ZIMBABWE

2022 BUDGET STRATEGY PAPER

'Reinforcing Sustainable Economic Recovery and Resilience'

by

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CONTENTS

INTRODUCTION

1. The 2022 Budget Strategy Paper (BSP) is part of the annual budget preparatory process, issued to enhance understanding among stakeholders of the broader macro-fiscal issues that will guide prioritisation of budget allocations.

2. This document forms the basis for discussions with stakeholders on proposed national policies, strategies and budgetary allocations for the forthcoming financial year and identifies issues to be addressed in the 2022 National Budget and beyond, drawing from the National Development Strategy 1: 2021-2025 (NDS1) and the Sustainable Development Goals (SDGs).

3. The aim is to support and reinforce ongoing policy measures towards recovery of domestic economic activity and incomes; facilitate economic growth and further expand the country's productive capacity; accelerate economic transformation; and build the resilience of the economy against adverse external shocks, hence, the theme *'Reinforcing Sustainable Economic Recovery and Resilience'.*

4. The bold and transformative reforms undertaken by Government since October 2018 have started bearing fruit, notwithstanding the extremely challenging economic environment brought about by the COVID-19 pandemic and climate shocks.

5. Significant progress has been achieved on both the fiscal and monetary fronts with both inflation and exchange rate volatility being largely contained, inflation dramatically slowing down and investor confidence in the economy improving significantly.

6. The 2022 Budget, therefore, is expected to give further impetus to the reform agenda by entrenching macro-economic stability, critical for socio-economic development, whilst protecting the most vulnerable groups of society.

7. Structural reforms will need to be strengthened and accelerated in order to create the right conditions for inclusive, equitable and sustainable economic growth and development in the medium term.

8. The Thematic Working Groups (TWGs), established during the NDS1 formulation process, comprising both Government and non-government representatives, will continue to play a critical role in facilitating the planning and implementation processes of the Strategy to ensure that sectoral issues are harmonised and deliver the envisaged national outcomes in a cost-effective manner.

9. Furthermore, the Cabinet approved NDS1 Monitoring and Evaluation Framework and operationalisation of the Whole of Government Performance Management System (WoGPMS) will facilitate Ministries/Departments/Agencies (MDAs) to track progress in the implementation of the Strategy's targets.

ECONOMIC OUTLOOK

10. Notwithstanding the uncertainty of the COVID-19 pandemic path, recent developments on both the economic and health front points to a better future, in the absence of further global or domestic negative shocks.

Global Economy

11. Prospects for the global economy have significantly improved in recent months due to the progress achieved in the vaccination programme, fiscal and monetary stimulus support in major economies. Global economic growth is projected at 6% in 2021, moderating to 4.4% in 2022.

Table 1: Global Economic Growth Outlook 2019 - 2022

	2019	2020	2021*	2022*
World	**2.8**	**-3.3**	**6.0**	**4.4**
Advanced economy	1.6	-4.7	5.1	3.6
Emerging market and developing economies	3.6	-2.2	6.7	5.0
China	5.8	2.3	8.4	5.6
United Arab Emirates	1.7	-5.9	3.1	2.6
Sub Saharan Africa	3.2	-1.9	3.4	4.0
South Africa	0.2	-7.0	3.1	2.0
Mozambique	2.3	-0.5	2.1	4.7

*Source: IMF World economic outlook, April 2021. *Projections*

12. The improved outlook reflects increases in fiscal support in some large economies, progress in vaccination around the globe and adaptation of economic activity to subdued mobility. High uncertainty still surrounds this outlook, as new variants and the path of the pandemic continues to evolve.

Sub-Saharan Africa

13. Sub-Saharan Africa, however, is expected to be the world's slowest growing region during 2021, as limited access to vaccines is hampering efforts to achieve herd immunity. Other Covid-19 waves may dampen economic activity in 2021 and 2022 as few countries will have achieved the necessary vaccination rate for herd immunity before 2023.

14. Similarly, limited fiscal space has seen most countries in the region failing to mount the much needed fiscal and monetary policy measures that have helped drive recovery in advanced economies. As a result, Sub-Saharan Africa GDP growth is projected at 3.4% for 2021 and 4% for 2022, thanks to improved exports and higher commodity prices.

15. South Africa, the largest economy in the region, was expected to grow by 3.1% in 2021. However, a third COVID-19 wave with a more infectious variant of the virus, notably the Delta and Beta variants led to the re-introduction of tight restrictions that may disrupt economic growth.

International Commodity Prices

16. International commodity prices are expected to remain high in 2021 with energy prices forecast to increase by 36% in 2021, and 6% in 2022, attributed to stronger demand.

Table 2: International Commodity Prices Forecasts Index

	2019	2020	2021	2022	2023	2024
Energy	76	51.9	70.7	75.0	76.0	77.1
Non-energy commodities	81.7	84.1	100.1	96.6	95.6	97.1
Agriculture	83.3	87.1	98.9	99.9	100.8	101.8
Beverages	76.1	80.4	81.5	82.8	84.1	85.4
Food	87.0	92.5	108.3	109.2	110.2	111.2
Raw materials	78	77.5	85.1	85.9	86.6	87.3
Tobacco ($/mt)	4579	4332	4350	4367	4385	4402
Metals and minerals	78.4	79.1	103.2	90.7	86.1	88.7
Base metals	81.6	80.2	105.7	95.9	93.4	97.4
Precious metals	105.4	133.5	133.7	124.6	119.5	117.0
Gold ($/toz)	1392	1770	1700	1600	1550	1525
Platinum ($/toz)	864	883	1100	1110	1120	1131

Source: World Bank Commodity Market outlook, April 2021

17. Base metal price index is expected to increase by 32% in 2021 and decrease by 4.5% in 2022. Precious metals are also projected to increase by 6% in 2021 and 0.4% in 2022, as monetary policies would continue to be accommodative, although gold prices would decrease with the rebound in production and a drop in investment demand.

18. Agriculture prices are expected to increase by around 14% in 2021, driven by shortfalls in some food commodities including maize and soybeans, and are forecast to stabilize thereafter.

Domestic Economic Outlook

19. The prevailing macroeconomic stability has been achieved on the back of fiscal consolidation measures, complemented by a supportive monetary policy stance. Both month-on-month and annual inflation have been slowing down faster than projected. Month on month and year on year inflation as at June 2021 stood at 3.9% and 106.6%, respectively.

20. Given the importance of stability in driving growth, the medium-term fiscal policy stance will be to ensure that price stability is sustained and public service delivery is improved in the wake of the negative impacts of the pandemic, particularly in areas such as health, education, social protection as well as infrastructure development.

21. This will be complemented by a non-inflationary but supportive monetary policy stance which will ensure that price and exchange rate stability is maintained at levels that facilitate the desired growth targets.

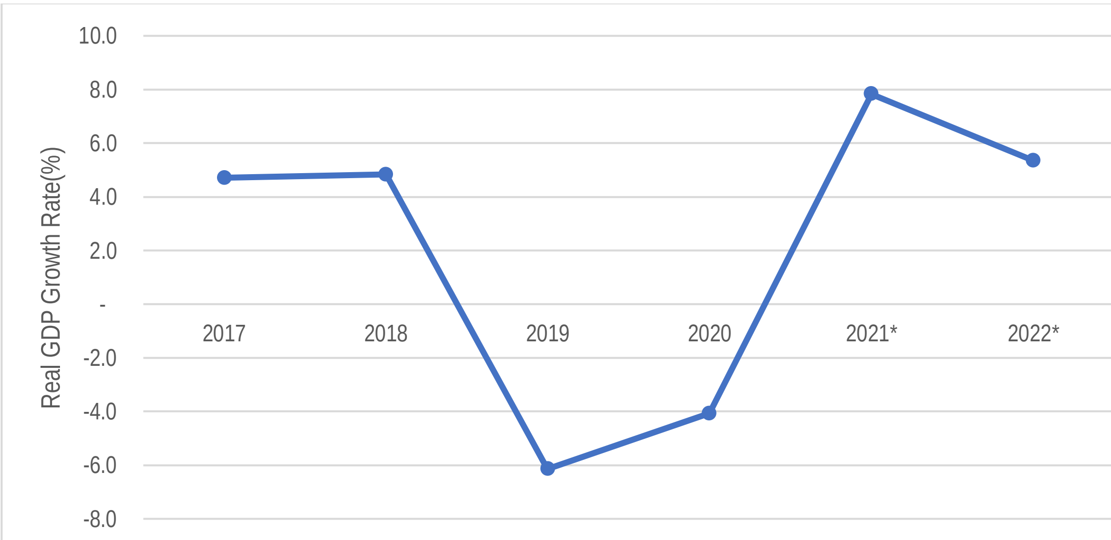
22. The evolving COVID-19 pandemic situation continues to present health and economic challenges for countries worldwide. However, Government is determined to maintain the country's unique position as a leader in the vaccination of its citizens until herd immunity is achieved.

