce Transactions

782. Current legislation provides for the payment of VAT and income tax on satellite broadcasting and electronic commerce services provided from outside Zimbabwe by non-resident persons.

783. I, therefore, propose to legislate for a compliance framework covering submission or returns, payment of tax and the due date for such payments, time and value of supply, among other compliance requirements.

Payments to Non-Executive Directors

784. Board fees and allowances received by *Non-Executive Directors* who are employed elsewhere are liable to employees' tax. In order to determine the appropriate rates of employee's tax on such fees and allowances, the *Payer* requires information on remuneration accruing to the *Non-Executive Director* from the employer.

785. The process to acquire information on remuneration accruing to the employee is cumbersome for some companies and also violates confidentiality in employment contracts.

786. In order to minimize the burden of compliance, I propose that all amounts and benefits accruing to non-executive directors be subject to a final withholding tax of 20%.

Review of Monetary Amounts in Tax Statutes

787. Mr Speaker Sir, monetary amounts in various tax statutes, which were last reviewed in January 2020, have lost value, thereby increasing the administrative burden.

788. Examples of such monetary amounts include motoring benefits, arrear pension contribution, severance pay and VAT registration threshold, among others.

789. I, therefore, propose an upward review of monetary amounts in tax statutes.

Rebate of Duty Facility on Motor Vehicles Imported by Serving Civil Servants

790. Mr Speaker Sir, as part of a raft of measures to contain public expenditure, Government removed *Senior Civil Servants* from the Condition of Service Motor Vehicle Facility.

791. Thereafter, in 2019, Government availed a scheme for duty free importation of motor vehicles by *Senior Civil Servants* who were no longer entitled to *Condition of Service Vehicles*.

792. In addition, the facility was extended to other *Civil Servants* who have been in the service for a period of at least 10 years, as an interim relief measure to address transport challenges.

793. To date, 1 317 *Civil Servants* have benefited from the scheme, and motor vehicles with a cumulative value of US$5.1 million were imported since inception in March 2019.

794. Apart from the duty rebate facility, Government has also introduced complementary measures for improving the transport system in both rural and urban areas. These include ring-fenced importation of public service buses at a reduced rate of duty, subsidies on ZUPCO contracted buses and improvement in the *Public Service Commission* bus fleet.

795. In view of the improved transport system, I propose to cease the *Motor Vehicle Rebate Scheme* for *Civil Servants*, with effect from 30 June 2021.

796. This measure will also curb abuse of the *Facility,* whereby some beneficiaries would cede their privilege to third parties in exchange for monetary gain.

797. The *Facility* will, however, continue to apply to *Civil Servants* who are no longer benefiting from the *Condition of Service Vehicles Scheme,* as well as specified health workers.

Import Restriction on Second Hand Motor Vehicles

798. Mr Speaker Sir, about US$1.3 billion was spent on imported buses, light commercial and passenger motor vehicles from 2015 to September 2020.

799. This is despite the existence of capacity by the local motor industry to assemble the above-mentioned range of motor vehicles.

800. Furthermore, due to lack of effective standards and regulation, road unworthy vehicles, which, in some instances fail to meet environmental and safety standards, find their way onto the market.

801. In line with the NDS1, which underscores value addition, I propose to remove second hand motor vehicles aged 10 years and above, from the date of manufacture at the time of importation, from the *Open General Import Licence*.

802. In the interim, commercial vehicles such as tractors, haulage trucks, earth-moving equipment and other specialised vehicles used in mining and construction will be exempt from this requirement.

CONCLUSION

803. Going around the country, meeting with all groups of people, I came up with the following observations. Out there, confidence is improving and the Budget is committed to cement that hope by addressing various expectations.

804. These expectations evolve around provision of basic services such as water, housing, food, health, education of children, among other issues. The young at colleges and those leaving colleges look forward to find and keep the jobs. In fact, people of all backgrounds want to be assured that, through the Budget, we are doing all we can to make sure that promises become a reality.

805. And that's what is required of us now, each playing our part to meet the common goal of growing our economy. Precisely, this what this Budget and the NDS1 are seeking to address.

806. I end with a quote from an English Philosopher and Economist, John Stuart Mills, '*All good things which exist are the fruits of originality*'. And indeed, we are charting a better future through the NDS1 and this Budget.

