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ZIMBABWE

THE 2023 NATIONAL BUDGET STATEMENT

"Accelerating Economic Transformation"

Presented to the Parliament of Zimbabwe

by

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MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

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INTRODUCTION

1. The year 2023 marks the mid-point in the implementation of the transformative and inclusive development agenda under the National Development Strategy 1 (NDS1), allowing the Nation to assess progress made to date and recognise successes, identify challenges and plug any gaps encountered.

2. Such a review is necessary to recalibrate policy actions in order to respond to recent global and domestic developments in our endeavour to sustain and accelerate the economic transformation process already underway. Government policies should, after all, respond to the emerging difficult socio-economic conditions citizens have had to endure every day, such as high prices of goods and services, an inefficient public transport system and limited formal employment opportunities for the youths, among other issues.

3. Since the formulation of NDS1, the domestic economy has faced overlapping and intertwined global crises that have imposed multiple challenges and undermined stability. Macroeconomic instability disrupts investment and economic activity, which in turn, undermines employment creation and impairs livelihoods, hurting those least equipped to protect themselves, as they are then forced to undertake various informal activities for survival.

4. Inspired by Plato[1], the Greek Philosopher's four cardinal virtues of *prudence, temperance, fortitude and justice*, the Second Republic has implemented difficult but necessary policy measures in response to the changing global and domestic landscape. The broad objective is to create a conducive business environment for the private sector to thrive, as well as to progress the country's commitments under the Sustainable Development Goals (SDGs), continental and global protocols.

5. As a result, positive structural economic transformation is currently taking place across the various sectors of the economy and the thematic areas of NDS1. Government finances and the external sector have been relatively stable, with the deficits now below the SADC Macroeconomic Convergence (MEC) target of -3% and the current account balance recording surpluses since 2019 to date. Activity in the real economic sectors has increased, inflation is coming down and prices are stabilising. Delivery of impactful infrastructure projects, such as Beitbridge Border Post upgrading and the Hwange 7 & 8 Expansion Project will support building of resilience and our long-term development goals.

6. Ultimately, the country needs to value add its raw materials, diversify the sources of growth and expand local product

1 *Carr, D., 1988. The cardinal virtues and Plato's moral psychology. The Philosophical Quarterly (1950-), 38(151), pp.186-200.*

range, as well as export markets, raise productivity and competitiveness, in order to participate effectively in the global value chains. The ongoing economic transformation agenda involves removing binding constraints to business activity and investment by building effective and accountable public institutions, a favourable business operating environment, credible macroeconomic policies, skills development, innovation and technology, as well as infrastructure development.

7. The 2023 National Budget, running under the theme *'Accelerating Economic Transformation'*, identified by Rodrik, 2015[2], as a critical ingredient in generating economic growth that promotes social development and is sustainable.

8. This Budget is a culmination of inputs from a broad range of stakeholders and engagements, including focussed meetings such as the following:–

- The Zimbabwe Economic Development Conference (ZEDCON), held over the period 10–12 August, 2022, in Victoria Falls;
- The inaugural Infrastructure Summit and Expo, convened by the National Economic Consultative Forum (NECF) and held from 8–9 September, 2022, in Victoria Falls;

2 Rodrik, D., 2015. The future of economic transformation in developing countries. SET Blog, 23.

- NDS1 implementation and dissemination sessions convened with local communities, covering three rural districts in each of the rural provinces of the country;
- The Pre-Budget Workshop held with Honourable Members of Parliament, in Harare during the period 21–24 October, 2022; and
- Industry bodies, trade associations and other stakeholders.

9. The robust debates and valuable policy recommendations from these engagements invariably contributed to the public policy formulation process and the 2023 National Budget, with evidence-based research and consultations playing a prominent critical role in guiding policy direction.

10. Such engagements have become an integral part of the annual budget formulation calendar, where non-state actors get the opportunity to influence public policy making, bringing with it, consensus that is critical in the achievement of the desired policy outcomes.

11. The general consensus among stakeholders during the engagements was the need to entrench and sustain macro-economic stability, implement coordinated and consistent fiscal and monetary policies, which builds confidence and allows economic agencies to plan.

12. The 2023 Budget will, therefore, focus on maintaining a tight monetary and fiscal policies stance as an overriding objective going forward, in support of macro-economic stability that promotes private sector led economic growth, as well as build capacity within the public sector to effectively implement NDS1 projects and programmes during the second half of the Strategy period.

13. In this regard, structural reforms will be deepened to address factors contributing to excess liquidity in the economy, that has been driving inflation and exchange rate instability, complemented by measures to stimulate competitive domestic production.

14. The Budget also recognises the need to sustain the current structural economic transformation momentum, in order to drive sustainable inclusive growth, raise productivity levels and move the economy up the value chain from a low value commodity driven economy, to a sophisticated, diversified and higher value economy, driven by value addition, beneficiation and value-added services.

15. Given the critical role played by the informal sector as a source of income for the majority, the policy package during 2023 will also prioritise focussed support services for this critical sector,

targeting better access to finance, training and access to markets. The overall objective is to reduce barriers placed by formal institutions to their growth and formalisation.

16. In the same vein, the Budget seeks to accelerate economic transformation by prioritising education, health and social protection programmes to cater for the most vulnerable in society.

ECONOMIC DEVELOPMENTS AND OUTLOOK

Global Economy

17. The global economic outlook continues to be weighed down by elevated inflationary pressures, tightening global financial conditions associated with high interest rate hikes by most central banks and the negative spill over effects from the geo-political tensions. Furthermore, the turmoil of new waves of the COVID-19 pandemic continue to disrupt economic activity in some countries.

18. In the October 2022 World Economic Outlook, the IMF projects global economic activity to slow down to 3.2% in 2022, from 6% in 2021. The global growth is projected to moderate further to 2.7% in 2023, marking the weakest growth profile since 2001, outside the 2009 global financial crisis and the acute phase of the COVID-19 pandemic.

Table 1: Global Growth Outlook (%)

	2020	2021 Est	2022 Prj	2023 Prj	2024 Prj	2025 Prj
World	**–3.0**	**6.0**	**3.2**	**2.7**	**3.4**	**3.4**
Advanced economies	**–4.4**	**5.2**	**2.4**	**1.1**	**1.7**	**1.7**
United Kingdom	–9.3	7.4	3.6	0.3	1.5	2.2
United States	–3.4	5.7	1.6	1.0	1.4	1.7
European Union	–6.1	5.2	3.1	0.5	2.1	1.9
Emerging market	**–1.9**	**6.6**	**3.7**	**3.7**	**4.6**	**4.5**
China	2.2	8.1	3.2	4.4	5.1	5.0
India	–6.6	8.7	6.8	6.1	7.0	7.0
Sub-Saharan Africa	**–1.6**	**4.7**	**3.6**	**3.7**	**4.2**	**4.2**
Nigeria	–1.8	*3.6*	*3.2*	*3.0*	2.9	2.9
Kenya	–0.25	7.5	5.3	5.1	5.5	5.6

Source: IMF World Economic Outlook (October 2022)

19. Growth for advanced economies is projected to slow down from 5.2% in 2021, to 2.4% in 2022 and 1.1% in 2023, mainly due to contractions in the US and European Union. Growth in the United States is projected to decline from 5.7% in 2021, to 1.6% in 2022 and 1% in 2023.

20. For emerging markets and developing economies, growth is projected to moderate at 3.7% for 2022 and 2023, after a robust growth of 6.6% in 2021. The slowdown in China's growth in 2022 to 3.2% is as a result of COVID-19 outbreaks and the resultant strict lockdowns, as well as the worsening property market crisis, however, growth is expected to recover in 2023 to 4.4%.

Sub-Saharan Africa

21. For the Sub-Saharan Africa region, economic growth outlook is expected to be slightly weaker than predicted in July, with a decline from 4.7% in 2021 to 3.6% in 2022, before recovering slightly to 3.7% in 2023. The weaker outlook reflects muted investment and an overall worsening balance of trade, tighter global financial conditions, surge in inflationary pressures and external debt vulnerabilities in some emerging economies.

22. As food and energy accounts for half of household consumption within the region, increased energy costs have impacted negatively on living conditions, particularly for the most vulnerable who now face acute food insecurity.

Table 2: Sub-Sahara African Economies GDP Growth (%)

	2021	2022	2023
Sub-Saharan	4.7	3.6	3.7
Fuel Exporters	3.0	3.3	3.1
Nigeria	3.6	3.2	3.0
Angola	0.8	2.9	3.4
Algeria	0.8	2.9	3.4
Middle-Income Countries	4.5	3.3	3.1
South Africa	4.9	2.1	1.1
Mauritius	4.0	6.1	5.4
Low Income Countries	5.3	4.2	5.3
Ethiopia	6.3	3.8	5.3
Zambia	4.6	2.9	4.0
Malawi	2.2	0.9	2.5

Sources: IMF World Economic Outlook (October 2022)

23. The region's economic outlook for 2022 and 2023 is extremely uncertain and dependent on developments in the global economy, particularly the evolution of geo-political tensions in Europe, the impact of continued COVID-19 related lockdowns, supply chain disruptions and the slow recovery of the world's largest economies. The outlook is also anchored on anticipated gradual recovery in tourism.

Southern African Region

24. GDP growth of the SADC region is projected to decelerate to 2.5% in 2022, from a recovery of 4.2% recorded in 2021. South Africa, a major economy in the region, is projected to grow by 1.9% in 2022 and by 1.4% in 2023, with electricity supply constraints and underperforming state-owned enterprises expected to weigh down growth.

Table 3: Selected SADC Countries GDP Growth Projections

	2020	2021 Est	2022 Proj	2023 Proj
Angola	-5.4	0.7	2.9	3.5
Botswana	-8.7	12.5	4.2	4.4
Lesotho	-7.6	1.0	2.5	2.8
Madagascar	-7.1	3.3	5.0	5.4
Malawi	0.9	2.5	2.8	4.0
Mauritius	-14.9	4.0	6.2	5.6
Mozambique	-1.2	2.2	3.7	4.5
Namibia	-7.9	2.4	2.6	3.5
Sao Tome & Principe	3.1	2.2	1.5	3.2
South Africa	-6.4	4.9	1.9	1.4
eSwatini	-1.9	3.2	2.2	1.8
Zambia	-3.0	4.0	3.2	3.8
Zimbabwe*	-7.8	8.5	4.0	3.7
Overall Growth	-6.0	4.2	2.5	2.4

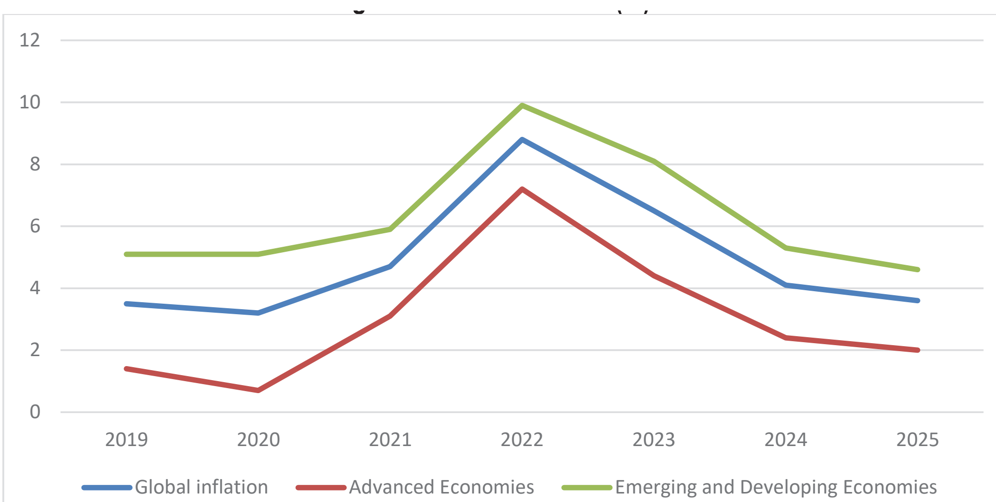
*Source: AfDB African Economic Outlook, April 2022 Estimates/ *ZIMSTAT/MoFED/RBZ Estimates*

25. Angola's economic growth is expected to accelerate to 2.9% in 2022, with non-oil sectors of agriculture, construction, and transportation being the main drivers. In 2023, growth is expected to reach 3.5% driven by high oil prices and the strong performance of non-oil sectors.

Global Inflation

26. Global inflation has risen faster and more persistently than originally expected, rising from 4.7% in 2021 to 8.8% in 2022, the highest rate in advanced economies since 1982. It is, however, expected to decelerate in 2023 and 2024 to 6.5% and 4.1%, respectively. The outlook points to faster disinflation in advanced economies than in emerging markets and developing economies.

Figure 1: Global Inflation (%)



Source: WEO October 2021

27. Persistent and increasing inflationary pressures in 2022 have resulted in tighter monetary and fiscal policies for most countries, against the expansionary policies during the pandemic.

28. These tighter global monetary and financial conditions are projected to reduce inflation, weighing demand down and helping to gradually subdue inflation. The impact of the measures is set to be realised in the coming years with gradual decline in global inflation to 3.6% by 2025. However, in the immediate short-term, price increase pressures are expected to continue and are now a major source of concern over the global cost of living crises. Tight global and monetary conditions are also increasing the prospects of a global recession.

Commodity Prices

29. The global tensions have caused major supply disruptions and led to historical high prices for most commodities in 2022 and they are projected to remain high in the medium term. Currently, international commodity prices are showing signs of retreating, but remaining above their pre-crisis levels.

Table 4: International Commodities Indices

	2019	2020	2021	2022 Oct	2023*	2024*
Energy	78.3	52.7	95.4	151.7	134.7	113.3
Non-Energy	81.7	84.4	112.0	123.7	113.7	113.0
Agriculture	83.3	87.5	108.7	123.2	117.7	117.5
Beverages	76.1	80.4	93.5	108.7	101.5	101.5
Food	87.0	93.1	121.8	143.6	134.7	134.1
Oils & Meals	77.5	89.8	127.1	145.7	134.3	133.7
Grains	89.0	95.3	123.8	149.3	141.0	139.8
Other Food	97.7	95.5	113.1	135.7	129.5	129.4
Raw Materials	78.0	77.6	84.5	81.2	84.7	85.4
Timber	85.6	86.4	90.4	79.8	86.4	87.6
Other Raw Materials	69.8	67.9	78.0	82.7	82.7	82.9
Fertilizers	81.4	73.2	132.2	219.5	192.2	174.1
Metals & Minerals	78.4	79.1	116.4	113.8	96.5	96.9
Base Metals	81.6	80.2	117.7	121.2	103.0	103.8
Precious Metals	105.4	133.5	140.2	134.6	129.7	126.7

Source: World Bank Commodity Markets Outlook; October 2022 Pink Sheet Data

30. Futures markets indicate that oil prices will be higher by 41.4% in 2022 to average US$98.2 a barrel, but falling in the coming years to about US$76.3 by 2025. Short and medium-term risks to the oil futures price outlook are generally balanced.

31. The base metal price index surged in the second and third quarters of 2022, before retreating due to slowing down global economic growth, with prices expected to fall to 5.5% on average in 2022, and decreasing by a further 12% in 2023. Risks to the outlook are balanced, as investors weigh potential supply reductions by European smelters amid higher energy costs and weakening global demand.

32. Precious metal prices are expected to decline moderately, by 0.9% in 2022 and by an additional 0.6% in 2023. Softened demand and higher interest rates have weakened gold prices, with the prices of silver and platinum declining, owing to a slowdown in industrial activity.

33. International food prices are forecast to increase by an estimated 6% in 2022 and 2% in 2023 on account of the geo-political tensions. The outlook for domestic food price inflation remains uncertain, highly dependent on global food price developments, weather patterns and fertilizer prices.

34. Price surges on the global food markets have contributed to an increase in domestic inflation, limiting the effectiveness of monetary policy tools and strategies, especially in countries where food accounts for a large portion of the total food consumption basket.

Domestic Economy

35. The Zimbabwe National Statistics Agency (ZIMSTAT), in September 2022, published actual GDP figures for the period 2019 to 2021, with confirmed GDP growth rates of -7.8% and 8.5% in 2020 and 2021, respectively.

36. Due to the base effect, global and domestic developments, particularly the impact of high inflation and resultant stabilisation

measures on credit and demand, the economy is now projected to grow by 4% in 2022, a further downward revision from the mid-year projection of 4.6%

Table 5: GDP Growth (%)

	2021	2022	2023	2024	2025
Agriculture, Hunting and Fishing and forestry	17.5	-14.1	4.0	8.2	7.9
Mining and quarrying	5.9	10.0	10.4	3.8	5.1
Manufacturing	1.2	2.6	2.5	3.7	4.0
Electricity, gas, steam and air conditioning supply	33.9	14.3	4.2	4.6	3.9
Water supply; sewerage, waste management	12.7	4.4	3.8	8.4	5.9
Construction	3.5	10.5	5.8	6.0	9.0
Wholesale and retail trade	8.1	4.3	1.6	5.5	5.6
Transportation and storage	8.5	5.9	2.0	5.6	4.4
Accommodation and food service activities	38.5	56.3	10.0	7.3	2.7
Information and communication	9.8	8.3	1.8	2.8	2.9
Financial and insurance activities	3.0	4.0	1.2	7.3	6.0
Real estate activities	4.1	4.6	3.7	4.7	4.2
Professional, scientific and technical activities	-3.1	1.6	1.6	2.6	3.5
Administrative and support service activities	14.6	0.8	0.2	1.1	1.0
Education	5.8	4.8	2.3	1.7	2.4
Human health and social work activities	18.6	1.3	3.1	2.2	2.4
Arts, entertainment and recreation	14.0	12.3	5.4	4.6	3.9
Other service activities	-2.8	2.2	1.2	3.2	3.2
Domestic Services	2.3	2.2	2.2	2.1	2.1
GDP at Market Prices	**8.5**	**4.0**	**3.8**	**4.8**	**5.0**

Source: ZIMSTAT/MoFED/RBZ

37. Growth during 2022 is mainly expected from mining (10%), construction (10.5%) and accommodation and food services sectors (56.3%).

38. In the outlook, the economy is now projected to grow by 3.8% in 2023, compared to the NDS1 target of not less than 5%, on

account of the uncertain global economic outlook and potential domestic adverse factors. However, the average growth rate for the period 2021–23 is estimated at 5.4%, which is in line with the NDS1 target. In the medium term, GDP growth is projected to improve to about 4.8% and 5% in 2024 and 2025, respectively.

39. The 3.8% growth during 2023 will be sustained mainly by mining, construction and agriculture, as well as accommodation sectors underpinned by the following assumptions:

- Global economic growth slowing down;
- Favourable international commodity prices;
- Normal to above normal rainfall;
- Stable power supply;
- Tight monetary and fiscal policies; and
- Continued use of the multi-currency.

40. The uncertain global economic outlook presents risks to the above projections through continued tapering of international commodity prices. Similarly, the impact of climate change through droughts, floods, cyclones, as well as uneven distribution of rainfall may affect the attainment of the desired targets.

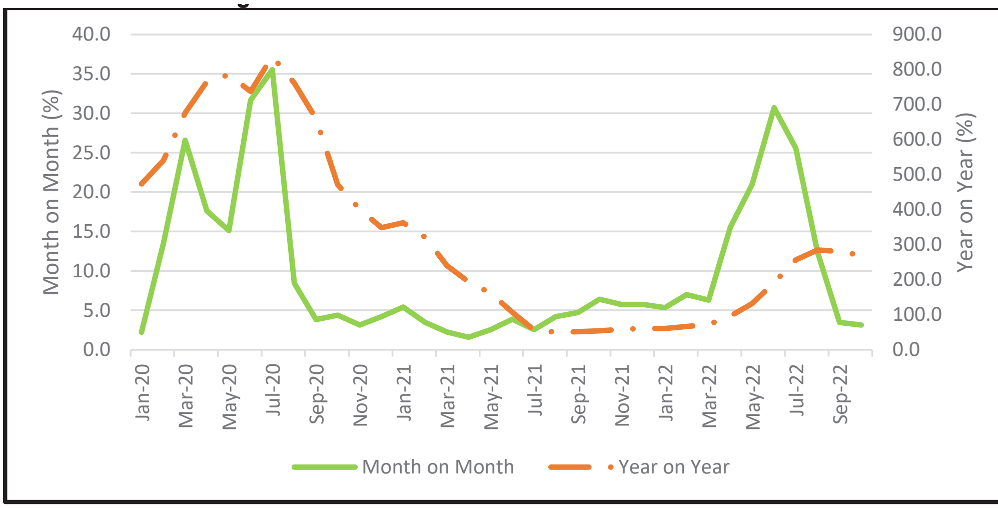
Inflation

41. Global shocks have heightened inflationary pressures in all countries worldwide, resulting in the highest interest rates hikes, as central banks across the globe seek to dampen demand to contain inflation.

42. In response to domestic inflation dynamics, as well as the pass-through effects of increases in energy, food prices, and supply chain cost pressures on the economy, Government tightened fiscal and monetary policies that have managed to contain the excessive depreciation of the local currency against the US$ on the parallel market, a major driver of domestic inflation. This has resulted in the convergence of the auction exchange rate and the willing buyer willing seller exchange rate.

43. Among other measures, the issuance of gold coins, enforcement of value for money audits by Government in its procurement processes and effective monitoring, as well as enforcement of AML/CFT by the Financial Intelligence Unit of the Reserve Bank, have re-anchored inflation and exchange rate expectations.

Figure 2: Month on Month & Year on Year Inflation



Source ZIMSTAT

44. Resultantly, month-on-month inflation declined from 30.7% in July to 3.2% in October 2022, whilst annual inflation also fell from 285.1% in August, to 268.8% in October 2022.

45. Monthly inflation was decelerating in most provinces except in Manicaland, Mashonaland East and Matabeleland South where it increased by 1%, 0.2% and 1.1%, respectively.

Table 6: Provincial Month on Month Inflation

	Bulawayo	Manicaland	Mash Central	Mash East	Mash West	Mat North	Mat South	Midlands	Masvingo	Harare	National
Sep-21	4.4	5.1	6.3	5.8	4.5	3.9	3.6	4.1	4.9	4.4	4.7
Oct-21	8.3	7.4	3.7	6.2	4.9	5.5	4.3	6.2	5.6	7.7	6.4
Nov-21	6.2	6.9	3.7	6.4	4.9	5.9	5.7	6.0	5.8	5.6	5.8
Dec-21	4.3	6.5	7.1	5.6	5.2	7.2	5.6	4.9	6.2	5.7	5.8
Jan-22	4.8	6.3	6.1	5.0	5.3	3.8	3.7	5.8	5.6	5.2	5.3
Feb-22	6.5	7.1	7.6	5.5	8.0	6.9	8.8	7.6	5.5	7.3	7.0
Mar-22	7.0	5.2	3.0	7.8	4.6	6.7	6.7	6.7	6.0	7.6	6.3
Apr-22	13.9	18.7	22.6	14.0	15.4	13.6	17.0	12.5	18.2	13.3	15.5

	Bulawayo	Manicaland	Mash Central	Mash East	Mash West	Mat North	Mat South	Midlands	Masvingo	Harare	National
May-22	17.9	25.2	22.6	20.1	19.7	16.2	14.1	13.7	23.9	23.7	21.0
Jun-22	34.1	35.2	28.8	27.1	29.9	24.0	31.2	20.0	34.4	32.4	30.7
Jul-22	22.9	25.1	18.8	23.2	24.7	26.9	26.2	28.9	29.1	26.8	25.6
Aug-22	8.3	14.5	19.5	11.5	14.8	14.8	12.1	11.4	11.7	10.5	12.4
Sep-22	2.8	2.2	4.5	4.4	4.5	4.1	3.0	3.3	2.6	3.9	3.5
Oct-22	1.9	3.2	2.3	4.6	2.5	3.5	4.1	3.0	2.8	3.6	3.2

Source: ZIMSTAT

46. Similarly, year on year inflation has been declining across the provinces as indicated on the table below, albeit at different rates. However, inflation in Matabeleland South was almost constant, shedding only 0.9% from 257.6% in September to 256.7% in October.

Table 7: Provincial Year on Year Inflation Developments

	Bulawayo	Manicaland	Mash Central	Mash East	Mash West	Mat North	Mat South	Midlands	Masvingo	Harare	National
Sep-21	48.4	51.9	50.1	53.8	56.5	54.6	38.2	48.4	50.2	53.9	51.5
Oct-21	51.3	58.2	53.4	61.0	56.0	60.0	41.9	49.7	51.2	56.0	54.5
Nov-21	54.0	63.6	53.5	70.3	57.7	63.0	45.1	55.0	54.8	59.8	58.4
Dec-21	56.6	67.8	60.2	68.5	59.7	65.2	48.1	55.7	57.1	61.9	60.7
Jan-22	55.1	64.8	64.0	66.3	60.0	60.7	46.0	57.3	56.6	63.8	60.6
Feb-22	60.2	69.7	69.4	68.4	65.2	62.1	54.5	64.9	62.0	70.6	66.1
Mar-22	68.1	74.6	72.5	76.4	69.4	71.7	62.7	71.0	66.6	79.4	72.7
Apr-22	90.4	105.1	107.1	97.3	91.7	90.0	86.1	90.3	93.4	100.0	96.4
May-22	115.9	150.7	149.0	130.5	121.5	116.6	110.2	110.9	135.1	141.6	131.7
Jun-22	182.3	227.2	199.1	181.4	179.1	162.2	170.3	146.2	207.1	203.8	191.6
Jul-22	241.3	300.7	246.0	241.3	235.6	223.4	233.7	209.0	287.2	273.8	256.9
Aug-22	258.1	342.6	295.9	260.0	269.8	251.3	259.5	229.5	317.6	296.5	285.0
Sep-22	252.7	330.3	289.0	255.4	269.8	251.9	257.6	226.7	308.3	294.6	280.4
Oct-22	231.9	313.8	283.7	250.2	261.4	245.1	256.7	216.7	297.5	279.3	268.8

Source: ZIMSTAT

47. In 2023, national annual average inflation is projected to continue slowing down to double digit levels, underpinned by the following assumptions:

- Continued tight monetary and fiscal policy stance;
- Stable foreign exchange market;
- Strengthened Government procurement processes;
- Implementation of measures to mop up excess liquidity; such as the sale of gold coins; and
- Fairly stable global commodity prices.

