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**ZIMBABWE**

## **THE 2021 NATIONAL BUDGET SPEECH**

***“Building Resilience and Sustainable Economic Recovery”***

***Presented to the Parliament of Zimbabwe***

**on November 26, 2020**

**By**

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## **MOTION**

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2021 Financial Year and to make Provisions for matters ancillary and incidental to this purpose.

## **INTRODUCTION**

2. Mr Speaker Sir, let me start by thanking the President – His Excellency, Dr. E.D. Mnangagwa, and the Honourable Vice Presidents, Dr. C.G.D.N. Chiwenga and Cde K.C.D. Mohadi, for their continued support and guidance as we implement bold strategies towards achieving Vision 2030.
3. Mr Speaker Sir, I also wish to appreciate the cooperation and contributions from my colleagues, Honourable Ministers in Cabinet and in the same vein allow me to also express my gratitude for support from this August House through inputs related to your oversight functions.
4. In particular, I appreciate the contributions from both the Budget, Finance and Investment, as well as Public Accounts Committees, and other Portfolio Committees of this August House.

5. Inputs from the recent Parliamentary Budget Retreat, together with various other contributions by the citizenry – individuals, civic society, professional and business organisations, have been valuable in shaping the 2021 Budget.
  
6. As is now the tradition, this Budget is being supported by the following separate documents, which are at your disposal:
  - *The 2021 National Budget Statement* with details on the state of the economy, Budget assumptions, Budget priorities and summarised allocations;
  - *2021 Infrastructure Investment Plan*;
  - *The 2021 National Budget Highlights*, which is a simplified and summarised version of the Budget. This is also referred as the Peoples’ Budget.
  - *The Estimates of Expenditure* (Blue Book), with detailed expenditure allocations;
  - *Finance Bill*; and
  - *Appropriation Bill*.
  
7. Mr Speaker Sir, allow me now to turn to details of the 2021 National Budget, which are contextualised through recent global and domestic economic developments, economic outlook, followed by Budget proposals.

## Background

8. Mr Speaker Sir, 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.
9. 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.
10. 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.
11. Mr Speaker Sir, 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.

12. 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**

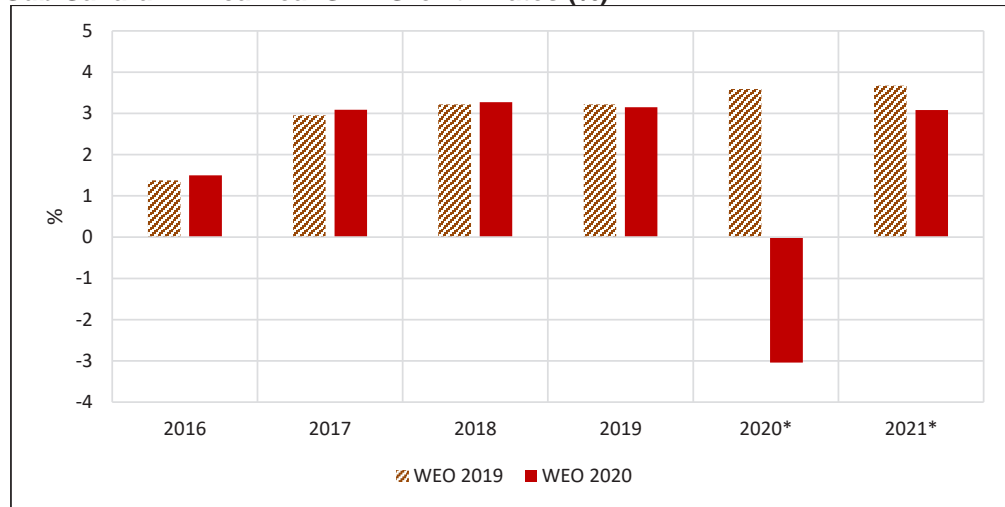
13. Mr Speaker Sir, in 2021, the global economy is projected to grow by 5.2% from projected GDP decline of -4.4% in 2020. The projection for this year has slightly improved compared to the June forecast of -4.9%, mainly on account of a less severe than expected contraction during the second quarter of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

### *Sub-Saharan Africa*

14. Across Sub-Saharan Africa, growth in 2021 is projected at 3.1%, following a projected downturn of -3.0% in 2020.



**Sub-Saharan Africa Real GDP Growth Rates (%)**



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

\* Projection

## OVERVIEW OF THE DOMESTIC ECONOMY

### Economic Developments

15. Mr Speaker Sir, 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.
16. 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. To this end, Government launched the Stimulus Package of \$18.2 billion to support the rest of the economy.