807. I commend the 2021 National Budget to this August House.

Hon. Prof. Mthuli Ncube
Minister of Finance and Economic Development

26 November 2020

TABLES AND FIGURES

Table 1: Macroeconomic Framework: 2018-23

	2018	2019	2020	2021	2022	2023
National Accounts (Real Sector)						
Real GDP at market prices (Million ZWL$)	20,235	19,024	18,236	19,593	20,663	21,735
GNI Per Capita Income (US$)	1,190	934	1,160	1,842	2,137	2,713
Nominal GDP at market prices (Million ZWL$)	36,921	161,977	1,070,640	2,399,088	3,045,740	3,560,347
Real GDP Growth (%)	5.5	-6.0	-4.1	7.4	5.5	5.2
Gross Capital Formation (% of GDP)	10.1	8.5	8.6	9.4	10.6	12.0
Exchange Rate (Annual Average)	2.0	11.1	58.4	80.0	85.0	76.0
GDP Deflator	64.3	366.6	589.5	108.6	20.4	11.1
Inflation (Annual Average) %	10.6	173.3	654.9	134.8	23.7	10.5
Formal employments (000)	854.8	829.3	812.1	963.2	1094.7	1236.6
% of People in Extreme Poverty	29.5	42.5	38.9	24.5	19.2	15.4
Government Accounts						
Revenues (excluding Retained Revenue) (Million ZWL$)	5,533	22,971	173,496	390,804	512,434	632,639
% of GDP	15.0	14.2	16.2	16.3	16.8	17.8
Expenditures & Net Lending (Million ZWL$)	7,745	22,534	178,496	421,616	559,452	693,191
% of GDP	21.0	13.9	16.7	17.6	18.4	19.5
Recurrent Expenditures (Million ZWL$)	5,197	13,823	120,754	290,020	387,305	485,891
% of GDP	14.1	8.5	11.3	12.1	12.7	13.6
Employment Costs including Pension (Million ZWL$)	3,935	7,119	70,499	172,635	220,360	255,107
% of GDP	10.7	4.4	6.6	7.2	7.2	7.2
% Total Expenditure	50.8	31.6	39.5	40.9	39.4	36.8
% of Revnue	71.1	31.0	40.6	44.2	43.0	40.3
Capital Expenditure & Net lending (Million ZWL$)	2,548	8,711	57,742	131,596	172,146	207,300
% of GDP	6.9	5.4	5.4	5.5	5.7	5.8
Overall Balance (Million ZWL$)	**-2,211**	**437**	**-5,000**	**-30,813**	**-47,018**	**-60,552**
% of GDP	-5.99	0.27	-0.47	-1.28	-1.54	-1.70
Public Debt (Million ZWL$)	17,302	142,743	1,547,195	1,972,848	2,297,791	2,545,068
% of GDP	46.9	88.1	78.4	64.5	64.8	64.5
Balance of Payments Accounts						
Exports (Million ZWL$)	10,356	58,568	283,519	420,475	433,344	471,493
% of GDP	28.0	36.2	26.5	17.5	14.2	13.2
Imports (Million ZWL$)	15,284	60,030	280,371	430,185	469,117	532,382
% of GDP	41.4	37.1	26.2	17.9	15.4	15.0
Current Account Balance (million ZWL$)	-1,380	10,236	67,561	73,837	41,647	14,697
% of GDP	-3.7	6.3	6.3	3.1	1.4	0.4
International Reserves (Months of Import Cover)	0.5	0.9	1.0	2.0	3.5	4.5
Deposit Corporations Survey						
Broad Money (Million ZWL$)	10,010	35,018	202,724	492,185	861,324	1,507,317
Growth %	28.0	249.8	478.9	142.8	75.0	75.0
Reserve Money (Million ZWL$)	3,258	10,328	25,214	61,523	123,046	215,331

	2018	2019	2020	2021	2022	2023
Growth %	31.6	217.0	144.1	144.0	100.0	75.0
Domestic Credit (Million ZWL$)	14,880	27,820	139,267	451,244	883,407	1,488,383
Growth %	39.1	87.0	400.6	224.0	95.8	68.5
Credit to Private sector (Million ZWL$)	4,059	11,113	121,390	423,248	837,006	1,418,112
Growth %	9.1	173.8	992.3	248.7	97.8	69.4
Credit to Government (Million ZWL$)	9,980	14,063	14,241	23,388	40,395	63,282
Growth %	59.0	40.9	1.3	64.2	72.7	56.7

Table 2: Revenues: 2018-23

	2018 Outturn	2019 Outturn	2020 Revised	2021	2022	2023
Total Revenue (ZWL$ M)	**5533**	**22971**	**173496**	**390803**	**512434**	**632640**
Personal Income Tax	856	3235	26584	72206	100555	129236
Corporate Tax	802	3155	27069	73523	97734	119902
Other Direct Taxes	261	964	13063	29091	35903	51161.9
Royalties	95	525	5953	11511	12942	23395.3
Tobacco Levy	15	62	385	473	529	607.467
Dom Div & Interest	73	256	4699	12233	16261	19949.2
Capital Gains Tax	35	65	853	2220	2810	3283.7
Vehicle carbon Tax	43	56	1173	2654	3360	3926.15
Customs Duty	433	1962	16337	21043	26696	33352.4
Excise Duty	909	4117	24904	60445	79881	96887.5
Fuel	648	3484	20185	45688	59865	72394.3
Beer	85	235	2081	4348	6319	9054.54
Wines & Spirits	25	53	214	448	608	746.861
Tobacco	32	54	215	527	679	760.989
Second Hand Motor Vehicle	4	9	19	20	20	20.8062
Airtime	115	282	2190	9415	12390	13910.1
Electric Lamp	0	0	0	0	0	0.01
Value Added Tax	1363	5949	45664	94816	120503	139291
Domestic Sales	1120	3627	29908	73659	95888	111618
Imported Goods	524	2993	19976	26848	30965	35169.1
Refunds	-281	-671	-4220	-5692	-6351	-7496.4
Other Indirect Tax	377	3189	18272	36128	46582	57185.9
of which IMTT	178	2663	15072	29039	37442	45964.9
other	200	526	3200	7089	9140	11220.9
Non- Tax revenue	**533**	**400**	**1603**	**3552**	**4580**	**5622.84**

Table 3: Expenditure by Functional Classification

Functional Classification	2020		2021 Proposed Estimates	2022 Indicative Estimates	2023 Indicative Estimates
	Revised Budget	Expenditure to September			
	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$
Image building, International Engagement and Re-engagement	1,793,859,000	1,578,040,826	10,070,458,000	13,143,670,000	15,114,522,000
Health and wellbeing	6,661,639,000	6,857,243,889	52,933,020,000	70,841,097,000	86,363,972,000

Governance	25,527,644,300	37,251,205,979	146,196,314,300	188,565,516,200	224,739,418,200
Housing Delivery	2,379,679,000	3,362,626,887	14,338,390,000	18,435,351,800	23,490,585,800
Economic Growth and Stability	8,791,149,700	6,898,773,907	39,588,280,000	57,889,800,000	92,581,900,000
Food and Nutrition Security	3,851,768,000	4,628,555,219	30,409,238,000	39,982,218,000	45,467,731,000
Moving the economy up the value chain and structural transformation	519,100,000	6,739,090,587	3,340,061,000	4,309,347,000	5,095,075,000
Social Protection	3,821,106,000	1,621,065,179	9,790,199,000	12,175,134,000	15,650,878,000
Human Capital Development and Innovation	9,506,890,000	9,082,841,472	63,894,769,700	82,013,183,000	95,836,948,000
Digital Economy	85,828,000	40,213,762	1,720,600,000	2,206,279,000	2,647,497,000
Environmental Protection, Climate Resilience and Natural Resource Management	619,140,000	76,897,225	1,851,570,000	2,389,404,000	2,821,473,000
Devolution	2,932,000,000	668,435,652	19,540,000,000	25,758,000,000	31,800,000,000
Economic Growth and Stability	503,976,000	289,125,570	2,157,000,000	2,787,000,000	3,291,000,000
Youth, Sport and Culture	330,187,000	322,382,794	3,447,000,000	4,403,000,000	5,116,000,000
Infrastructure and Utilities	3,224,178,000	8,121,876,594	30,064,400,000	39,859,000,000	47,786,000,000
Grand Total	**70,548,144,000**	**87,538,375,542**	**429,341,300,000**	**564,758,000,000**	**697,803,000,000**