48. Supportive monetary and fiscal policies, as well as coordinated interventions by the authorities has been central in sustaining the current inflation deceleration and exchange rate convergency path. Going forward, this policy objective will be maintained and adjusted where necessary.

49. In this regard, Government is setting a month-on-month inflation target range of between 1% to 3%, and a fiscal budget deficit of not more than 1.5% of GDP during 2023.

50. Going forward, any deviations from these critical targets will warrant further interventions by both fiscal and monetary authorities, with the Monetary Policy Committee and the

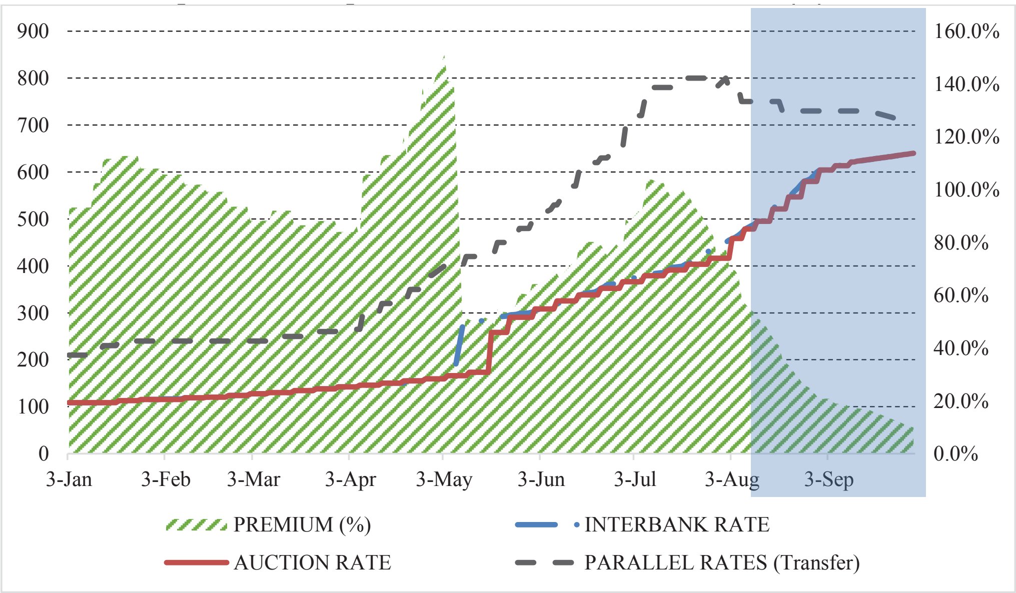
Central Bank expected to deploy all tools at their disposal to ensure the attainment of these targets, consistent with their mandates.

51. In order to boost national reserves and hence, strengthen the economy's resilience against external shocks, Government promulgated Statutory Instrument 189 of 2022 which compels miners of gold, lithium, diamond and platinum to settle 50% of payable royalties due to Government through physical delivery of these commodities. The measures will buttress the country's foreign currency reserves and sustain the current exchange rate stability by providing backing for the domestic currency.

Exchange Rate

52. Recent developments, where the gap between the official and parallel exchange rates have narrowed from above 500% between January and July 2022, to less than 15% currently, indicates convergence that engenders price stability going forward.

Figure 3: Exchange Rates and Parallel Market Premiums (%)



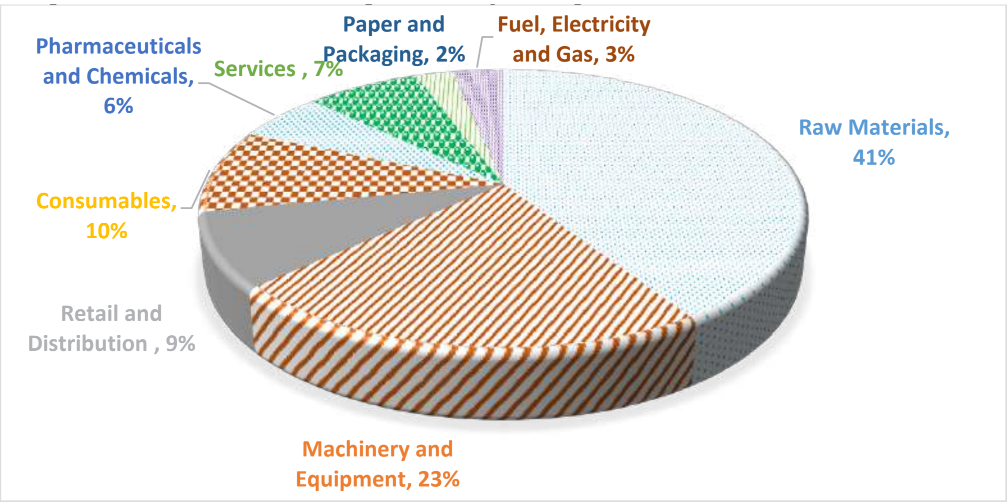
Source RBZ

Foreign Currency Allotments

53. Cumulatively, US$3.6 billion was allotted through the auction system since its establishment, covering both the main and small to medium enterprises auctions as at 31 October 2022. The bulk of allotments were to the productive sectors of the economy, accounting for 73% of the total.

54. Raw materials accounted for 41% of the total allotments, whilst 23% funded capital goods such as machinery and equipment, with 6% going towards medicals and chemicals.

Figure 4*: Distribution of Foreign Currency through the Auction as at 31st October 2022*



Source: Reserve Bank of Zimbabwe, 2022

55. The introduction of the willing buyer willing seller foreign exchange market system, coupled with the policy measures to reduce speculative borrowing and curb abuse of funds allocated from the forex auction system, weekly bids on the auction have declined from an average of US$42 million six months ago, to the current weekly average of US$11 million.

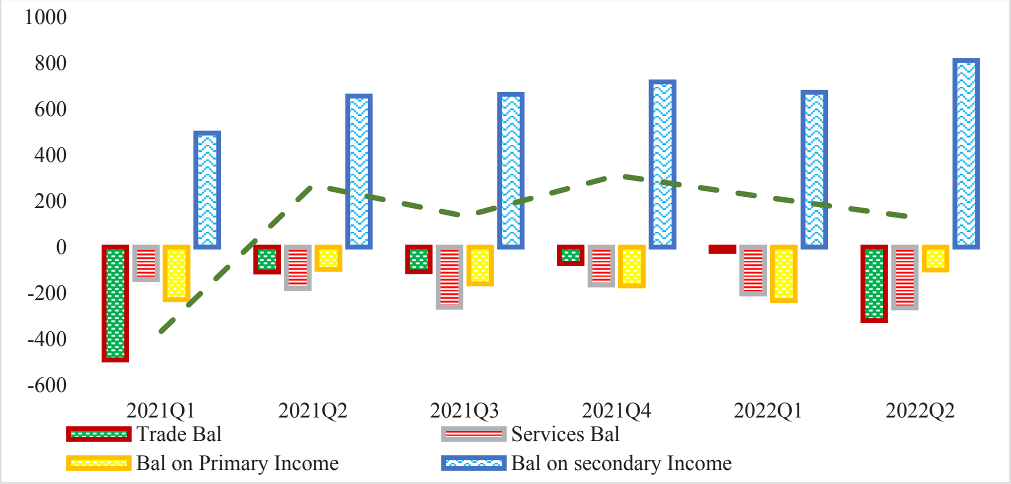
56. Going forward, Government and the Central Bank will strengthen liquidity management to sustain exchange rate stability, including refine of the foreign exchange market to enhance efficiency.

External Sector

57. The current account balance improved to a surplus of US$340.5 million in the first half of 2022, compared to a deficit of US$97.2 million for the same period in 2021. To year end, the current account is projected to remain in surplus of US$448.9 million, which compares favourably with US$348.2 million registered in 2021.

58. The current account surplus is being sustained by strong secondary income inflows, coupled with merchandise exports which are growing faster than imports.

Figure 5: Current Account (US$ millions)



Source: RBZ and ZIMSTAT estimates

59. In the outlook to 2023, the country's external sector is expected to remain relatively strong, with a surplus current account, albeit, at a much-lower level of US$85.2 million.

60. However, the external sector's performance may be dampened by the softening global commodity prices and the expected moderating global economic growth, against rising domestic imports in 2023.

Merchandise Exports

61. Merchandise exports grew by 32.5% to US$3.5 billion during the first half of 2022, compared to US$2.6 billion in the corresponding period in 2021, largely on account of increases in minerals, agriculture and manufactured exports.

Table 8: Merchandise Exports

	2021H1	2022 HI	Change (%)
Agriculture Exports	303.2	430.5	42.0
Tobacco	256.1	380.1	48.4
Horticulture	24.4	19.3	(21.0)
Macadamia Nuts	6.8	3.6	(46.1)
Citrus	6.1	3.6	(41.3)
Hides	7.2	10.4	44.7
Mineral Exports	2 193.8	2 899.0	32.1
Gold	533.4	953.0	78.7
PGMs	1 119.2	1 253.7	12.0
Chrome & HCF	158.4	261.0	64.8
Diamonds	120.2	86.8	(27.7)
Nickel	30.4	41.0	34.6
Manufactured Exports	152.8	180.2	17.9
Sugar	5.5	11.1	100.7
Cigarettes	26.8	28.1	40.7
Wood &Timber	8.1	5.4	(33.9)
Metal Products	8.5	7.0	(18.0)
Electricals	18.0	13.3	(26.3)
Totals	2 649.7	3 509.6	32.5

Source: ZIMSTAT

62. To year end, merchandise exports are projected to increase by 15.5%, from US$6.4 billion in 2021, to US$7.4 billion in 2022, underpinned by mineral export growth on account of increased production and higher mineral commodity prices.

63. In 2023, merchandise exports are projected to marginally decrease by 2.4%, to US$7.2 billion on account of anticipated lower mineral exports receipts, as the global economy slows down and the fall in commodity prices.

Merchandise Imports

64. Merchandise imports increased by 18.5% to US$3.8 billion during the first half of 2022, up from US$3.2 billion in 2021, driven mainly by increases in fuel, machinery and raw material imports.

Table 9: Merchandise Imports

	2021HI	2022 HI	Change (%)
Food	**246.7**	**227.7**	**(7.7)**
Maize	109	10.2	(90.7)
Wheat	37.9	39.5	41
Rice	53.2	71.0	33.4
Non-Food Imports	**3 002.4**	**3 621.7**	**20.6**
Electricity	78.3	73.1	(6.6)
Fuel	530.4	642.0	21.0
Diesel	327.2	375.4	14.7
Petrol	157.0	193.7	23.4
Raw materials	1 239.2	1 479.0	19.4
Manufactured Goods	269.8	278.4	3.2
Machinery	636.9	815.7	28.1

	2021HI	2022 HI	Change (%)
Commercial Vehicles	199.5	224.0	12.3
Passenger Motor Vehicles	61.7	73.3	18.8
Oils and Fats	121.1	185.6	53.3
Totals	**3 249.2**	**3 849.4**	**18.5**

Source: ZIMSTAT

65. Imports are projected to close 2022 at US$8.2 billion, 14.6% up from US$7.2 billion in 2021. As the economy expands, so will the capacity to absorb imports that feed into the production processes, whilst fuel imports are expected to grow on the back of rising crude oil prices.

66. Merchandise imports are projected to increase further to US$8.4 billion in 2023, in line with expected domestic economic growth. Enhanced import substitution through local production of products such as wheat and soya beans are envisaged to dampen imports.

Services

67. Trade in services is recovering from the COVID-19 pandemic shock with travel, passenger transport and other key services beginning to trend up. Resultantly, services exports increased from US$102.5 million during the first half of 2021, to US$175.9 million during the same period in 2022. Similarly, services imports rose from US$424.5 million, to US$645.3 million during the same period.

68. Services exports are projected to increase from US$215.7 million in 2021, to US$370.2 million in 2022, increasing further to US$425 million in 2023. Services imports are similarly, projected to rise by 28.6% from US$965 million in 2021, to US$1 361.5 million in 2022, and increasing further to US$1 468.1 million in 2023.

Secondary Income

69. Secondary income inflows during the first half of 2022 stood at US$1.5 billion, of which the bulk is diaspora remittances at US$937 million. For 2022, the diaspora remittances are projected at US$1.9 billion and at US$2 billion in 2023. They are expected to continue driving the current account surplus, as was the case in 2021. Reduced remittance charges are encouraging the use of formal channels, thus increasing foreign currency receipts.

Financial Sector Developments

70. The banking sector has demonstrated resilience, as reflected by satisfactory financial soundness indicators, bolstered by complementary fiscal and monetary policy interventions meant to ensure financial sector stability.

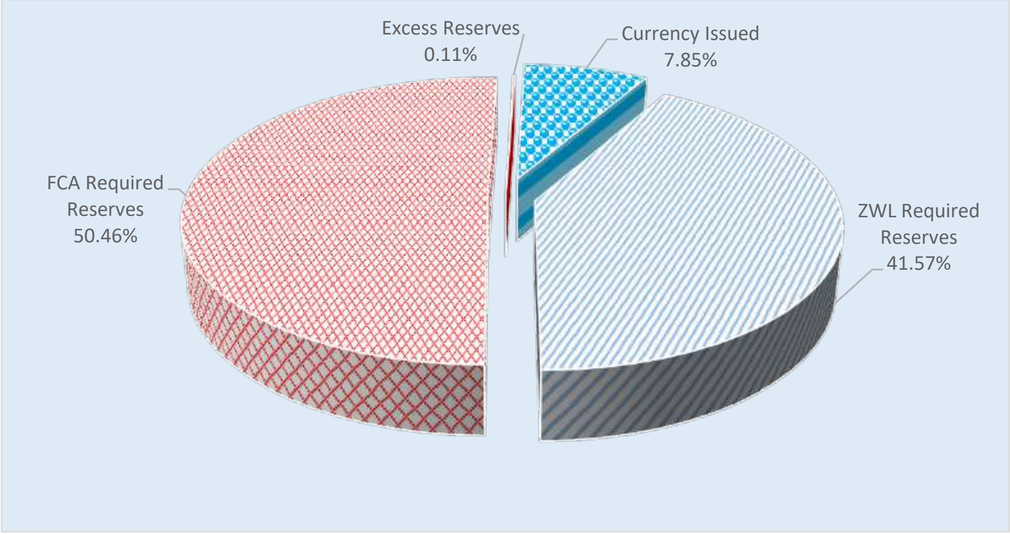
Monetary

Reserve Money Developments

71. As at end of September 2022, reserve money stock stood at ZW$87.1 billion, compared to ZW$37.5 billion in August 2022. This growth reflects statutory reserves levied on foreign currency deposits with effect from 1st September 2022.

72. Foreign currency statutory reserves amounted to ZW$44 billion as at end of September 2022, whilst the local currency component amounted to ZW$36.2 billion.

Figure 6: Components of Reserve money as at the end September 2022



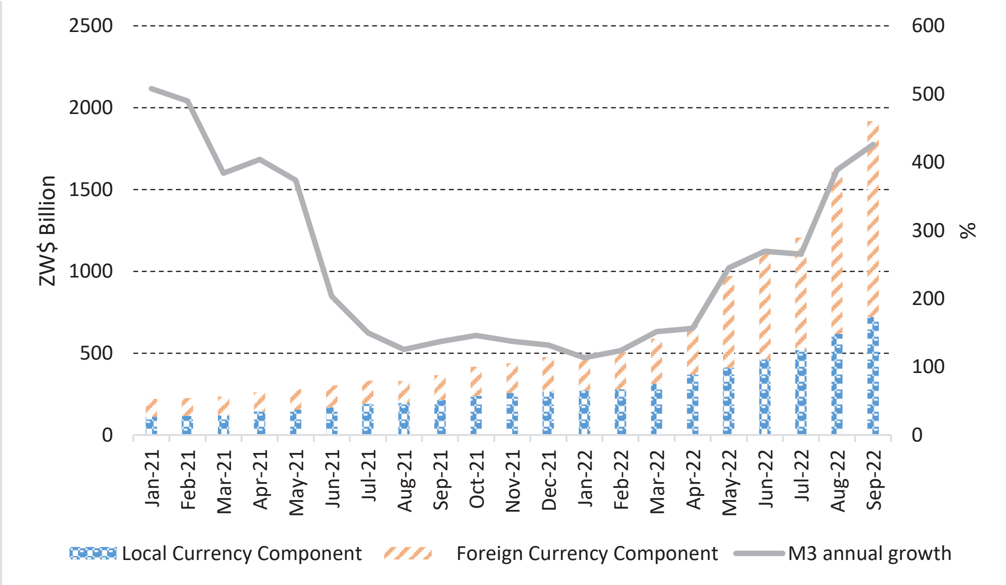
Source: RBZ, 2022

73. The stock of reserve money was made up of foreign currency statutory reserves at (50.5%); ZWL$ statutory reserves at (41.6%); currency in circulation (7.9%); and banks' liquidity at the Reserve Bank (0.11%).

Broad Money

74. Broad money recorded an annual growth rate of 425.8% to ZWL$1.9 trillion in September 2022, reflecting the expansion of both local and foreign currency components. Expansion of the local currency component was attributed to credit creation by banks, while the growth of foreign currency component was due to valuation changes associated with the exchange rate depreciation, as well as a real increase in foreign currency deposits.

Figure 7: Broad Money Developments



Source: RBZ, 2022

75. On a month-on-month basis, broad money grew by 19.2% (ZWL$308.24 billion) in September 2022, lower than the 33.3% (ZWL$401.6 million) growth in August 2022, reflecting an expansion in foreign currency deposits.

76. Domestic credit recorded an annual growth rate of 508.2% in September 2022, largely on the back of an increase of 531.2% and 491.7% in net claims on Government including SDR drawdowns and credit to the private sector, respectively.

77. The Central Bank has instituted tight monetary policy measures to foster macroeconomic stability in the economy as follows:

- Bank policy rate at 200% per annum;
- Medium-term lending rate at 100% per annum;
- Minimum deposit rate for ZWL$ savings at 40% and time deposits at 80% per annum;
- Statutory reserve requirements for ZWL$ deposits at 10% for demand and call deposits and 2.5% for savings and time deposits;
- Statutory reserve requirements for foreign currency deposits at 5% for call deposits and 2.5% for time and savings deposits.

Insurance and Pensions Sector

78. Government is in the process of compensating pensioners for losses incurred during the 2019 currency reforms. In this regard, following a dividend declaration by Kuvimba Mining House in 2021, a total of 3 547 pensioners from the first group of vulnerable pensioners have been paid US$100 each, translating to a disbursement of US$354 700, out of the US$400 000 apportioned to the compensation as at 30 September,2022.

79. The first dividend tranche targeted pensioners and beneficiaries earning an annual pension below ZWL$1 000 as at 31 December 2020 and subsequent disbursements will be made once more resources are available.

Risk-Based Capital Regime

80. Government has finalised regulations to enforce the Zimbabwe Integrated Capital and Risk Programme (ZICARP) framework with effect from 1 January, 2023. The Programme sets minimum capital requirements for insurance companies proportionate to the level of risk, in order to enhance financial stability of the insurance sector.

Agriculture Insurance for Smallholder Farmers

81. Government, in partnership with the International Finance Corporation (a member of the World Bank Group) is developing the agriculture insurance index based on insurance framework for smallholder farmers. The project commenced in early 2022, and is expected to run until June 2023. The expected project outcomes include the regulatory framework for agriculture index insurance, setting-up of knowledge exchange forums and developing capacity in agriculture index insurance, among other market development initiatives.

82. Furthermore, in a bid to improve the resilience of smallholder farmers against the impacts of climate change, the Insurance and Pensions Commission, is participating in the 3rd Innovation Lab that is being facilitated by the Access to Insurance Initiative (AII), alongside countries that include Zambia, Grenada and Costa Rica, the initiative is aimed at introducing innovative insurance solutions to the sector.

83. A Farmers' Basket prototype, composed of life, drought, pests and disease, has been developed and will be launched as a pilot project in Goromonzi during the 2022/23 agricultural season.

Anti-Money Laundering and Counter Financing of Terrorism Framework

84. Following the removal from the grey list in March 2022, the country has worked closely with the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) in implementing the Financial Action Task Force (FATF) global standards on combating money laundering and terrorism financing.

85. Zimbabwe was subsequently removed from the European Commission's list of High Risk Third Countries, in recognition of the progress made in strengthening the legal and institutional framework for combating money laundering and terrorism financing.

86. The country's legal and institutional framework for combating money laundering and terrorism financing is now rated among the best not only in the region but globally. Out of the 40 FATF Recommendations, Zimbabwe is now rated amongst the 21 ESAAMLG member countries as either fully compliant or largely compliant in 37 recommendations, after Mauritius.

87. In order to ensure full compliance on the 3 outstanding FATF recommendations, Government is working to address the following:

- Alignment of data protection and privacy laws with anti-money laundering and counter financing of terrorism standards;
- Regulation of non-profit organisations using the risk- based approach; and
- Regulation of virtual assets.

88. Furthermore, measures meant to ensure improvements in detection, investigation and prosecution of money laundering and related financial crime, among others will be enhanced.

Securities Market

89. The number of listed companies on the ZSE remains at 55 and five Exchange Traded Funds (ETFs). As at 26 October 2022, five counters remain suspended for various reasons while 50 counters are active on the equities board.

90. The ZSE All Share Index gained 35% for the period January to 25 October 2022, in comparison to a 334% gain in 2021 for the same period, which was partly induced by speculative trading and the impact of inflation.

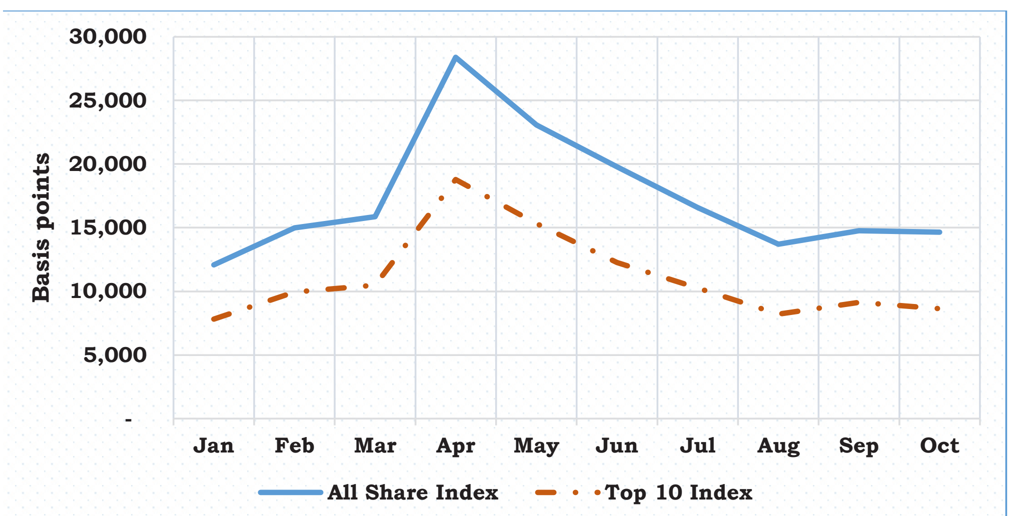
Table 10: ZSE Indices

Index	31-December-2021	26-October-2022	%Change
All share	10,822.36	14,645.20	35.32%
Top 10	8,632.08	6,811.43	26.73%

Source: ZSE

91. The Zimbabwe Stock Exchange (ZSE) is in the final stages of procurement of a market surveillance system to ensure implementation of measures to curb manipulation of the stock market and other illicit practises.

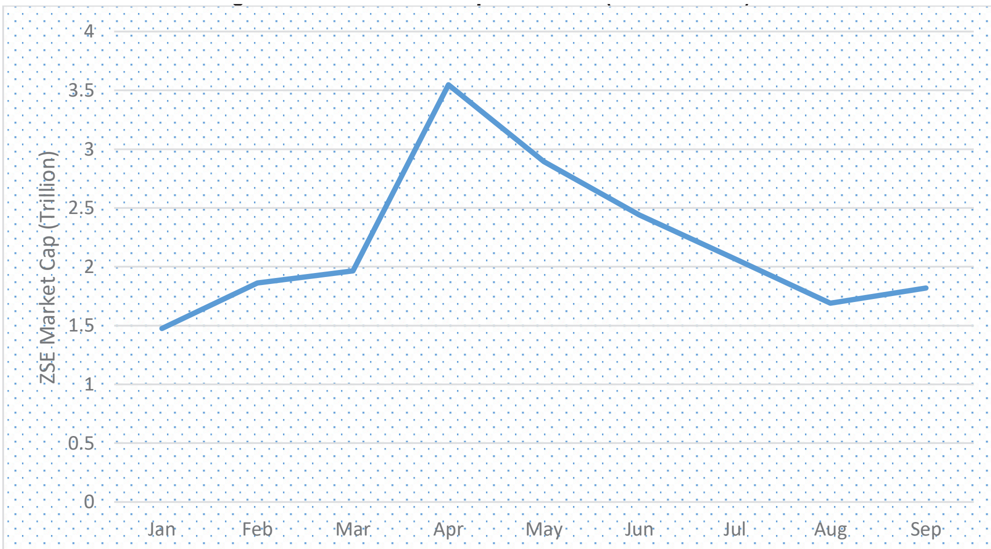
Figure 8: ZSE Indices



Source: ZSE

92. The ZSE market capitalisation peaked at ZWL$$3.5 trillion in April 2022, before receding to ZWL$1.82 trillion, following the introduction of measures which were announced in early May, 2022 to curb speculative trading at the bourse.

