

# 2018 NATIONAL BUDGET

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## HIGHLIGHTS

### THEME

**"Towards A New Economic Order"**

### BUDGET THRUST

- Correcting Fiscal Imbalances and Financial Sector Vulnerabilities.
- Creating a Conducive Investment Environment.
- Stimulating Production and Exports.
- Creation of Jobs.
- Re-engagement with the International Community.
- Public Enterprises and Local Authorities Reforms.
- Dealing with Corruption.

### ECONOMIC PERFORMANCE

- GDP growth is projected at 4.5% in 2018, on the back of agriculture (10.7%), mining (6.1%), electricity (28.5%), distribution, hotels and restaurants at (7.3%);
- In 2017, inflation is anticipated to average 3% and is projected to hover around 3.01% in 2018.
- Total revenues for 2018 are projected at US\$5.07 billion comprising of : -
  - US\$4.3 billion relates to tax revenue;
  - US\$237.2 million is accounted for by non-tax revenue;
  - US\$434.0 million retained revenue; and
  - US\$100 million grants.
- Total expenditures for 2018 are projected at US\$5.74 billion with main expenditures comprising of: -
  - Employment Costs US\$3.27 billion; and
  - Capital expenditure US\$1. 16 billion, translating, to 5.51% GDP.

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- The 2018 Budget Framework will result in a reduced budget deficit of US\$675.8 million by year end.
- Debt stock projected at US\$14.4 billion as at 31 December 2017, which is 74.4% of GDP.

## Macroeconomic Framework: 2017-2020

	2017 Est.	2018 Proj.	2019 Proj.	2020 Proj.
<b>National Accounts</b>				
<b>Nominal GDP (US\$ Millions)</b>	<b>18 130</b>	<b>19 426</b>	<b>21 108</b>	<b>23 068</b>
Real GDP at market prices (US\$ Millions)	14 551	15 205	16 051	17 009
Real GDP Growth (%)	3.7	4.5	5.6	6.0
Household Consumption (% change)	-7.7	5.9	8.1	6.6
Gross Fixed Capital Formation (% change)	18.9	6.6	7.0	5.7
Inflation Annual Average (%)	<b>1.1</b>	<b>3.0</b>	<b>5.8</b>	<b>6</b>
<b>Government Accounts</b>				
<b>Total Revenue and Grants (US\$ Millions)</b>	<b>4 338</b>	<b>5 071</b>	<b>5 484</b>	<b>5 970</b>
% of GDP	24	26	26	26
Tax Revenue (US\$ Millions)	3 669	4 300	4 676	5 080
% of GDP	20	22	22	22
Non Tax Revenue (US\$ Millions)	237	237	254	300
% of GDP	1	1	1	1
<b>Total Expenditure and net lending (US\$ Millions)</b>	<b>6 045</b>	<b>5 743</b>	<b>5 893</b>	<b>6 034</b>
% of GDP	33	30	28	26
Recurrent Expenditure (US\$ Millions)	4 515	4 581	4 578	4 677
% of GDP	25	24	22	20
Employment Costs (US\$ Millions)	3 395	3 268	3 268	3 268
% of GDP	19	17	15	14
Capital and Net lending (US\$ Millions)	1 530	1 162	1 315	1 357
% of GDP	8	6	6	6
<b>Budget Balance (US\$ Million)</b>	<b>-1 707</b>	<b>-672</b>	<b>-409</b>	<b>-64</b>
% of GDP	-10	-4	-2	0
<b>Balance of Payments Accounts</b>				
Exports of Goods and Services (US\$ Millions)	4 333	4 618	4 836	5 071
Imports of Goods and Services (US\$ Millions)	6 674	7 000	7 470	7 684
Trade Balance (US\$ Millions)	-651	-493	-729	-770
<b>Deposit Corporations Survey (Stock)</b>				
Broad Money (US\$ Million)	8 359	10 501	13 193	15 909
Domestic Credit (US\$ Million)	10 920	13 255	16 190	19 150
Credit to Private Sector (US\$ Million)	4 050	4 464	5 799	7 229
Credit to Government (US\$ Million)	6 281	8 202	9 768	11 261

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## 2018 Estimates of Expenditure