Table 4: GDP by Expenditure (ZWL$ mln)

	2018	2019	2020	2021	2022	2023
GDP by expenditure, constant prices	**20,234.6**	**19,024.3**	**18,236.2**	**19,593.3**	**20,663.3**	**21,735.0**
Final consumption	**20,897.1**	**16,960.4**	**14,630.7**	**14,836.1**	**15,021.7**	**15,477.4**
Household	15,981.3	12,050.0	9,613.1	9,683.7	9,730.6	10,043.7
Government	4,096.8	4,107.8	4,231.0	4,358.0	4,488.7	4,623.4
NPISH	819.0	802.6	786.6	794.5	802.4	810.4
Gross capital formation	**1,801.5**	**2,195.3**	**3,551.6**	**4,878.6**	**6,112.3**	**7,058.7**
Gross fixed capital formation	1,794.5	2,188.3	3,544.6	4,871.6	6,105.3	7,051.7
Government	572.8	372.9	1,804.4	3,001.9	4,133.5	4,977.6
Other sectors	1,221.7	1,815.4	1,740.2	1,869.7	1,971.8	2,074.1
Changes in inventories	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**
Trade balance	**-2,464.0**	**-131.4**	**53.9**	**-121.4**	**-470.7**	**-801.2**
Exports of goods and services	5,178.2	5,266.9	4,855.1	5,255.9	5,701.9	6,203.9
Imports of goods and services	7,642.2	5,398.4	4,801.2	5,377.3	6,172.6	7,005.0

Figure 1: Budget Balance (% of GDP)

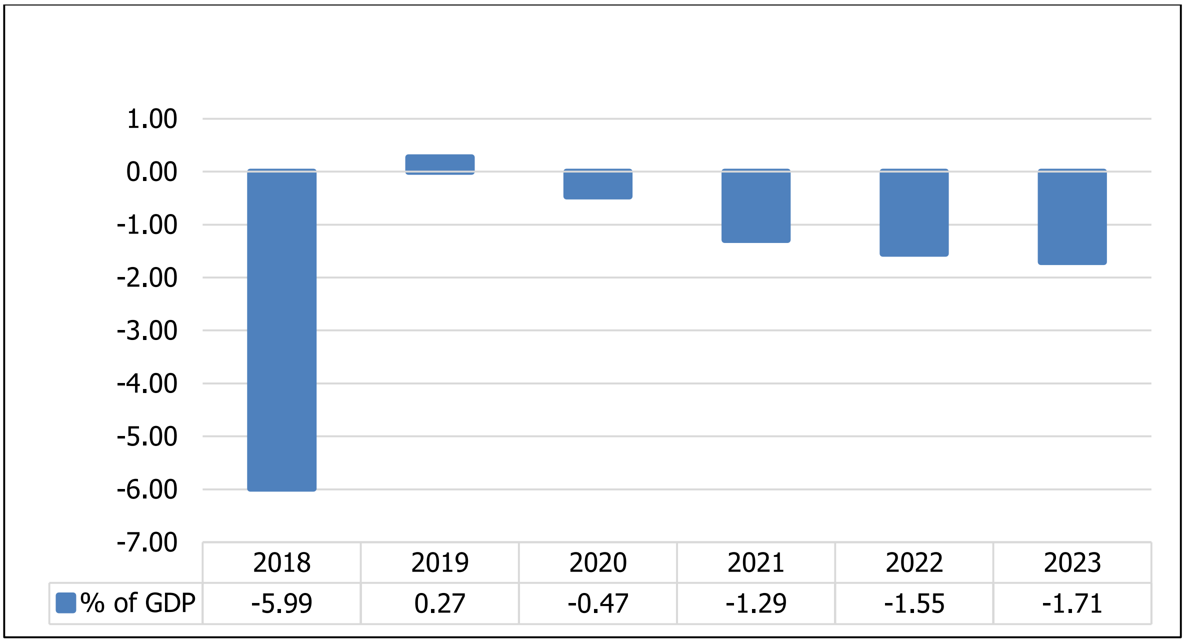


Table 5: Sectoral Growth Rates (%)

	2018	2019	2020	2021	2022	2023
GDP by industry at market prices, constant prices	**5.5**	**-6.0**	**-4.1**	**7.4**	**5.5**	**5.2**
Core activities	**7.4**	**-11.5**	**-6.3**	**8.3**	**7.1**	**6.6**
Agriculture and forestry	18.3	-17.8	-0.2	11.3	8.9	7.6
Mining and quarrying	8.7	-12.4	-4.7	11.0	7.4	8.8
Manufacturing	1.3	-8.7	-9.6	6.5	6.5	7.7
Electricity and water	22.5	-19.2	-7.9	18.8	14.4	5.9
Construction	2.0	-13.9	-11.4	7.2	5.0	4.0
Distribution, Hotels and restaurants	4.5	-8.2	-6.8	5.7	5.5	5.0
Supportive services	**4.2**	**5.3**	**-0.2**	**7.2**	**4.1**	**4.6**
Transportation and communication	2.6	12.9	3.4	7.1	4.5	4.3
Financial, banking and insurance activities	6.5	-6.1	-6.5	7.2	3.3	5.2
Government public administration, education and health	**-4.2**	**1.4**	**-2.1**	**6.2**	**2.9**	**2.5**
Administrative and support service activities	-5.0	1.5	-0.5	2.5	2.0	2.0
Education and training	-4.7	0.9	-7.2	12.7	4.0	3.2
Human health and social work activities	0.3	2.7	7.8	2.0	2.4	2.4
Households-related services	**2.2**	**-2.6**	**-2.0**	**4.3**	**3.0**	**2.4**
Real estate activities	3.2	-1.6	-1.6	4.5	3.9	2.7
Other service activities	2.0	-3.7	-2.0	4.4	2.7	2.6

Table 6: GDP Growth by Expenditure (%)