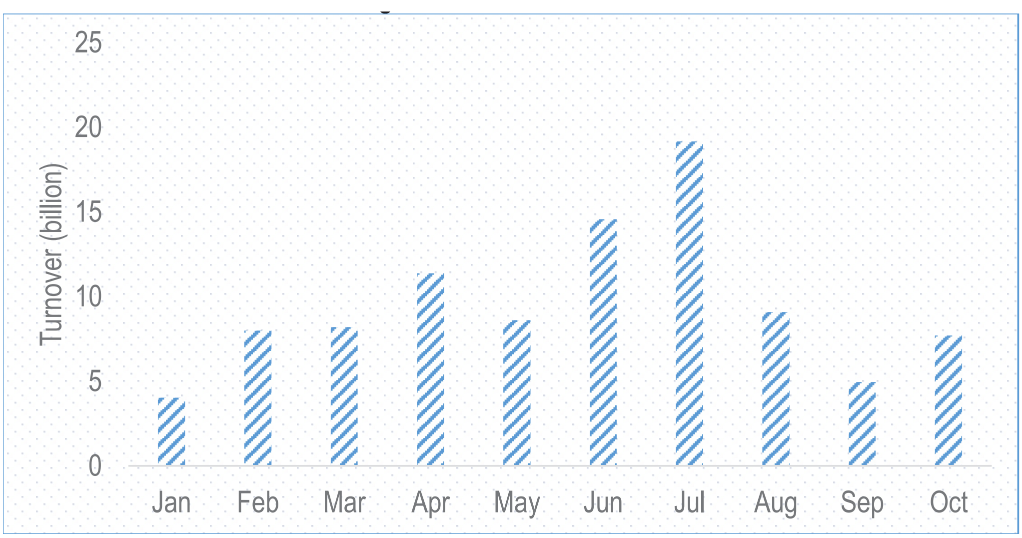
Figure 9: ZSE Market Capitalisation (ZWL Trillion)



Source: ZSE

93. Total ZSE market turnover for the period 1 January to 25 October 2022 was ZWL$94 billion, compared to ZWL$38 billion during the same period in 2021, attributable to inflation and exchange rate movements.

Figure 10: ZSE Turnover



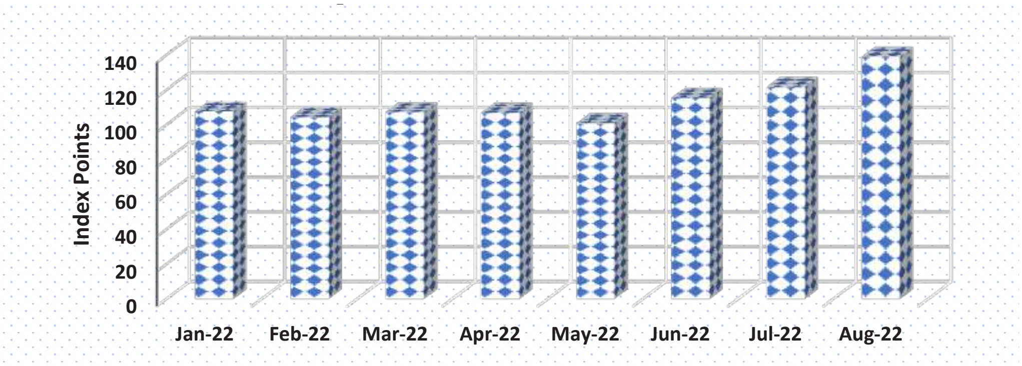
Source: ZSE

Victoria Falls Exchange (VFEX)

94. Currently, there are four companies listed on the Victoria Falls Stock Exchange (VFEX), namely, Caledonia Mining Corporation, Seed Co International, Padenga Holdings Limited and Bindura Nickel Corporation, with Nedbank, Simbisa Brands and Karo Mining Holdings expected to be listed during 2023.

95. The bourse maintained a strong and positive performance, as evidenced by a record turn over and increasing trades. The VFEX All Share Index rose by a significant 27% for the period January to October 2022, closing at 138.8 points, on 31 August, 2022.

Figure 11: VFEX All Share Index



Source: VFEX

96. The VFEX recorded total market turnover of US$8.88 million, a 20 709% increase from the same period in 2021. The outlook remains positive, with the pending listing of the ETFs that are expected within the next quarter.

97. VFEX market capitalisation stood at US$341 million as at 31 October, 2022, indicating a 76% increase from the comparative period in 2021. The number of trades has significantly increased and is expected to further grow following the launch of the VFEXDIRECT, an online trading platform to make the buying and selling of listed securities easier and fast.

Financial Inclusion

98. In support of the country's transformative inclusive economic growth agenda and enhancing shared economic prosperity, the Government has launched the National Financial Inclusion Strategy II (2022-2026), following the end of term completion of the first phase of the National Financial Inclusion Strategy (NFIS I) 2016-2020.

99. The NFIS II is designed to support and facilitate attainment of the overarching objective of the NDS 1, which is to "ensure high, accelerated, inclusive and sustainable economic growth, as well as socio-economic transformation and development towards an upper-middle-income society by 2030".

100. Significant progress in accessing financial services was registered under NFIS I, as reflected by the increase in the proportion of adults with access to formal financial services

from 69% in 2014, to 83% in 2022, and the narrowing of the financial exclusion gap from 23%, to 12% over the same period.

101. Women's financial inclusion improved significantly from 68% in 2014, to 83% in 2022, while men's financial inclusion increased to 85% in 2022, from 70% in 2014. Youth financial inclusion improved from 67% in 2014, to 83% in 2022, and inclusion of the rural communities improved from 62% in 2014, to 79% over the same period. The formally served MSMEs increased from 18% in 2012, to 95% in 2022, whilst the exclusion gap was reduced from 43% to 3%.

102. The table below summarises the trend in the movement of the financial inclusion indicators from 2016 to 2022:

Table 11: Key Financial Indicators from Dec 2016 to June 2022

Indicator	Dec-2016	Dec-2017	Dec-2018	Dec-2019	Dec-2020	Dec-2021	Jun- 2022
Number of Loans to MSMEs	15,747	8,873	14,265	15,530	11,452	35,224	37,590
Nominal Value of loans to MSMEs (ZW$ Million)	131.69	146.22	169.96	462.98	3,013.85	10,280.77	34,021.15
Inflation-adjusted - Value of loans to MSMEs (ZW$ Million)	132.93	141.33	119.61	167.95	671.85	6,395.99	9,531.34
Average loans to MSMEs as % of total bank loans	3.57	3.75	3.94	3.92	3.66	3.90	5.54

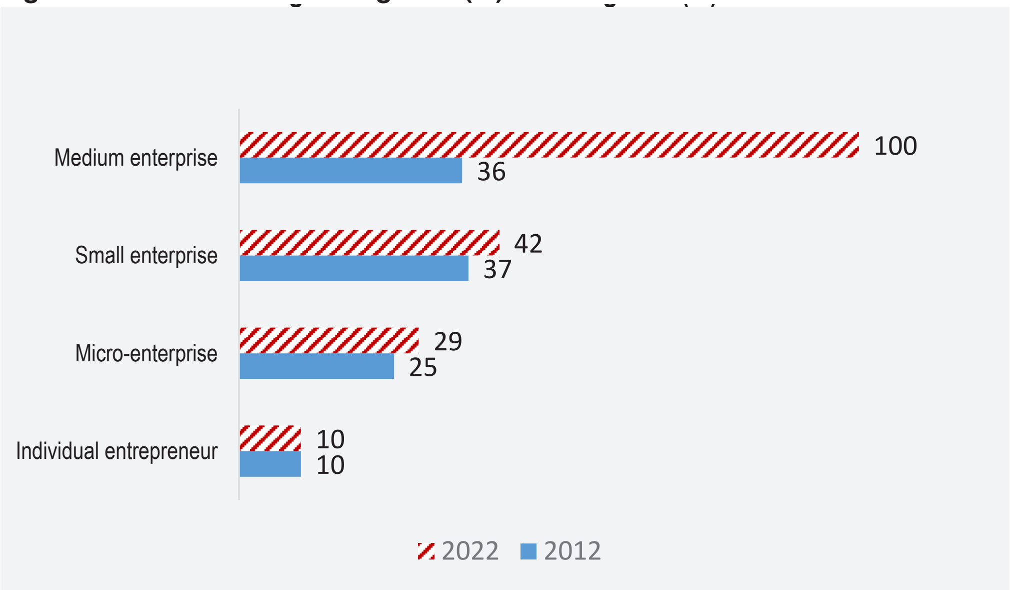
Indicator	Dec-2016	Dec-2017	Dec-2018	Dec-2019	Dec-2020	Dec-2021	Jun- 2022
Number of Loans to Women	109,149	116,331	191,822	249,742	157,332	173,810	189,861
Nominal Value of Loans to Women (ZW$ Million)	277.30	310.78	432.36	586.74	3,280.61	14,666.06	42,972.89
Inflation-adjusted Value of Loans to Women (ZW$ Million)	279.90	300.39	304.29	212.85	731.32	9,124.09	12,039.25
Average loans to women as a % of total bank loans	7.52	7.96	10.57	15.59	3.98	5.57	7.00
Number of Loans to Youth	38,400	61,529	69,421	189,658	71,832	75,188	85,562
Nominal Value of Loans to Youth (ZW$ Million)	58.41	138.93	104.43	188.71	1,947.52	6,249.97	12,717.06
Inflation-adjusted Value of Loans to Youth (ZW$ Million)	58.96	134.28	73.50	68.46	434.14	3,888.25	3,562.80
Average loans to the youth as a % of total bank loans	1.58	3.56	2.55	6.09	2.36	2.37	2.07
Total number of Active Bank Accounts (Million)	1.49	3.07	6.73	7.62	8.64	8.17	6.95
Number of Low-Cost Bank Accounts (Million)	1.20	3.02	4.67	4.97	5.85	4.78	4.22

Source: National Financial Inclusion Strategy II

Formalisation

103. Statistics indicate that the larger the enterprise, the less likely it will be informal, implying that supporting small business to graduate to higher levels of SMEs is one way of promoting formalisation and addressing informality.

Figure 12: Formal MSME Categories (%)



Source: National Financial Inclusion Strategy II

104. The National Financial Inclusion Strategy II will now focus on the usage of financial services, particularly, by the targeted groups of women, youth, MSMEs, rural communities and smallholder farmers, people with disabilities (PWDs), as well as pensioners and the elderly.

105. Government remains committed to creating an enabling environment that fosters sustainable and inclusive economic growth and development as it implements NFIS II.

Public Finances Developments

106. The 2022 National Budget was premised on total revenue collections of ZWL$850.8 billion (16.8% of GDP), expenditures

of ZWL$968.3 billion and a target budget deficit of ZWL$76.5 billion (1.5% of GDP).

107. Developments during the first half of the year, characterised by high inflation and exchange rate depreciation, necessitated additional provisions through the 2022 Supplementary Estimates of Expenditure, with annual revenue being revised to ZWL$1.74 trillion, whilst expenditures were increased to ZWL$1.9 trillion, resulting in a budget deficit of ZWL$157.5 billion.

108. To date, our public finances have generally been in line with the 2022 Revised Budget targets and revenue collections to September 2022, at ZWL$1.16 trillion, against expenditures of ZWL$1.19 trillion, resulting in a deficit of ZWL$30.7 billion. Detailed public finance performance are contained in Annex 1.

Table 12: Public Finances ZWL$M: Jan-Sept 2022

	Orig Budget	Supp Budget	Rev Budget	Outturn	Target
Total Revenue	850,770.7	889,229.6	1,740,000.2	1,160,357.53	890,498.55
Tax Revenue	809,388.7	844,218.5	1,653,607.1	1,088,610.49	859,409.56
Non-Tax Revenue	41,382.0	45,011.1	86,393.1	71,747.03	31,088.99
Total Exp & Net Lending	968,268.5	929,253.5	1,897,522.0	1,191,036.14	1,016,716.94
Recurrent Expenditure	633,568.5	756,697.5	1,390,266.0	900,810.10	715,398.70
Financial & Non-Financial Assets	334,700.0	172,556.0	507,256.0	290,226.10	301,693.80
Overall Balance	-76,497.34	-40,023.9	-157,521.8	-30,678.62	-126,218.40

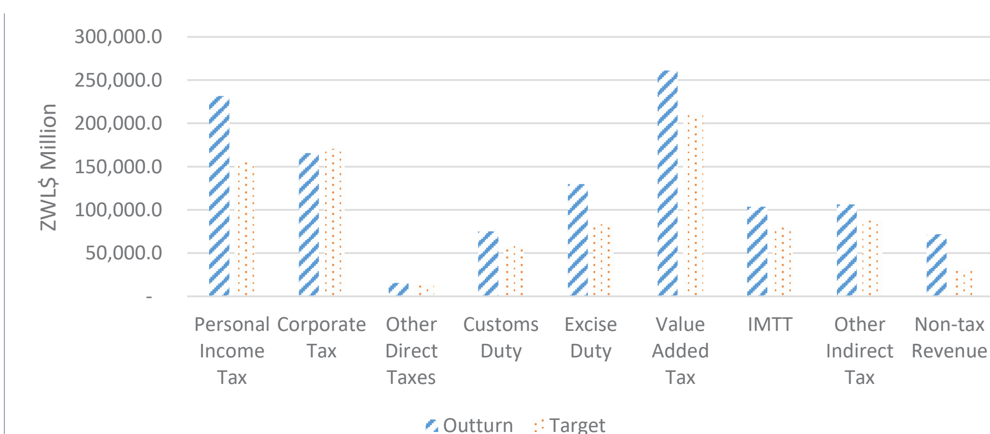
Source: MoFED

Revenue

109. Cumulative revenue collections for the period January to September 2022 amounted to ZWL$1.2 trillion, against a target of ZWL$890.5 billion, giving a positive variance of ZW$269.9 billion. Tax and non-tax revenue collections amounted to ZWL$1.1 trillion and ZWL$71.7 billion, respectively.

110. Tax revenue benefitted from the positive performance on Value Added Tax (VAT), Personal Income Tax (PIT), Excise and Customs Duty and the Intermediated Money Transfer Tax (IMTT).

Figure 13: Revenue Performance: Jan– Sept 2022



Source: MoFED

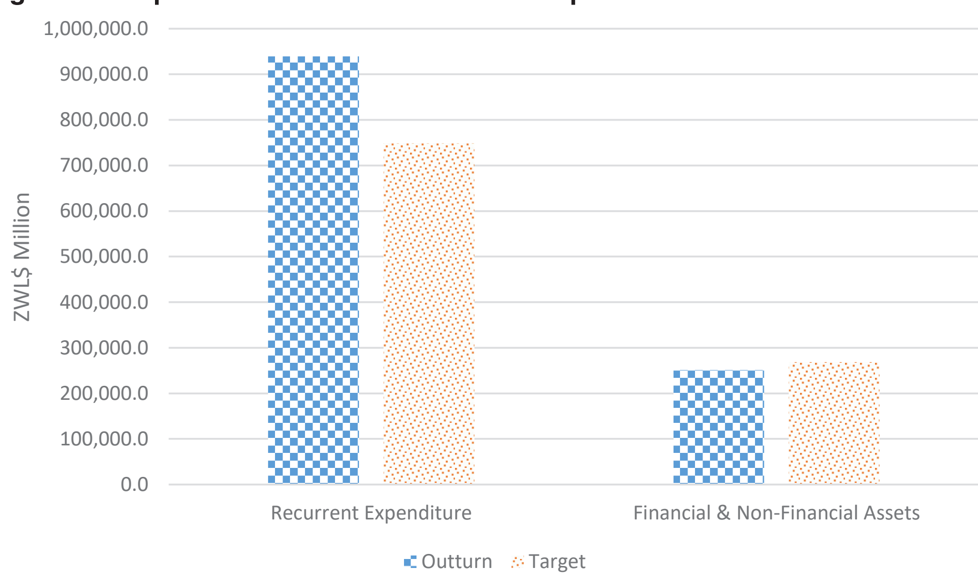
111. Revenue performance remains on course to meet the revised 2022 target of ZWL$1.7 trillion.

Expenditures

112. Cumulative expenditures for the first nine months of 2022 stood at ZWL$1.19 trillion, against a target of ZWL$1.02 trillion, representing an expenditure overrun of ZWL$173.9 billion.

113. The over-expenditure was on account of higher expenditure on recurrent expenses at ZWL$900.8 billion, exceeding the target of ZWL$715.4 billion.

Figure 14: Expenditure Performance: Jan – Sept 2022



Source: MoFED

114. Major recurrent expenditures were on compensation of employees including pension, as indicated in the Table below

Table 13: Recurrent Expenditure (ZWL$M): Jan – Sept 2022

	Outturn	Target
Compensation of Employees	464,073.4	417,692.6
Use of Goods and Services	308,595.7	229,737.1
Interest	4,803.9	10,494.1
Subsidies	18,052.9	7,825.7
Grants	191,706.9	139,615.1
Social Benefits	105,284.2	49,649.1
Other Expenses	2,165.1	0.0
Total	1,094,682.1	855,013.7

Source: MoFED

115. Expenditure on goods and services which stood at ZWL$308.6 billion, were channelled towards operations in support of MDAs and the implementation of various Government programmes.

116. Cumulative capital expenditure (excluding devolution) to end of September 2022 stood at ZWL$273.7 billion, against the revised target of ZWL$268.3 billion, resulting in a positive variance of ZWL$5.4 billion.

117. These investments have ensured the implementation of targeted projects under NDS1, aimed at transforming livelihoods of communities and the doing business environment.

Public Debt

118. The country's total Public and Publicly Guaranteed (PPG) debt is estimated at ZWL$2.2 trillion for domestic debt and US$14 billion for external debt (including blocked funds of US$3.1 billion) as at end September 2022.

Table 14: Public and Publicly Guaranteed External Debt Stock in US$M as at end Sept 2022

	DOD	Principal Arrears	Interest Arrears	Penalties	Total Arrears*	TOTAL
Total External Debt (incl blocked funds)	7,733	2,700	1,556	2,054	6,310	14,043
External Debt	4,670	2,700	1,556	2,054	6,310	10,980
a. Bilateral Creditors	1,807	1,591	504	1,852	3,946	5,753
Paris Club	116	1,254	430	1,753	3,437	3,552
Non-Paris Club	1,691	337	74	98	509	2,200
b. Multilateral Creditors	223	1,109	1,053	202	2,364	2,587
World Bank	142	685	649	-	1,333	1,475
African Development Bank	27	271	373	-	644	671
European Investment Bank	11	135	24	202	361	372
Others	44	19	7	-	26	69
c. RBZ Debt	3,370	-	-	-	-	3,370
Blocked Funds	2,332	-	-	-	-	2,332
Cash Payments	32	-	-	-	-	32
Treasury Bonds	1,049	-	-	-	-	1,049
Other Creditors	1,251	-	-	-	-	1,251

Source: MoFED, ZPDMO

Table 15: Public and Publicly Guaranteed Domestic Debt Stock in ZWL$M as at end Sept 2022

	TOTAL
Total Debt	2,235,896
Government Securities	55,452
Treasury Bills	44,444
Treasury Bonds	11,008
Compensation of Former Farm Owners	2,176,623
Domestic Arrears	3,822

Source: MoFED, ZPDMO

2023 MACROECONOMIC FISCAL FRAMEWORK

119. In line with the projected GDP growth rate of 3.8%, nominal GDP is estimated at ZWL$21.8 trillion. Total revenue collections are projected at ZWL$3.9 trillion (18% of GDP), comprising tax revenue of ZWL$3.5 trillion (16% of GDP) and non-tax revenue of ZWL$369.7 billion (1.7%) in 2023.

120. Tax administrative efficiencies and the implementation of numerous measures to increase tax compliance are expected to contribute significantly towards the attainment of the projected revenues. In the medium term to 2025, revenue as a percentage of GDP is expected to average 19.3%, in line with NDS1 targets.

121. The 2023 fiscal framework is anchored on a relatively stable macroeconomic environment, characterised by the convergence of the parallel and official exchange rates and continued inflation deceleration.

Table 16: Macro-Fiscal Framework (ZWL$M): 2021-25

	2021	2022	2023	2024	2025
National Accounts					
Real GDP at (2019) market prices (Million ZWL$)	212,151.32	220,548.42	228,821.19	239,880.51	251,783.38
Nominal GDP at market prices (Million ZWL$)	3,189,937.24	10,547,415.18	21,768,513.98	29,615,949.63	33,922,056.11
Real GDP Growth (%)	8.5	4.0	3.8	4.8	5.0
Government Accounts					
Revenues (Including Retained Revenue)	489,592.20	1,738,816.6	3,910,072.4	5,653,448.8	6,810,014.2
% of GDP	15.3	16.5	18.0	19.1	20.1
Expenditures & Net Lending (Million ZWL$)	545,029.15	2,149,584.82	4,246,947.3	6,056,223.4	7,243,319.1
% of GDP	17.1	20.4	19.5	20.4	21.4
Recurrent Expenditures	364,149.54	1,694,867.82	3,590,447.3	4,656,729.7	5,171,668.7
% of GDP	11.4	16.1	16.5	15.7	15.2
Employment Costs including Pension	193,261.03	908,388.60	2,199,662.95	2,919,729.59	3,252,071.15
% of GDP	6.06	8.61	10.1	9.9	9.6
% Total Expenditure	35.46	42.26	51.8	48.2	44.9
% of Revenue	39.47	52.24	56.3	51.6	47.8
Capital Expenditure & Net lending	180,879.61	454,717.00	656,500.0	1,399,493.7	2,071,650.4
% of GDP	5.67	4.31	3.0	4.7	6.1
Overall Balance	-55,436.96	-63,827	-336,875	-402,775	-433,304.9
% of GDP	-1.74	-0.61	-1.5	-1.4	-1.3

122. The projected revenues, will be complemented by both domestic and foreign resource mobilisation initiatives to the tune of ZWL$575.5 billion, bringing the 2023 total Budget envelope to ZWL$4.5 trillion.

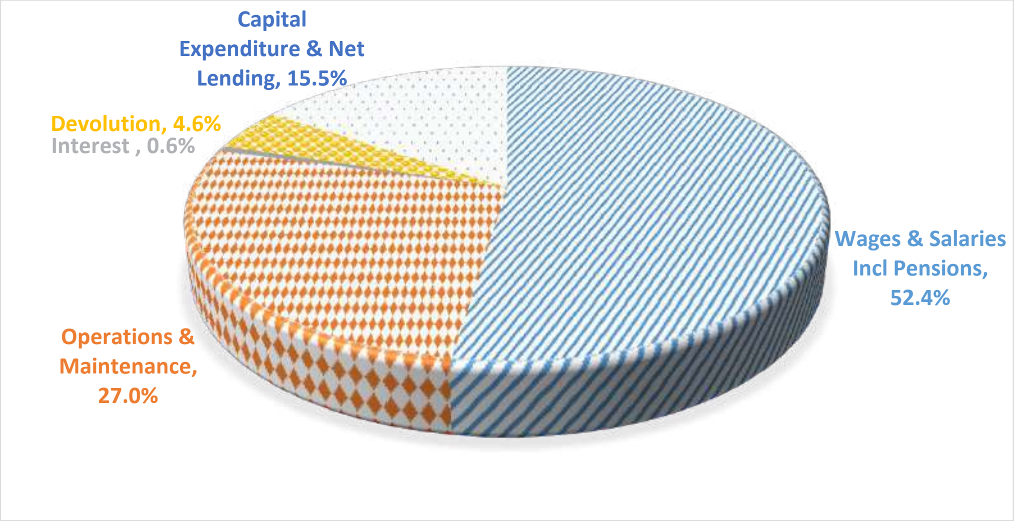
123. Consequently, total expenditure for the year 2023, are set at ZWL$4.5 trillion, including loan repayments of ZWL$248.6 billion.

Table 17: Expenditure Projections: 2021 – 2025 (ZWL$M)

	2021 Outturn	2022 Revised Budget	2023 Proposed Estimates	2024 Indicative Estimates	2025 Indicative Estimates
Total Expenditure & Net Lending Incl Loan Repayment	**511,647.4**	**1,929,736.0**	**4,495,591.7**	**6,315,843.4**	**7,712,579.3**
	-	-	-	-	-
Total Expenditure & Net Lending	***480,477.0***	***1,897,453.0***	***4,246,947.3***	***6,056,223.4***	***7,243,319.1***
	-	-	-	-	-
Recurrent Expenditure	327,524.6	1,440,206.3	3,585,227.3	4,656,729.7	5,171,667.7
	-	-	-	-	-
Employment costs	115,550.1	582,519.3	1,594,498.5	2,086,371.0	2,323,571.4
	-	-	-	-	-
Use of goods and services	82,206.0	336,350.0	851,417.8	1,051,187.1	1,113,698.1
	-	-	-	-	-
Interest on debt	1,487.0	17,367.0	24,967.5	31,105.4	32,521.0
	-	-	-	-	-
Current Transfers	89,474.1	389,038.5	932,328.8	1,256,479.6	1,438,638.8
	-	-	-	-	-
Subsidy	8,017.2	18,294.6	44,000.0	55,967.5	64,358.2

124. Employment costs at ZWL$2.2 trillion or 52.4% of total expenditures in 2023, accounts for a large share of the expenditures, followed by use of goods and services at 17.5% and net acquisition of non-financial assets at 15.5%.