23. This calls for complementary and effective policy responses to any new outbreaks, including citizens' observance of WHO Guidelines and Protocols, in order to mitigate the negative impact of the pandemic on lives and livelihoods as well as the overall economy.

Economic Growth

24. The domestic economy has reached a positive turning point towards a sustainable growth path, with GDP growth for 2021 now projected at 7.8%. This positive outlook is based on the prevailing stable macro-economic environment, strong performance in agriculture, higher international mineral commodity prices and increased domestication of value chains that has seen the manufacturing sector increase capacity utilization from 36.4% recorded in 2019 to 47% during 2020. During 2021, capacity utilization is projected to further increase to 61%.

Figure 1: Real GDP Growth Rate (%)



** Projections

25. The economy is targeted to grow by 5.4% in 2022, anchored on growth in sectors such as mining, manufacturing, electricity generation, among others. This growth target is consistent with the attainment of Vision 2030 of an upper middle-income status by 2030 and SDG targets.

26. This growth target is underpinned by the following assumptions:

- Continued stable macroeconomic environment through prudent fiscal and monetary policies;

- Normal rainfall season, as well as continued climate proofing of agricultural activities;
- Favourable international commodity prices and successful expansion of value addition chains;
- Stable domestic power supply through rehabilitation and expansion of electricity generation capacity; and
- Control over the COVID-19 pandemic and a successful vaccination programme.

27. Based on the above assumptions, the medium term macro-fiscal framework projections are indicated in Table below.

Table 3: Macroeconomic Framework

	2022	2023	2024
National Accounts (Real Sector)			
Real GDP at market prices (Million ZWL$)	20,573.63	21,638.30	22,767.83
GNI Per Capita Income (US$)	2,234.09	2,535.73	2,720.25
Nominal GDP at market prices (Million ZWL$)	2,990,254.33	3,478,220.83	3,829,065.92
Real GDP Growth (%)	5.4	5.2	5.2
Government Accounts			
Revenues (excluding Retained Revenue)	533,169.10	651,843.9	777,446.9
% of GDP	17.8	18.7	20.3
Expenditures & Net Lending (Million ZWL$)	579,117.36	711,085.6	813,225.2
% of GDP	19.4	20.4	21.2
Recurrent Expenditures	406,970.91	503,786.0	574,970.5
% of GDP	13.6	14.5	15.0
Employment Costs including Pension	244,678.63	285,098.39	332,921.08
% of GDP	8.2	8.2	8.7
% Total Expenditure	42.3	40.1	40.9
% of Revenue	45.9	43.7	42.8
Capital Expenditure & Net lending	172,146.45	207,299.6	238,254.8
% of GDP	5.8	6.0	6.2
Overall Balance	-45,948.26	-59,241.7	-35,778.3
% of GDP	-1.54	-1.70	-0.93
Balance of Payments Accounts			
Exports (Million ZWL$)	620,418.09	787810.4	975856.3
% of GDP	20.75	22.65	25.49
Imports (Million ZWL$)	727,928.49	928248.4	1181053.8

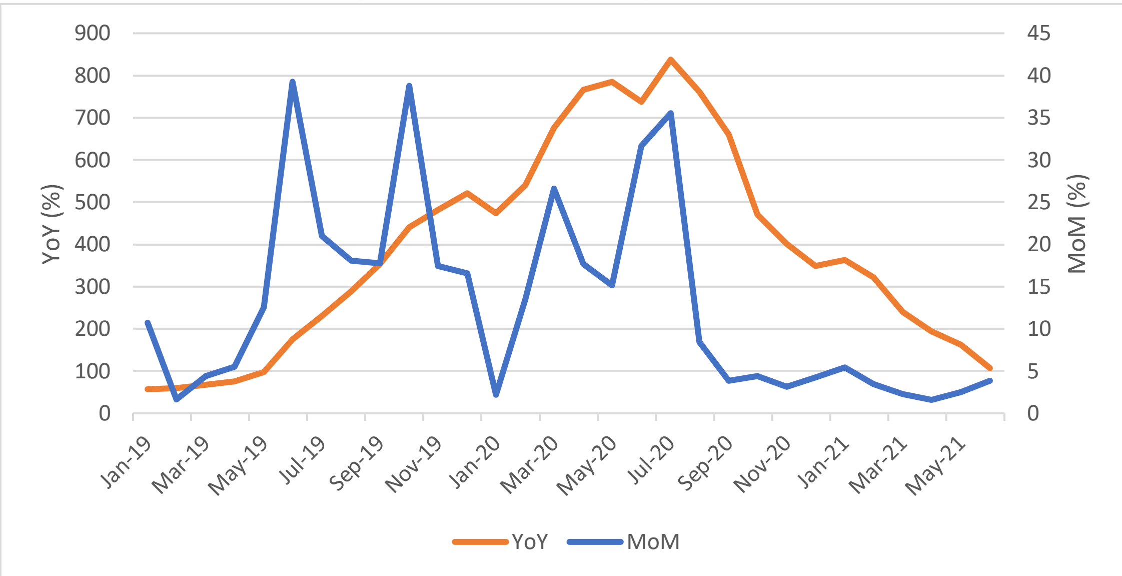
% of GDP	24.3	26.7	30.8
Current Account Balance (million ZWL$)	14218.4	-6012.0	-47969.6
% of GDP	0.5	-0.2	-1.3

Inflation

28. The tight monetary and fiscal policy consolidation measures implemented by Government to date have resulted in sustained decline in both monthly and annual inflation.

29. Month-on-month inflation for June stood at 3.9% declining from 5.4% in January. Similarly, year on year inflation is on a downward trend with a target to be in two-digit levels by end December 2021.

Figure 2: Inflation Developments



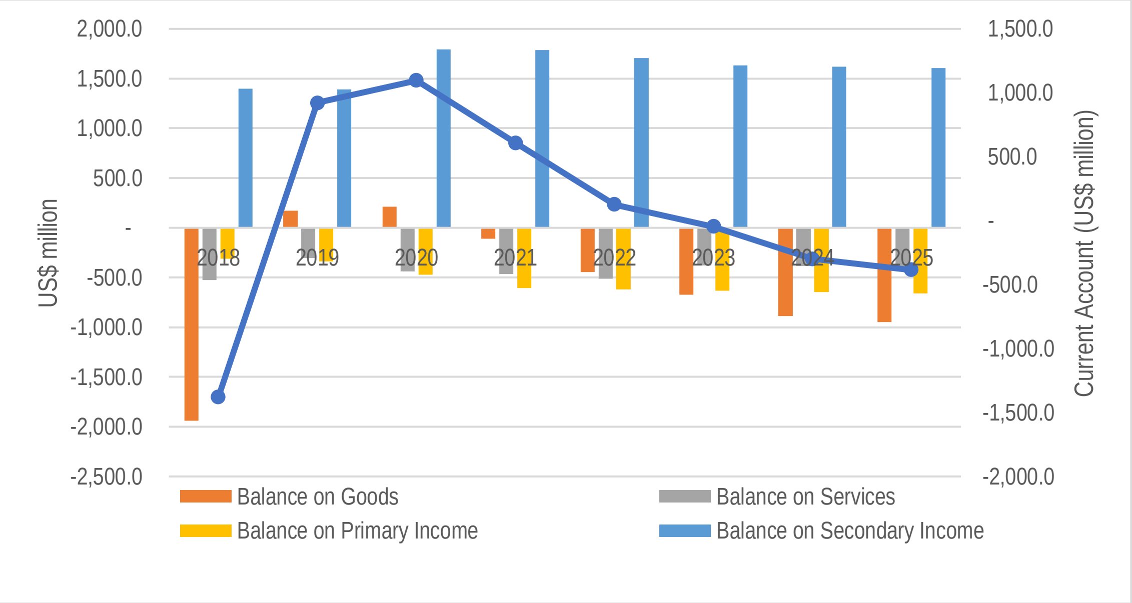
Source: ZIMSTAT

30. Going forward, Government seeks to ensure inflation is maintained within the SADC macroeconomic convergence benchmark of 3-7%. This will be achieved through non-monetisation of fiscal deficits and complementary monetary policy.