	2018	2019	2020	2021	2022	2023
Overall GDP Growth	**5.5**	**-6.0**	**-4.1**	**7.4**	**5.5**	**5.2**
Final consumption	0.3	-19.5	-12.2	1.1	1.0	2.5
Household	*0.8*	*-19.4*	*-12.8*	*0.4*	*0.3*	*1.7*
Government	*-2.1*	*0.1*	*0.6*	*0.7*	*0.7*	*0.7*
Gross capital formation	-3.1	1.9	7.1	7.3	6.8	5.2
Gross fixed capital formation	-3.1	1.9	7.1	7.3	6.8	5.2

Government	*-4.6*	*-1.0*	*7.5*	*6.6*	*6.2*	*4.6*
Other sectors	*1.5*	*2.9*	*-0.4*	*0.7*	*0.6*	*0.6*
Changes in inventories	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Trade balance	8.2	11.5	1.0	-1.0	-1.9	-1.8
Exports of goods and services	*-11.7*	*0.4*	*-2.2*	*2.2*	*2.4*	*2.8*
Imports of goods and services	*-19.9*	*-11.1*	*-3.1*	*3.2*	*4.4*	*4.6*

Table 7: Agriculture Output (000 tons)

	2018	2019	2020	2021	2022	2023
Sectoral Growth Rate (%)	***8***	***-18***	***-0.2***	***11***	***9***	***8***
Tobacco	252	260	192	205	205	210
Maize	1831	777	907	1400	1600	1700
Beef	75	63	57	55	60	75
Cotton	144	77	101	102	125	140
Sugar cane	3903	4000	4100	4200	4300	4500
Horticulture	71	77	94	96	105	120
Poultry	161	152	149	149	152	160
Groundnuts	127	71	87	134	153	163
Wheat	161	95	178	193	220	230
Dairy (m lt)	92	96	92	97	105	115
Coffee	0.59	1	0.531	0.65	0.8	0.9
Soybeans	54	60	47.1	80	120	150
Tea	20	19	21	21	23	25
Paprika	0.8	0.8	0.1	0.1	0.1	0.1
Pork	11	12	12	14	15	17
Wildlife	33	33	26	27	28	30
Sorghum	70	41	103	45	61	63
Barley	33	29	25	25	25	25
Sheep & goats	10	7	8	8	6	9
Sunflower seeds	4	6	9	11	14	15

Table 8: Mining Output

	2018	2019	2020	2021	2022	2023
Overall Mining Growth	***15.3***	***-12.4***	***-4.7***	***11.0***	***7.4***	***8.8***
Black Granite \t	213	155	155	172	200	210
Chrome \t	1,756	1,550	1,000	1,500	1,800	2,000
Coal \t	3,348	2,730	3,000	3,300	4,000	5,000
Cobalt \t	402	402	411	432	479	537
Copper \t	9,076	8,678	9,000	9,331	9,400	10,539
Gold \kg	35,054	29,429	27,958	32,000	34,000	37,000
Iridium \t	586	845	880	926	1,025	1,094
Nickel \t	17,810	16,278	15,000	15,100	15,300	15,600
Paladium \kg	12,094	11,640	11,869	12,231	12,566	13,404
Phosphate \t	51,393	27,148	25,791	26,500	28,000	40,000
Platinum \kg	14,703	13,857	14,169	14,600	15,000	16,000
Rhodium \kg	1,334	1,224	1,256	1,320	1,462	1,560

	2018	2019	2020	2021	2022	2023
Ruthenium \kg	1,155	792	836	879	973	1,038
Diamonds	3,252	2,119	2,100	2,600	3,500	4,000

Table 9: Total Public Debt as at 30 September 2020 (ZWL$ m)

	Total Debt	*Of which Arrears*
Total Public Debt	**680,373**	***516,336***
1. External Debt	**667,871**	***516,336***
a. Bilateral Creditors	*452,445*	*323,115*
Paris Club	295,134	*281,304*
Non Paris Club	132,946	*35,502*
RBZ Assumed Debt	24,366	*6,309*
b. Multilateral Creditors	***215,426***	***193,221***
World Bank	123,015	*108,000*
African Development Bank	58,866	*56,147*
European Investment Bank	28,102	*26,755*
Others	5,442	*2,319*
2. Domestic Debt	**12,502**	***0***
Treasury Bills and Bonds	12,502	-

Sources: Zimbabwe Public Debt Management Office

Figure 2: Public Debt (% of GDP)

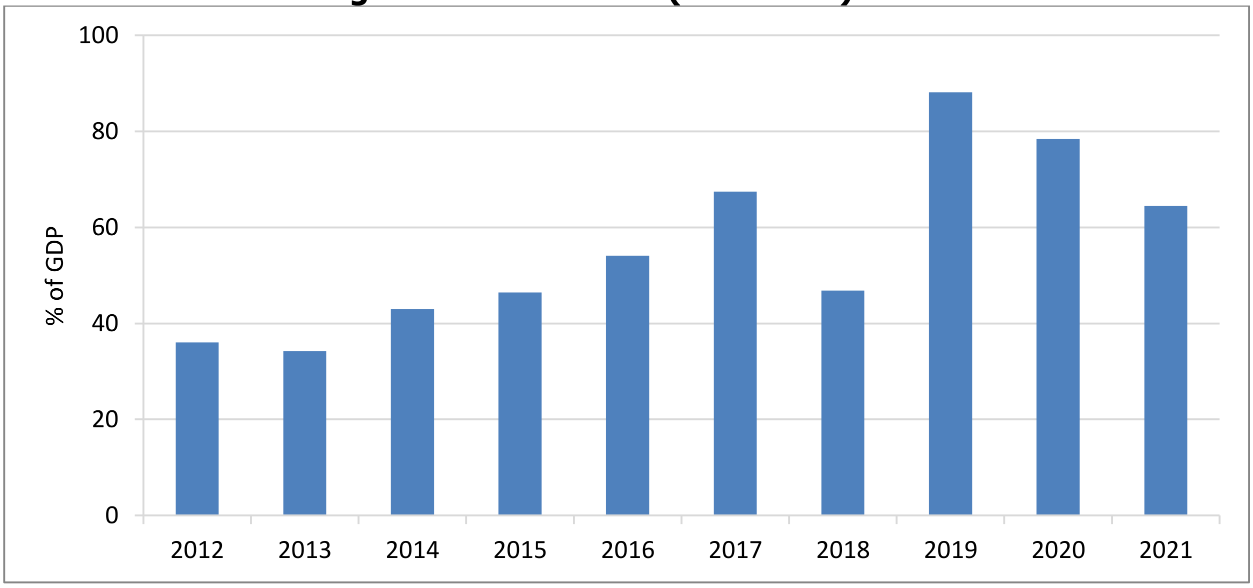


Figure 3: External and Domestic Debt (US$ m)