Figure 15: 2023 Expenditure Distribution (%)



Source: MOFED, RBZ & ZIMSTAT

125. Provision for net acquisition of non-financial assets of ZWL$650 billion (3% of GDP), provides for the development budget of ZWL$486.9 billion and other capital expenditures of ZWL$163.1 billion.

126. As part of the fiscal consolidation measures, and in order to ensure effective and efficient public spending, the following measures will guide public expenditure management during 2023;

- Continued implementation of demand management measures such as rationalisation of travel expenditures and other non-essential expenditures;
- Reforms of the public procurement processes to ensure efficiency and transparency, as well as guarantee value for money;
- Recruitment freeze for non-critical posts (recruitment will be allowed in the social and security sectors); and
- Prioritisation of completion of ongoing infrastructure projects, before commencing new projects.

Budget Deficit

127. The level of the budget deficit is guided by the need to ensure that public debt remains sustainable and within the Public Debt Management Act target of 70% of GDP and SADC

macroeconomic convergence benchmark of budget deficit of not more than 3% of GDP.

128. The overall deficit of ZWL$336.9 billion (1.5 per cent of GDP) and net loan repayments amounting to ZWL$248.6 billion, results in total financing requirement of ZWL$585.5 billion to be financed through the following:

- VFEX bond issuance ZWL$95.2 billion;
- External loan disbursement; ZWL$398.2 billion equivalent,
- Treasury bill issuances, ZWL$82.2 billion, and
- Changes in bank balances, ZWL$10 billion.

Table 18: 2023 Borrowing Plan (ZWL$ millions)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
90-day	-	-	4,800	4,900	9,700
180-day	-	3,200	6,200	13,100	22,500
270-day	2,200	4,900	7,300	9,800	24,200
365-day	6,100	8,200	6,100	5,352	25,752
Total Treasury Bills	8,300	16,300	24,400	33,152	82,152
Treasury Bonds VFEX (3-7 years)	-	47,581	47,581	-	95,162
External Loan	-	385,648	8,779	3,779	398,205
Total	8,300	449,529	80,760	36,931	575,519

Source: Zimbabwe Public Debt Management Office

129. Treasury bond issuances of US$100 million will be issued in tranches through the Victoria Falls Securities Exchange (VFEX), specifically for infrastructure development targeting roads rehabilitation and irrigation infrastructure.

130. The external loan disbursement of ZWL$398.2 billion comprises of an expected loan facility of US$400 million from Afreximbank still undergoing approval processes and existing loan disbursements from OFID, IFAD and BADEA.

Annual Borrowing Limits

131. In line with the Constitution and the Public Debt Management Act, the Minister of Finance and Economic Development has the sole authority to borrow money, issue Government securities, enter into supplier's credit agreements and issue Government guarantees on behalf of Government. In addition, the Minister is mandated to set annual borrowing limits for each fiscal year.

132. In this regard, the overall annual borrowing limit has been set at 5.75% of GDP for the year 2023, informed by the level of the budget deficit and Government's capacity as guided by Public Debt Management Act and commitments. The limits are as follows:

- Central Government borrowing for budget support, 3% of GDP (for budget financing and amortisation of loans and securities);

- State-Owned Enterprises, including on-lending from Central Government, 2% of GDP (0.5% for guarantees, 1% for on-lending and 0.5% borrowing power authorities);
- Local Authorities, 0.25% of GDP (0.125% guarantees and 0.125% borrowing power authorities). The borrowing is limited to 10% of their respective previous year's revenues; and
- Guarantees to the private sector, 0.5% of GDP.

133. Guarantees to the private sector are being considered under the various SDR facilities such as the Horticulture and Industry Re-tooling facilities, with all requests subjected to mandatory due diligence assessment procedures and gazetting.

Development Partner Support

134. Development Partners play an important role in the implementation of national programmes and projects through financial and technical assistance support. During the first nine months of 2022, the country received official development assistance amounting to US$638.3 million, of which US$402 million was from bilateral partners and US$236.3 million from multilateral partners.

135. The support was channeled towards funding programmes and projects in various sectors of the economy which include health, agriculture, education, humanitarian and governance sectors.

Table 19: Grants Disbursements by Sector (US million)

Sector Distribution	2022 Jan – Sept, Act	2022Q4Proj	2022 Proj	2023 Proj
Agriculture	100.1	25.9	33.8	20.2
Education	8.9	7.7	15.1	25.3
Emergence Response	33.6	8.8	119.7	11.6
Energy	13.7	23.9	20.9	13.5
Forestry	0.3	2.0	0.0	5.6
Governance	42.6	16.0	16.1	44.2
Health	408.3	140	496.6	212.9
Manufacturing & Value Addition	1.4	0.3	0.0	5.7
Mineral Resources & Mining	-	-	0.0	0.2
Other Social Infrastructure & Services	14.4	3.9	66.9	4.2
Tourism	2.4	0.1	0.0	0.8
Trade Policies & Regulations	0.0	0.3	0.0	1.4
Transport & Storage	0.2	0.1	1.1	0.6
Water and Sanitation	12.1	5.0	5.7	6.7
Total	638.3	234.0	776.0	352.8

Source: MoFED

136. An additional US$124.2 million is expected to be disbursed during the fourth quarter, bringing the total support for the year to US$776 million. In 2023, such support is projected at US$352.8 million mainly targeting social sectors and governance programmes.

Risks to the Fiscal Framework

137. Budget implementation over the years has been impacted by the materialisation of fiscal risks that often deviate macroeconomic outcomes from targets, impacting on the achievement of intended objectives.

138. This section assesses and quantifies specific fiscal risks related to budget execution, and provides a framework towards mitigating the risks.

139. The main sources of fiscal risks to the 2023 National Budget execution include the pass-through effects of global shocks, macroeconomic and climatic shocks, expenditure risks and contingent liabilities from State-Owned Enterprises (SOEs). Although the fiscal risk categories can be clearly defined, they are inter-dependent and reinforce each other.

Macroeconomic Risks

140. Global economic outlook is uncertain due to geopolitical tensions which have resulted in high prices of energy, fertilizer and food, necessitating tightening of monetary policies by most Central Banks. Further worsening of the situation in 2023,

has the potential to slow down domestic economic growth by between 0.4% to1.8%.

141. On the domestic front, climatic and weather-related risks, particularly, the uneven distribution of rainfall and electricity supply challenges may compromise attainment of the projected growth.

142. Sensitivity of fiscal performance to a -2% GDP growth shock is indicated in the table below.

Table 20: Budget Sensitivity to GDP Shock

	2023 Baseline	Deviation from the Base Line	Impact of the Shock
Total Revenue (% of GDP)	18.0	-0.3	17.7
Total Expenditure (% of GDP)	19.5	0.4	19.9
Fiscal balance (% of GDP)	-1.5	-0.7	-2.2

143. Government has made specific budgetary provisions and policy measures to mitigate some of the risks, including support towards domestication of the strategic value chains.

144. Climatic and weather-related risks have, in the past, destroyed infrastructure, community assets and livelihoods, whilst also impacting on macro-economic aggregates. To minimise the impact on the Budget, Government has made a provision for disaster risk management, focusing on strengthening early warning systems.

145. To avert the impact of electricity supply disruption, Government has prioritised the completion of Hwange 7 & 8 Expansion Project, as well as promotion of investments in renewable energy sources by Independent Power Producers.

Inflation and Exchange Rate Risks

146. High inflation and continuous exchange rate depreciation pose a major risk to the 2023 Budget, through reducing nominal and real value of revenue collections. On the expenditure side, they increase the cost goods and services, as well as erode real wages, triggering wage review pressure. The overall impact of high inflation and continuous exchange rate depreciation is widening the budget deficit.

147. On public debt, increases in inflation beyond the projected level has the impact of increasing the stock of external debt in local currency, given that 60% of the country's total debt is denominated in foreign currency. In 2022, the increase in public debt levels was mainly on account of exchange rate depreciation.

148. Deviation of inflation and exchange rate from target may result in adverse fiscal outcomes as shown in the Table Below.

Table 21: Impact of Accelerating Inflation on Fiscal Aggregates

Inflation Acceleration Scenario Averaging 150%	2023 Baseline	2023 Inflation Shock
GDP growth (%)	3.8	1.1
Total Revenue (% of GDP)	18	16.6
Total Expenditure (% of GDP)	19.5	21.9
Fiscal balance (% of GDP)	-1.5	-5.3

149. To mitigate the inflation and exchange rate risks, Government will continue with the current policy thrust of maintaining tight fiscal and monetary policies. Such measures include deepening of the value for money principle and maintaining positive real policy rates in order to curb speculative borrowing. Government will also continue to fine tune the foreign currency exchange market to improve efficiency.

Expenditure Risks

150. Accumulation of arrears mainly from commitments outside the Budget and the public finance management system also present a risk to the 2023 Budget. This will be mitigated by forcing MDAs to spent within the approved Budget through the public finance management system.

151. To support the Implementation of Enterprise-wide Risk Management in the public sector, Treasury issued a Risk

Management Framework and Guidelines for the public sector, which obligates MDAs to embrace risk management through the application of systematic, consistent and pre-planned strategies.

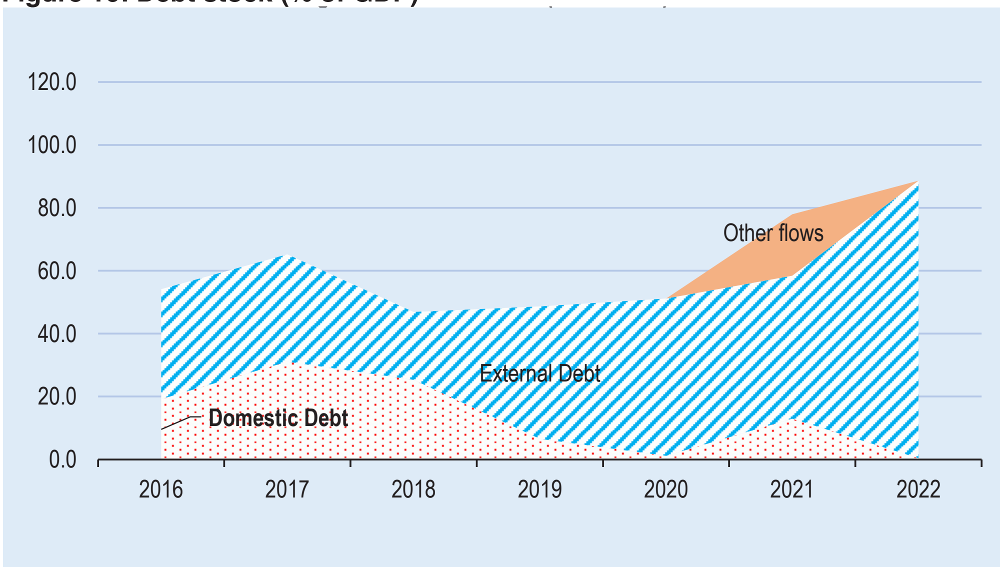
152. Government will also implement the following mitigatory measures:

- Cash budgeting and no recourse to central bank borrowing;
- Continued implementation of demand management measures, such as rationalisation of non-essential expenditures;
- Continuously implement value for money and computerisation of all procurement processes;
- Implementation of Zero-Based Budgeting; and
- Prioritising completion of ongoing projects.

Public Debt Guarantees

153. Guarantees by Government on behalf of SOEs and private sector institutions present a risk in the event of default, as some of the guarantees may be called up due to poor performance.

Figure 16: Debt stock (% of GDP)



154. In line with the provisions of the Public Debt Management Act, SOEs are now required to produce bankable business plans and ensure timely submission and publication of financial statements before accessing guarantees, that way reducing incidence of default.

Electricity Supply

155. The country has been facing electricity supply challenges, attributed to depressed generation at thermal power stations, low electricity production at the Kariba Power Station and vandalism of distribution infrastructure.

156. Availability of enough water for electricity generation at Kariba Dam during the 2022/23 season remains a risk that could

force the Zambezi River Authority to reduce water allocation to Kariba Hydro Power Station, thereby substantially reducing electricity generation capacity.

157. To stabilise power supply, efforts are underway to ensure that the Hwange Unit 7 & 8 project is completed on time to bring the additional 600MW on to the national grid. This, together with increased maintenance of old thermal plants and investments by Independent Power Producers, is expected to stabilise electricity supply in the medium term.

158. Government is also gradually reviewing upwards electricity tariffs, with the ultimate goal of reaching a cost reflective tariff, which should enable the power utility to improve generation and capacity to import in order to close the supply/demand gap.

159. Some of the major consumers of electricity, such as ferrochrome smelters, have been paying sub-optimal tariffs of USc6.7/kWh, resulting in huge losses to the utility. In this regard, the tariff for such consumers will be reviewed upwards and aligned with other consumers, thereby generating additional revenue for the utility to meet its external obligations, as well as capacity to import spares for maintenance. Furthermore, a viable tariff will also promote investment in the sector, especially by Independent Power Producers (IPPs).

160. These measures will be complemented by additional regulatory governance reforms on the power utility, including expediting the re-bundling exercise that is meant to improve efficiencies.

161. As part of demand management measures, and in order to address the huge debtor’s book, ZETDC will be rolling out the smart metering programme, as well as completion of the prepaid metering project in order to ensure that the debtor’s book is maintained at sustainable levels, thus creating a bankable balance sheet.

Subsidies

162. Subsidies are an integral part of Government interventions to correct market failure, as well as stimulate the economy. However, costs arising from subsidies should be fiscally sustainable so as not to crowd out other critical programmes, such as infrastructure and other developmental expenditures. In addition, subsidies divert scarce resources away from productive sectors and are prone to abuse, providing opportunities for speculation and rent-seeking behaviour with implications on overall macro-economic stability if not properly managed.

163. In 2023, Government will continue to streamline the remaining subsidies and progress towards a more targeted approach

for critical areas such as social services. This also applies to implicit subsidies, particularly for utilities which are still charging sub-optimal tariffs.

THE 2023 BUDGET PRIORITY AREAS

164. The high growth rates envisaged under Vision 2030 require structural transformation of the economy, which ensures increased domestic production and productivity of products and services able to compete in the global value chains.

165. Implementation of policies that promote significant structural shifts in production and productivity of key sectors of the economy, export diversification and graduation into more complex products, will be central in achieving sustainable growth.

166. The private sector is expected to complement Government efforts by exploiting the opportunities, including collaboration with state institutions to produce globally competitive strong local brands.

Economic Growth and Macro-Stability

167. The overriding objective of the 2023 Budget of entrenching macroeconomic stability, will accelerate economic

transformation by promoting a conducive business environment that facilitates savings and investment, as well as enable long term planning.

168. Strong collaboration and complementarity between fiscal and monetary policy measures seeks to entrench macroeconomic stability, with additional measures being implemented to keep market liquidity under control and accelerate the disinflation path, with the broad objective of achieving single digit inflation and a stable exchange rate.

169. Macroeconomic stability, complemented by supply side interventions, is expected to go a long way in ensuring a conducive macroeconomic environment that supports robust inclusive economic growth, reduce poverty levels across regions and communities "*leaving no one and no place behind*".

170. Progress on financial inclusion is expected to provide an impetus to sustainable and inclusive growth. Already, improvements have been registered in advancing the uptake and usage of the formal financial services through the implementation of the National Financial Inclusion Strategy (NFIS I – 2016-2020). Financial exclusion gap has narrowed from 23% in 2014, to 12% in 2022, enabling women, youths, MSMEs, rural communities and smallholder farmers to

access finance to transform their lives through informed financial decisions.

Fiscal Policy

171. The current focus on value for money principle in public procurement, is transforming public expenditure management by ensuring that public funds are used effectively and efficiently, without compromising the core principles of integrity, competitiveness, equity and transparency.

172. Government's fiscal policy thrust is anchored on maintaining a sustainable fiscal position that support inflation and exchange rate stability, whilst enabling Government to finance critical public services in an affordable and sustainable budget framework.

173. In line with this objective, the fiscal deficit has been maintained at 1.5% of GDP, with strict control on consumptive expenditures in order to create fiscal space for development expenditures, such as infrastructure and social services provisions that benefit the poor and provide resilience against adverse external shocks, as well as opportunities for productive economic activities will be ring fenced.

174. The Budget has also prioritised developmental outlays that improve the reliability of public services and enablers such as electricity, water, transport, housing delivery and ICT, with maintenance programmes being prioritised over outlays on new projects. This will ensure continued provision of reliable services and utility from existing assets.

175. Appropriate pricing of public goods and services, such as telecommunication charges, electricity, water and fuel, will be considered, based on affordability and the user-pay-principle, in order to increase viability and reduce the subsidy burden on the Budget.

176. Revenue collections will be further enhanced through rationalisation of tax expenditures incurred as a result of generous fiscal concessions, particularly in mining, and complemented by measures to modernise tax systems, broaden the tax base, as well as introduce more efficient ways of raising revenue, particularly from the informal sector.

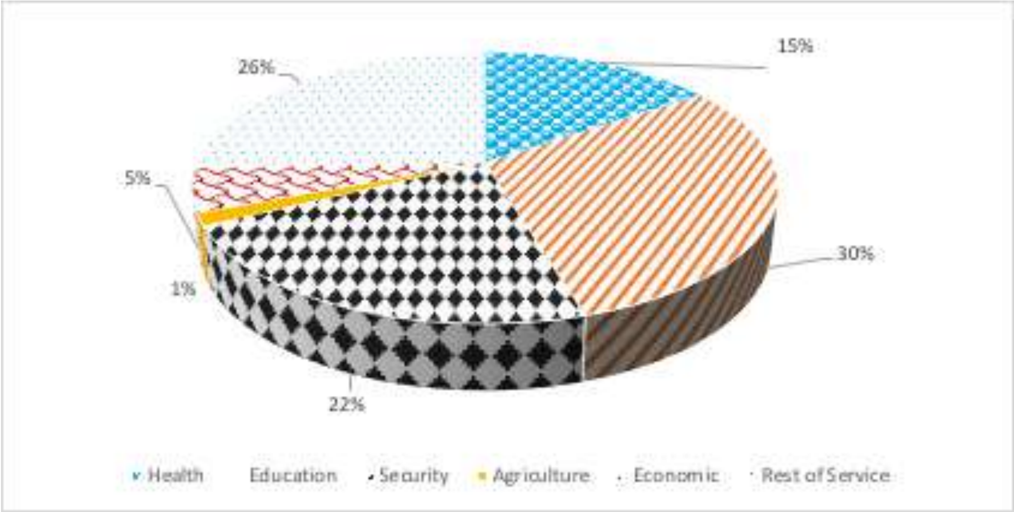
177. Furthermore, Ministries, Departments and Agencies will be expected to charge their fees and charges exclusively in local currency, with the option of being paid in foreign currency at the prevailing exchange rate, except where explicit authority has been granted.

178. Disbursements will strictly be for approved budgeted programmes and projects, which will be diligently monitored by the Cashflow and Liquidity Management Committees to ensure market liquidity is maintained at levels that support the achievement of macroeconomic stability.

Employment Costs

179. The 2023 National Budget has a provision of ZWL$2.2 trillion for employment costs, inclusive of grant aided institutions and pensioners, medical aid and pension contribution. This amount includes ZWL$659.4 billion and ZWL$336.5 billion for the salaries and allowances for education and health sectors, respectively.

Figure 17: Distribution of Employment Cost



Source: MoFED

180. The share of employment costs to total expenditure is projected at 52.4% in 2023, an increase from 42.3% in 2022. The increase in the employment cost level is on account of the need to cushion civil servants against the impact of global economic challenges and domestic price increase.

Public Service Pension Fund

181. The Public Service Pension Fund is now valued at US$113 million (ZWL$70 billion) or 3% of the Fund's projected pension liability for the years 2019 to 30 September 2022. This represents a growth rate of 60% month over month. The Fund is expected to generate wealth and match the 2012 actuarial valuation pension liability of US$4.8 billion (ZWL$2.65 trillion).

182. The Fund has shareholding in major financial institutions namely; 10% in CBZH, 10% in FBCH from which dividends are being received and a compendium of residential and commercial properties from which the Fund is collecting monthly rentals.

183. Government is committed to supporting the Pension Fund's asset, such as commercial properties, agricultural land and financial assets to the Pension Fund, as well as settling current employer pension payments in order to allow the Fund to grow.

Public Procurement System

184. Government has taken a firm position to ensure that in all public procurement contracts, value for money is realised. Currently, a due diligence exercise is underway to ensure all goods and services procured by Government are not overpriced and public funds are effectively and efficiently utilised. All contracts which were entered into before the due diligence exercise commenced, have been re-negotiated, while some are still under negotiation to ensure that there is value for money.

185. Noting that the desired cost and qualitative outcomes can only be achieved by addressing gaps within the whole procurement process, work is underway to strengthen the relevant public procurement regulations, including standardisation of prices for goods and services supplied to all Government departments. This includes strengthening capacity within MDAs procurement management units, to uphold due diligence principles at every stage of the procurement cycle.

186. Furthermore, the Public Procurement and Disposal of Public Assets Act is being reviewed with a view to criminalise any breach of duty by public procurement officers, where they fail to act honestly and in good faith when discharging their duties.

Monetary Policy

187. The decision by the Central Bank to introduce positive interest rates has significantly reduced speculative borrowing and brought stability to the exchange rate market.

188. This policy position will be maintained going forward, while continuous review of the policy rate by RBZ will be undertaken, in line with exchange rate and inflation developments. The Central Bank is expected to use all tools at its disposal to lower exchange rate depreciation and higher inflation expectations in order to preserve the value of the local currency, reduce liquidity in the market and contain foreign currency demand on the parallel market.

189. Containment of money supply growth is central in achieving stability. The following additional measures will, therefore, be pursued:

- Targeting of month-on-month inflation of between 1 and 3%;
- Review the financing of surrender requirements by the Central Bank;
- Strengthen coordination between fiscal and monetary authorities to contain money supply growth; and,
- Ensure all external sovereign liabilities are managed through the Budget and central Government.

Supporting Productive Value Chains

190. The desired structural transformation from a commodity driven economy, into a diversified resilient economy is being achieved through interventions which promotes value addition of primary commodities, diversify the local product range and exports, as well as adoption of innovative technologies.

191. In line with NDS1, the thrust of the 2023 National Budget is to develop and strengthen existing value chains, promoting linkage of SMEs with large corporates and identification of quick win value chains in agriculture, manufacturing and mining.

192. The anticipated favourable rainfall season, restoration of inflation and exchange rate stability, coupled with the availability of key enablers, is expected to support growth of the agriculture and manufacturing sectors, going forward.

Agriculture

193. The ongoing transformation of the agricultural sector, anchored on innovative technologies and good agronomics is meant to rebuild capacity to meet national requirements, support economic growth and increase incomes of households.

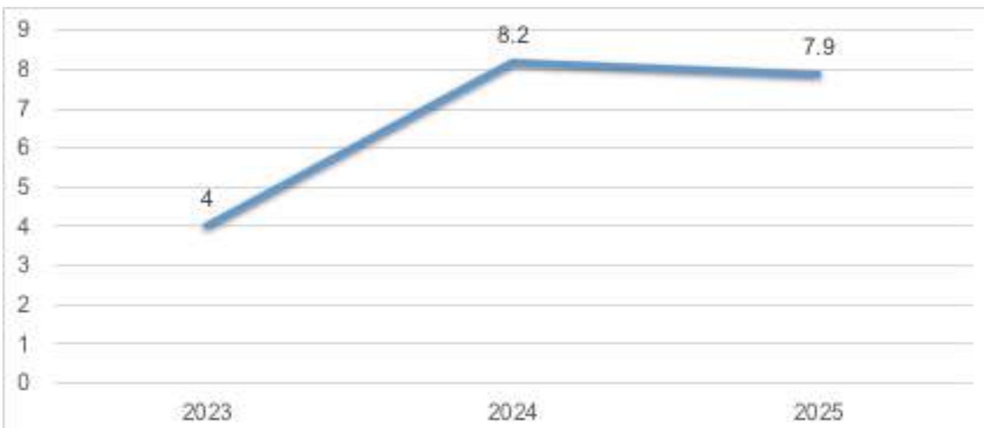
194. The various programmes and projects being undertaken by Government seek to promote production and productivity, build resilience to climatic shocks, transform agricultural activities into viable business enterprises, as well as reduce the import bill. The envisaged transformation is being undertaken through the following programmes:

- Climate Proofed Presidential Inputs Scheme (Pfumvudza/Intwasa);
- Zunde raMambo/iSiphala seNkosi Programme Input Packages;
- National Enhanced Agriculture Productivity Scheme (NEAPS);
- Presidential Cotton Scheme;
- Presidential Rural Horticulture Development Programme;
- Tobacco Transformation Plan;
- Presidential Poultry Scheme;
- Presidential Goat Scheme;
- Presidential Community Fisheries Scheme;
- Presidential Blitz Tick Grease Scheme;
- Local Inventions and Interventions;
- Agriculture mechanisation;
- Presidential Youth Heifer Programme; and

- Irrigation development anchored on V-30 accelerator model.

195. Growth of the sector in 2023 is projected at 4%, before accelerating to 8.2% and 7.9% in 2024 and 2025, respectively.

Figure 18: Agriculture Sector Growth (%)



Source: MOFED, RBZ & ZIMSTAT

196. The projected positive agriculture growth for 2023 is based on the normal to above normal rainfall forecast, climate proofing measures under the National Accelerated Irrigation Rehabilitation Programme, as well as the restructuring and transformation of agriculture systems to improve the viability and productivity of the sector.