Balance of Payments

31. The country has managed to attain current account surpluses since 2019, with preliminary projections for 2021 at US$609.6 million (2.4% of GDP). The surpluses have been spurred by secondary income flows which have remained resilient during the COVID-19 era, although weighed down by increasing imports.

Figure 3: Balance of Payments Developments (US$m)



Source: ZIMSTAT and RBZ Estimates

32. In 2022, the current account is projected to remain in surplus, partly due to remittances from Zimbabweans in the diaspora which are expected to remain resilient, due to recovery in key source markets.

33. Going forward, focus will be on export promotion and export markets diversification to improve on export growth. Given the high concentration of commodity exports (minerals and agriculture products), value addition and beneficiation will also be critical as we move the economy up the value chains and structural transformation.

34. Measures will also be instituted to contain import growth of consumption goods that the local industry has capacity to produce, while allocation of foreign currency at the auction system will continue to prioritise importation of critical raw materials and capital goods.

35. Similarly, the operationalisation of the African Continental Free Trade Area (AfCFTA) beginning January 2021, provides opportunities for the country to diversify its trade and exports within the continent. Trade facilitation will be a key factor as the country implements the National Trade Policy and other reforms aimed at streamlining and simplifying exporting and importing procedures, eliminating customs delays and improving customs administration.

Public Finances

36. Consistent with targeted GDP growth of 5.4% in 2022, preliminary projections indicate that Government revenues will progressively improve from 16.4% of GDP in 2021 to 17.8%, 18.7%, 20.3% in 2022, 2023 and 2024, respectively, benefitting from various revenue enhancing measures.

Table 4: Fiscal Framework Targets

	2022	2023	2024
Revenues (% of GDP)	17.8	18.7	20.3
Expenditures (% of GDP)	19.4	20.4	21.2
Recurrent Expenditures (% of GDP)	13.6	14.5	15.0
Employment Costs (% of GDP)	8.2	8.2	8.7
Employment Costs (% Total Expenditure)	42.3	40.1	40.9
Employment Costs (% of Revenue)	45.9	43.7	42.8
Capital Expenditure (% of GDP)	5.8	6.0	6.2
Budget Deficit (% of GDP)	-1.5	-1.7	-0.9
Public Debt (% of GDP)	59.8	67.7	77.8

37. Similarly, expenditures are expected to increase from 18.2% of GDP in 2021 to 19.4% during 2022, in line with the desired sustainable budget deficit of 1.5%.

Table 5: Fiscal Framework 2022-24

	2022	2023	2024
Revenue	**533,169.1**	**651,843.9**	**777,446.9**
Taxes	490,478.1	585,128.1	676,395.4
Other taxes on products	107,768.1	126,618.7	141,011.5
Sales of current goods and services	14,574.7	21,753.4	27,433.3
Expenditure	**579,117.4**	**711,085.6**	**813,225.2**
Total compensation of employees	206,704.1	242,960.7	287,517.9
Use of goods and services	91,895.2	134,639.7	144,585.2
Interest	1,282.0	1,080.0	241.8
Domestic	479.0	280.6	196.6
Foreign	803.1	799.4	45.2
Transfers	**107,089.6**	**125,105.5**	**142,625.5**
Pension	37,974.6	42,137.6	45,403.2
Provincial Councils and Local Authorities	26,658.5	32,592.2	38,872.3
Subsidies	13,554.1	15,040.0	16,205.6
Social benefits	28,902.5	35,335.7	42,144.5
Foreign Subscriptions			
Net Acquisation of Non-financial Assets	**172,146.5**	**207,299.6**	**238,254.8**
Development Budget	155,646.5	171,211.1	188,332.2
Change in Inventory (grain)	11,500.0	12,650.0	13,915.0
Other Capital	5,000.0	5,500.0	6,050.0
Overall balance	**-45,948.3**	**-59,241.7**	**-35,778.3**

Revenues

38. In absolute terms, Government is expecting to collect revenues amounting to ZWL$533.2 billion in 2022, of which 92% is from taxes with the remainder being non-tax revenue.

39. Government will enhance revenue collection efficiency by sustaining the ongoing automation processes within ZIMRA in order to curb leakages. Similarly, efforts will be made to increase non-tax revenues through timeous review of fees and charges to ensure they are cost reflective, where necessary.

40. However, Government will continue to ensure that the taxation regime strikes a balance between collecting optimal revenue to meet public service delivery and supporting the industry in order to grow the tax base.

Expenditure

41. Total expenditures for the 2022 Budget is projected at ZWL$579.2 billion with a budget deficit of ZWL$45.9 billion. Recurrent expenditures account for 70% of total expenditures, with employment costs constituting 42.3% of total expenditure, while the capital budget is will be 30%.

42. Measures to improve the structural balance between recurrent and development expenditures will be sustained in 2022, in order to increase capacity of the Budget to address the infrastructure gap in the country.

Financing

43. The anticipated budget deficit of ZWL$45.9 billion will be financed from domestic resources mainly through the issuance of Treasury Bills issuances. TB issuances will be done through the Auction System for competitive price discovery and enhanced transparency, with preference being given to Medium-to-Long-term securities.

44. In addition, Government will also raise budget financing through domestic bond and USD-denominated Sovereign Bond to be issued and listed on the Victoria Falls Stock Exchange (VFEX).

45. To enhance domestic market liquidity management, a Liquidity Management Committee comprised of officials from Treasury and Reserve Bank will undertake

liquidity and cash-flow management; synchronisation of liquidity injections and withdrawals. This is envisaged to ensure an efficient liquidity management framework and expressly achieve the annual macro-economic targets.

Sovereign Guarantees

46. Sovereign guarantees have the potential to create contingent liabilities. In this regard, implementation of the Integrated Risk Management Framework (Framework for Evaluation, Monitoring and Managing Guaranteed and On-lent Loans), developed and adopted in 2020 will help in the identification and mitigation of risks related to contingent liabilities.

47. Furthermore, all Public Entities, Local Authorities and other Government Entities will be required to submit their borrowing requirements for incorporation into the Annual Government Borrowing Plan and no borrowings will be approved outside the Plan except for emergencies.

Development Partner Support

48. The 2022 Fiscal Framework excludes support from development partners which also complement Government efforts in implementing programmes and projects. The support is mostly delivered outside budget systems, but should be aligned and harmonised with national development priorities under NDS1.

49. In order to enhance coherence with public sector interventions in line with NDS1 outcomes, Government is in the process of strengthening the Development Assistance Coordination Architecture, through the operationalisation of the Development Cooperation Policy and the Manual of Procedures. In this regard,

Government has started institutionalising development cooperation dialogue platforms and Sector Working Groups.

50. Priority will be the installation and rolling-out the Aid Information Management System, the Development Projects Management Information System (DEVPROMIS) to enhance transparency and accountability of committed and disbursed development assistance.

51. Concurrently, most Development Partners are in the process of programming their (post 2020) new country development cooperation frameworks to be in line with Government's priorities as outlined in the NDS1.

The 2022 National Budget Fiscal Strategy

52. The fiscal consolidation roadmap, already underway, will be sustained going forward as part of Government's prudent and transparent management of the Budget, in order to entrench the prevailing macro-economic stability.

53. In this regard, maintaining fiscal sustainability will entail limiting the fiscal deficit to less than 3% of GDP. In the absence of external funding sources and limited domestic capacity, increased fiscal outlays will be met from improving revenue collection efficiencies and elimination of wasteful expenditures.

54. In this regard, there will be no recourse to Central Bank overdraft facilities, elimination of all quasi-fiscal operations and limiting issuance of Treasury Bills to the approved budget deficit during 2022. This will ensure long-term budget sustainability as well as contain the growth of money supply and the resultant inflation.

55. Government will continue to strengthen the Public Finance Management System in order to address risks to budget sustainability, especially the accumulation of domestic arrears and extra-budgetary expenditures. Further policy measures to be pursued during 2022 aimed at improving on positive fiscal outcomes include the following:

- Further rationalisation of the recurrent expenditures and redirecting of savings towards infrastructure development.
- Rationalisation of all subsidy payments and ensuring that such expenditures are explicitly budgeted for, quantified and approved through the Annual Estimates of Expenditure.
- Disbursements by Treasury will be strictly limited to available revenue and within the approved budget.
- Strengthening the internal audit processes for Government.