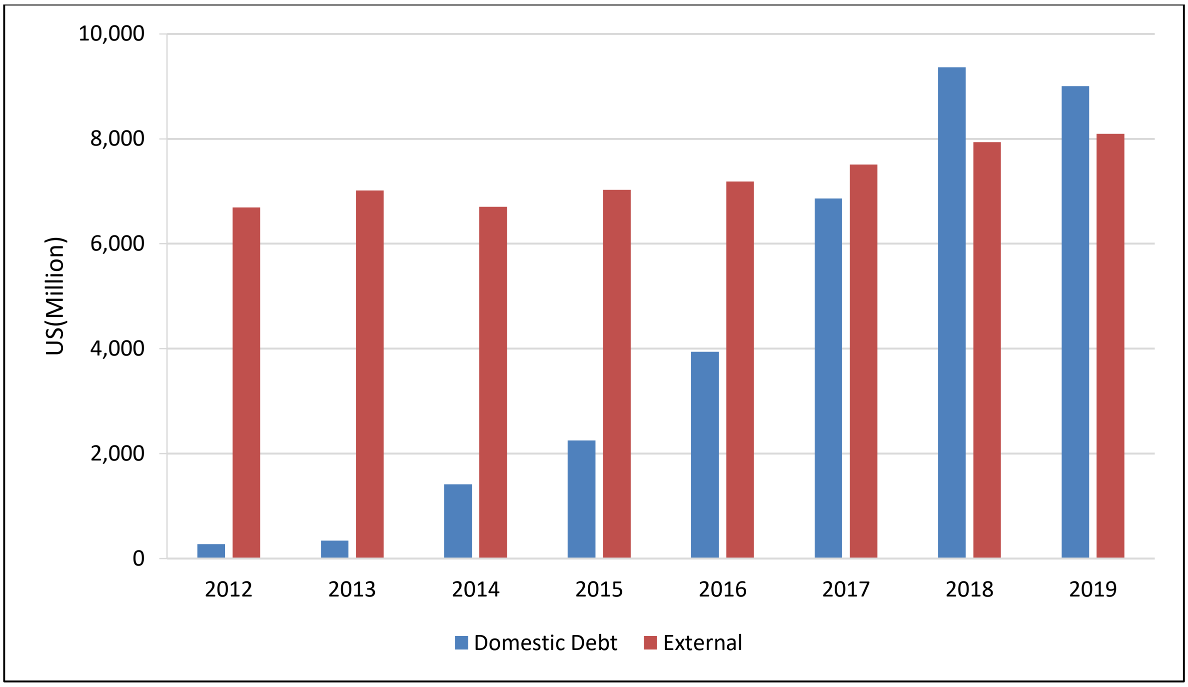


Table 10: Summary of Foreign Exchange Auction Results

Date	Total Bids (US$)	Amount Allotted (US$)	Weighted Ave Rate
23/06/2020	11,407,240.20	10,345,250.04	57.3582
30/06/2020	18,957,677.05	16,321,028.61	63.7442
07/07/2020	15,872,481.93	13,602,407.84	65.8765
14/07/2020	18,719,664.66	15,988,219.59	68.8879
21/07/2020	20,316,134.74	14,853,708.88	72.1470
28/07/2020	19,312,474.71	14,356,193.21	76.7596
04/08/2020	19,773,961.25	18,531,336.74	80.4663
13/08/2020	17,981,174.01	17,981,174.01	82.5608
18/08/2020	13,679,558.32	13,679,558.32	82.9184
25/08/2020	14,064,871.90	14,064,871.90	83.3994
01/09/2020	15,039,656.10	15,039,656.10	83.3209
08/09/2020	18,334,530.08	18,334,530.08	82.6993
15/09/2020	20,023,899.32	20,023,899.32	81.7076
22/09/2020	30,414,189.63	30,414,189.63	81.4965
29/09/2020	23,067,310.73	23,067,310.73	81.4439
06/10/2020	24,691,329.32	24,691,329.32	81.3486
13/06/2020	27,396,490.94	7,396,490.94	81.3458
20/10/2020	27,057,595.85	27,057,595.85	81. 3499
27/10/2020	26,175,746.77	26,175,746.77	81.3531
03/11/2020	26,517,763.38	26,517,763.38	81.6740