## GDP Growth and Outlook

17. In terms of the domestic 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

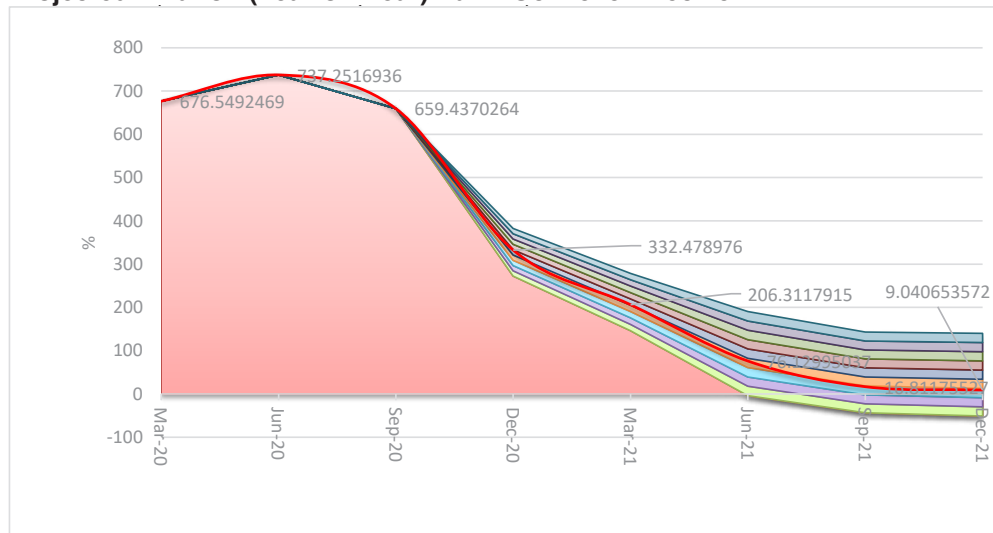
18. Going forward, Government's response is now transitioning to ensure the economy recovers strongly, taking advantage of the milestones from the TSP, and targeting additional support measures to cushion vulnerable households.
19. Therefore, economic growth is expected to rebound in 2021 from the consecutive 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.

## **Inflation**

20. To quote Milton Friedman, the Economist Nobel Laureate, "*Inflation is taxation without legislation*". Therefore, Government will make every effort to reduce this '*inflation tax*'.
21. 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%.
22. 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% in October 2020.
23. 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

### Exchange Rate

24. The introduction of the foreign exchange Dutch 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.
25. 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.
26. 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.

27. 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**

28. In 2020, the overall current account balance is projected to be in surplus at about US\$1,229.3 million, to give overall current account surpluses in 2019 and 2020. This positive development is driven by growth of exports mainly in mining.
29. In 2021, the current account is projected to remain positive, despite vulnerabilities in the global economy.

### **Financial Sector**

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

#### *Victoria Falls Stock Exchange*

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

## BUDGET PERFORMANCE AND OUTLOOK

32. Mr Speaker Sir, performance of the 2020 Budget continues to inspire hope and confidence in the management of the fiscus, stabilisation and building of appropriate conditions for stimulating economic activity.

### Revenues

33. Cumulative revenue collections for the first nine months of 2020 stood at ZWL\$88.7 billion.

#### 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

34. Cumulative revenue collections for 2020 are projected at ZWL\$173.5 billion (16.3% of GDP).

## Expenditures

35. Expenditures for the period January to September 2020 were ZWL\$84.9 billion, and are estimated to reach ZWL\$162.4 billion by year-end. As a result, a budget deficit of ZWL\$4.9 billion (-0.5% of GDP) is anticipated.