56. This fiscal Strategy will be complemented by supportive monetary policy and sound financial sector measures.

Risks

57. The 2022 macro-fiscal framework is not without risks, which could fundamentally change the projections. Some of the potential down side risks include an elevated COVID-19 pandemic both domestically and globally, negative climate shocks such as droughts or floods and the collapse in international mineral commodity prices.

58. The 2022 National Budget should, therefore, provide mitigation measures against such exogenous shocks so that the economy does not deviate from the desired growth path and poverty levels do not worsen.

59. On the upside, there is the possibility of the disbursement of the IMF Special Drawing Rights meant to provide liquidity support to member countries in their fight against the impact of COVID-19. The materialisation of such a development will go a long way in improving the economy, with the much-needed liquidity injection for capital projects, social protection programmes, as well as boost reserves. This will inevitably support higher growth than projected in the short to medium term.

2022 BUDGET PRIORITIES

60. The priorities for the 2022 National Budget remain focused on sustaining macroeconomic stability, create a conducive environment for business investment, employment creation and ultimately improve the living standards of the majority.

61. This will be achieved by increasing investment in public infrastructure, elimination of administrative red tape, fighting corruption, reduce the cost of doing business in the country as well as increasing social spending. Similarly, prudent fiscal and monetary policies will guarantee macroeconomic stability critical for increased private sector investment.

62. The coordination among fiscal, foreign exchange and monetary policies, will be strengthened, while addressing COVID-19 pandemic related economic and humanitarian challenges.

63. Therefore, consistent with the objectives of NDS1, and in line with submissions from stakeholders during the consultations stage of this BSP, the priority areas for the forthcoming year remain largely unchanged from 2021, <u>but reinforced</u>, as follows:

i. Inclusive Growth and Macro-Economic stability
ii. Developing and Supporting Productive Value Chains

iii. Optimising Value in our Natural Resources
iv. Infrastructure, ICT s and Digital Economy
v. Social Protection, Human Capital Development and Well-being
vi. Effective Institution Building & Governance
vii. Engagement and Re-engagement/Arrears clearance and debt restructuring

Inclusive Growth and Macro-Economic Stability

64. Building opportunities for inclusive and sustainable economic growth for all is the primary objective of NDS1. Macro-economic stability is an essential ingredient for inclusive growth and realization of the set national targets.

65. Government, will, therefore, continue on the macroeconomic stabilisation road map as outlined in the NDS1, that ensures lower and stable inflation, a stable exchange rate and a higher sustainable economic growth.

66. The 2022 National Budget will, therefore, sustain the recovery of the economy by implementing sound macroeconomic policies, anchored on fiscal and monetary discipline, including financial stability. The specific macroeconomic targets for the 2022 National budget include the following:

- Target GDP growth rate of at least 5.4%;
- A fiscal deficit of not more than 3% of GDP;
- Single digit inflation by year end;
- Entrench a market determined foreign exchange regime;
- Accumulate international reserves to support the foreign exchange auction system; and
- Target a current account balance of not more than -3% of GDP.

67. Achieving the economic growth target of above 5.4% during the NDS1 period will require measures that increase production and productivity in the key sectors of agriculture, mining, manufacturing and tourism, underpinned by a predictable policy environment, improvements in infrastructure delivery, value addition and beneficiation, among other measures.

Developing and Supporting Productive Value Chains

68. The export of raw commodities from minerals (such as gold and platinum) and crops (tobacco) with little value addition constrain economic growth and foreign currency receipts as well as undermine socio-economic development of the country. To support drivers of growth, there is need for more value addition on all primary products across all sectors in the country. For example, increasing domestic financing of tobacco will maximise foreign currency inflows.

69. Structural transformation is, therefore, required to stimulate inclusive and sustained growth that ensures more people will benefit from higher productivity levels across all sectors of the economy. This is more important as the African Continental Free Trade Area come into force and industry is expected to be geared to compete with other countries on value added products for the country to benefit from increased intra-African trade.

Agriculture

70. Agricultural production and productivity are critical for food security, employment as well as income generation for the majority of the people who reside in the rural areas, whilst also providing inputs to the manufacturing sector. This is in recognition that agricultural activities are one of the major sources of employment and will remain so in the foreseeable future.

71. The success of the revival of value chains hinges on the ability of the agriculture sector to produce adequate raw materials to feed into the other productive manufacturing sectors. Increased agricultural production will also ensure the country reduces unnecessary imports and increase benefits to the country.

72. Climate change risks present a threat to sustained agricultural production, hence the need to intensify the implementation of strategies to climate proof the sector.

73. With adequate implementation of proposed interventions, cognisant of the base effect, the agriculture sector is projected to grow marginally by 0.1% in 2022 and rebounding to 5.1% and 5.2% in 2023 and 2024, respectively, as various policy measures take effect.

Agriculture Financing

74. Government will continue to implement a two-pronged approach in financing of agricultural activities in 2022, with the fiscus supporting the vulnerable households with inputs under the Productive Social Protection Scheme, while the private sector is provided with an appropriate environment to finance commercial agriculture activities, including guarantees, where necessary.

75. The Land Bank will be further capitalised so that it undertakes sustainable funding of agriculture activities, leveraging on the 99-Year Leases.

76. In addition, Government will continue to engage the private sector and facilitate implementation of the farm mechanisation programme in order to increase farm production and productivity.

Traditional Grains

77. In 2022, Government will continue to promote the growing of traditional grains in the dry regions of the country as a response to climate change, to diversify food production and consumption moving away from maize as well as promotion of intake of nutritious foods.

78. Traditional grains remain critical in promoting food security and nutrition, particularly for the dry regions of the country. Traditional grains require less rainfall and can easily be grown on sandy soils.

Irrigation

79. The success of agriculture hinges on the country's ability to climate proof the sector given the increased frequency of droughts and floods. During 2022, priority will be to expand area under irrigation through continued rehabilitation and development of irrigation infrastructure in line with the long-term goal of creating at least 200 hectares of irrigable land per district.

80. In the medium term, the target is to put over 350 000 hectares under irrigation through exploitation of existing water bodies. Functional irrigation system which ensures the country's food security even in drought years is in line with SDG 2 also spelt out in the Climate Change Mitigation Strategy.

Marketing

81. The establishment of the Agriculture Commodity Exchange remains the only sustainable way of creating effective agriculture commodity markets. In 2022, the thrust is to facilitate the smooth transition of the marketing of agriculture commodities through the commodity exchange market.

82. Further, through the Agricultural Marketing Authority (AMA), Government will promote policies and investments which encourage the adoption of digital and modern agriculture production and marketing technologies.

Business Advisory and Extension Services

83. In 2022, Government will further capacitate and train extension officers through the provision of mobility and digital equipment that improve the process of imparting farming knowledge to farmers, with the ultimate objective of enhancing productivity levels.

84. This includes expansion and deepening of the pfumvunza/intwasa concept and promotion of investment in irrigation infrastructure, as part of climate proofing of the agriculture activities at household level.

85. Furthermore, to ensure food security, Government will move towards optimal utilisation of vast institutional land which is currently under-utilised across the country.