Figure 4: Trends of Bids and Allotments

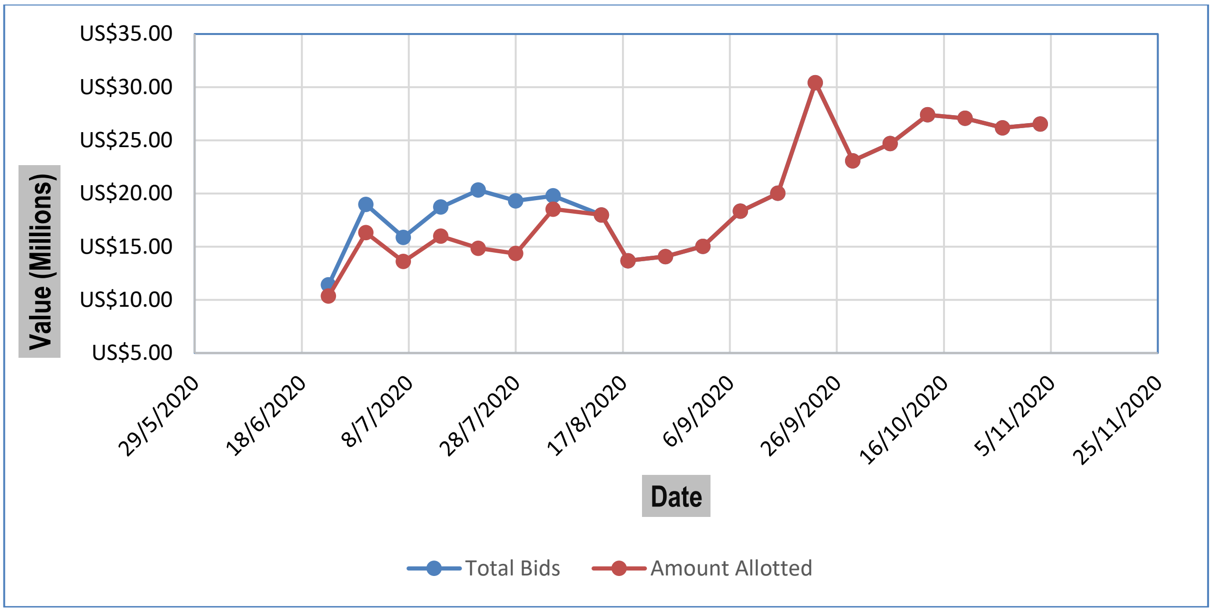


Figure 5: Official Exchange Rate Movements (Weighted Average Rate)

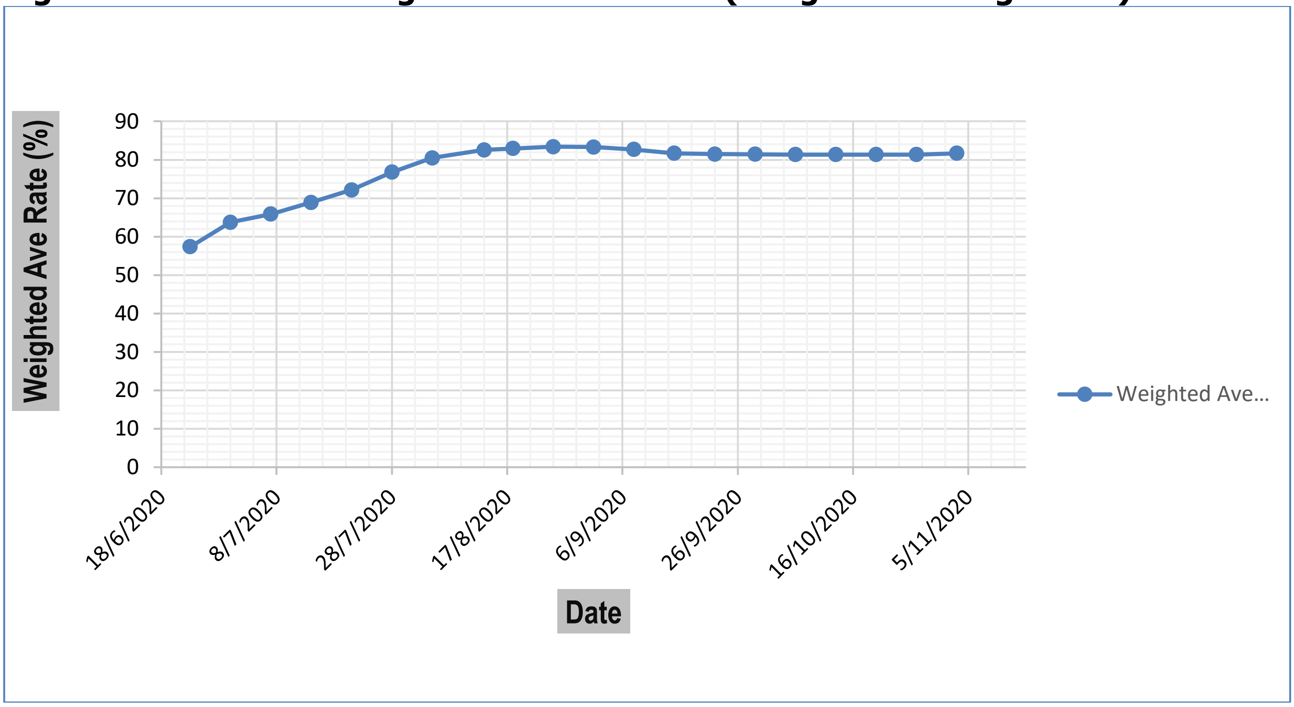


Figure 6: Wage Bill (% of GDP)