Vote Appropriations	Employment Costs	Operations and Maintenance	Capital Expenditure	Total
	US\$	US\$	US\$	US\$
Office of the President and Cabinet	114 189 000	83 750 000	34 035 000	231 974 000
Parliament of Zimbabwe	10 127 000	25 000 000	22 100 000	57 227 000
Labour and Social Services	165 147 000	47 000 000	1 260 000	213 407 000
Defence, Security and War Veterans	322 084 000	79 000 000	19 280 000	420 364 000
Finance and Economic Development	81 428 000	146 390 000	105 074 000	332 892 000
Audit Office	2 618 000	2 000 000	440 000	5 058 000
Industry, Commerce and Enterprise Development	5 661 000	8 798 000	15 751 000	30 210 000
Lands, Agriculture and Rural Resettlement	79 602 000	23 700 000	394 079 000	497 381 000
Mines & Mining Development	4 162 000	2 000 000	360 000	6 522 000
Environment, Water and Climate	2 187 000	1 838 000	81 570 000	85 595 000
Transport and Infrastructural Development	8 701 000	3 100 000	75 700 000	87 501 000
Foreign Affairs and International Cooperation	19 464 000	23 373 000	6 830 000	49 667 000
Local Government, Public Works and National Housing	19 364 000	28 300 000	73 687 000	121 351 000
Health and Child Care	297 410 000	75 795 000	35 705 000	408 910 000
Primary and Secondary Education	848 753 000	40 000 000	16 840 000	905 593 000
Higher & Tertiary Education, Science and Technology	256 339 000	17 500 000	43 115 000	316 954 000
Women and Youth Affairs	24 805 000	9 510 000	5 454 000	39 769 000
Home Affairs and Culture	376 313 000	43 859 000	15 299 000	435 471 000
Justice, Legal & Parliamentary Affairs	78 654 000	40 000 000	5 720 000	124 374 000
Information, Media and Broadcasting Services	2 151 000	1 525 000	23 225 000	26 901 000
Sport, Arts and Recreation	3 811 000	2 837 000	5 041 000	11 689 000
Energy & Power Development	2 243 000	1 000 000	10 080 000	13 323 000
Tourism and Hospitality Industry	876 000	3 362 000	900 000	5 138 000
Information Communication Technology and Cyber	1 168 000	5 525 000	3 835 000	10 528 000
Judicial Services Commission	11 349 000	2 630 000	5 000 000	18 979 000
Public Service Commission	12 686 000	5 500 000	1 480 000	19 666 000
Council of Chiefs	30 000	1 300 000	2 070 000	3 400 000
Human Rights Commission	1 610 000	1 506 000	225 000	3 341 000
National Peace and Reconciliation Commission	649 000	500 000	250 000	1 399 000
National Prosecuting Authority	4 015 000	2 314 000	960 000	7 289 000
Zimbabwe Anti-Corruption Commission	1 569 000	1 532 000	250 000	3 351 000
Zimbabwe Electoral Commission	5 766 000	97 940 000	295 000	104 001 000
Zimbabwe Gender Commission	750 000	806 000	280 000	1 836 000
Zimbabwe Land Commission	1 722 000	3 210 000	1 480 000	6 412 000
Zimbabwe Media Commission	593 000	600 000	230 000	1 423 000
<b>Vote Appropriation Total</b>	<b>2 767 996 000</b>	<b>833 000 000</b>	<b>1 007 900 000</b>	<b>4 608 896 000</b>
<b>Debt Service:Interest Bill</b>		<b>229 100 000</b>		<b>229 100 000</b>
<b>Pension</b>	<b>477 600 000</b>			<b>477 600 000</b>
<b>Other Constitutional and Statutory Appropriations</b>	<b>14 404 000</b>			<b>14 404 000</b>
<b>Total Expenditure &amp; Net Lending</b>	<b>3 260 000 000</b>	<b>1 062 100 000</b>	<b>1 007 900 000</b>	<b>5 330 000 000</b>
<b>Repayment of Loans</b>				<b>1 669 600 000</b>
<b>Total Expenditure &amp; Net Lending including Loan Repayment</b>	<b>3 260 000 000</b>	<b>1 062 100 000</b>	<b>1 007 900 000</b>	<b>6 999 600 000</b>

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## TAX PROPOSALS

### Support to Industry

- Extension of rebate of duty facilities to various sectors and duty free importation of additional raw materials in order to enhance competitiveness of the local industry.
- 150% allowable deduction on expenditure related to technical and support services availed to smallholder farmers as well as expenditure incurred by manufacturing companies that sub-contract production of goods to small and medium enterprises.
- Exemption of power generation projects from Corporate Income Tax for the first 5 years, and a Corporate Income Tax rate of 15% thereafter.
- Ring-fencing of US\$5 million from presumptive taxes for the formalisation of traders and vendors and on-lending to Small and Medium Enterprises.