Livestock

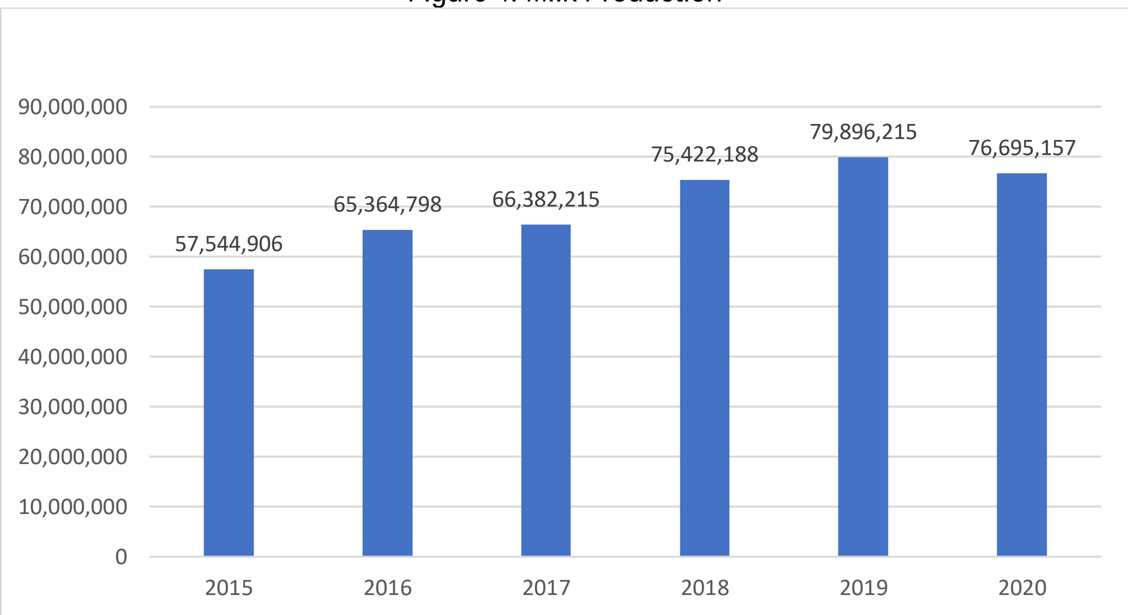
86. Livestock activities have generally been subdued in recent years for a number of reasons, including widespread outbreak of diseases and challenging general macroeconomic conditions.

87. Consequently, the 2022 National Budget will prioritise animal health and production through strengthening farmer knowledge, including expansion of vaccination programmes and general disease surveillance systems.

Dairy

88. Milk production has been on a growth trajectory since 2015 attributable to the Dairy Revival Strategy. However, the growth momentum eased in 2020 with production slightly falling by 4%. The decline is partly attributable to drought, which has reduced milking herd and hence output.

Figure 4: Milk Production



Source: MLAWFRR

89. The 2022 National Budget will hence focus on a national drive to increase the dairy herd and output to gravitate towards meeting the country's milk requirements.

Manufacturing

90. Value addition through manufacturing is the first stage of structural transformation of the economy, required to generate decent jobs and provide impetus for sustainable and inclusive economic growth. Increasing manufacturing activities helps to create a resilient and predictable economic structure not prone to the vagaries of weather and international commodity prices.

91. The 2022 National Budget, will, therefore, prioritise the development and transformation the economy by moving up a number of value chains, as well as domesticating some of the value chains.

92. Successful implementing of the necessary steps to upscale domestic manufacturing should result in the attainment of the desired growth target of 6.5% in 2022.

Table 6: Volume of Manufactured Inputs

Manufacturing	2020	2021	2022	2023	2024
Growth Rate	**-3.2**	**7.0**	**6.5**	**6.5**	**6.1**
Foodstuffs	100.6	110.8	121.9	131.6	144.8
Drinks, Tobacco and Beverages	71.2	75.8	88.0	98.0	100.0
Textiles and Ginning	91.5	93.9	102.0	112.0	115.0
Clothing and Footwear	27.0	28.4	31.0	33.0	35.0
Wood and Furniture	208.0	211.1	215.0	230.0	240.0
Paper, printing and Publishing	72.1	75.0	83	115.0	120.0
Chemical and Petroleum Products	83.9	92.5	92.0	92.0	96.0
Non metallic mineral products	134.1	143.4	150.6	158.1	166.0
Metals and Metal products	58.5	62.5	70.0	62.0	67.0
Transport, Equipment	57.3	58.0	60.0	56.0	60.0
Other manufactured goods	95.5	95.8	90.0	92.0	95.0
Manufacturing Index	**84.7**	**90.6**	**96.4**	**102.7**	**109.0**

Source: MoF, ZIMSTAT, RBZ

93. The attainment of this economic growth rate is in line with the goal of gradually improving the contribution of the secondary sector to GDP from 10.6% in 2020 to 15% by 2025, contribution of value-added exports to total exports from US$727.47 million in 2020 to about US$1 337 million in 2025.

94. This will be achieved by implementing the following strategies to grow the sector:

Value Addition

95. Priority for the 2022 National Budget will be value addition and beneficiation of agriculture and minerals. This will be achieved through developing and strengthening already existing value chains, beneficiation of minerals and linkage of SMEs with large corporates.

96. Quick win value chains being prioritised include agro-based value chain; pharmaceutical value chain; bus and truck assembly value chain; iron and steel and general engineering value chain, as well as plastic waste value chain.

97. The revival of pharmaceutical value is important to boost the local production and exports of medicines into the region and the rest of the world. Furthermore, the COVID-19 pandemic has brought to light the weaknesses in the vaccines and medicines supply chain, hence the need for African countries to be self-sufficient in vaccines and medicines due to risks that may arise from border closures.

98. Government will also prioritise the leather value chain through increased production capacities from about 30% to 75% and hence enabling the sector to access local and export markets in line with the Zimbabwe Leather Strategy (2021-2030).

Developing and Strengthening Agro Based Value Chains

99. The 2022 National Budget will also prioritise the strengthening of local agro-processing value chains, existing processing capacity and increase throughput from agriculture. The following agro-value chains have been identified as priorities:

- Soya bean value chain;
- Fertiliser value chain;
- Cotton value chain;
- Sugar Cane to Fuel Value Chain.
- Dairy value chain; and
- Leather value chain.

100. Furthermore, policy measures will be implemented to encourage and incentivise local producers of agro-inputs and local manufacturers.

Buy Local

101. Government will boost domestic trade through the promotion of the Buy Zimbabwe Campaign. In line with the NDS1 thrust of import substitution and domestication of value chains, Government will introduce an aggressive campaign towards locally produced products, targeting to increase the proportion of shelf space occupied by local basic products to at least 80%.

102. In this regard, there is need to entrench the Buy Zimbabwe strategy in both the public and private sector as a way of supporting domestic manufacturing sector. To protect consumers, Government will ensure the enforcement of the Competition Act and the Consumer Protection Act so that consumers get value for money.

Enhancing Competitiveness of Local Products

103. Raising productivity across all sectors will allow the economy to create more wealth that will improve the standards of living of citizens. Hence, improvements in both the Global Competitiveness and Ease of Doing Business ranking will be prioritised focusing on reviewing business regulations and doing business procedures.

104. Government will also expedite implementation of reforms aimed at streamlining and simplifying exporting and importing procedures, eliminating customs delays and improving customs administration.

SMEs Development and Rural Industrialisation

105. Government will continue to support SMEs to improve production capabilities with a view to reduce poverty and increase incomes, both in rural and urban areas.

106. This will be achieved through capacitating SMEs through training, availing start-up capital, and provision of infrastructure.

107. Further, Government seeks to advance the development of Rural Growth Nodes agenda through cascading Special Economic Zones to growth nodes, taking into account comparative advantage of the respective areas.

Empowerment Initiatives

108. Government will set aside resources to capacitate empowerment institutions to provide capital to the vulnerable members of the society such as the youth, women and people living with disabilities. The targeted institutions include the following:

- Empower Bank
- National Venture Capital Fund
- Community Development Fund
- Zimbabwe Women Microfinance Bank

- Small and Medium Enterprise Development Corporation

Sports, Arts and Recreation

109. Investment in sports and recreation facilities allows the country to harness individual potential and participation in local, regional and international sport competitions that increase citizen's income and well-being.

110. Government will, therefore, provide resources to support recreational activities including sports and arts as part of supporting livelihoods, especially for the youths.

Optimising Value in our Natural Resources

111. Optimal exploitation of the country's resources for the benefit of citizens remains Government's priority. The country is endowed with abundant resources in the form of minerals and tourism sites, as well as good climatic conditions which all need to be harnessed for the development of the country.

Mining

112. The mining sector is expected to be one of the major drivers of growth in 2022 and beyond through ramping up production of existing mines, expansion and opening of new mines. This is in line with target of achieving the US$12 billion mining industry by 2023.

113. The mining sector is projected to increase by 8.4% in 2022, largely driven by anticipated improvements in the output of key minerals, among them, gold, coal, chrome and PGMs.