## Public Debt

36. Total Public and Publicly Guaranteed (PPG) debt is estimated at 78.7% of GDP by end of 2020.

**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*

## MACRO-FISCAL FRAMEWORK: 2021-23

37. Mr Speaker Sir, based on anticipated improvement in economic activity in 2021, Treasury projects to collect revenues amounting to ZWL\$390.8 billion, which constitutes about 16.4% of GDP.

## 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

## Macro- Fiscal Framework: 2021-23

	2018	2019	2020	2021	2022	2023
<b>National Accounts (Real Sector)</b>						
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



	2018	2019	2020	2021	2022	2023
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
<b>Government Accounts</b>						
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 Lend- ing (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 includ- ing 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
<b>Balance of Payments Accounts</b>						
Exports (ZWL\$ M)	10,356.33	58,568.34	283,518.67	420,475.23	433,344.45	471,493.0
% 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	532,381.9
% 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

	2018	2019	2020	2021	2022	2023
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

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

Budget 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*

39. A budget deficit of ZWL\$30.8 billion (-1.3% of GDP) is targeted in 2021. 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.
40. The target is also within the SADC macroeconomic convergence threshold of below 3% of GDP and builds on achievements made in 2019 and 2020.
41. In terms of financing, the entire deficit will be met through the domestic market financing.

## THE 2021 BUDGET

42. Mr Speaker Sir, 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**

43. Government efforts are being complemented by development partners, notwithstanding their support being channelled outside the budget.

### ***Allocations***

44. Of the ZWL\$421.6 billion Budget, capital expenditures constitute ZWL\$131.6 billion (5.5% of GDP), while recurrent expenditures are expected to consume ZWL\$290 billion (12.1% of GDP).
45. 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.

## **THE 2021 BUDGET PRIORITY AREAS**

46. 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**

47. Mr Speaker Sir, 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.

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

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

#### **Fiscal Policy**

50. 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.

51. 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;

- Continue strengthening taxation systems with a view of enhancing collection efficiency, sealing leakages, support productive sectors and manage consumption;
- Strengthening the Public Finance Management System;
- Rationalisation of Retention Funds; and
- Better Management of Public Debt and Issuance of Guarantees.

### **Monetary Policy**

52. 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.

## **II. DEVELOPING AND SUPPORTING PRODUCTIVE VALUE CHAINS**

53. Mr Speaker Sir, 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.

54. 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.
55. 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**

56. Starting with the 2021 National Budget, the target is to increase agriculture output to US\$8.2 billion by 2025.
57. This Budget seeks to enhance productivity in agriculture, during the forthcoming and subsequent agriculture seasons. Focus will be on the following imperatives:
  - 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.
58. Accordingly, the 2021 National Budget allocates a total of ZWL\$46.3 billion to the Ministry of Lands, Agriculture, Water

and Rural Resettlement. This is in addition to the ZWL\$6.1 billion provided under the ZWL\$18,2 billion Stimulus Package towards stimulating agricultural production.

### *Support to Vulnerable Households*

59. 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.

### ***Mitigating Against Climatic Change***

60. In 2021, overall support for irrigation rehabilitation and development amounts to ZWL\$3.9 billion.

### *Weather Early Warning Systems*

61. The 2021 National Budget sets aside ZWL\$766 million to capacitate the Meteorological Departments to enable it to provide timely and accurate weather forecasts.



### *Mechanisation*

62. To improve mechanisation of the agricultural activities, Government targets to invest significant resources in acquiring both new machinery and rehabilitation of the old equipment.

### *Commodity Exchange*

63. Government is resuscitating the Zimbabwe Agricultural Commodities Exchange, which will improve the price discovery process for agriculture commodities.

### *Horticulture*

64. Government has launched the Horticulture Development Strategy to promote this subsector.

### ***Livestock***

65. Through the Livestock Recovery Strategy, Government will continue to assist farmers to restock the national herd through disease control and surveillance including game fencing and rehabilitation of dip tanks.
66. Therefore, the 2021 National Budget allocates resources towards enhancing livestock production and productivity.