197. Potential risks to the expected output remain, largely from climate change impacts of floods, droughts, uneven distribution of rainfall, as well as high cost of inputs. Government will continue to restructure the sector and strengthen existing

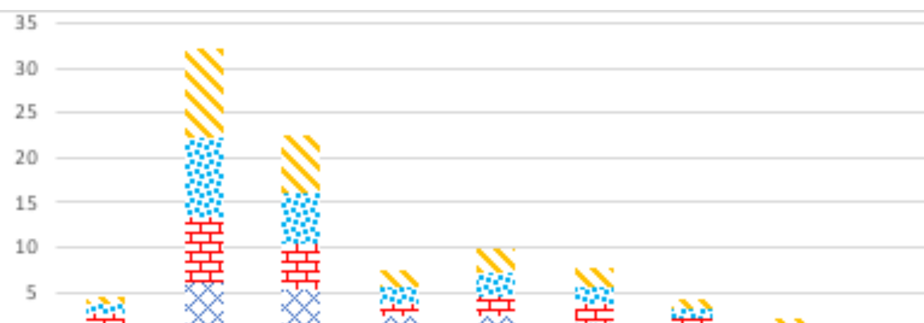
agro-based value chains, increase domestic production of fertilizer and other agricultural inputs, as well as deepen the liberalisation of agricultural markets.

Financing

198. Government support towards various agriculture programmes has significantly increased output of strategic crops. Whilst output levels for targeted crops such as wheat which has the highest ever output in 2022, yields have generally remained low when compared with our neighbouring peers.

199. The low yields undermine the competitiveness of the other sectors dependent on agriculture for inputs, increases the demand for imports to cover the production shortfalls which increases fiscal outlays to unsustainable levels and undermine the balance of payments position.

Figure 19: Maize Yields



	Zimbabwe	Mauritius	South Africa	Namibia	Zambia	Malawi	Angola	Botswana
2021	0.9	10.01	6.21	1.9	2.74	2.06	1.11	0.8
2020	1.18	9.05	5.86	1.83	2.54	2.1	1.08	0.67
2019	1.14	7.17	4.9	1.29	2.38	1.96	1.07	0.2
2018	1.35	6.05	5.39	2.35	2.21	1.6	1.05	0.32

Source: UN Food and Agriculture Organisation (FAO)

200. The country's maize yields are generally below 1.5 tons per hectare, lower than neighbouring countries like Zambia, Malawi and South Africa at 2.5 tons, 2 tons and 5 tons per hectare, respectively.

201. Furthermore, despite the opportunities and the ongoing transformation of the agriculture sector, the financial sector has largely been hesitant to support the sector and are still to develop effective mechanisms of mitigating risks associated with the sector, such as low repayment levels, side marketing and crop failure due to climatic change impacts.

202. Hence, Government has upscaled the engagement with relevant stakeholder to review the current agricultural financing model, in order to increase the role of the private sector in the financing of agriculture activities.

203. The aim is to limit the Government's role to supporting the vulnerable households, provision of requisite infrastructure, as well as extension services, among other relevant supportive services.

Agriculture Productive Social Protection Scheme

204. For the 2022/23 farming season, Government is providing agriculture inputs to vulnerable households under the

Agriculture Productive Scheme (Pfumvudza/Intwasa) targeting 845 000 ha under cereal and oil seeds at a cost ZWL$77 billion. The Programme targets 900 000 households, of which about 300 000 are vulnerable households from urban areas. The programme also targets to support 5200 cotton growers with cotton inputs.

205. As at 15 November 2022, inputs comprising 9 398 mt of grain seed and 50 831 mt of fertilizers all valued at US$74 million and equivalent to ZWL$51.8 billion, have already been distributed across the country.

206. With the onset of the rains, Government has taken measures to speed up the distribution of inputs to farmers.

The National Enhanced Agriculture Productivity Scheme

207. Funding for commercial farmers under the National Enhanced Agriculture Productivity Scheme (NEAPS) is being reviewed following the challenges experienced since the inception of the programme which include the following:

- Side marketing by farmers;
- Reluctance by farmers to deliverer their produce to GMB citing low grain prices being offered by GMB; and
- Delivery of grain by farmers using different names making it difficult for the stop order system to recover loans.

208. The low recovery rate has necessitated Government to explore options which ensure sustainability of agriculture financing, including crowding in private sector investment in agriculture and adopting a competitive grain pricing and purchasing model.

209. For the 2022/23 summer farming season, Government has issued a US$154.6 million equivalent local currency guarantee to AFC Holdings to raise resources from the market in support of the agriculture sector. The mobilised funds will be used to finance production of maize, soya beans, sunflower and traditional grains.

210. In addition, AFC Holdings has been capacitated with tractors and implements which are being leased to farmers on cost recovery basis, as well as 10 000ha of land which can be used to leverage to mobilise funding for the sector.

211. Concurrently, Government is capacitating CBZ Agro Yield to finance the 2022/2023 summer cropping season through payment of farmer commitments under the facility, which will be rechannelled towards financing the 2022/23 summer farming season.

Security of Tenure

212. Government recognises the importance of security of tenure to buttress the ongoing transformation of the agricultural sector. In this regard, Government is issuing securitised A2 permits, which have replaced Offer Letters, to A1 farmers who did not have tenure documents.

213. In addition, to attract private sector financing to the sector, the procedure for the issuance of 99-year leases has been reviewed and is now based on *"Farmers Annual Production and Productivity Returns"*, removing the need for farmers to apply and pay for assessment of farms for the possible issuance of 99-year leases.

214. These interventions will be complimented by review of the 99-year lease to improve its bankability features.

Mechanisation

215. Government recognises the importance of smallholder mechanisation, as a strategy to increase production and productivity of rural households, constituting 61% of the population which is dependent on agriculture activities.

216. The 2023 National Budget will, therefore, provide additional resources amounting to ZWL$11.8 billion to accelerate mechanisation of the smallholder sector.

Livestock Production

217. Support initiatives towards livestock production through distribution of animal stocks to rural farmers as seed capital is transforming and empowering rural communities and will be expanded in 2023. Efforts are also underway to combat livestock diseases which have resulted in loss of livestock, especially cattle as a result of the January disease.

218. In 2023, an amount of ZWL$6.6 billion has been set aside for the construction and rehabilitation of dip tanks, surveillance and control of animal diseases, as well as vaccination programmes.

219. In addition, in order to minimise cases of human and wildlife conflict and the outbreaks of diseases through animal movement, such as anthrax and foot and mouth, ZWL$514.2 million has been set aside targeting fencing of the remaining 42km at Gonarezhou National Park.

Marketing

220. As part of wider agricultural reforms, the agriculture marketing framework will be reviewed to allow the development of a strong agriculture commodity market, anchored on the Zimbabwe Mercantile Exchange (ZMX).

221. Private contractors are already playing a significant role in financing and marketing of various crops such as tobacco, sugar cane, sorghum and soya beans, among others. Direct marketing arrangements and limiting the role of the Grain Marketing Board to ensuring food security through the Strategic Grain Reserve, will enhance the role of the private players in the sector. This is consistent with GMB's strategic functions of price stabilisation, food security and grain storage.

222. This will result in viable and affordable agriculture commodity prices to both the farmer and the consumers and also allows Government to redirect resources to other critical public service delivery initiatives.

Horticulture Export Revolving Fund

223. The US$30 million Horticulture Export Revolving Fund (HERF) was launched in August 2022, as was pronounced in the 2022 National Budget. The Fund will go a long way in supporting horticulture value chain activities of dehydrating, freezing, canning, bottling, extracting, juicing and concentrating various agricultural products.

224. The Facility is being accessed through the normal banking channels which conduct their normal credit assessments and due diligence as part of the risk sharing and co-financing model. The administering banks, FBC bank, CBZ bank, NMB bank, CABS bank and the AFC Land and Development bank, have already started processing applications.

Business Advisory and Extension Services

225. Extension workers play an important role of increasing production and productivity in agriculture through the provision of advisory services. In this regard, a programme

is underway to capacitate the extension workers with mobility and communication systems in the form of vehicles, motor bikes and computer tablets to enhance their effectiveness.

226. In 2023, Government will continue to improve the conditions of service and sharpen skills of extension workers through training in order to meet the changing needs of the agriculture and food systems.

227. In this regard, ZWL$39.8 billion is being allocated through the Budget towards enhancement of extension services delivery.

Rural Development

228. At least 61.4% of the population resides in rural areas according to the 2022 Population and Housing Census results, making it imperative for the budget to prioritise the needs of the rural population in line with the thrust of devolution and balanced development. Ongoing programmes and projects such as in agriculture, rural electrification, roads, water and sanitation, among others, are driving economic empowerment which is transforming the social wellbeing of the citizenry.

229. Through the National Accelerated Irrigation Rehabilitation Programme, Government is scaling up the rehabilitation of communal irrigation schemes countrywide to drought proof agriculture and ensure food security at community level.

230. The transformation of the scheme is anchored on the V-30 Accelerator Model being implemented through ARDA, based on a business model which promotes production, enhances productivity, and entrenches profitability. The project has already been piloted on a number of irrigation schemes such as the Bubi Lupane Irrigation Scheme and will be rolled out to the other provinces during 2023.

Bubi Lupane Irrigation Scheme

Mangwe Makorokoro Village Garden

231. Going forward, Government will leverage on the decentralisation initiative to drive the rural development and industrialisation agenda through provision of the necessary infrastructure. Currently, ARDA is in the process of reviving its estates around the country in partnership with the private sector, as well as commercialising agriculture activities at communal irrigation schemes, including value addition programmes, in order to increase incomes and uplift the welfare of the rural communities.

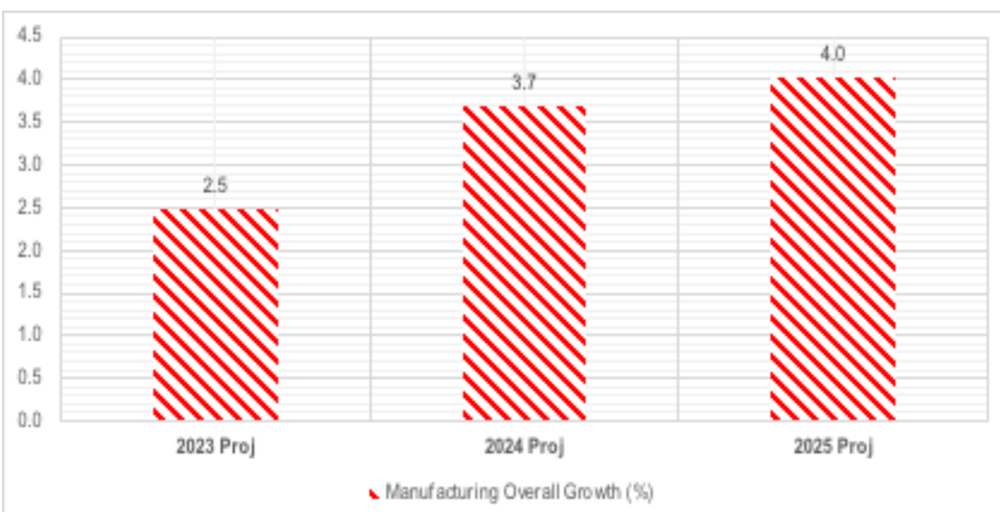
Manufacturing

232. Transformation of the manufacturing sector will be sustained through the Value Chain Revolving Fund, Zambia-Zimbabwe Agro-Industrial Park, domestic production of fertilizers, as well as several new investments in the sector, including the integrated iron steel plant in Manhize.

233. However, growth of the manufacturing sector is expected to slow down to 2.6% in 2022, before gaining momentum to 4% in 2025. This growth will be anchored on expected better performance of the primary sectors of agriculture and mining, as well as a conducive macroeconomic environment.

234. The sector is also expected to continue benefitting from the Special Drawing Rights (SDR) revolving fund of US$30 million, which has been availed through the participation of commercial banks to support retooling and capitalisation of the industry.

Figure 20: Manufacturing Sector Growth Performance (%)



Source: MOFED, RBZ & ZIMSTAT

235. Since 2019, there has been upturn of activities in the manufacturing sector, with capacity utilisation steadily

increasing to current levels of about 66%, while domestic products now occupy 80% of shelves in supermarkets.

236. The 2023 National Budget, therefore, seeks to accelerate the structural transformation of the sector with a view to expanding value addition capacity and diversify the product range.

Review of the Industrial Policy

237. Successful industrialisation of the economy and the drive towards economic structural transformation requires policy pathways that integrate the country's unique underlying comparative advantage, including the large informal sector and linkages between academic skills development and industry skills requirements.

238. Furthermore, attainment of Vision 2030 of an upper middle-income economy, and the thrust of '*leaving no one and no place behind',* hinges on a diversified and competitive industrial sector, with the capacity to provide decent jobs and incomes, as the anchor of economic transformation. The increased use of ICTs, innovation, technological advancement, as well as research and development will be critical in exploiting the country's comparative advantages for economic transformation.

239. To achieve the desired transformation, the current Zimbabwe Industrial Policy, which is expiring in 2023, is being reviewed to ensure it sets out the desired trajectory and is aligned to the AU's Agenda on industrialisation, SADC Industrialisation Strategy and Roadmap, other emerging opportunities in the wake of the AfCFTA, the digital revolution, as well as the green economy.

240. Government also recognises the importance of the informal sector, given its prominent role in employment creation and as a source of income. Therefore, the Policy will proffer strategies to enhance the productivity of the sector, whilst promoting its formalisation.

Collaboration of the Private Sector and Institutions of Higher Learning

241. The introduction of Education 5.0 in 2020, coupled with the rollout of innovation hubs at institutions of higher learning, has witnessed a radical shift towards research and development for business, creating new industries and intellectual capital that addresses societal needs.

242. To fully tap on the intellectual capital of universities, close collaboration between tertiary institutions and industry is

needed in order to allow industry's feedback, which takes the invention of the product from conception to market. Already, new products being produced by these institutions of higher learning require partnerships with the private sector for successful commercialisation.

243. On the other hand, the private sector is expected to indicate to universities priority areas for solutions-oriented research. Private sector plays a pivotal role of financing the research and commercialisation of the academic innovations and inventions for the benefit of the country.

244. There is, therefore, need to develop a comprehensive framework which provides for mentoring, which is critical for student training, skills development and job placement.

Developing and Strengthening of Domestic Value Chains

245. Consumption of locally manufactured goods creates greater benefits through tax revenue for Government, employment, entrepreneurship and skills development among other benefits. However, this requires local manufacturers to produce products that compete with imports on price, quality and reliability.

246. One of the important pillars of NDS 1 is “moving the economy up the value chains and structural transformation” as an enabler to the realisation of Vision 2030. Adding value to raw materials produced locally, especially in agriculture and mining will transform the economy from a commodity driven, to an industry and services driven.

247. As part of the thrust to strengthening domestic value chains and economic transformation, Government is capacitating IDCZ to support its subsidiaries to value-add raw minerals into compound fertilizers and other products, currently being imported as part of the local content strategy. Already, one of the subsidiaries, Chemplex Corporation was capacitated with a new Plant to enable the production of Grain Protectant to reduce post-harvest loses and Tick Grease which should result in decreased cattle death from the “January disease”.

248. Currently, the country is exporting raw and semi processed tobacco, whilst importing cigarettes as the finished product. As part of promoting value chains, Government will support feasibility studies on the various options of value adding tobacco, so that the country exports fully processed tobacco.

249. Government is also prioritising capacitation of local pharmaceutical companies so that the country reduces the import bill of medicines targeting Natpharm, Datlabs, and Caps, among others.

250. In order to support the value chain initiative, US$22.5 million from the country's SDRs has been set aside for Retooling for New Equipment and Replacement under the Value Chain Revolving Fund (REVCRF), which was launched recently to support companies with the foreign currency requirements. The Fund is distributed among the following value chains:

• Cotton	US$5 million
• Leather	US$5 million
• Pharmaceutical	US$5 million
• Other Agro-processing and Fertilizer	US$7.5 million

251. The Fund will be accessed through the normal banking channels, with eligible beneficiaries required to submit their requests to the participating banks.

252. In 2022, the African Development Bank (AfDB) supported value chain initiative through the Sustainable Enterprises Development for Women and Youth Project which disbursed US$0.96 million towards:

- Strengthening fruits and Vegetables Value Addition Centre in Hauna and Mutasa districts;
- Development of architectural designs for the upgrading of the Mutoko Royal Fruits and Veggies (Private) Limited;
- Facilitating capacity building of 150 cross border Traders on COMESA and SADC simplified Trade Regimes; and
- Drafting of the Mineral Development Policy, the Minerals Beneficiation and Value Addition Strategy and the Artisanal and Small-Scale Mining Strategy.

253. In 2023, the Bank is expected to further disburse US$1.4 million towards projects aimed at reducing youth unemployment and gender inequality, through promotion of entrepreneurship and sustainable enterprises development interventions.

National Venture Capital Fund

254. In pursuit of economic transformation and value addition, Government established the National Venture Capital Company of Zimbabwe (NVCCZ) in 2020, which has now been capitalised to the tune of ZWL$1 billion. The Fund is meant to address the shortage of capital for start-ups, thereby providing productive economic opportunities and employment for the youths, persons with disabilities and women, as well as promote entrepreneurship and innovation by MSMEs.

255. The Board has since been constituted and is in the process of recruiting suitable personnel to run the entity. It is also expected to develop the operating framework and guidelines for rolling out the Fund.

256. The 2023 Budget, will further capacitate the NVCCZ with ZWL$4billion in order to cater for the huge demand for capital from the targeted groups.In this regard, the private sector is being invited to partner Government in further capacitating the Fund.

Sovereign Wealth Fund

257. Government created the Sovereign Wealth Fund of Zimbabwe (SWFZ) through the Sovereign Wealth Fund of Zimbabwe Act [*Chapter 22:20*] (No.7 of 2014) in 2014. The Fund is meant to secure investments for the benefit of future generations of Zimbabweans.

258. To operationalise the Fund, a Board has since been appointed, paving way for the appointment of the Chief Executive Officer and senior management.

Buy Local

259. Buy local content interventions are being implemented by countries worldwide to insulate economies from exogenous shocks, as well as meet employment, industrial or technological development objectives. The Covid-19 pandemic and increasing geopolitical tensions have given impetus to this policy thrust, with countries seeking to increase local content production across all sectors of the economy, in order to produce locally strategic commodities and services.

260. In this regard, Government will promote local content through targeted policies that shift the production structure towards value addition with higher productivity, better paid jobs and greater technological potential, leveraging on the country's comparative advantage in mining and agriculture, that way, accelerating growth and economic diversification.

261. Considerations are underway for the development of local content thresholds of all products and services in which the country has comparative advantage. Potential areas include pharmaceutical, fertilizer and packaging sub-sectors.

262. Already, increased domestic production of products such as wheat, medical supplies and cooking oil, among others, have enabled the country to alleviate the impact of external shocks, whilst also saving the economy on foreign currency outlays on imports.

263. Demand and supply side policy options being considered going forward include the following:

- Requirement for particular goods and services that must be purchased locally. This will be complemented by capacity-building measures to enable local businesses to supply competitive goods, especially on quality;
- Requirement for big companies such as mining houses to submit local procurement plans that are monitored and potentially enforced;
- Creation of a supplier portal with information on locally produced goods and services which is easily accessible; and
- Matchmaking and other forms of facilitation between big corporates and MSMEs suppliers.

264. The success of local products also hinges on the resilience of the domestic market. It is, therefore, important that consumers also commit to patronising locally made goods to support domestic firms and enable them to flourish. This also

requires consumers to have a change of mindset and develop confidence in locally produced goods.

Zambia–Zimbabwe Agro-Industrial Park

265. Under the COMESA Industrialisation Strategy (2017–2026), Zambia and Zimbabwe are jointly exploring various value-chain possibilities between the two countries through the establishment of a Common Agro-Industrial Park, focusing on cotton, maize, wheat, rice, soya beans, sugar, livestock (leather and dairy).

266. With support from the United Nations Economic Commission for Africa, Sub Regional Office for Southern Africa (UNECA, SRO-SA), UNEDO and ADB, milestones achieved to date include, the development of a detailed Roadmap and Action Plan, a pre-feasibility study on the proposed Common Agro-Industrial Park between the two countries and a study on the regulatory and institutional policy framework, among others.

267. The Programme will harness comparative advantages in both countries, anchored on agriculture based industrial development to create synergies in resource utilisation and enhancing competitive advantage under the African Continental Free Trade Area (AfCFTA).

268. Going forward, the parties are mobilising resources to undertake feasibility study on the proposed Common Agro-Industrial Park.

Dinson Iron and Steel Company (DISCO) Chirumanzu

269. The establishment of the Zimbabwe integrated iron and steel plant in Manhize, Mashonaland East Province by the Dinson Iron and Steel Company is expected to reduce the high steel import bill, boost exports, whilst supporting downstream industries, as well as MSMEs employment creation.

Construction at Manhize

270. Government in June 2022, granted the project National Project Status, and the company has started furnace installations

and other preparatory activities, including a public private partnership arrangement with ZESA for the construction of a power supply and transmission line.

271. Completion of the multi-million investment project will significantly contribute to the economy's economic growth through job creation, taxes and exports, among others. The steel import bill will be reduced by 90%, with over 10 000 people being employed directly and an additional 50 000 indirectly employed by DISCO. Currently, the project has already created over 800 jobs at the construction stage of the steel works.

Optimising the Value of Our Natural Resources

272. Value addition opportunities arising from the abundance of natural resources and discovery of strategic minerals like lithium, oil and gas presents an opportunity for economic transformation and inclusive growth. While the country is already tapping into these resources, there is scope for optimising benefits through investments in exploration, extraction and value addition, especially through the local production of lithium-ion batteries for electric cars that underpin the transition to green energy.

Mining

273. The mining sector is expected to grow by 10% in 2022, from the mid-year projection of 9.5%. This is largely driven by expected increased output in gold, platinum group metals (PGMs), chrome, nickel, diamond and coal underpinned by record high international commodity prices and increased investments in the sector.

Figure 21: Mining Sector Growth (%)

Source: MOFED, RBZ & ZIMSTAT

274. In the outlook, the mining sector is expected to grow by 10.4% in 2023, underpinned by anticipated favourable international mineral prices, as well as increase in investments, especially in exploration, mine development and mechanisation.

275. In the medium term to 2025, the sector is expected to remain on a growth trajectory on account of new mining activities which are currently under exploration.

Strengthening the Mining Legal Framework

276. Government in consultation with stakeholders, is working to strengthen the governance framework for the mining sector in order to improve confidence and investment in the sector.

277. To this end, with input from Cabinet, the major milestone has been the drawing up of the Mines and Minerals Amendment Bill, which is now at the point of gazetting, paving the way for a consultative process involving Parliament. The target is to finalise the new legislation before end of 2023.

278. Furthermore, work is underway for the amendments of the Gold Trade Act and the Precious Stones Trade Act to strengthen and align the Act with the Amended Mines and Minerals Act.

Mineral Exploration

279. Mineral exploration is key to pave way for feasibility studies, improve information on mineral potential and valuation for ease of marketing, as well as accounting for revenues. In this regard, twenty Exploration Prospecting Orders (EPOs) were granted to various companies in 2022.

280. The 2023 National Budget allocates ZWL$1.5 billion for exploration activities, using satellite imagery and drone aerial surveys, as well as, issuing EPOs to private sector.

Resuscitation and Expansion of Mines

281. As part of the strategy to attain a US$12 billion mining industry, Government aims to resuscitate closed mines which include Eureka Gold, Mashava, Golden Kopje, Elvington, Sandawana, Lynx and Kamativi.

282. Already, Eureka Gold Mine in Guruve, Mashonaland East and Kwekwe Roasting Plant are employing new technology to process gold from the dump, as they prepare to undertake full scale mining.

283. The targeted projects for expansion in 2023 are Unki Mine Processing Plant Expansion Project, Mimosa Processing Plant Expansion, Bilboes sulphide processing project, Blanket Mine Expansion project, Pickstone Peerless Mine Expansion, Zimasco Smelter Expansion and Sabi Star Lithium Mine.

Cadastre Information Management System

284. Government is now into the final stages of completing the computerised mining cadastre system. Data capturing is in

progress, while work on the platform for clients to apply online for the mining title is at an advanced stage. Manicaland is now operating online, with the target for the rest of the mining provinces in the country to be online in 2023.

285. Once operational, the system will enhance transparency and accountability in mining title management, by eliminating the overlapping mining claims, strengthening property rights and security of tenure within the mining sector. It will also improve government's regulatory capacity through improved efficiency and revenue collection.

286. Accordingly, in support of the aforesaid programme, an amount of ZWL$1.6 billion has been set aside under the 2023 National Budget.

Supporting Artisanal and Small-Scale Miners

287. The mining sector, especially the gold sector, is dominated by artisanal and small-scale miners operating informally. The sub-sector contributes significantly to gold deliveries to Fidelity Gold Refineries, employs a significant number of workers and is a source of livelihoods for rural communities. Therefore, Government will continue to assist the small-scale miners to adopt environmentally friendly, safe and sustainable mining methods.

288. The 2023 National Budget will support the establishment of Gold Service Centres as part of the drive to promote the formalisation of activities of the artisanal and small-scale miners, with a target of having five fully established centres by the end of 2023. The centres will be located in areas of high activity by small scale miners to facilitate ease of processing and marketing of gold.

289. Further support will be extended to the Mining Industry Loan Fund to support small-scale miners through mining establishment loans and plant and equipment hire loan schemes.

Mineral Beneficiation and Value Addition Policy Strategy

290. In an effort to move the economy up the mining sector value chain, Government is developing the necessary guiding strategy which is currently undergoing stakeholder consultations.