### Revenue Enhancing Measures

- Introduction of staggered export tax rates on un-beneficiated minerals.
- Introduction of 5% levy on gross takings by bookmakers.
- Disallowance of input VAT component from deductions allowable in the determination of taxable income.

### Relief Measures

- Amnesty on interest and penalties on outstanding taxes accrued prior to 1 December 2017 where tax obligations are settled within 6 months.
- Review of the VAT withholding rate from 10% to 5% of the value of taxable supplies.
- VAT exemption on meat of goat and sheep.
- Review of capital allowances on expenditure incurred by holders of Special Mining Leases in the construction of staff housing, hospitals and schools.
- Repeal of interest on unpaid penalties.

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## Revenue Projections: 2017-2018

	2017 Projected Outturn	2018 Proj
<b>Total incl Retained &amp; Grants</b>	<b>4 375 894 046</b>	<b>5 071 000 000</b>
<b>Total Revenue</b>	<b>3 942 894 046</b>	<b>4 537 000 000</b>
<b>Tax Revenue</b>	<b>3 705 903 226</b>	<b>4 300 000 000</b>
PAYE	738 132 534	850 000 000
Corporate Income Tax	427 702 439	490 000 000
Other Direct Taxes	200 792 481	240 020 000
Customs Duty	309 300 795	358 880 000
Excise Duty	702 681 677	815 300 000
VAT	1 166 019 335	1 360 000 000
Other Indirect Taxes	161 273 966	185 800 000
<b>Non Tax Revenue</b>	<b>236 990 819</b>	<b>237 000 000</b>
<b>Retained Revenue</b>	433 000 000	434 000 000
<b>Grants</b>	-	100 000 000

## NON-WAGE BUDGET EXPENDITURES

### Health Services

- Support to Hospitals and Health Centres – US\$86.9 million;
- Provision of Maternal and Child Health Care – US\$10.2 million;
- Health Fund Levy – US\$30 million;
- AIDS levy – US\$35.8 million;
- Rehabilitation and Refurbishment of Hospitals - US\$26.8 million;
- Procurement of Medical equipment – US\$8.2 million; and
- Capitalisation of NATPHARM – US\$ 1 million.

### Education Services

- Support to tertiary Institutions including new state universities-US\$48 million;
- Provision of teaching and learning materials at the Basic Education - level US\$43.5 million;
- Construction of additional classrooms and rehabilitation of existing classrooms - US\$15.9 million;

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- Teacher Capacity Development US\$3.7 million;
- Support to learners with special needs-US\$3.5 million;
- Schools supervision and monitoring-US\$3 million;
- School Feeding Programme US\$2 million.

## Social Services

- Basic Education Assistance Module (BEAM)-US\$20 million;
- Harmonised Cash Transfers and Food Mitigation –US\$13 million;
- Support to Disabled, Elderly and Children-US\$3.6 million;
- Health Assistance- US\$2.5 million; and
- Labour Administration- US\$1.4 million.

## Support for Agriculture

- Strategic Grain Reserve–US\$113 million;
- Inputs for the vulnerable–US\$40 million;
- Command Agriculture–US\$86 million;
- Animal diseases and risk management–US\$9.4 million;
- Irrigation Development US\$37.9 million; and
- Extension Services US\$3.6 million.

## Energy

- Rural Electrification–US\$19.8 million.
- Rehabilitation of Hwange Power Station–US\$9.7 million.

## Water and Sanitation

- Dam construction–US\$78 million;
- Water supply for small towns–US\$0.5 million;
- Urban Wash–US\$16 million; and
- Rural Wash–US\$8million.

## Transport

- Rail–US\$10 million;

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- Road rehabilitation and construction–US\$202.5 million;
- Bridge construction–US\$2 million;
- Construction of toll gates–US\$7.5 million; and
- Aviation–US\$7 million.

## ICT

- E-Government–\$18 million.

## Housing

- Institutional housing–US\$101.9 million.