## **Industrialisation**

### *Value Chains*

67. 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.
68. 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.
69. In mining, five key minerals have been targeted for beneficiation, and these are gold, PGMs, diamonds, coal, and chrome.

### ***Ziscosteel Revival***

70. The Industrialisation Strategy also seeks to revive Ziscosteel, which 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.
71. Accordingly, ZWL\$2.3 billion has been allocated to the Ministry of Industry and Commerce to spearhead the industrialisation thrust.

### ***Empowerment Initiatives***

72. 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.

### ***SMEs, Youths and Women***

73. 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.
74. The 2021 Budget is allocating ZWL\$2.2 billion to the Ministry of Women Affairs, Community, Small and Medium Enterprises Development.
75. Furthermore, the 2021 Budget will extend the Youth Employment Tax Incentive (YETI).

## ***Sport, Arts and Recreation***

76. Government recognises the importance of building necessary environment, infrastructure and relationships for developing youths, sport, arts, recreation and diversity of culture.
77. For this purpose, the 2021 Budget is allocating ZWL\$3.4 billion to the Ministry of Youth, Sport, Recreation, Arts and Culture.

## **III. OPTIMISING THE VALUE OF OUR NATURAL RESOURCES**

### **Mining**

78. Mr Speaker Sir, in 2021, the mining industry is projected to rebound by 11%. To achieve this desired growth target, the Budget is allocating ZWL\$1.4 billion towards the operations of the Ministry of Mines and Mining Development for planning, promotion of exploration, data capturing and automation, among other key mining processes Government will undertake the following:

### **Tourism**

#### *Gearing for Post-COVID-19 Recovery*

79. 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.

80. The objective is to achieve a US\$5 billion tourism economy by 2025, anchored on the country's abundant natural resources, rich cultural heritage and diverse scenery.
81. As we look into 2021, the Budget has allocated ZWL\$1.8 billion in support of the Ministry of Environment, Tourism and Hospitality Industry.

#### **IV. INFRASTRUCTURE, ICT AND THE DIGITAL ECONOMY**

82. Mr Speaker Sir, 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.
83. Overall support under the 2021 Infrastructure Investment Programme amounts to ZWL\$139.8 billion.
84. Details of specific projects funded through the 2021 Budget are provided in the 2021 Infrastructure Investment Programme.

##### **Transport**

85. Consistent with the NDS1, transport sector investments will be prioritised in 2021, with overall support towards the Ministry

of Transport and Infrastructural Development amounting to ZWL\$30.1 billion.

86. 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.
87. During 2021, the Road Fund will disburse ZWL\$4.8 billion to all road authorities.

### ***Aviation***

88. 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.

### **Water Supply and Sanitation**

89. 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.

### ***Dam Projects***

90. 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.
91. An amount of ZWL\$10.7 billion has been set aside to support ongoing works at these dams.
92. Completion of Gwayi Shangani dam, now at 40% is being accorded top priority with the bulk of the allocation of ZWL\$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.

### ***Water and Sanitation***

93. The water supply and sanitation in most urban centres, small towns, growth points and rural areas has become a challenge requiring urgent Government intervention in order to contain the situation.
94. In this regard, the 2021 Budget has set aside an allocation of ZWL\$3.9 billion for such water and sanitation programmes.

## **Energy**

95. The NDS1 has identified the need for increased capacity and supply of energy services.
96. In this regard, through the Budget, an amount of ZWL\$1.6 billion is being allocated to the Ministry of Energy and Power Development, to be complemented by loan disbursements and ZESA's own resources.
97. These supplementary resources will cover ZWL\$900 million local taxes for the Hwange 7&8 Expansion Project with an additional ZWL\$32.2 billion to be disbursed through the loan. A further ZWL\$176 million has been set aside to cover legacy debt commitments due to the Zambezi River Authority.
98. 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.

## **ICTs**

99. Building the digital economy is critical in modernising services in both the public and private sectors. The 2021 Budget, therefore, proposes an allocation of ZWL\$2 billion to Ministry



of Information Communication Technology, Postal and Courier Services.