Muzarabani Oil and Gas Exploration

291. Invictus Energy was awarded a Special Grant in 2017 to explore for oil and gas in the Muzarabani and Mbire Districts. To date, they have been able to mobilise the drilling equipment to undertake the exploration to ascertain commercial viability of the project.

292. Going forward, Government will develop the necessary legislation and regulatory frameworks for the oil and gas sub-sector.

Environmental Management

293. Miners are required to prioritise Environmental, Social and Governance (ESG) issues as an emerging issue, for communities to fully benefit from mining activities in their areas. This will enable investors to deliver sustainability (cultural and heritage) and contribute to the empowerment of communities, stakeholder engagement and awareness to environmental impacts.

Tourism

294. During the first half of 2022, the country registered a 115% rise in tourist arrivals to 352,719, compared with the same period in 2021. Domestic visits into the national parks rose by 90% from 90,909 in 2021, to 172,481 during the period January to May 2022. As a result, the tourism receipts increased by 121% in 2022 to US$337.5 million, compared to the same period last year.

295. The tourism industry is expected to continue to grow in the outlook, benefiting from the recovery in international tourism, coming in of new players in the aviation sector and meetings,

incentives, conferences and exhibitions (MICE). Therefore, tourists' arrivals are expected to increase to 1.4 million in 2023, whilst tourism receipts are projected at US$623 million. Growth of the sector will be anchored on the following interventions:

International Tourism Marketing and Promotion

296. In 2023, Government will increase marketing and promotion efforts through the deployment of tourism attachés at our embassies to aggressively promote destination Zimbabwe in key source markets that include China, France, Germany, India, Japan, South Africa, UAE, the United Kingdom and the United States of America.

297. The deployment of attachés will be complemented by active participation at flagship regional and international tourism meetings, conferences and exhibitions (MICE Tourism), marketing and promoting Zimbabwe's tourism to the world through promotion programmes like VisitZimbabwe, MeetInZimbabwe and InvestInZimbabwe campaigns.

Image Building and Promotion

298. The sector will undertake image building and promotion through hosting of tourism opinion leaders and influencers, as well as organising familiarisation tours for media houses from key international tourist source markets.

299. Priority will also be given towards intensifying marketing efforts across the various digital marketing platforms. This is also in sync with Government's engagement and re-engagement thrust.

Domestic Tourism Promotion

300. The domestic tourism market largely sustained operations of the industry during the COVID-19 pandemic, with domestic entries into National Parks in 2021 increasing to 251 088, compared to 173 714 in 2020.

301. To sustain the resilience of the domestic tourism industry, Government will intensify domestic tourism through necessary campaigns and promotions, such as ZimBho/IZimYami programmes.

302. Furthermore, the 2023 Budget has allocated ZWL$725 million towards the capitalisation of Mosi Oa Tunya Development Company Private Limited, a special purpose vehicle created to spearhead tourism infrastructure development in Victoria Falls, particularly focusing on offsite and onsite infrastructure for the Victoria Falls Special Economic Zone, that is expected to crowd in private sector investments in tourism.

Community Empowerment

303. As the Government moves towards a community-centric approach, community empowerment programmes have been

rolled out to 4 pilot Community Based Tourism Enterprises (CBTE's) and this programme will be extended to other communities countrywide.

Tourism Advocacy and Awareness

304. In an effort to improve tourism awareness in communities, the First Lady together with the line Ministry, contributed to the diversification of the tourism product base through the introduction of Gastronomy Tourism by promoting traditional foods and cuisines. The National Cookout Competitions will be cascaded to District levels and upgrading to regional (SADC) level.

Tourism Act and Policy Rollout

305. Government is in the process of reviewing the National Tourism Policy and Tourism Act in line with current trends. This will be done through a consultative approach and once finalised, will be rolled out to all Provinces to provide policy guidance for tourism development.

Tourism Revolving Fund

306. Government has established a US$7.5 million Tourism Facilities Services Development and Upgrading Revolving Fund (TFDURF) through the use of SDRs, which will be for

resuscitating companies in the tourism sector which were affected by the COVID-19 pandemic. TFDURF can be accessed through CBZ Bank and Nedbank.

307. The tourism sector will benefit from Development Partner support of US$0.8 million, towards the renovation and rehabilitation of Great Zimbabwe, as well as technical assistance to Zimbabwe Tourism Authority and Zimbabwe National Parks.

Climate Change Action

308. Climate change is posing a serious threat to the development of the economy and livelihoods, undermines the achievement of Vision 2030 and Sustainable Development Goal (SDG) targets. Government will, therefore, continuously identify and implement mitigatory and adaptation measures, including establishing demonstration sites to enhance evidence-based programming in all communities. Scaling up training of trainers' programmes for Climate Smart Agriculture, targeting farmers in all communities in the country will also be undertaken.

309. In this regard, the 2023 National Budget has allocated ZWL$1 billion, to complement REA investment to the tune of ZWL$18.3 billion, for construction of demonstration sites

for mitigation projects such as biogas and solar mini-grids at various grassroots sites.

310. Support will also be extended to Meteorological Services Department, towards strengthening of weather systems, including seismology. More resources will also be channelled towards procurement of radars, Automatic Weather Stations (AWSs), Automatic Weather Observing Systems (AWOS) and Digital Stations.

Infrastructure, ICT and the Digital Economy

311. Well planned and implemented infrastructure investments contribute towards improved provision of public services, and supports sustainable inclusive economic growth and development, helping countries respond effectively to emergency social needs of citizens, whilst also building resilience of the economy against adverse exogenous shocks.

312. The ongoing public and private sector infrastructure investments in sectors such as energy, housing, transport, water and sanitation, as well as ICT are promoting economic transformation by lowering the cost of doing business and improving service delivery to the general public.

313. The country is implementing measures to strengthen proper designing of projects and this will assist in eliminating cost overruns and long delays in construction. This will ensure that completed projects have immediate returns to communities after completion, as related downstream investments would have been factored in due to proper planning and coordination among stakeholders.

314. The inaugural Infrastructure Summit, which was held in Victoria Falls during the period 8–9 September 2022, brought together stakeholders from the public sector, private sector, development partners and the construction industry, sought to address bottlenecks affecting infrastructure delivery in the country, including crowding in private sector investments.

315. Benefiting from the outcomes of the Summit and other inputs from stakeholders, the 2023 Budget will institute measures that will address the losses and waste in public infrastructure investments.

316. The selection of projects targeted for implementation during 2023, draws from the National Development Strategy (NDS1) compendium of projects, with focus on on-going and stalled projects, taking into account of the technical capacity of institutions to plan, coordinate and execute throughout the project cycle.

317. The overall support towards the 2023 Development Budget, including Intergovernmental Fiscal Transfers amounts to ZWL$1.1 trillion, with funding being mobilised through the following funding mix:

- Tax revenues ZW$490.8 billion;
- Loan financing ZWL$497.8 billion;
- Development Partners support ZWL$19.8 billion;
- Statutory funds ZW$134.4 billion.

318. The table below shows the distribution of the infrastructure outlay under the various sectors, whose specific project details are provided for in the 2023 Infrastructure Investment Programme.

Table 22: Infrastructure Funding Mix (ZLW$M)

SECTOR	FISCAL	STATUTORY	LOANS	GRANTS	TOTAL
Energy	6,000.0	40,699.0	440,007.3	5,224.7	491,931.0
Transport	101,074.4	93,744.0	-	-	194,818.4
ICT	11,712.2		45,012.1	-	56,724.3
Housing and Social Amenities	49,932.0	-	-	-	49,932.0
Health	37,275.6	-	-	-	37,275.6
Primary & Secondary Education	4,180.0	-	-	-	4,180.0
Higher Education	15,210.0	-	-	-	15,210.0
Water and Sanitation	30,365.0	-	-	-	30,365.4
Agriculture	36,548.0	-	12,791.0	14,608.1	63,947.0
Devolution	195,503.6	-	-	-	195,503.6
Other	3,000.0	-	-	-	3,000.0
TOTAL	**490,801.2**	**134,443.0**	**497,810.4**	**19,832.8**	**1,142,887.3**

Source: MoFED

Transport

319. In line with the national vision, Government's interventions in the transport sector seeks to address bottlenecks affecting connectivity, in order to foster economic development and trade facilitation.

320. Overall support towards the transport sector during 2023 amounts to ZWL$194.8 billion, of which ZWL$177.4 billion is earmarked for the road sector, ZWL$13.4 billion and ZWL$4 billion being channelled towards rehabilitation and upgrading of airports and railway system, respectively.

Roads

321. In the road sector, priority is on upgrading and rehabilitation of the road network, with emphasis on completion of ongoing rehabilitation works of major road and re-gravelling of feeder roads.

Harare–Masvingo–Beitbridge Road

322. The upgrading of the 580km Harare–Beitbridge Highway, a strategic transport route is a critical section of the North-South Corridor, will be prioritised for completion during 2023. As at end of October 2022, a total of 355km has been opened to traffic, whilst the remaining sections are under construction.

Harare- Masvingo- Beitbridge Road

323. To facilitate work towards completion of the project, a total of ZWL$43 billion has been set aside under this Budget.

Emergency Road Rehabilitation Programme II

324. The Emergency Road Rehabilitation Programme II has been allocated ZWL$70.5 billion for implementation of priority trunk and tertiary road projects in provinces and districts, as well as major arteries in urban areas.

325. In addition, the Road Fund will support maintenance of roads under road authorities, with ZWL$41 billion being channelled towards various road projects, and a further ZWL$43.5 billion being allocated for other road infrastructure assets, covering tollgate infrastructure development and VID weighbridges.

326. To facilitate value for money in the implementation of the Programme, Government with the assistance of World Bank Group is developing a standardised framework of evaluating road construction input costs for adoption and use by all road authorities.

327. Support from Japan, through the Japan International Cooperation Agency (JICA), amounting to JPY97 million, (approximately US$0.7 million) in grant funding will ensure finalisation of a Detailed Design Survey for Phase 2 Road Improvement Project, meant to construct climbing lanes and widening of sharp curves on the road section between Makuti and Hell's Gate.

Mbudzi–Traffic Interchange

328. The construction of the Mbudzi Traffic Interchange, meant to eliminate congestion and complement the ongoing upgrading works on the Beitbridge-Harare-Chirundu highway, is progressing well and expected to be completed in 2023.

329. The following works will be undertaken in 2023 to complete the project:

- Construction of 9 bridges, including the main bridge;
- Backfilling of bridge approaches; and

- Construction of 14 approach roads, including diversion routes of Amalinda road and its bridge.

Mbudzi Interchange Construction

Rural Feeder Roads

330. In an effort to increase access and coverage in rural communities, the District Development Fund (DDF) is re-gravelling and maintaining rural feeder roads, with 134km having been rehabilitated and re-gravelled, whilst 16 wash aways were reclaimed as at end of October 2022.

331. The 2023 Budget will sustain these interventions, with an allocation of ZWL$3 billion being set aside under DDF.

Aviation

332. Improvements in airport infrastructure will establish the country as a gateway to the continent and the world, benefiting from the rebound in tourism, as COVID-19 lockdown measures ease across the globe.

333. Support will mainly focus on the Robert Gabriel Mugabe International Airport, funded from a loan from China Exim Bank. Completion of the project will increase passengers and cargo handling capacity at the airport, ensuring it becomes one of the regional aviation hubs, attracting more airlines and facilitating tourist arrivals.

Outside of the Terminal Building

Inside of the Terminal Building

334. The Budget will provide ZWL$3.1 billion for the procurement and installation of air traffic control, surveillance, aircraft communication and weather equipment in order to improve air safety and security.

Rail

335. Service provision by the National Railways of Zimbabwe has remained poor, at a time demand for its services are needed to lower the cost of cargo freight in support of economic transformation.

336. Given the huge capital requirements needed to re-establish service provision, the NRZ Recapitalisation Road Map, to be implemented from 2023, seeks to leverage the parastatal's

assets to crowd in private sector funding. Phase I of the project is targeting the rehabilitation of rail infrastructure, procurement of locomotives, wagons and passenger trains that will improve cashflows to support the recovery of NRZ.

Border posts

337. The commissioning of the Beitbridge Border Post modernisation project by His Excellency, the President, Cde E. D. Mnangangwa in September 2022 has provided impetus towards addressing bottlenecks and inefficiencies at the country's ports of entry.

338. The funding model, involving the private sector, under a Public Private Partnership (PPPs) arrangement, is being considered for other border posts such as Chirundu, Plumtree and Forbes in order to reduce the burden on the fiscus, as well as facilitate smooth movement of goods and people through our borders.

339. The Budget will support works to align the country's border at Kazungula with Botswana and Zambia, in order to support trade and transport along the North-South Corridor, as well as the Trans-African Highway on the Cape to Cairo route.

340. In addition, investors will be incentivised to set up amenities such as health centres, warehouse facilities and supermarkets, among other facilities, along the trunk roads and border ports.

Public Transport

341. Urban centres, in particular Harare and Bulawayo, have witnessed a surge in demand for public transport, arising from an increase in traffic volumes of private vehicles, that has resulted in traffic congestion on major roads during peak hours.

342. This is notwithstanding the liberalisation of the sector in May 2022 and incentives for private players to import buses through suspension of duty. Whilst modalities to broaden private sector participation are being finalised, the capitalisation of ZUPCO to acquire additional buses becomes imperative.

ZUPCO new fleet

343. Accordingly, the 2023 Budget has set aside resources amounting to ZWL$6 billion for the procurement of additional buses. This will be complemented by measures to address management of urban transportation system, governance issues, and viable fares, critical to the commercial viability of the company.

Digital Economy

344. The global digital economy, continues to impact every sector and the daily lives of people, accounting for 15.5% of the world's overall Gross Domestic Product (GDP), and is expected to reach 25% in less than a decade.

345. The ICTs sector is expected to grow by 8.3% in 2022, with average growth projections of 2.5% between 2023 and 2025, mostly driven by mobile voice traffic and internet data.

346. To fully benefit from this rapid growth, and to drive digital transformation of the economy, investments in enabling infrastructure, skills, financial services and entrepreneurship will need to be upscaled.

347. Overall budget support for the digitalisation agenda, during 2023 amounts to ZWL$56.7 billion, to cater for various e-Government programmes, expanding the backbone infrastructure, and other related programmes.

Digital Infrastructure

348. Fibre optic backbone infrastructure, currently connects major cities and urban areas, with the rural areas still to be connected. Furthermore, the last-mile fixed infrastructure deployments to end-user premises have been limited, forcing most users to rely on costly mobile networks in accessing the internet.

349. Resultantly, mobile operators remain the main providers of broadband connections, with an estimated combined population coverage of 93.4 percent for 2G mobile networks, 83.9 percent for 3G networks, and 34.9 percent for LTE networks, according to POTRAZ.

350. Government will continue to support infrastructure sharing as a strategy of opening access and limiting duplication of ICT infrastructure, with the savings being redirected towards under-served communities.

351. Through the Universal Services Fund (USF), POTRAZ will further expand the network in underserved areas, increasing the presence of mobile networks in rural areas, deployment of a microwave radio backhaul network, telemedicine, internet connectivity for schools, e-learning, and the building of Community Information Centres. These interventions are

consistent with Government's thrust of leaving no-one and no place behind.

352. Measures towards an appropriate tariff (cost reflective but affordable tariff) will incentivise new investments by private players, thereby increasing competition and reducing costs, which will drive demand for broadband services.

E-Government

353. Government's digital platforms, such as the PFMS, the Human Resources Management Information System (HRMIS), and the payroll and pensions systems, facilitate the uptake of technologies and the digital economy, helps drive public sector operational efficiencies, and reduces opportunities for fraud, corruption, as well as increases accountability.

354. Most MDAs have established separate own digital platforms, which operate largely in isolation from each other, resulting in fragmentation and a fractured landscape of digital systems and services, making interoperability and data sharing between systems difficult.

355. Through the e-Government Standards Development Technical Working Group, Government is establishing a framework to standardise the procurement and operation of ICT systems

within the public service, including strengthening coordination between the various MDAs, adopting an interoperability framework, consolidating all digital services, and investing in institutional and human ICT capacity.

356. Government will also accelerate public sector digitalisation at national and subnational levels to improve access, service delivery and curb corruption by increasing the number of online services across all line ministries. Parastatals will also be incentivised to digitalise their systems.

357. To sustain the current public sector systems development and improvements, fiscal outlays of ZWL$1.3 billion will go towards e-Government interventions during 2023 as indicated hereunder.

Integrated Electronic Case Management System

358. Phase I of the Integrated Electronic Case Management System, targeting digitalisation of court processes has since been completed, thereby ensuring efficiency in the delivery of justice. Going forward, the system will be integrated with other e-Government digital platforms.

359. In order to support ongoing works under Phase 2, which targets the Labor Court, Administration Court, Sherriff of the

High Court, as well as magistrates Court, a total amount of ZWL$500 million is being set aside for this purpose.

Housing Delivery

360. In line with the Zimbabwe National Human Settlement Policy, Government targets to construct 450 000 new housing units by 2025, from both the public and private sectors. This entails densification of settlements, creation of smart cities, adoption of cost-effective and affordable housing units, as well as use of alternative building technologies and designs resilient to climatic change shocks.

361. Interventions will also focus on sanitization and regularization of informal settlements, without onsite and offsite infrastructure such as water, sewer, roads and lighting.

Dombotombo Flats

362. The 2023 Budget allocation for the sector of ZWL$49.9 billion will focus on completion of ongoing housing projects, as well as addressing infrastructure bottlenecks within informal settlements.

363. Government interventions in the sector will be complemented by similar investments from public sector entities, the financial sector, companies, private individuals, as well as housing co-operatives.

Institutional Housing

364. Construction of the New Parliament Building, financed through a grant from the People's Republic of China has since been completed save for enabling works such as construction of parking bays, parking slope protection, landscaping, permanent water tank, dedicated powerline and ICT connectivity to the building.

Completed New Parliament Building

365. Government has also completed the construction of 4 story blocks of composite offices at Lupane, to house various Government Ministries and Departments, currently operating from Bulawayo and Hwange.

366. The 2023 National Budget support towards institutional housing of ZWL$10.9 billion, targets completion of outstanding works at Lupane Composite Offices to enable occupation of the offices, as well as sustain ongoing works at Mutoko and Siakobvu District Composite Offices, among others.

367. The amount will also sustain housing construction works at the Air Force and Zimbabwe National Army, Zimbabwe Prisons and Correctional Service, ZIMRA and Immigration, among other key Government departments.

368. The construction of the Museum of African Liberation, which commenced in July 2022, will be sustained during 2023, with focus on the superstructure of the building, roofing, mechanical and electrical installation, among other worksCivil Service Housing Fund

Civil Service Housing Fund

369. To ensure that public servants acquire decent accommodation, Government will further capitalize the Housing Loan Schemes

for both Senior and Junior officials to the tune of ZWL$7.5 billion during 2023, which will be on lent to deserving beneficiaries.

370. In order to ensure sustainability of the loan schemes, Government will be strengthening the implementation framework, in consultation with relevant stakeholders.

Energy

371. Domestic electricity generation faces a number of challenges, including obsolete equipment and infrastructure, inability to attract significant private sector investment, and other financing instruments, as well as other structural bottlenecks, all of which have impacted on electricity supply in the country, leading to load shedding.

372. In this regard, restoring the stability of power supply in the country was identified by a broad range of stakeholders during the 2023 Budget consultation process as central in accelerating economic transformation.

373. Whilst efforts towards plant optimisation at Hwange Thermal Power Station and increased output at Kariba Power Station has increased domestic electricity generation output by 10.04% to 6 727.82 GWh for the period January to September 2022,

up from the 6113.92 GWh recorded during the same period last year, the better performance has not been sufficient to meet increased demand from the growing economy.

Table 23: ZPC Energy Sent Out: 2022 vs 2021: Jan to Sept

Power Station	Energy Sent Out (GWh)		Variance (%)
	2022	**2021**	
Hwange	1896.22	1748.67	8.44
Kariba	4732.88	4205.59	12.54
Small Thermals	98.72	159.65	-38.16
Total	**6727.82**	**6113.92**	**10.04**

374. Kariba Power Station contributed 67.24%, Hwange Power Station added 26.94%, Small Thermals contributed 1.4%, whilst Independent Power Producers contributed 4.41% to total energy production.

375. The 2023 Budget will, therefore, prioritise the timely completion of Hwange 7 & 8 Expansion Project, now at 95% completion, which will bring an additional 600 MW to the national grid. Ongoing works at the project will be sustained by disbursements from the China Exim Bank loan facility and additional resources to be mobilised by the parastatal, as well as ZWL$3 billion from the fiscus for local works.

376. An additional US$13.5 million from Development Partners will target rehabilitation of distribution and transmission infrastructure, ongoing works for the Kariba Dam rehabilitation,

green energy sources interventions, as well as provision of technical assistance.

Independent Power Producers

377. ZERA has licensed more than 60 IPPs in the renewable energy space, with a capacity to generate 2000MW. However, off take of the projects has been slow on account of viability issues.

378. With technical assistance from the African Legal Support Facility (ALSF), Government, in consultation with the relevant stakeholders is working on improving the bankability of IPP projects, by addressing currency related risks, which should accelerate the implementation of renewable energy projects in the country.

Demand Side Management

379. A total of 12 383KW of Solar PV installation capacity has been registered with ZETDC in 2022, which has removed a similar amount in demand from the national grid. More savings are being realised through installation of Solar PVs on rooftops.

Table 24: Savings from Demand Side Management Measures

Performance Indicator	Quarter 4 2021	2022			Jan – Sept 2022
		Quarter 1	Quarter 2	Quarter 3	Savings (MW)
DSM Savings (MW)- Cum	119.903	119.903	121.3856	127.316	7.413

Performance Indicator	Quarter 4 2021	2022			Jan – Sept 2022
		Quarter 1	Quarter 2	Quarter 3	Savings (MW)
Net Metering (MW)	0.448	0.015	1.4776	0.877	2.3696

Rural Electrification Programme

380. To date, 10 009 rural institutions have been electrified nationwide using both grid and solar technologies, with a total of 430 solar mini grid systems having been installed at remote rural schools and clinics countrywide.

381. In 2023, the Rural Electrification Fund will channel ZWL$18.3 billion and an additional ZWL$1 billion from the fiscus, to accelerate the electrification and off-grid solutions for rural communities.

382. This intervention will also support education 5.0 in rural schools, providing opportunities for beneficiaries to innovate and industrialise, as a catalyst for achieving Vision 2030.

383. The table below indicates the targeted interventions under the programme.

Table 25: 2023 Rural Electrification Programme

Rural Electrification Programme	Targeted Scope	Fiscus	Rural Electrification Fund	Total Resources
Grid extension	3299 Rural Institutions connected to modern forms of energy		13,245,000,000	13,245,000,000
	5054km Power distribution lines constructed HV			
	1474km Power distribution lines constructed MV			
	79383kVA Substation Capacity installed			
Solar projects	56 Community solar mini grids Installed 1	144,781,680	2,095,900,000	2,240,681,680
	Solar panel Assembly Plant 1 Mid-lands Gweru		1,103,750,000	1,103,750,000
	2 x 5MW Solar Power Plant Installed	440,208,320	1,000,000,000	1,440,208,320
	184 Institutional solar micro-grids installed		567,440,000	567,440,000
Biogas	**89 Institutional Biogas Digesters constructed**	**282,560,000**		**282,560,000**
Mini Hydro Power	2 X Mini Hydro Power plants Installed	132,450,000		132,450,000
Grand Total		1,000,000,000	18,294,650,000	19,294,650,000

Source: REA

Water & Sanitation

384. Water is a critical enabler, and a basic human right, hence the thrust of Government to scale up the implementation of water and sanitation programmes and projects, targeting dam construction, conveyancing infrastructure and borehole rehabilitation and drilling, guided by the Integrated Approach to Water Development.

385. Specifically, the 2023 Budget has a provision of ZWL$30.4 billion towards the following key interventions:

- Sustaining ongoing dam construction projects;
- Supporting the development of a master plan for all dams;
- Implementing a clear programme to progressively utilise capacity of already existing water bodies for industrial, domestic and irrigation purposes;
- Intensification of rehabilitation and upgrading of existing water and sanitation infrastructure, among others, with focus on the integrated water supply development approach already adopted by Government; and
- Ensuring sustainability in the provision of water through ensuring that the User-Pay-Principle is applied across all water using sub-sectors.

Dam Construction

386. Resources amounting to ZWL$35.1 billion were availed during the period January to September 2022 towards dam construction with Chivhu dam now at 98% completion and ready for commissioning.

Chivhu dam

387. With regards to Gwayi Shangani dam, the project is at 69% completion and the dam height is now at 31m out of the required 72m, whilst a total of 140km has been cleared for the pipeline, out of which 9km have since been excavated with pipeline trenching in progress. The project is now scheduled for commissioning during 2023.

Gwayi Shangani Dam

388. Besides addressing the water challenges for the City of Bulawayo, Gwayi Shangani dam will transform the lives of communities living along the 245km pipeline by creating an agriculture green belt from the dam site, to the city of Bulawayo.

389. The project also includes the construction of a hydro power station that will provide electricity to the nearby rural communities including powering the irrigation schemes.

390. The 2023 Budget has set aside ZWL$21.7 billion towards dam construction with targeted projects and allocations as indicated in the Table below.