Table 7: Mineral Production

	2018	2019	2020 Est	2021 Proj	2022 Proj.	2023 Proj.	2024 Proj.
Overall Growth	15.3	-12.4	-9.0	2.0	8.4	5.4	4.8
Black Granite \t	212.7	155.0	164.0	172.9	200.0	210.0	220.0
Chrome \t	1756.0	1550.0	1272.1	1500.0	1800.0	2000.0	2200.0
Coal \t	3347.8	2730.0	2750.9	2834.0	4000.0	5000.0	5200.0
Cobalt \t	402.0	402.0	955.9	227.5	478.7	536.7	580.2
Copper \t	9076.0	8678.0	7932.8	8456.0	9400.0	10539.4	11000.0
Gold \kg	35054.0	29429.0	20873.2	21000.0	23500.0	25500.0	27500.0
Iridium \t	586.0	845.0	836.7	769.4	1025.3	1032.0	1242.8
Nickel \t	17809.8	16278.0	16479.9	16500.0	16500.0	15600.0	15900.0
Paladium \kg	12094.0	11640.0	12889.9	12986.0	13072.0	13158.0	13244.0
Phosphate \t	51393.0	27148.0	45083.5	39862.0	28000.0	40000.0	42000.0
Platinum \kg	14703.0	13857.0	15003.9	15100.0	15200.0	15300.0	15400.0
Rhodium \kg	1334.0	1224.0	1367.5	1370.0	1462.1	1471.7	1481.3
Ruthenium \kg	1155.0	792.0	1026.3	1026.8	973.1	979.5	1179.5
Diamonds	3252.4	2119.0	2670.5	3000.0	3200.0	3400.0	3600.0

114. The projections are premised on the easing of the COVID-19 situation, both domestically and internationally, favourable international mineral prices and continued macroeconomic stability. These will also be supported by policy interventions in the following areas:

Strengthening the Mining Legal Framework

115. The thrust is to conclude the amendment of the Mines and Mineral Act in line with the current operating environment and international best practices. These amendments will go a long way in improving confidence and investment into the mining sector.

116. In this regard, amendments of the Gold Trade Act, Precious Stones Trade Act, Minerals Development Policy, and other mineral specific policies to support the Principal Act should also be concluded.

Mineral Exploration

117. Determination of the country's mineral reserves is important in attracting investment and management of mineral extraction process in order to balance the need of the present and future generations, given the finite nature of minerals.

118. Mineral exploration will be prioritized during 2022 in order to discover new mineral resources and to facilitate the quantification of available resources available in the country, as well as derive maximum benefits from mining activities.

Mining Cadastre Information Management System

119. The implementation of the computerised mining cadastre system is well in progress, with Government having procured both hardware and software for the system. A pilot project has since been completed in Manicaland with a view to roll it out to the rest of the country during the fourth quarter of 2021.

120. Full operationalization of the Cadastre Information Management System will be fast tracked during 2022.

Establishment of Gold Service Centres

121. Gold delivery to Fidelity Printers has remained subdued beginning in 2020. This is attributable to smuggling, especially output from small scale miners. Government has since responded by implementing various interventions including introducing incentives. Already, the interventions have begun to bear fruits as delivery to the Printers is now increasing.

Figure 5: Bubi Gold Centre


Picture Credit: Chronicle

122. However, most of the gold mining areas such as Makaha, Odzi and Silobela remain inaccessible to modern processing facilities. As part of the gold mobilization process, priority will, therefore, be on increasing the number of gold centres in all gold mining areas. Such a move should improve gold output and deliveries to the Fidelity Printers.

Tourism

123. The tourism sector is expected to play an important role in driving growth and the attainment of Vision 2030 alongside agriculture, mining and manufacturing.

124. Stakeholders are expected to advance the implementation of the National Tourism Recovery and Growth Strategy, which is anchored on establishing the country as a prime international tourist destination, and is based on the judicious and sustainable exploitation of the unique assets of nature, culture, heritage and the built environment.

125. The revival of the sector will actually depend on increasing domestic and international tourist arrivals, room occupancy and higher tourist expenditures. This can be achieved through destination branding and image transformation.

126. Focus for industry players should be geared towards creativity and innovation in product and service offering in target markets, new market discovery in order to continuously give the country a competitive edge in the region and globally.

127. In addition, enhanced destination marketing, through improved marketing programmes and market representation to generate demand in traditional and emerging source markets such as the Middle East, Asia, Eastern Europe should be prioritised, going forward.

Climate Change Action

128. Government seeks to ensure sustainable exploitation of natural resources to protect the environment. Climate change has become a major environmental and developmental challenge for many economies, particularly for developing economies. As the country fights the socio-economic impacts of the COVID-19 pandemic, it is important that adaptation measures are put in place to mitigate the devastating impacts of a changing climate.

Figure 6: Impact of Cyclone Idai along Mutare Chimanimani Road

Picture Credit: Herald

129. The National Development Strategy 1 and Low Emission Development Strategy (LEDS) will therefore promote projects that improve climate change mitigation, adaptation and build resilience to climate change impacts.

130. The Budget will support activities and programmes that aim to reduce Greenhouse Gases (GHG) emissions, mainly in the four sectors prioritised by the country's nationally determined contribution, namely: energy; industrial processes and product use (IPPU); agriculture, forestry and other land uses (AFOLUs) and waste management.

131. Some of the priority mitigation projects and measures already underway and to be implemented by Government with the support of development partners in the medium-term are indicated in the Table below.

Table 8: Some of the Targeted Adaptation Measures

	Action/Project
1	Climate smart agricultural practices – the Pfumvudza/intwasa programme and others
2	Adapted crop and livestock development
3	Strengthening early warning systems on climate related agricultural risk
4	Strengthening management of water resources and irrigation; Dam construction and irrigation rehabilitation and development

5	Building capacity to conduct comprehensive vulnerability assessments
6	Promoting climate insurance
7	Promoting livelihoods diversification
8	Research, indigenous and scientific knowledge production
9	Mainstreaming gender responsive climate policies and emphasises special efforts to support vulnerable groups (women, youth and children) in climate change adaptation efforts within all sectors of the economy
10	Production of non-timber forestry products

Infrastructure, ICTs and Digital Economy

132. Infrastructure spending and delivery is expected to drive the desired economic growth and transformation of the economy during the NDS1 period. Restoration of services for critical infrastructure enablers, particularly water supply and sanitation, energy, transport and ICT will require respective MDAs to institute measures that will improve project execution and delivery in order to achieve NDS1 national targets and outcomes during the Strategy implementation period.

133. Work towards development of NDS1 costed compendium of impactful projects by MDAs is already underway and is expected to guide resource allocations and investments to the various infrastructure sectors. The project list will facilitate the development of a robust funding and implementation strategies that addresses the huge infrastructure deficit undermining growth and development in the country.

134. Noting the inherent capacity gaps within implementing agencies which is undermining project execution, capacity building programmes for technical staff within MDAs will be aggressively implemented to ensure delivery of targeted projects on time and on budget.

135. Treasury will also enforce best practices in contract management that provides value for money and ensure infrastructure outlays are expended in a cost-effective

manner. Noting that use of local labour and resources is less costly and save on foreign currency, delivery of projects will also prioritise local content.

136. The annual budget allocation for development expenditures will increase from about 4.5% of GDP in 2021, to around 6.2% in 2022 as Government seeks to crowd in other financing options, including regional infrastructure investment initiatives, needed to meet the infrastructure requirements for the country.

Transport

137. Investments in the road sector will prioritise rehabilitating and upgrading of highly trafficked arteries of the network, as well as expanding the network to under serviced economically active areas.

Figure 7: Harare-Masvingo-Beitbridge Road

138. The 2022 Budget will, therefore, support ongoing works on key projects along the North-South Corridor, as well as the Emergency Roads Rehabilitation Programme Phase II, targeting the rehabilitation and upgrading of rural and urban roads.

Railway

139. In the rail subsector, NRZ will continue on its recapitalisation drive, leveraging on existing assets and customers as it seeks to improve availability of services, critical for cargo and passenger movement.

Air

140. Regarding aviation, works on the upgrading of the R. G. Mugabe International Airport, J. M. Nkomo International Airport Air Traffic Control Tower, Uplift Catering Facility for Victoria Falls International Airport, as well as rehabilitation works for Kariba, Buffalo Range and Grand Reef airports, are progressing well.

Figure 8: Robert Mugabe International Airport

Picture Credit: ZBC

141. Airspace Management Systems upgrade, comprising air traffic control, communication radar surveillance systems, air traffic services message handling systems and aeronautical information management systems for all our airports will also be prioritized in order to improve on safety and efficiency in management of the country's airspace.

142. Through the 6 years Business Revival Plan, Air Zimbabwe has come out of the Reconstruction Scheme Arrangement, and is now focusing on route network expansion and acquisition of new aircraft to ensure the airline becomes an enabler of trade, commerce and tourism within Zimbabwe and beyond.