100. In the same vein, ZWL\$1.5 billion has been allocated to the Ministry of Information, Publicity and Broadcasting Services to facilitate infrastructure investment and other programmes.

### Devolution

101. The Devolution policy, which recognises the right of communities to contribute to managing 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.
102. 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

	Total Grant (ZWL\$)	Disbursements to 30 September	Balance
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

103. 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 for which details are as per Second Schedule of the 2021 Budget Estimates Book.

*Local Governance and Development*

104. Regarding local government and development, the Budget allocates ZWL\$10.1 billion to the Ministry of Local Government and Public Works.

*Housing Development*

105. 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.

## V. HUMAN CAPITAL DEVELOPMENT, WELL-BEING AND SOCIAL PROTECTION

### Healthcare

106. Mr Speaker Sir, 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.
107. 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.
108. In this regard, ZWL\$54.7 billion has been allocated to the Ministry of Health and Child Care.

### *Development Partner Support to Health*

109. Overall development partner support in the health sector is projected at US\$494.5 million in 2021.

### Higher Education

110. 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, in line with Education 5.0.

111. Therefore, the 2021 Budget has a provision of ZWL\$14.4 billion for the Ministry of Higher & Tertiary Education, Science and Technology Development.

### **Basic Education**

112. The staggered re-opening of schools for in-person learning 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. 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.
113. Government acknowledges the plight of the girl-child during these difficult times and commends initiatives to reduce their burden. As such, the Budget will continue to provide for sanitary wear to female learners from vulnerable households.
114. Overall, an allocation of ZWL\$55.2 billion is being provided for the Ministry of Primary and Secondary Education.

## **Social Protection**

115. 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 safety infrastructure which is resilient and inclusive.
116. Government will, therefore, expedite the process of having a comprehensive and up-to-date database of vulnerable members of the society in order to curb the abuse of social safety nets.
117. The 2021 Budget has an allocation of ZWL\$6.9 billion for the Ministry of Public Service, Labour and Social Services.

## **Peace and Security**

118. 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.
119. 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***

120. 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.
121. 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.

## **VI. EFFECTIVE INSTITUTIONS BUILDING AND GOVERNANCE**

### *Legislative Agenda*

122. Government has made strides in aligning laws to the Constitution, with about 150 having been attended to so far.
123. The target is to complete the process in 2021 and an allocation of ZWL\$7.3 billion has been made to the Ministry of Justice, Legal and Parliamentary Affairs.

### *Oversight Function*

124. 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.
125. Parliament, on its part has been allocated ZWL\$7.2 billion.

### **Social Contract**

126. Mr Speaker Sir, in 2021, Government will fully operationalize and strengthen the Tripartite Negotiating Forum (TNF).

### **Implementation, Monitoring and Reporting**

127. Going forward, Government will operationalise Monitoring and Evaluation Policy through the Results Based Monitoring and Evaluation Framework, which is one of the five pillars of Integrated Results Based Management.

### **Census 2021**

128. Government will be holding National Census in 2021 and as such the 2021 National Budget has allocated ZWL\$3.8 billion to ZIMSTAT to ensure the success of this important programme.

## **Reconciliation by Settling Claims**

### *Compensation of Former Farm Owners*

129. 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.
130. Therefore, the 2021 National Budget has allocated ZWL\$2 billion for payments to vulnerable farmers.

### *Compensation for Losses Incurred During Currency Reform Process*

131. 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*

132. 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.



133. 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*

134. 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.

## **VII. ENGAGEMENT AND RE-ENGAGEMENT**

### **Re-affirming and Rebuilding Relations**

135. Mr Speaker Sir, 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.

136. From the economic point of view, the thrust is on promoting the country as a reliable trading partner and safe investment and tourist destination.
137. Consequently, the 2021 Budget is allocating ZWL\$8.6 billion in furtherance of various programmes and operations of Ministry of Foreign Affairs and International Trade.

### External Arrears Clearance

138. Going into 2021, the arrears strategy will be accelerated with a view of clearing AfDB, World Bank and European Investment Bank (EIB), arrears.