Table 26: 2023 Dam Construction Projects Allocations

PROJECT NAME	LOCATION	PROGRESS (%)	2023 TARGETED WORKS	ALLOCATION
Gwayi-Shangani Dam	Mat North	69%	Construction of 46m of the dam to reach full height of 72m, construction of outlet works, and apron concrete placing.	6,297,000,000
Bulawayo Pipeline	Mat North	5%	Construction of two pump houses, and laying of 104km of pipeline.	2,798,000,000
Muchekeranwa Pipeline (Harare East Water Augmentation)	Mash East	0%	Establishment of Engineer's camp and commencement of pipeline construction	600,000,000
Semwa Dam	Mash Central	41.6%	River diversion works, construction of the cofferdam, main dam excavations, and main dam concrete placing.	2,897,000,000
Tuli Manyange Dam	Mat South	34%	Saddle dam construction, excavations of main dam, concrete placing, and construction of outlet works.	1,797,000,000
Kunzvi Dam	Mash East	17%	Finalisation of site establishment, cut off trench excavation, main dam excavations, and main dam construction.	2,098,000,000
Ziminya Dam	Mat North	9%	Site establishment, excavation of core trench, river diversion works, construction of main dam, and spillway construction.	1,123,000,000
Vungu Dam	Midlands	3%	Completion of site establishment, excavation of core trench, outlet works excavations, and construction of main dam.	1,498,000,000

PROJECT NAME	LOCATION	PROGRESS (%)	2023 TARGETED WORKS	ALLOCATION
Dande Dam	Mash Central	20%	Completion of hard excavations, grouting of main dam, backfilling, and blasting of 7km tunnel.	600,000,000
Mbada Dam	Mash Central	13%	Completion of site establishment, access road construction, foundation excavations, and main dam construction.	600,000,000
Defe Dam		0%	Preliminary works including detailed designs, procurement and site establishment.	1,000,000,000
Bindura Dam	Mash Central	38%	Main dam grouting, outlet works establishment, and construction of main dam.	400,000,000
Grand Total				21,708,000,000

391. To ensure the utilisation of idle water bodies, such as Tugwi-Mukosi, Marovanyati, and Muchekeranwa dams, an amount of ZWL$55.3 billion has been set aside in the 2023 Budget for the development of irrigation infrastructure, fisheries and water conveyancing systems, among other interventions.

Borehole Drilling and Rehabilitation

392. Provision of water for underserviced communities, rural services centres, growth points and small towns under the Presidential Rural Development Programme has gained momentum following the capacitation of ZINWA and DDF with drilling rigs.

393. In 2023, ZWL$5.3 billion will be channelled towards the drilling of boreholes in the rural communities, including schools.

394. The Budget will also support the establishment of productive economic activities around water sources by rural communities through village gardens, a source of nutrition and commerce, in the context of the new Rural Development 8.0 paradigm.

395. Furthermore, an amount of ZWL$2.1 billion will target the rehabilitation and upgrading of 17 existing water supply systems in small towns and growth points, to ensure the availability of clean and safe drinking water for the communities.

Irrigation

396. To enhance climate proofing of the vulnerable and ensuring food and nutrition security, Government is implementing the National Accelerated Irrigation Rehabilitation Programme, focusing on the rehabilitation and development, as well as maintenance of communal irrigation schemes.

397. In this regard, Treasury has committed part of the SDR allocation, amounting to US$20 million, towards irrigation development under the Smallholder Irrigation Infrastructure Development Fund (SIIDF).

398. The Fund is targeting 18 irrigation schemes of vulnerable rural smallholder farmers, to finance the development of irrigation

infrastructure spread in the 8 rural provinces of the country, excluding Harare and Bulawayo metropolitan Provinces.

399. In addition, the 2023 National Budget is setting aside ZWL$27.9 billion, complemented by US$15.4 million from Development Partner support, towards the following irrigation projects:

Table 27: Beneficiary Communal Irrigation Schemes

Project Name	Potential Hectarage	Targeted Hectarage	Fiscal Resources (ZWL$)	Development Partner Support (US$)	Special Drawing Rights (US$)
Development of Irrigation Infrastructure	42,500.00	10,500.00	22,772,440,000		20,000,000
Zhove (KUWAIT)	2,500.00	50.00	300,000,000		
Smallholder Irrigation Revitalisation Programme (IFAD)	6,100.00	2,000.00	800,000,000	7,375,000	
Green Climate Fund Projects (GCF, UNDP)	1,786.00	358.00	1,291,680,000	7,985,000	
Operations and Maintenance of Irrigation Schemes	15,000.00	10,000.00	1,620,000,000		
Pedstock Irrigation Equipment Facility	2,900.00	880.00	1,056,000,000		
Upgrading of Fels Demonstration Centre			20,000,000		
Upgrading and Rehabilitation of Irrigation Demonstration Plots			5,000,000		
Off-grid Smallholder Farmer Led Irrigation Systems			100,000,000		
Grand Total	**70,786.00**	**23,788.00**	**27,965,120,000**	**15,360,000**	**20,000,000**

Source: MoFED

400. The subsector will also benefit from projected loan disbursements of US$13.5 million towards irrigation rehabilitation and development, mainly from IFAD and OFID.

401. Under the Green Climate Fund, a total of US$8 million will be availed during 2023 targeting the rehabilitation, upgrading and climate proofing of 651ha on 12 existing communal irrigation schemes in Masvingo and Manicaland.

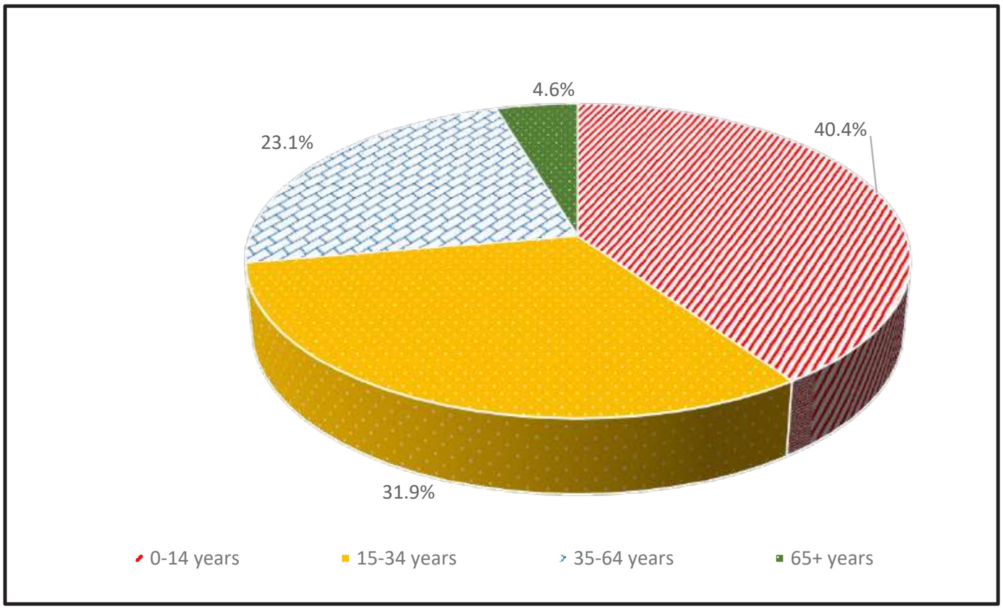
402. Through the support from International Fund for Agricultural Development (IFAD), a total of US$7.4 million will be availed towards the rehabilitation of 2 000ha out of the targeted of 6 100ha, under the Small Holder Irrigation Revitalisation Programme (SIRP).

Youth, Sport, Arts and Culture

403. Expansion and capacitation of Vocational Training Centres, as well as capitalisation of youth empowerment institutions, provides an opportunity for our youths to engage in productive economic activities, as well as transform their lives and livelihoods.

404. Government is cognisant that, youths are the foundation of the future and that the country has a youth dividend with approximately 32% of the population aged between 15 to 34 years old, who are the youths and productive part of the workforce.

Figure 22: Population Distribution



Source: ZIMSTAT, 2022 Population and Housing Census

405 In this regard, the country stands to benefit from demographic dividend, if strategically harnessed for economic development.

Education and Skills Development

406. Empowering the youth with knowledge and skills is critical for them to realise their full potential and contribute to economic and social transformation. This is against a background of high levels of unemployment, as well as the growing menace of drug abuse among the youths.

407. The 2023 National Budget will provide resources towards the revision of curriculum at Vocational Training Centres, to include short courses and tailor-made programmes to cope

with changing technology and to match jobs on the market. The new curricula will also equip graduates to become employers in their own right.

408. In addition, more resources will be channelled towards the refurbishment and retooling of Vocational Training Centres across all provinces.

Employment and Entrepreneurship

409. The Budget will continue to capacitate the Empower Bank to enable the youth to access finance for start-ups and boosting their businesses.

410. In the spirit of the devolution agenda, efforts will be made to decentralise the services provided by Empower Bank to provinces and districts.

Capacitation of the Zimbabwe Youth Council

411. It is critical that our youths participate in all facets of the country's development, including governance matters. The Budget is capacitating the Zimbabwe Youth Council (ZYC) with resources to enhance its effectiveness and visibility through decentralisation, conduct awareness campaigns and youth exchange programs, as well as support youths Volunteer Services and Community Engagement.

Rehabilitation Centres

412. Drug and substance abuse has become an issue of national concern, affecting individuals, families, communities and societies at large. No nation can prosper if its productive working population is actively involved in drugs and substances abuse.

413. As part of a strategy to address this challenge, the 2023 National Budget will prioritize the construction of additional rehabilitation centres to support those affected. Resources will also be made available for retooling, recreation and youths interaction centres in a bid to improve platforms of awareness campaigns against drug and substance abuse.

Sport and Recreation

414. With regards to sport and recreation, ZWL$1.2 billion has been set aside for the rehabilitation and upgrading of sports facilitates and recreational centres, with the aim of modernisation to conform to international standards.

415. Some of the priorities include the National Sport Stadium, Khumalo and Magamba Hockey stadiums and refurbishment of Aquatic Complex swimming pools and general-purpose halls.

Arts and Culture

416. Arts and culture are critical in shaping the character of our youths, future family men, women and leaders who can maintain the integrity of the nation, whilst also creating employment for them.

417. In this regard, the 2023 National Budget will support activities which promotes the use of indigenous languages in the education system, as envisaged under NDS1 to foster linguistic inclusion, especially for persons with hearing and speech impairment, as well as ethnic minorities.

Women, Gender Equity and SMEs

418. The empowerment initiatives are meant to ensure equal opportunities for all, irrespective of gender, in line with the thrust of NDS1 of “leave no one and no place behind”. In this regard, the Budget will focus on mainstreaming gender equality through empowerment of women, the girl child and SMEs.

419. The empowerment initiatives will be supported in 2023 by the capitalisation of the following institutions:

- Women Development Fund, ZWL$370 million;
- Community Development Fund, ZWL$330 million;
- Zimbabwe Women's Microfinance Bank, ZWL$3 billion;
- Empower Bank; ZWL$3 billion;
- Small and Medium Enterprises Development Corporation (SMEDCO). ZWL$3 billion; and
- National Venture Capital Fund, ZWL$4 billion.

Human Capital Development and Well-Being

420. A strong human capital base is critical for driving the economic transformation agenda and achievement of Vision 2030. Past investment in the health and education sectors have provided the foundation required for the critical mass of skilled workers driving the current economic transformational processes.

421. To further strengthen the skills gap, Government is implementing the new curricular of Education 5.0 for both primary, secondary and institutions of higher learning, focusing on student's development and training that provides solutions to societal challenges. Preservation of productive human capital is also being supported by interventions to improve access to basic health, through the construction of new clinics and hospitals, as well as the acquisition of medical equipment.

422. Such interventions are expected to transform the quality of life of the citizens and improve the human capital base of the country.

423. The 2023 National Budget interventions will focus on increasing access to basic social services for the poor and vulnerable, given that the private sector has already made substantial investments that are being accessed by those who can afford.

Health

424. Notwithstanding financial constraints, Government is committed to the provision of quality health services, as evidenced by the ongoing construction and rehabilitation of health facilities. Some of the notable projects are the Lupane Provincial Hospital, health posts in Mutasa, Mashayamvura, 4 in Gokwe North; and 3 in Centenary district, 30 poly-clinics and 5 district hospitals under the NMS1 project, among others.

425. Government has also guaranteed the stable supply of life saving drugs for HIV/AIDS, TB and malaria co-morbidities, completion of Harare National Pharmaceutical Warehouse, procured Magnetic Resonance Imaging equipment (MRI), as well as ambulances and service vehicles.

426. In 2023, the Budget has set aside 11% of total expenditures towards the heath sector and the objective is to eventually meet the Abuja Declaration of 15%. This is necessary to attain Vision 2030 of becoming an upper middle-income economy.

427. The health sector also benefits from Development Partner support, having received a total of US$408.3 million during the first nine months of 2022. The support went towards the areas of maternal, new born, child adolescent and reproductive health, HIV/AIDS, Tuberculosis (TB) and Malaria prevention programmes, and strengthening of the health delivery systems. In 2023, the sector is projected to receive US$212.9 million from the development partners towards the same areas.

Health Workers

428. The sector faces challenges related to high staff turnover, with an overall vacancy rate of 13% and more pronounced among the specialist doctors' categories. The high turnover of health personnel is compromising the provision of health services in the public sector.

429. Government is, however, addressing this challenge through continuous review of both monetary and non-monetary incentives in order to attract and retain medical personnel. Health specific allowances have generally been indexed to the

USD, to address the impact of inflationary pressures. Issues and concerns with the current allowances structure under various categories is also being addressed.

430. On non-monetary benefits, Government has set aside resources towards the construction of institutional accommodation at various health centres, including procurement of staff buses and operational vehicles.

431. Currently, Government and banks are working on a Vehicle Guarantee Fund, to ensure sustainability and wider access to vehicle loans at concessionary terms for health workers.

432. Government, has also approved a housing guarantee fund to enable health workers easier access to affordable loans from banks. Since inception 637 staff members have benefited from the scheme.

433. Furthermore, members are benefiting from the vehicles duty-free dispensation to import personal vehicles using free funds. To date, over 1 000 health workers have benefited from the scheme.

434. Government will pursue the registration on the WHO Safeguard list and sign bilateral agreements with countries that have the

highest intake of Health Workers for the country to benefit from migrating health workers.

Medical Equipment and Sundries

435. Provision of public health is being modernised through investments in modern equipment and technology. So far, equipment consignment has been procured and distributed to various hospitals and clinics.

Medical equipment supplied to Stoneridge

436. A provision of ZWL$43 billion has been made under the 2023 Budget for the procurement of medical supplies for public hospitals. This will be supported by investment in IT services to curb leakages and corruption in the sector.

Procurement of Ambulances and Service Vehicles

437. Under the programme to procure 100 ambulances, 32 have so far been procured and have been distributed around the country, mainly targeting areas of dire need, with the outstanding set to be procured in 2023. This is being complemented by additional ambulances being funded by Development Partners. The plan is to also have 26 highway ambulances placed at tollgates across the country.

438. The 2023 National Budget provides ZWL$2 billion for procurement of ambulances, utility vehicles and other essential medical equipment's.

Health Infrastructure

439. In effort to increase health coverage, Government is constructing new health posts, with a target of 1 600 health posts by 2025, of which 9 have already been constructed during this fiscal year as follows:

- Mutasa, in Buhera;
- Mashayamvura, in Chivhu;
- 4 in Gokwe North; and
- 3 in Centenary district.

440. Under the NMS1 contract, Government is constructing 30 polyclinics and 5 district hospitals by 2025. Under phase 1 of the Enhanced Polyclinic Construction targeting 4 polyclinics, Stoneridge clinic has been completed and officially opened.

Stoneridge Health Centre, Harare

441. The second polyclinic, Cowdry Park in Bulawayo is now 85% completed and will be officially opened in December 2022, to serve a target population of about 70,000. The other two polyclinics sites are under construction in Mataga, Mberengwa and Runyararo, Chimanimani.

442. In this regard, the 2023 Budget makes a provision of ZWL$33 billion towards the rehabilitation and construction of hospitals and clinics.

443. Furthermore, ZWL$1.1 billion has been set aside for the establishment of a stand-alone research and teaching hospital.

Primary Health Care

444. In line with leaving no-one and no place behind philosophy, Central and Local Governments, in 2023, will continue to roll out more primary health facilities aimed at ensuring that all settlements are within the recommended 5-kilometre radius to health services.

445. Government in 2023, will spearhead the completion of the following rural health centres through an allocation of ZWL$9.3 billion as indicated in the table below:

Table 28: Rural Health Centres

Project	Targeted works	Amount (ZWL$)
Completion of clinics under construction	Completion of Sai, Kezi, Kanyemba, Odzi and Msapakaruma Health centres	6,000,000,000
Rehabilitation of clinics	Rehabilitation of 120 clinics	1,100,000,000
Security fencing	Security fencing of 160 clinics	660,000,000
Water supply	Drilling and/or upgrading of 300 bore-holes	595,000,000
Health Posts	Construction of 100 health posts	980,000,000
Total		**9,335,000,000**

Source: MoFED

446. Local Authorities are encouraged to continue churning out rural health centres and health posts in their jurisdiction utilising the IGFT allocation.

Education

447. The country is signatory to international declarations such as the Dakar recommendation of 20% allocation to education,

which implies substantial increases in funding for the sector. In line with the Constitution, every child has a right to basic education. In pursuit of the policy of free basic education, the Budget will direct resources towards increased free education coverage.

448. In line with the commitments and the need to ensure a knowledge driven economy, an amount of ZWL$787.8 billion, which is 18.5% of total expenditures, is being allocated to both primary and secondary, as well as higher and tertiary education.

449. This also includes Government's share of ZWL$31 billion for administration of public examinations under the School Examinations Council for Grade Seven, Ordinary and Advanced Level examinations. This constitutes 55% of the examination fees, with the balance being contributed by parents/guardians.

450. The Budget will also cater for the procurement of teaching and learning materials in support of the competence-based curriculum, as well as payment of levies for primary and secondary rural pupils from disadvantaged families.

451. This will be complemented by the Development Partners support projected at US$25.2 million towards the sector, to further strengthen the education systems to be more effective

and inclusive, thereby contributing to wider reforms of the national education system.

Home Grown Schools Feeding Programme

452. To retain pupils in school, ZWL$2.8 billion will go towards the Home-Grown Schools Feeding programme, a key social protection programme which provides for one hot balanced school meal on each day of school for vulnerable school children

Sanitary Wear

453. The programme of providing free sanitary wear to pupils, will be sustained in 2023 to address the plight of the girl child, especially in rural areas with efforts being made to address distribution bottlenecks encountered during the previous years.

454. Therefore, the 2023 National Budget has a provision of ZWL$1.5 billion towards the procurement and distribution of sanitary wear to public schools.

Recruitment of Teachers

455. There is growing demand for teachers to ensure the delivery of quality of education, especially at the infant level. In 2023, the

Budget has, therefore, made a provision for the recruitment of an additional 7 000 teachers.

456. Furthermore, support will be extended to teacher training, with relevant skills for deployment in marginalised areas. This will be complemented by incentives to attract and retain such skills.

Construction and Upgrading of Schools

457. To improve access to quality and inclusive education, resources amounting to ZWL$4.2 billion have been allocated for completion of outstanding works at identified schools, including equipping schools with the requisite furniture and equipment, which include science laboratories equipment in order to align them with modern institutions

Investment in ICT

458. Transformation of the education sector should embrace ICT, hence, the thrust is to ensure that all public schools are connected to internet through ICT digital platforms.

459. Already, Government has since engaged Development Partners including UNICEF and Microsoft on a GIGA program, an initiative launched by UNICEF and ITU in September 2019

to connect every school to the Internet and every young person to information.

460. On its part, Government has set aside an amount of ZWL$600 million to procure the ICT equipment for public schools, as part of the digitisation drive.

461. This is being supported by the Rural Electrification Programme, where schools are being electrified to improve the quality of education. The REA programme is also installing the solar panels in schools, especially in the rural areas, with the support of Development Partners.

Tertiary Education

462. Furthermore, in support of infrastructure at institutions of higher learning, an amount of ZWL$9.8 billion has been allocated towards the following under mentioned institutions.

Table 29: Tertiary Education Infrastructure Projects (ZWL$M)

Name of Institution	Project	2023 Allocation
State Universities		
Bindura University of Science Education	Male halls of residence	700
	Industrial Park	50
	Innovation Hub	80
Lupane State University	Faculty of Humanities	800
	Industrial Park	50
	Innovation Hub	80
Manicaland University of Applied Sciences	Student Admissions	200

Name of Institution	Project	2023 Allocation
	Halls of Residence	360
	Industrial Park	50
	Innovation Hub	80
Midlands State University	Pathology Laboratory	400
	Construction of faculty of Law	300
	Industrial Park	50
	Innovation Hub	80
	Halls of Residences	320
Chinhoyi University of Technology	Industrial Park	50
	Innovation Hub	80
	Engineering workshops Phase 1	300
National University of Science and Technology	Library	600
	Students Service Centre	500
	Industrial Park	50
	Innovation Hub	80
Gwanda State University	Rehabilitation of infrastructure	100
	Lecture Block	150
	Mining Lab	150
	Industrial Park	50
	Innovation Hub	80
Great Zimbabwe University	Teaching Hospital	100
	Industrial Park	50
	Innovation Hub	80
Harare Institute of Technology	Rehabilitation of infrastructure	50
	Laboratory Plaza	200
	Industrial Park	50
	Innovation Hub	80
University of Zimbabwe	Students Affairs Building	200
	Halls of residence	200
	Industrial Park	50
	Innovation Hub	80
Marondera University of Agriculture Sciences and Technology	Office block	150
	Industrial Park	50
	Innovation Hub	80
Zimbabwe Open University	Administration, Teaching and Learning Block	100
	Multipurpose Hall	100

Name of Institution	Project	2023 Allocation
	Innovation Hub	80
Polytechnics, Teachers' and Industrial Training Colleges		2320
Grand Total		**9 810**

Launch Satellite

463. The country successfully launched the ZimSat-1 on 7 November 2022, a historic journey into space. The landmark event will facilitate water and mineral mapping, weather forecasting, infrastructure planning, border security and disaster prevention, among other benefits.

464. Given the multiple benefits to the overall economy from the project, the 2023 National Budget will provide additional

ZWL$300 million for the development of the second satellite including other supporting services.

Social Protection

465. Provision of decent, inclusive and sustainable social protection services, is key to improve access to basic social services by the vulnerable groups- (persons with disabilities, children, the elderly).

466. In 2023, Government will, therefore, continue to provide social protection services through its mainstream programmes, namely the harmonised social cash transfer, food deficit mitigation programmes, basic education and health assistance, child protection services, support to the elderly and persons with disabilities.

467. To enhance the provision of these services, Government in 2023, will come up with various policies to strengthen the implementation of the programmes and systems in order to improve the impact of these various social protection programmes. Such policies will include the Older Persons in line with the dictates of the Older Persons Act [Chapter 17:11] of 2012.

468. An Aftercare Policy for children who exit care, will also be developed to ensure continuity of the support that they have been receiving whilst in residential care facilities. This is in recognition of the gap on how to treat those who would have reached 18 years in children's institutions but are no longer children by law.

469. Furthermore, a policy to guide the work of the Inter-Ministerial work on Drug and Substance Abuse, which has become a menace in our country, is being developed to ensure coordinated approaches in dealing with drug and substance abuse.

470. In total, ZWL$50.4 billion has been set aside for provision of social protection programmes in 2023 broken down as follows:-

Table 30: Social Protection Programmes

Programme	Amount
Basic Education Assistance Module	23,000
Children in difficult circumstances	1,230
Children in the street	430
Drought Mitigation	12,100
Harmonised Cash transfers	9,280
Health assistance	1,100
Support to elderly persons	400
Pauper burial	500
Support to disabled persons	1,464
Sustainable Livelihoods	635
Management Information System	105
Covid Response	200
Total	**50,444**

Source: MoFED

People with Disabilities (PWDs)

471. People with Disabilities (PWDs) are estimated at about 1.4 million, constituting almost 10% of the population, as indicated by the 2022 Population and Housing Census of 2022. As we move towards Vision 2030 and SDGs 2030, of "leaving no one and no place behind", Government is committed to attend to the needs of this special group.

472. This includes ensuring that PWDs access education for skills and entrepreneurial development, providing an opportunity for them to benefit from the Public Service Disability employment quarter of 15%.

Tripartite Negotiating Forum (TNF)

473. Social Dialogue is one of the four pillars of the Country Decent Work Programme (CDWP), of which the fourth cycle is being implemented during the period 2019-2023. Successful social dialogue structures and processes have the potential to resolve important economic and social issues, encourage good governance, advance social and industrial peace and stability and boost economic progression.

474. To this end, the establishment of an independent TNF secretariat will be completed during 2023.

Establishment of Collective Bargaining Council

475. The Strengthening of the institutional framework for collective bargaining in the Public Sector is to be enhanced, through the establishment of a single bargaining council in 2023.

476. This will harmonise the various public service negotiating platforms and create a central collective bargaining institution that will reduce disparities in remuneration packages across various sectors.

Labour Productivity

477. Productivity drives economic growth through improved efficiency and effective use of resources. High productivity means more goods and services are produced at lower cost, thus resulting in higher profit margins and opportunities for more investment, creating a virtuous cycle of prosperity. This results in improved standards of living for the workers and the general populace.

478. In this regard, Government will finalise the legislative framework for the National Productivity Centre and upscale programmes to promote productivity awareness and consciousness.

Developing a National Action Plan to Eliminate Child Labour

479. In line with the Global Agenda of eliminating Child Labour by 2025, as agreed at the Global Conference on Child Labour held in Durban, South Africa in May 2022, Government is currently working with stakeholders to come up with a National Action Plan (NAP) to eliminate child labour with special emphasis on the agriculture sector.

480. NAP will be centred on raising awareness on child labour and the dangers it poses to children, as well as strengthen multi-stakeholder collaboration, maximize coordination and leverage resources to prevent child labour from occurring and to address it when it does.