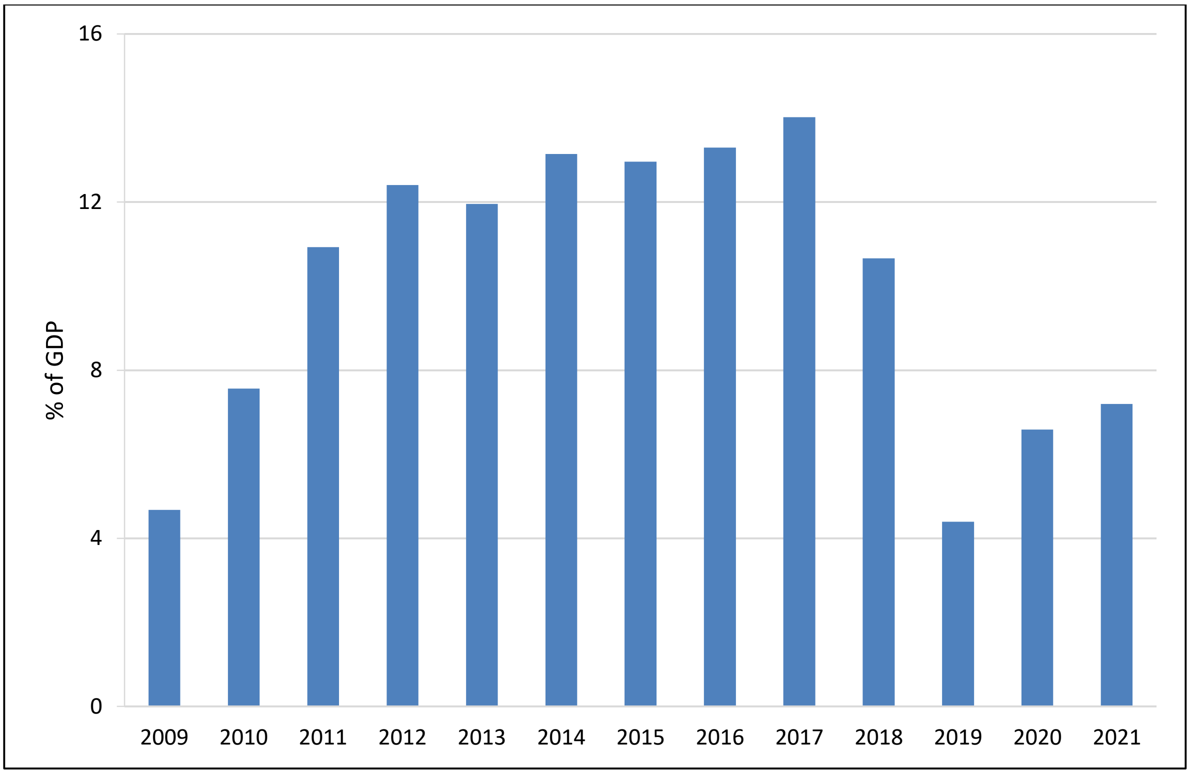


Figure 7: Total Devolution Allocation: 2019-2020

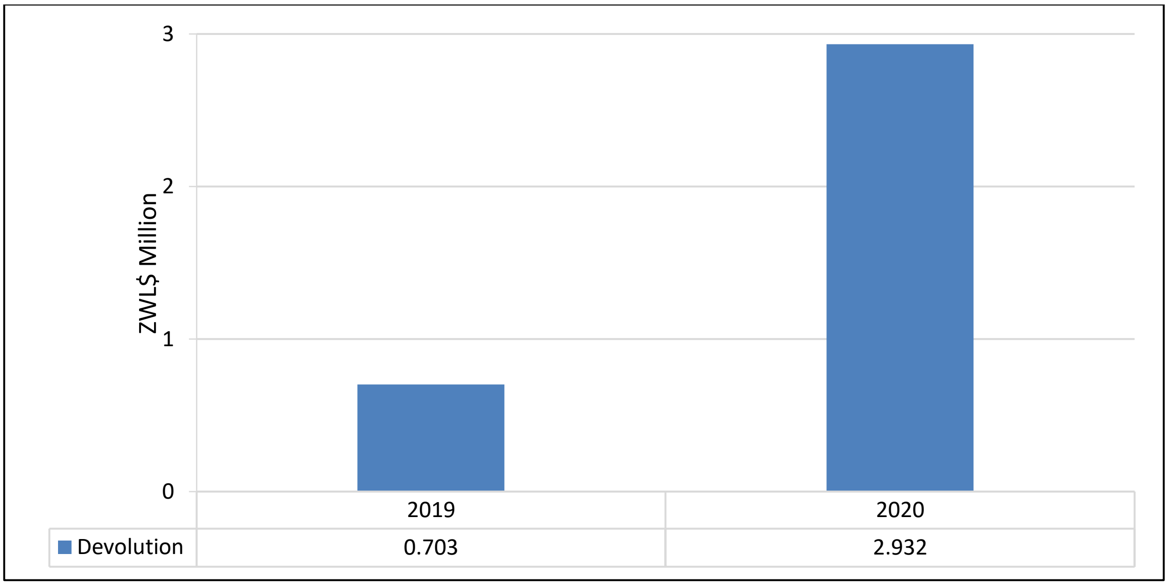


Table 11: Progress on Devolution Projects in some Provinces

Province	Progress
Bulawayo	• Completed the rehabilitation of the Ncema and Ferhil pump stations; • Construction of Cowdray Park road; and • Classroom blocks at Vulindlela Primary.

Mashonaland West	• In Chinhoyi- completed the fitting of water pipes and installation of solar lights; • Chirundu acquired garbage delivery trucks; • Mhondoro-Ngezi - completed refurbishing it's water reticulation and supply systems; and • Zvimba Rural District Council - completed the construction of five primary schools.
Manicaland	• Chipinge- completed resurfacing of Gaza road, drilling of boreholes and installation of solar lights; • Rusape Town Council - acquisition of an ambulance and ambulance equipment as well as chemical dosing pumps for the town's water works • Chimanimani RDC completed the refurbishment of Mhakwe clinic.
Masvingo	• Chivi RDC completed the Chombwe water line, Shindi water reticulation and drilling of boreholes in nine wards.
Midlands	• Completed various clinics in Gokwe and Chimbindi.
Harare	• Rehabilitation of water and sewer infrastructure.
Matabeleland South	• Insiza Rural District - completed repairs for Ngungazi dam, Mahole piped system and refurbishment of Singwango primary school • Beitbridge Rural Council - completed construction of Chabili and Zezani clinics.
Matabeleland North	• Binga Centre - completed water reticulation and procurement of clinic equipment for Chipale.