Water and Sanitation

143. Improved water supply and sanitation services, including provision of clean and safe drinking water is at the core of our interventions in the sector, given its critical role in economic growth and development.

144. In this regard, the 2022 National Budget will focus on improving water supply and storage facilities that also ensure climate change mitigation, as well as ensuring safety and security of water sources.

145. Additionally, the implementation of the Integrated Approach to Water Supply Development will be reinforced to ensure that the economy derives full benefits from investments made in water harvesting.

Figure 9: Machekeranwa Dam

146. Key interventions and strategies will be centered on sustaining works on ongoing dam construction projects and ancillary downstream facilities, rehabilitation and upgrading of water and sanitation infrastructure including borehole drilling, as well as institutional capacity development in water resource management, among other demand management measures.

Electricity

147. Improved water supply levels at Kariba Dam have resulted in increased power generation. However, the electricity supply situation in the country remains depressed due to frequent breakdowns and underperformance of aged thermal power stations.

148. Electricity generation during 2022 is projected to grow by 12.6%, boosted by completion of one unit at the Hwange 7& 8 Expansion Project and investments towards upgrading, rehabilitation and maintenance of existing plants.

Figure 10: Hwange 7 & 8 Expansion Project

149. Going forward, the country needs to diversify the energy mix by promoting other energy sources, focusing on renewable energy, which should be complemented by measures to improve efficiency in electricity supply and utilisation.

150. Recent electricity tariff reviews to cost recovery levels should crowd in Independent Power Producers (IPPs) and other needed investments towards the maintenance of assets, as well as new generating capacity in the energy sector.

ICT and Digital Economy

151. The COVID-19 pandemic has accelerated digital transformation across the board, with businesses shifting operations to cope with lockdowns, restricted movement of staff and supply interruptions. The growth of the communication sector during 2022 will be mainly be driven by increases in data usage as a result of COVID-19, completion of various ICT projects and additional investments by ICT industry players.

152. Similarly, the deployment of digital infrastructure and services, smart Government systems and ICT access centres for marginalised groups is expected to speed up the transformation towards a digitally enabled economy going forward.

Housing

153. The 2022 National Budget will continue to support housing development complemented by private sector efforts. This is consistent with the strategic thrust of reducing the housing backlog. Priority interventions will be on delivery of affordable fully serviced housing stands, construction of housing units, including institutional accommodation with the requisite social amenities.

154. The current programmes and projects already initiated by Government towards regularisation of informal and dysfunctional settlements will also be prioritised through provision of appropriate infrastructure and services whilst enforcement of regulations through development of appropriate legal frameworks will be pursued.

Figure 11: Housing Project

155. Current efforts towards provision of appropriate institutional accommodation for the public sector through construction, rehabilitation and upgrading of facilities including equipment will be prioritised. This will also include resumption of works for critical projects that had stalled over the years.

Effective Institution Building & Governance

156. The desired economic transformation requires a conducive business environment that supports the private sector to flourish. The economy needs more private sector investment as a major driver of sustained economic growth. Therefore, the 2022 National Budget should proffer concrete strategies and measures that improves the doing business environment, including strengthening of institutional infrastructure and enhancing governance.

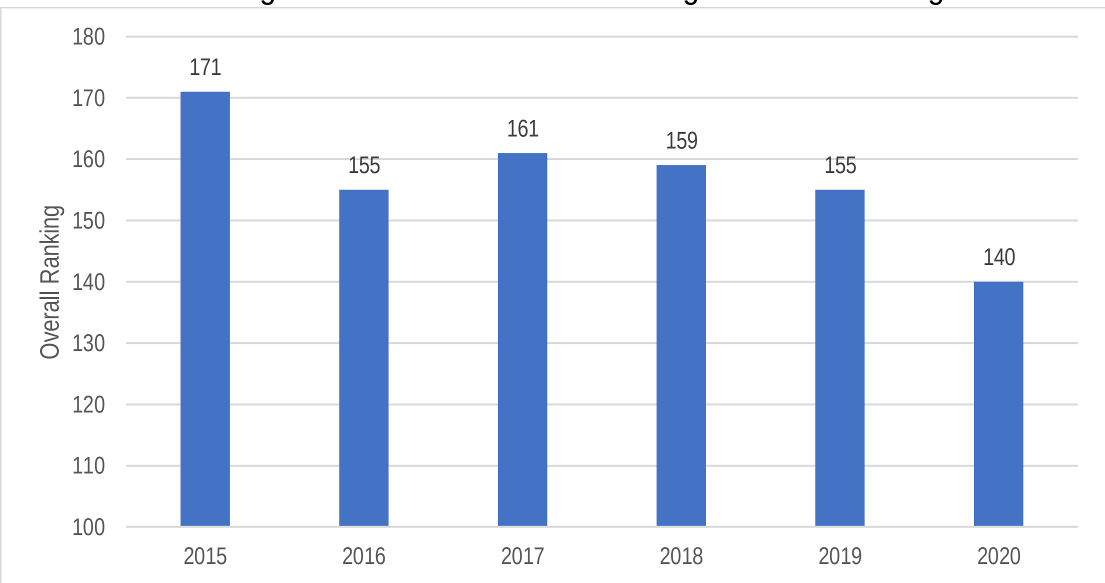
Ease of Doing Business Reforms

157. Government has been implementing the Ease of Doing Business Reforms since 2015 as part of the wider reform agenda under the Integrated Results Based Management system underpinned by the Rapid Results Approach.

158. These reforms are aimed improving the business operating environment by addressing the administrative, legislative or regulatory bottlenecks that adversely affect businesses, improving the performance of the public sector, systems and processes in order to deliver quality services to the people and creating value for money through lowering or eliminating duplicate transactional costs charged by various Government agencies to existing and prospective investors.

159. In this regard, the country recorded significant improvements in the overall doing business environment as witnessed by improvement in World Bank rankings from 177 in 2015 to 140 in 2020.

Figure 9: World Bank Ease of Doing Business Ranking



Source: World Bank

160. Progress on the reforms has been affected by the COVID-19 pandemic which has affected engagements with all stakeholders. Government will expedite the reform

process in order to lower the cost of doing business in the country. Some of the areas of focus during the second phase include the following:

- Starting a Business and Protection of Minority Investors;
- Construction Permits;
- Registering Property;
- Getting Electricity;
- Getting Credit;
- Paying Taxes;
- Trade Across Borders;
- Enforcement of Contracts;
- Resolving Insolvency;
- Doing Export Business;
- Regulatory Environment;
- Simplified Tax Regime for Small and Medium Enterprises;
- Improving access and availability of empowerment opportunities to Youths across key business sectors;
- Empowering and fostering business in, and through sports and entertainment;
- Reducing cost, time and processes associated with doing business across the key industry value chains; and
- Reducing cost, time and processes associated with doing business in the mining sector.

161. The process is already getting impetus from the ongoing ease of doing business initiatives being undertaken by ZIDA.

Devolution

162. Devolution is expected to play an important role in driving inclusive growth and structural transformation of the economy by empowering local communities to make decisions regarding development of their areas, in order to grow provincial GDP.

163. Resources disbursed through the Inter Government Fiscal Transfers allocation have impacted positively on service delivery with local infrastructure being developed in areas such as health, education, water and sanitation.

164. Guided by the Constitution and Devolution and Decentralisation Policy that was approved in 2020, Government will, in 2022, avail not less than 5% of projected revenues to Provincial/Metropolitan Councils and Local Authorities in support of local community empowerment programmes. From the macro-economic fiscal framework, the Devolution resource envelope is estimated at ZWL$26.7 billion in 2022.

165. The compendium of projects identified and prioritised in the NDS1 will facilitate focused implementation of such initiatives and enhance linkages with the provincial plans being developed for each province.

166. Furthermore, the development of the appropriate legal framework and strengthening of the public finance management system within local authorities will enhance transparency, accountability and the quality-of-service delivery by the lower tiers of Government. This will be complemented by measures to enhance the capacity of local authorities to collect and effectively manage their revenue streams that improve public services such as refuse collection, water and sanitation and road maintenance.

State Enterprises and Parastatals

167. State Enterprises and Parastatals (SEPs) are key players in the provision of public services such as power, water and transport. Inefficiencies within SEPs continue to impose high costs on the operations of the key productive sectors, thereby negatively impacting on the country's competitiveness. In addition, losses by SEPs impose contingent liabilities, fiscal risks and undermines Budget sustainability.