### Summary of Vote Allocations

139. 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

Vote Appropriations	2020 REVISED BUDGET	2021 Proposed Estimates	2022 Indicative Estimates	2023 Indicative Estimates
Lands, Agriculture, Water 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
<b>TOTAL</b>	<b>59,066,522,000</b>	<b>360,505,200,000</b>	<b>464,175,905,000</b>	<b>554,203,000,000</b>
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

Vote Appropriations	2020 REVISED BUDGET	2021 Proposed Estimates	2022 Indicative Estimates	2023 Indicative Estimates
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
<b>Total Expenditure &amp; Net Lending</b>	<b>65,655,022,000</b>	<b>421,617,300,000</b>	<b>560,080,000,000</b>	<b>693,967,000,000</b>
Repayment of Loans	4,893,122,000	7,724,000,000	4,678,000,000	3,836,000,000
<b>Total Expenditure &amp; Net Lending Including Loan Repayments</b>	<b>70,548,144,000</b>	<b>429,341,300,000</b>	<b>564,758,000,000</b>	<b>697,803,000,000</b>
		429,341,300,000	564,758,000,000	697,803,000,000
		0	0	0

Source: MoFED

140. Independent Commissions will get allocations to ensure they undertake their Constitutional mandates.
141. Similarly, the National Council of Chiefs has a provision of ZWL\$317 million, to ensure effective operations and other requirements, including transport.

## REVENUE MEASURES

142. 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*

143. In order to complement the priorities of the *National Development Strategy* which include recapitalisation of fertilizer manufacturing companies and investment in new technology, I propose to introduce the *Fertilizer Manufacturers' Rebate*, whereby raw materials used in the production process will be imported tax and duty free by approved manufacturers.
144. I further propose to extend *Duty Concessions* for the following industries:
- *Dairy Industry*:- Extend duty suspension on milk powder for the year 2021 and the suspension of duty on ring-fenced quantities of raw cheese, for a further period of 12 months, beginning 1 January 2021;
  - *Leather Industry*:- Include additional raw materials under the *Shoe Manufacturers Rebate*, in line with investments in modern technology for the production of new product lines;
  - *Tourism Industry*:- Extend the suspension of duty on motor vehicles imported by *Safari Operators* and buses for *Tour Operators* by a further twelve months, with effect from 1 January 2021;

- *Transport Industry:-* Extend the *Suspension of Duty on Cross-Border Luxury Coaches* on the outstanding quota of 20 luxury buses for a period of 12 months.

### ***Motor Industry***

#### *Procurement of Public Service Buses*

145. Mr Speaker Sir, in line with NDS1, Government will prioritise procurement of locally manufactured buses, hence, I propose to terminate the *Suspension of Duty on Public Service Buses* with effect from 31 December 2021.

### **Revenue Enhancing Measures**

#### ***Excise Duty***

##### *Tobacco and Alcoholic Beverages*

146. Mr Speaker Sir, the values of specific excise duty rates per unit of excisable products have been eroded by inflation, hence are negligible compared to the selling price.
147. I, therefore, propose an upward review of the specific excise taxes.

#### ***Presumptive Taxes***

148. I propose an upward review of the presumptive tax structure with effect from 1 January 2021.

### *Self-Employed Professionals*

149. Furthermore, in order to enhance the contribution of self-employed professionals, I propose to introduce the following *Presumptive Tax Structure* for selected *Self-Employed Professionals* that include medical, engineers, legal, realtors and architects, among others, with effect from 1 January 2021.
150. Presumptive tax will, however, not apply to professionals who produce a valid *Tax Clearance Certificate* for the year of assessment.

### *Taxation of Micro and Small Enterprises and Informal Operators*

151. Mr Speaker Sir, 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 Nkrumah Mall*, among others. Their place of business is, thus, comprised of partitioned units in commercial buildings.
152. The fixed nature of business, thus, presents an opportunity for the tax administration to improve tax collections from presumptive taxes.
153. I, therefore, propose to introduce a presumptive tax at the local currency equivalent of US\$30 per unit per month collected by landlords.