Figure 8: Development Partner Support

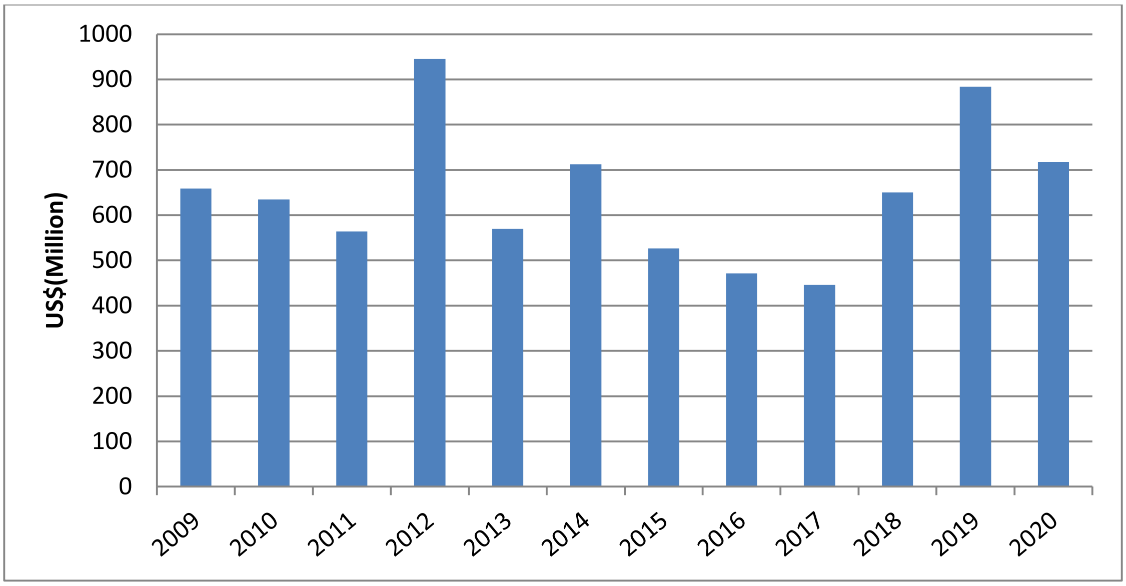


Table 12: Financial Inclusion Indicators – December 2016 to June 2020

Indicator	Dec 2016	Dec 2017	Dec 2018	June 2019	Dec 2019	March 2020	June 2020
MSMEs							
Value of loans to MSMEs	$131.69 m	$146.22m	$169.96m	$178.92 m	$462.98 m	$1.46 b	$2.90b
MSMEs loans as % of total loans	3.57%	3.75%	3.94%	2.99%	3.92%	4.66%	7.65%
Number of MSMEs with bank accounts	71,730	76,524	100,644	111,498	116,467	121,945	253,908
Women							
Number of Bank Accounts held by Women	769,883	935,994	1,736,285	2,215,214	2,152,185	2,251,300	2,536,558
Value of Loans to Women	$277.30 m	$310.78m	$432.36m	$446.40 m	$586.74 m	$841.19m	$1,183.16b
Loans to women as a % of total loans	7.52%	7.96%	10.57%	10.90%	15.59%	4.25%	3.12%
Youth							
Number of Loans to Youth	38,400	61,529	69,421	154,091	189,658	144,676	126,002
Value of Loans to Youth	$58.41m	$138.93m	$104.43m	120.68m	$188.71 m	$669.51m	$964.86m
loans to the youth as a % of total loans	1.58%	3.56%	2.55%	5.26%	6.09%	3.38%	2.55%

Annexure 1: Milk Powder Ring-Fenced Allocations under Suspension of Duty

Name of Company	2021 Proposed Allocation (Kgs)	
	FCMP	SMP
Alpha Omega Dairy	25 000	8 000
Competitive Brand Shapers, t/a CBS	70 000	20 000
Dairibord Zimbabwe (Pvt) Ltd	500 000	750 000
Dendairy (Pvt) Ltd	1 300 000	500 000
Goulda Gold, t/a Yomilk	30 000	30 000
Kefalos Cheese Products	700 000	250 000
Kershelmar Dairies	100 000	100 000
Milkzim (Pvt) Ltd	20 000	2 000
Machiareer Investments (Pvt) Ltd, t/a Mr. Brands	65 000	-
Nestle Zimbabwe (Pvt) Ltd	250 000	90 000
Prodairy (Pvt) Ltd	1 400 000	-
Sondelani Ranching (Pvt) Ltd, t/a Hamara Foods	2 200	1 300

Annexure 2: Existing Duty Concessions

Sector	Existing Tax Concessions
Manufacturing	Inward Processing Rebate
	Duty Drawback System
	Rebate of duty on imported capital equipment
	Textiles Manufacturers' Rebate
	Clothing Manufacturers' Rebate
	Electrical Manufacturer's Rebate
	Rebate of Duty on inputs used by the Packaging, Printing and Publishing Industry
	Rebate of Duty on inputs used by the Pharmaceutical Industry
	Suspension of duty on imported milk powder for reconstitution and processing of dairy products
	Rebate of duty on inputs used by Luggage-ware manufacturers
	Furniture Manufacture Rebate
	Suspension of Excise Duty on Raw Wine Manufacturers
	Centre Pivot Manufacturers' Rebate
	Aircraft Assembler's Rebate
	Bus Assembler's Rebate
	Motor Vehicle Assemblers' Rebate and suspension of Duty on Completely Knocked Down (CKD) and Semi-Knocked Down (SKD) Kits
	Rebate of duty on goods imported into Special Economic Zones
	Rebate of duty on goods imported for use in Approved Projects, among others.
Mining	Rebate of duty on goods (chemicals) for the mining industry;
	Rebate of duty on goods for the prospecting and search for mineral deposits
	Rebate of duty on goods imported in terms of an agreement entered into pursuant to a special mining lease
	Suspension of duty on goods imported for specific mine development operations
Agriculture	Suspension of duty on fertilizer
	Suspension of duty on fertilized poultry eggs
	Suspension of duty on live birds and specialised bird feed
	Rebate of duty on materials used in the preparation and packaging of fresh produce for export
	Seeds of all kinds imported in bulk for planting
	Suspension of duty on agricultural goods, especially specialised pots and greenhouse structures for the growing of fruits, for instance, blueberries for exports
Energy and Power	Duty free importation of solar equipment
	Rebate of duty on capital equipment for energy power generation and distribution
Tourism	Rebate of Duty on Capital Goods for use in Tourism Development Zones
	Rebate of duty on capital goods for expansion, modernisation or renovation of hotels and lodges
	Suspension of Duty on Motor Vehicles Imported by Safari Operators
	Suspension of Duty on Buses for Tour Operators
	Suspension of duty on materials used on the construction of the Bulawayo-Beitbridge Railway

Transport Industry	Suspension of duty on Luxury Buses
	Suspension of duty on Public Service Buses
	Suspension of duty on engine spares and parts imported for rail locomotives and aircrafts
	Rebate of duty on capital equipment imported by the mining, agriculture, manufacturing and energy sectors

Annexure 3: Proposed Rates of Presumptive Tax

Category	Description	Proposed Rate per Month (ZWL)
Omnibus	8 to 14 Passengers	2 500
	15 to 24 Passengers	3 000
	25 to 36 Passengers	4 000
	37 Passengers and above	5 000
Taxi Cabs	All	2 500
Driving School	All Classes	30 000
Goods Vehicles	More than 10 tonnes but less than 20 tonnes	30 000
	More than 20 tonnes	40 000
	10 tonnes or less but with a combination of truck and trailers of more than 15 but less than 20 tonnes	40 000
Ship, Cruiser, Boat, houseboat, Speedboat, canoe	Less than 5 passengers	10 000
	Less than 16 passengers	15 000
	Less than 26 passengers	20 000
	Less than 50 passengers	25 000
	50 or more passengers	30 000