168. In this regard, the State Enterprises and Parastatal Reform Agenda remains one of the key policy thrusts for Government and seeks to reorient the operations of State Enterprises and Parastatals (SEPs) to ensure that they, once again, begin to contribute meaningfully towards the revival of Zimbabwe's economic fortunes.

169. Broadly, the reform agenda prioritises recapitalisation through partial-privatisation, re-configuration and re-orientation of the SEPs, corporate governance reforms, including implementation of the reviewed country's SEPs Ownership Model.

170. The SEPs reform process has, however, been very slow yielding limited progress and requires a new impetus.

Public Finance Management

171. In 2022, the thrust will be to advance the public finance management reform agenda to support improvement in service delivery.

172. In pursuit of the objective, the transition to International Public Sector Accounting Standards (IPSAS) meant to enhance transparency of public finances and improve the quality of information available for decision making is being strengthened with capacity building, data gathering and other preparatory activities already underway to smoothen the migration path. This will continue in 2022 and beyond.

173. Further, the Public Finance Management (Amendment) Bill before the Parliament seeks to both align the Act with the Constitution of Zimbabwe and also improve other aspects of our public finance arrangements.

174. To complement the above, Government has engaged PFM experts to work with relevant stakeholders in developing a comprehensive reform strategy that will inform the PFM reform agenda during the NDS1 period.

175. This is intended to support the achievement of the NDS 1 objectives, which requires effective and transparent public resource management arrangements to be in place to optimize value for money of the limited resources at Government's disposal.

Corruption

176. The attainment of the envisaged inclusive and sustainable economic growth targets requires a robust response to corruption. The 2022 National Budget will, therefore, provide resources towards capacitation of the relevant institutions to enable them undertake their mandate effectively to curb corruption.

177. Resources will also be set aside to support the enactment of the necessary legislation including the whistle blower protection law and policies to enable effective detection and prosecution of offenders.

Peace and Security

178. The 2022 National Budget will provide resources to capacitate peace and security institutions to enable them to ensure a safe and conducive environment for both citizens and businesses.

Social Protection, Human Capital Development and Well-Being

179. The road to Vision 2030 entails improving the well-being of every citizen through investments in health, education, social protection as well as vocational education.

Health

180. Despite notable increase in the health sector funding since 2014, a number of key health programmes and projects still needs to be prioritised given that the sector is still grappling with shortage of specialised professionals and health-care staff, inadequate hospital infrastructure and consumables, among other challenges.

181. Further, the sector is being affected by a resurgence of a third wave of the COVID-19 pandemic.

182. The 2022 Budget will, therefore, focus on implementing the existing programmes and projects, with emphasis on hospital infrastructure and medicines, as well as creating a balance in financing other health areas beyond the COVID-19 pandemic.

183. Funding to the sector and effective use of resources should improve the preparedness of the health systems to respond to any emerging health shocks. The aim is to achieve the Abuja target of 15% of the budget being spent on the health sector.

Education

184. Although the country's education system is ranked among the best in Africa, there is need for improvement in terms of relevant demand driven skills for industry and commerce.

185. Therefore, focus will be to equip graduates with relevant skills that promotes innovation through transformative science and technology knowledge.

186. However, learning outcomes have been affected by COVID-19 that has made formal learning difficult. This makes it imperative that innovative ways of learning be prioritised including virtual learning, while at the same time maintaining the required health protocols.

187. In 2022, resources will be channeled towards education and training targeting 45% availability of critical skilled experts, education infrastructure and improvement of staff remuneration, while also increasing uptake and application of STEM/STEAM Subjects.

Social Protection

188. In the last few years, climate shocks have left many people in rural areas in a food deficit situation. Therefore, there is need to scale up social protection for the vulnerable.

189. Inclusive social protection programmes and better targeting should ensure we increase the number of people receiving social assistance from about 65% in 2021 to 70% in 2022 and livelihoods support from about 5% in 2021 to 8% in 2022.

190. The above targets will be undertaken through harmonising, integrating and strengthening social assistance programs, appropriate targeting of vulnerable groups for social assistance and enhancing inclusive and sustainable livelihoods opportunities in order to improve livelihoods. This includes migrating from the traditional public assistance programme towards scientific and evidence-based methodology of means testing.

191. Furthermore, the Sustainable Livelihoods programmes will be improved and transformed from a poverty approach to developmental approach by providing support that stimulate production through, for example, the inputs support programme.

People Living with Disability

192. To address the needs of people living with disability in a planned and coordinated manner, Government will operationalise and roll out the Disability Policy during 2022. Government shall also domesticate the United Nations, Convention on the Rights of Persons with Disabilities and this commitment during the implementation of the 2022 National Budget.

Women and Youth

193. The COVID-19 pandemic has exacerbated the plight of women and youth as containment measures disrupted income generation activities as well as formal education. Participation of women and youth in the development process is also being hampered by limited access to finance, policy space and cultural barriers.

194. An inclusive response to the pandemic and recovery measures will need to take account of the special needs for these special groups. The 2022 Budget should, therefore, implement gender sensitive policies, invest in empowerment programmes, education and employment opportunities for the women and youth.

Public Service Delivery

195. Government is concerned with poor public service delivery by some public institutions due to a number reasons fueling corruption in the process. The public sector transformation and mordenisation thrust seeks to ensure public services impact positively on the lives and livelihoods of citizens and are grounded on the Whole of Government philosophy.

196. In this regard, priority is on improving public service provision including through expediting migration to E-services, where necessary.

Engagement and Re-Engagement

197. Consistent with NDS1 and Vision 2030, one of the major pillars of the 2022 National Budget is the engagement and re-engagement process which has been stalled by the COVID-19 pandemic. Ongoing engagements with critical stakeholders should result in the development of a comprehensive programme that addresses key areas of concern covering both political and economic areas.

Arrears Clearance and Debt Relief Strategy

198. The level of public and publicly guaranteed external debt at 71.2% of GDP, continues to be unsustainable as reflected by external debt arrears. The country has been unable to meet its external debt service obligations which has resulted in the accumulation of external debt arrears since 2000, estimated at US$6.5 billion as at end December 2020.

199. As a result, Government has developed an Arrears Clearance and Debt Relief Strategy to assist the country regain access to new concessional financing from both multilateral and bilateral Development Partners. The Strategy entails the following:

- Image building, international engagement and re-engagement;
- Strengthening Public Debt Management;
- Strengthening development assistance coordination;
- Establishing a track record of implementing sound and comprehensive macroeconomic policies and reforms as articulated in the NDS1;
- Continuing to cooperate and normalise relations with the IFIs;
- Arrears Clearance to IFIs; and
- Bilateral creditors debt relief and arrears clearance.

200. As part of the Strategy, Government has resumed making quarterly token payments to the Multilateral Development Banks (MDBs), the World Bank Group, the African Development Bank Group and the European Investment Bank beginning in March 2021.

201. In the same vein, Government will broaden token payments to include Paris Club bilateral creditors as a sign of commitment to the engagement and re-engagement process with the international community.

Compensation to Former Farm Owners

202. As part of aiding the re-engagement process, Government has already engaged a Financial Advisor- Newstate Partners UK who will assist in mobilizing the resources to compensate former farm owners through various funding strategies (bond issues, commercial bank loans, official bilateral and multilateral); credit ratings and investor relations; liability management (exchange offers, buy-backs, debt swaps, hedging strategies); and infrastructure financing.

203. The Financial Advisor will lead and assist in the mobilisation of US$3.5 billion for compensation through models that do not compromise the fiscal, debt management and overall growth objectives under NDS1.

204. Government will continue making interim relief payments to Former Farm Owners, while mobilising the resources for the compensation under the Global Compensation Deed.

CONCLUSION

205. The implementation of the 2021 National Budget has been impacted by the COVID-19 pandemic and the attendant containment measures, including partial lockdowns implemented across the country.

206. This and the need to achieve NDS1 targets supported by inputs from stakeholders resulted in this indicative priority areas for the 2022 National Budget as well as the proposed macro-fiscal framework.

207. Therefore, this BSP provides synopsis of proposed priority areas for the 2022 National Budget to enable further in-depth discussions for an all-encompassing budget document, that is responsive to the citizens.

Hon. Prof. M. Ncube
Minister of Finance and Economic Development

29 July 2021