### *Zimbabwe National Road Administration Fees*

154. In order to capacitate ZINARA to execute its mandate, I propose that toll fees be payable in foreign or local currencies at the *Foreign Currency Auction Rate*.
155. Furthermore, toll fees for foreign registered vehicles will be payable in United States Dollars or equivalent in other foreign currencies, in line with the prescribed rates.

### *Licensing of Imported Motor Vehicles at Ports of Entry*

156. In order to reduce malpractices in the registration of motor vehicles, thereby enhancing national security and safeguarding revenue to the *Fiscus*, I propose to designate the Zimbabwe Revenue Authority as an agent for the *Central Vehicle Registry* for the registration of imported motor vehicles at the *Port of Entry* or taken out of bond, after payment of duty.

### *Petroleum Importers' Levy*

157. In order to encourage importation of fuel by pipeline, I propose to review the *Petroleum Importers' Levy* to US\$0.05 a litre on both diesel and petrol.
158. Imports of Jet A1 transported through the road will remain exempt from the levy.



### *Cannabis Levy*

159. Mr Speaker Sir, *cannabis* (mbanje/imbanje) production has immense potential to generate export receipts and tax revenues.
160. I, therefore, propose to introduce a *Cannabis Levy*, chargeable on the value of exports, at varied rates ranging from 10 to 20% in line with the level of processing.

### **Tax Relief Measures**

#### ***Personal Income Tax***

##### *Tax-Free Threshold*

161. Mr Speaker Sir, the recent salary and wage adjustments for public and some private sector employees necessitates a commensurate review in the personal income tax framework.
162. I, therefore, propose to review the tax free threshold from ZWL\$5 000 per month to ZWL\$10 000 per month.
163. 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.

164. 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.

### ***Corporate Income Tax***

#### *Payment of Tax in Foreign Currency*

165. I 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.

#### *Tax Incentives for Real Estate Investment Trusts (REITs)*

166. Government in 2019, promulgated legislation to facilitate introduction of Real Estate Investment Trust (REITs) that invest in different types of real estate such as apartment complexes, retail centers, office buildings and warehouses.
167. 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 specified conditions.

### *Youth Employment Tax Credit*

168. As part of measures to support job creation, Government availed the *Youth Employment Tax Credit* through the 2020 National Budget.
169. I 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.

### **Tax Administration**

#### *Value Added Tax Recording of Electronic Transactions*

170. 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.
171. This is also exacerbated by slow implementation of the *Fiscalisation Programme*.
172. 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; 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.

### *Transit Traffic*

173. In order to reduce congestion, safeguard lives of the motoring public, as well as revenue to the fiscus, I propose to introduce a *Traffic Zone Restriction* on heavy vehicles, including transit traffic, whether loaded or unloaded.
174. Such vehicles will, thus, be prohibited from the *City Centre* and residential areas.
175. This measure will be implemented in collaboration with *City Councils*.

## Legislative Amendments

### *Alignment of Excise Duty on Fuel*

176. In order to eradicate the potential misclassification of fuel, I propose to align the excise duty rates of diesel and petrol to US\$0.30 per litre.
177. 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*

178. 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 of excise duty revenue should, thus, reflect current trends.
179. In order to ensure proper accounting of excise duty revenue in foreign currency, 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.

### *Import Restriction on Second Hand Motor Vehicles*

180. Mr Speaker Sir, about US\$1.3 billion was spent on imported buses, light commercial and passenger motor vehicles from 2015 to September 2020.
181. This is despite the existence of capacity by the local motor industry to assemble the above-mentioned range of motor vehicles.
182. In line with the National Development Strategy 1 (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 (OGIL).
183. In the interim, commercial vehicles such as tractors, haulage trucks, earth-moving equipment and other specialised vehicles used in mining and construction will, however, be exempt from this requirement.

### **CONCLUSION**

184. Mr Speaker Sir, 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.

185. 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.
186. And that's what is required of us now, each playing our part to meet the common goal of growing our economy. Precisely, this is what this Budget and the NDS1 are seeking to address.
187. 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.
188. I commend the 2021 National Budget to this August House.

I thank you

Hon. Prof. Mthuli Ncube

**Minister of Finance and Economic Development**

26 November 2020