481. Focus will be on the agriculture sector, with a view to enhancing farmer incomes and resilience, keep children in school, and equip young people with the skills they need to access decent work.

Effective Institution Building & Governance

482. Government continues to strengthen public institutions, to enhance service delivery, justice delivery, promote law and order, as well as uphold national unity, ensure peace and reconciliation, as building blocks for achieving equitable and sustainable national development.

483. In this regard, Government amended the Constitution and is aligning laws with the Constitution to improve on governance. Work is also underway to formulate and enact the necessary legal frameworks to support the devolution agenda.

484. Tremendous strides have been made in regard the alignment of laws to the Constitution. As at 30 October 2022, only 24 of the originally identified 396 pieces of legislation that required

alignment remain outstanding, albeit, at various stages of finalisation. Outside the Constitutional alignment process, a total of 32 pieces of legislation successfully passed the Parliamentary processes of amendment and/or revision.

485. Going forward, Government will continue to implement measures to improve justice delivery through:

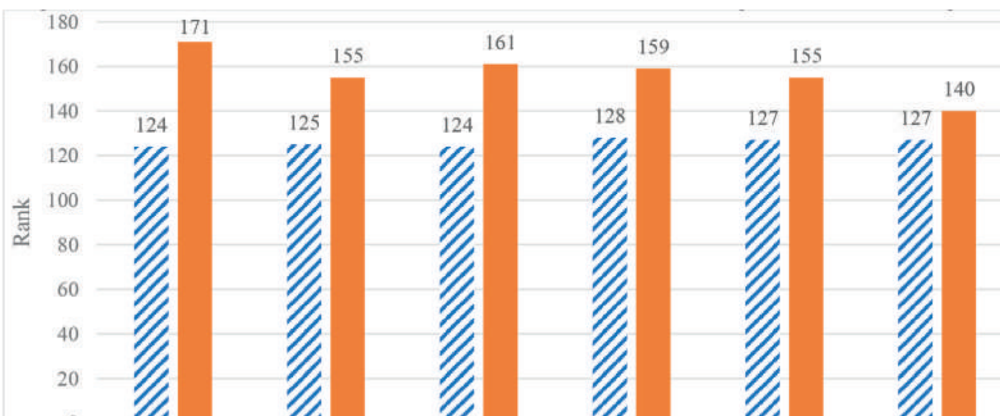
- Alignment of the remaining pieces of legislation, including translating amended pieces of legislation;
- Decentralisation and capacitation of the Legal Aid Directorate;
- Completion of the ongoing construction of additional Courts in small towns and remote areas;
- Revamping of outstanding court rooms to make them accessible to persons with disabilities; and
- Rehabilitation of police and prison holding cells to meet international standards.

486. Development Partners have also committed US$44.2 million to assist the country to implement governance reforms in 2023. The support is aimed at strengthening institutional capacity, improve access to justice, transparency & accountability, thereby contributing to the improvement democratic processes in the country.

Ease of Doing Business

487. The country has made progress on ease of doing business reforms through the Rapid Results Initiatives, championed by the Office of the President and Cabinet, which saw the country improving on the suspended World Bank doing business index ranking from 155 to 140 in 2020.

Figure 23: Zimbabwe's Global Competitiveness and Ease of Doing Business Ranking

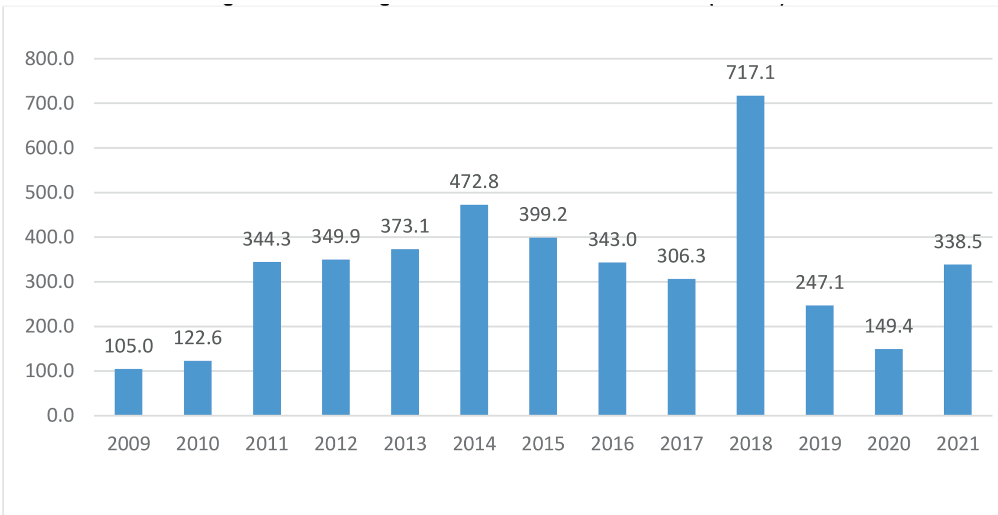


	2015	2016	2017	2018	2019	2020
GCI	124	125	124	128	127	127
DB	171	155	161	159	155	140

Source: WEF, WB

488. Notwithstanding the progress, the country's doing business environment remains unfavourable relative to neighbouring countries. As a result of this and other factors, foreign direct investment inflows have been generally below US$500 million, except in 2018 when it reached a peak of US$717 million.

Figure 24: Foreign Direct Investment inflows (US$M)



Source: RBZ

489. Going forward, efforts will be made to resuscitate Inter-Ministerial collaboration to streamline some of the bottlenecks to the doing business environment. This will also include the review of the levels and multiple administrative costs with a view of benchmarking and alignment to neighbouring countries.

490. The establishment of ZIDA, has resulted in the substantial reduction of the number of days for business registration processes, however, the duration remains long and uncompetitive, hence ZIDA has been allocated ZWL$724 million towards integration and automation of the registration processes to further simplify and shorten the process.

491. In addition, efforts will be made to bring together Government Ministries, departments and institutions at the borders and

ports of entry to optimise the processes for the convenience of investors and travellers.

State Enterprises and Parastatals (SEP) Reform

492. State Enterprise and Parastatals reforms have been guided by the SEPs Short to Medium Term Reform Framework (SEPs-SMTRF), the National Development Strategy (NDS) 1 and Vision 2030. Drawing lessons from the successes and challenges faced in implementing the SEPs-SMTRF since 2018, it is envisaged that the SEPs reform priorities for 2023 will be guided by the following:

(a) Completion of the following on-going SEPs reforms:

- Engagement of strategic partners for IDBZ, POSB, IDC Subsidiaries, TelOne and NetOne;
- Merger of Genesis and Petrotrade;
- Merger of BAZ with POTRAZ;
- Merging of Powertel, Zarnet and Africom;
- Complete dissolution of all subsidiary Boards for ZESA Holdings and allow ZPC to engage strategic partners for its power generation projects;
- Implement approved reforms and capacity enhancement for ZIMPARKS;

- Capital raising strategies for Silo Foods, ZUPCO and Allied Timbers; and
- Implementation of the short-term recapitalization strategy of the National Railways of Zimbabwe.

(b) Transform the Traffic Safety Council into a Traffic Safety Agency, with appropriate legal standing to effectively enforce road safety systems in the country.

(c) Undertake a holistic evaluation of public entities reforms through strategic portfolio reviews and comprehensive diagnostic analysis by sector. This will inform the best reform options for each entity on a case-by-case basis. In this regard, line Ministries would be required to play a central role to ensure that all public entities under their purview are included in the reviewed Framework.

(d) A number of SOEs have been transformed and now operate viably, for example, Air Zimbabwe.

493. Government has over the years created investment vehicles and partnered private sector players through joint ventures, to invest in various sectors of the economy, especially the mining sector.

International Public Sector Accounting Standards (IPSAS)

494. Pursuant of the need to enhance transparency and accountability in the management of public resources, Government is in the

process of migrating to International Public Sector Accounting Standards (IPSAS) reporting framework.

495. While the COVID 19 pandemic caused some disruptions to the planned implementation activities, selected IPSAS pilot entities made significant headway in delivering on milestones set out in the Implementation Strategy and Plan (ISP), with 11 out of 15 managing to submit their first set of the 2021 dry run accounts for review by the Auditor General's Office.

496. Feedback and lessons learnt from the pilot exercise will inform the transition to the new reporting framework of all Local Authorities and 90 Public Entities (State Owned Entities and Parastatals) scheduled to migrate with effect from 1 January 2023. The 21 Central Government Entities, and the remaining 14 line ministries are expected to fully migrate in 2024. The target is to fully adopt and migrate to the IPSAS Framework by year 2025.

497. Cognisant of the nature of their businesses, a total of 82 Public Entities (State Owned Entities and Parastatals) are exempted from adopting and migrating to IPSAS, and will continue to report using International Financial Reporting Standards (IFRS).

Harmonised Elections

498. The country will hold harmonised elections in 2023, as enshrined in the Constitution. The preparations have already commenced, which include the delimitation exercise, voter registration and voter's role inspection.

499. The 2023 National Budget is setting aside resources to cover voter registration ZWL$12 billion, voter inspection ZWL$11 billion and actual election conduct ZWL$53 billion, among others.

Peace and Security

500. The prevailing peaceful environment in the country should be cherished and reflects the bravery and commitment of our men and women in the uniformed forces. Peace and security guarantees public order, safety and is critical for economic development.

501. The increase in the crime rate, ranging from armed robberies, rape and murder, among others, is a cause of concern, requiring adequate capitalisation of the uniformed forces.

502. The 2023 National Budget has prioritised capacitation of the uniformed forces with accommodation, ration and equipment,

as well as improvements of their remuneration both monetary and non-monetary.

War Veterans

503. Similarly, the welfare of the veterans of the liberation war remains a priority, with the 2023 Budget setting aside ZWL$4.6 billion towards their monetary and non-monetary benefits, as well as capitalisation of their investments in mining, tourism and farms.

2022 Population and Housing Census

504. In April 2022, the country through ZIMSTAT undertook a population and housing census, whose results include the following:

- Population Size: 15,178,979;
- Male Population: 7,289,558 (48%);
- Female Population: 7,889,421 (52%);
- Sex Ratio: 92 males for every 100 females;
- Annual Population Growth Rate: 1.5 percent.

505. Currently, ZIMSTAT is disseminating results of the broad categories of Demographic Characteristics, Housing Characteristics and Living Conditions, Functioning, Migration, Mortality and Fertility to stakeholders.

506. Work on the detailed report is underway, which will be made available to all stakeholders in due course. Statistics are vital for research based public policy making and resource allocation. Detailed preliminary population and housing statistics are contained in Annex 1.

Modernisation of Public Service Academy Institutions

507. The Public Service Academy (PSA), an integration of 14 public service training institutes is a human capacity development vehicle for all public sector workers, which the Public Service seeks to modernise the infrastructure to hotel and conferencing standards.

508. To this end, the 2023 Budget has set aside ZWL$2 billion to support the upgrading of training, residential and conferencing facilities.

509. Modern training infrastructure will reduce the training costs of Government, increase the quality of service and contributes to economic development of the country.

Devolution

510. The year 2023 marks the fourth year since the Central Government started allocating at least 5% of revenue

collections as inter-governmental fiscal transfers to lower tiers of Government as enshrined in the Constitution.

511. To this effect, disbursements to lower tiers of Government are bearing positive fruits as evidenced by a greater number of high impactful completed and ongoing developmental projects and programmes in various sectors.

Mandihongola RHC Staff Houses, Gwanda RDC, Matabeleland South

512. During 2022, resources amounting to ZWL$16.7 billion have so far been disbursed mainly towards acquiring of road construction and firefighting equipment, refuse collection

trucks, completion of ongoing infrastructure projects in sectors such as health, education, water and sanitation and roads, among others.

Chirarwe - Nyamazi Causeway, Mutasa District, Manicaland

513. The overpricing of goods and services by contractors did not spare the devolution programme, thereby affecting its smooth implementation.

Umlugulu Clinic, Matobo RDC, Matabeleland South

514. Currently, Government is in the process of developing the requisite policy, regulatory and institutional frameworks necessary to fully operationalise and entrench the implementation of the devolution agenda. This initiative will also ensure accountability and transparency in the utilisation of the fiscal grant.

515. The 2023 National Budget is ring fencing ZWL$195.5 billion being 5% of the anticipated revenue resources towards lower tiers of Government in support towards construction, upgrading and rehabilitation of facilities in health, transport, education, water & sanitation, as well as procurement of plant and equipment by local authorities.

Table 31: Transfers to Lower Tiers of Government (ZWL$m)

Entity	2023 Estimates			Indicative Estimates	
				2024	2025
	Operational Grant	Capital Grant	Total Grant	Total Grant	Total Grant
Provincial Councils	**7,820.1**	**11,730.2**	**19,550.4**	**28,267.2**	**34,050.1**
Local Authorities	-	-	-	-	-
Bulawayo Metropolitan Province	508.9	4,579.7	5,088.5	7,357.3	8,862.5
Manicaland Province	2,138.0	19,242.3	21,380.4	30,913.2	37,237.3
Mashonaland Central Province	1,819.8	16,378.1	18,197.9	26,311.8	31,196.0
Mashonaland East Province	1,832.2	16,489.6	18,321.7	26,490.8	31,910.2
Mashonaland West Province	2,287.1	20,583.8	22,870.9	33,068.4	39,833.4
Matabeleland North Province	1,559.9	14,039.1	15,599.0	22,954.0	27,804.9
Matabeleland South Province	1,462.2	13,159.8	14,622.0	21,141.4	25,466.5
Midlands Province	2,373.4	21,360.6	23,734.0	34,316.3	41,836.6
Masvingo Province	1,877.9	16,901.5	18,779.5	27,152.6	32,707.4
Harare Metropolitan Province	1,735.9	15,623.5	17,359.4	24,699.4	29,595.9
Sub-Total	**17,595.3**	**158,357.9**	**175,953.3**	**254,405.2**	**306,450.6**
Total	**25,415.5**	**170,088.2**	**195,503.6**	**282,672.4**	**340,500.7**

Valuation of Property

516. The Urban Councils Act [*Chapter 29:15*] and Rural District Council Act [*Chapter 29:13*] mandates local authorities to regularly value properties within their jurisdiction for rating purposes. Most local authorities have, however, not undertaken the valuation exercise within the stipulated 10-year period, save for a few such as Mutare City Council, due to limited resources.

517. Valuation of the properties and updating of the council data base is critical in ascertaining their market values to enable the collection of optimal property rates and other user charges. This will allow local authorities to collect more revenues, that can be channelled towards development of the communities within their jurisdiction.

518. To support this important exercise, local authorities are being allowed to utilise up to 10% of their devolution allocations for 2023 towards property valuation exercise.

Information, Image Building and Engagement & Re-engagement

519. Information and communication plays a pivotal role in presenting Government policy and portraying the image of the country both to the foreign and domestic audience, especially under the NDS1 pillar of Image Building, International Engagement and Re-engagement.

520. To this end, Government has managed to successfully open the broadcasting space, allowing the introduction of new players in television, community, campus and satellite content distribution spaces, among others. To date, 14 community radio stations, 7 campus radio stations and 6 private commercial television stations have been licenced. Of these, 4 community radio stations, 6 campus radios and 3 commercial television stations are already operating.

521. In 2023, ZWL$8.6 billion has been allocated towards information, publicity and broadcasting services in order to achieve the following:

- Image building and country re-branding;
- Informing the citizenry on developments within and outside the country;
- Mobilising the people in nation building and the development agenda, and
- Installation of state-of-the-art broadcasting infrastructure.

Arrears Clearance and Debt Relief Strategy

522. The Arrears Clearance, Debt Relief and Restructuring (ACDRR) Strategy outlines and explores possible debt resolution options under the Heavily Indebted Poor Countries (HIPC) Initiative and non- HIPC Initiative scenarios.

523. The Strategy critically hinges on the continued strengthening of cooperation with the IFIs, implement options of comprehensive economic and governance reforms, negotiating for arrears clearance, debt relief and restructuring with the IFIs, Paris Club creditors and non-Paris Club creditors.

524. As a sign of our commitment to the engagement and re-engagement process with the international community and implementation of the Strategy, Government resumed making quarterly token payments in March 2021 to the IFIs, as follows:

- World Bank Group -US$1 million per quarter (cumulative payments to date- US$66.998 million);
- African Development Bank Group- US$500 000 per quarter (cumulative payments to date- US$35.4 million); and
- European Investment Bank US$100 000 per quarter (cumulative payments to date- US$4.35 million).

525. In addition, Government extended quarterly token payments of US$100 000 to each of the 16 Paris Club bilateral creditors (including Germany), beginning September 2021. The cumulative payments to date amounts to US$8 million.

526. As part of actualisation of the ACDRR Strategy, the President of the African Development Bank Group (AfDB), Dr A. A. Adesina is the country's champion of arrears clearance and debt resolution process with the IFIs and bilateral creditors.

527. The African Development Bank (AfDB) has also extended a UA3 million grant for technical assistance to Zimbabwe under the Arrears Clearance and Governance Enhancement Project. With this technical assistance, Government is in the process of establishing and formalising a structured Dialogue Platform with all creditors and IFIs, leading to the convening of a High-Level Debt Resolution Forum with all creditors in early 2023. The aim is to build consensus among all creditors and

stakeholders on the reform agenda the options, process and procedures of resolving the country's external debt overhang.

Compensation to Former Farm Owners

528. Under the US$3.5 billion Global Compensation Deed (GCD), in September 2022, Government made an offer for the settlement of the GCD which was accepted by Former Farm Owners through a referendum. The agreed payment plan is in two parts as follows:

Part A

- Interim cash payment of 10% (US$350 million) of the Global Compensation value (US$3.5 billion), over four years. Government will pay interim cash payments of US$35 million per year for 3 years, starting in 2023 to 2025, with the balance of US$295 million being paid in 2026 from the sale proceeds of the FFO 12.5% Kuvimba shareholding and/or sale of any other Government asset. The cash payments will be made in any jurisdiction in United States Dollars to an account of Former Farm Owners' choice, payable bi-annually in February and July; and

Part B

- Issuance of US$ Treasury bonds for the 90% balance of US$3.15 billion, with 0% coupon in the first 4 years and 1%

coupon starting from the 5th year. The Treasury bonds will be issued in 2023 and have maturities ranging from 6 to 20 years. The coupon payments will be bi-annual in Mach and August in United States Dollars. The TBs will be issued with the following features:

- Prescribed asset status;
- Liquid asset status;
- Tradable;
- Payments emanating from the bonds will not be subject to taxation, including income, capital gains and/or inheritance in Zimbabwe;
- Redeemable as and when additional resources become available to Government.

VOTE ALLOCATIONS

529. During the budget formulation processes, line Ministries submitted total bids of over ZWL$8.7 trillion, more than double the available envelope, presenting an allocation challenge. This is notwithstanding, a Budget Strategy Paper and Budget Call Circular with indicative ceilings for each MDA and an overall indicative available revenue collection of ZWL$3.4 trillion.

530. Going forward, line Ministries are required to adhere to BSP and Budget Call Circulars ceilings when formulating expenditure

proposals. This requires line Ministries to rigorously prioritise their projects and programmes.

531. With regards to 2023 Budget Vote allocations[1], line Ministries and Independent Commissions have been allocated a total of ZWL$3.7 trillion, whilst Constitutional and Statutory Appropriation have been allocated ZWL$532.6 billion and loan repayments ZWL$248.6 billion bringing the total Budget to ZWL$4.5 trillion as shown in the Table below.

Table 32: 2023 Vote Appropriation (ZWL$M)

	Salaries	Operations	Capital	Total
Office of the President and Cabinet	64,862.8	65,000.0	31,873.0	161,735.8
Parliament of Zimbabwe	4,370.2	28,700.0	14,750.0	47,820.2
Labour and Social Services	4,546.3	84,244.0	2,830.0	91,620.3
Defence	214,823.1	93,000.0	23,320.0	331,143.1
Finance and Economic Development	89,521.8	63,200.0	32,475.0	185,196.8
Audit Office	2,288.4	5,000.0	2,570.0	9,858.4
Industry and Commerce	1,930.4	6,700.0	7,000.0	15,630.4
Lands, Agriculture, Water, Climate and Rural Resettlement	57,245.1	144,000.0	161,275.5	362,520.6
Mines & Mining Development	3,187.5	4,900.0	4,900.0	12,987.5
Environment, Tourism and Hospitality Industry	1,739.2	7,900.0	4,560.0	14,199.2
Transport and Infrastructural Development	4,856.1	5,000.0	134,715.1	144,571.2
Foreign Affairs and International Trade	20,764.1	54,320.0	6,780.0	81,864.1
Local Government, Public Works and National Housing	12,010.9	61,105.0	25,525.0	98,640.9
Health and Child Care	336,519.2	97,989.0	39,250.0	473,758.2
Primary and Secondary Education	550,780.7	65,299.0	15,200.0	631,279.7
Higher & Tertiary Education, Science and Technology Development	108,604.5	30,105.0	17,800.0	156,509.5
Women Affairs, Community, Small and Medium Enterprises Development	5,941.8	3,600.0	9,000.0	18,541.8
Home Affairs and Cultural Heritage	199,464.8	73,345.0	20,200.0	293,009.8
Justice, Legal and Parliamentary Affairs	74,833.7	39,500.0	6,000.0	120,333.7

3 *Annex 3 has table on expenditure by classification of functions of Government*

	Salaries	Operations	Capital	Total
Information, Publicity and Broadcasting Services	1,219.9	4,300.0	3,100.0	8,619.9
Youth, Sport, Recreation, Arts and Culture	9,401.2	7,500.0	8,234.9	25,136.1
Energy and Power Development	818.3	4,100.0	10,550.0	15,468.3
Information Communication Technology, Postal and Courier Services	1,049.7	9,060.0	7,277.0	17,386.7
National Housing and Social Amenities	2,950.6	3,100.0	21,628.5	27,679.1
Judicial Services Commission	10,840.8	20,300.0	6,800.0	37,940.8
Public Service Commission	62,537.2	12,000.0	5,000.0	79,537.2
Council of Chiefs	-	2,700.0	1,450.0	4,150.0
Human Rights Commission	894.6	3,010.0	836.0	4,740.6
National Peace and Reconciliation Commission	807.2	1,500.0	650.0	2,957.2
National Prosecuting Authority	3,741.4	6,500.0	1,100.0	11,341.4
Zimbabwe Anti-Corruption Commission	1,678.8	4,500.0	1,200.0	7,378.8
Zimbabwe Electoral Commission	3,448.0	96,100.0	2,100.0	101,648.0
Zimbabwe Gender Commission	805.7	1,930.0	750.0	3,485.7
Zimbabwe Land Commission	722.3	8,900.0	750.0	10,372.3
Zimbabwe Media Commission	416.4	1,300.0	900.0	2,616.4
Unallocated Reserve Transfer	-	-	0.0	0.0
General Reserve	0.0	50,556.2	24,150.0	74,706.2
Total	**1,859,622.8**	**1,170,263.2**	**656,500.0**	**3,686,386.0**
Constitutional and Statutory Appropriation	0.0	0.0	0.0	0.0
Debt Service: Interest Bill	0.0	24,967.5	0.0	24,967.5
Pension	277,497.7	0.0	0.0	277,497.7
Public Service Pension Scheme	27,936.7	-	-	27,936.7
Transfers to Councils and Local Authorities	-	-	195,503.6	195,503.6
Other Constitutional & Statutory Appropriations	34,605.8	0.0	0.0	34,605.8
Refunds of Revenue	-	50.0	0.0	50.0
Total Expenditure & Net Lending	2,199,663.0	1,195,280.7	852,003.6	4,246,947.3
Repayment of Loans	0.0	0.0	0.0	248,644.4
Total Expenditure & Net Lending Including Loan Repayments	**2,199,663.0**	**1,195,280.7**	**852,003.6**	**4,495,591.7**

532. Details of specific Vote allocations are as follows:

- Vote 1—*Office of the President and Cabinet* has been allocated ZWL$161.7 billion to cover overall Government supervision including cost of engagement and reengagement efforts currently underway, some of which will be undertaken by the Presidium;

- Vote 2—*Parliament of Zimbabwe* with an allocation of ZWL$47.8 billion to cover activities by the August House in their legislative and oversight role;
- Vote 3—*Public Service, Labour and Social Welfare* has been allocated ZWL$91.6 billion mainly for social protection programmes, such as BEAM, drought mitigation, harmonised cash transfers, as well as support towards people living with disability, among other social interventions;
- Vote 4—*Defence and War Veterans* has been allocated ZWL$331.1 billion for maintenance of defence and security, as well as to ensure the social and economic wellbeing of war veterans;
- Vote 5—*Finance and Economic Development* has been allocated ZWL$259.9 billion towards the formulation of macroeconomic policies and national development plans, as well as mobilisation and management of public resources. The Vote also includes a contingency reserve of ZWL$74.7 billion, as well as funding for parastatals under the Ministry such as ZIMRA, ZIMSTAT, Printflow, and ZEPARU;
- Vote 6—*Office of the Auditor General* has been allocated ZWL$9.9 billion, mainly for audit of the accounts, financial systems, and financial management of public entities;
- Vote 7—*Industry and Commerce* with an allocation of ZWL$15.6 billion to cover support programmes for industry such as industrialisation, consumer protection and quality assurance;

- Vote 8—*Lands, Agriculture, Fisheries, Water and Rural Development* has been allocated ZWL$362.5 billion, most of which is for programmes that ensure food security in the country, such as agriculture input support under the Agriculture Productive Social Protection Scheme, management of the Strategic Grain Reserve, water harvesting and irrigation development;
- Vote 9—*Mines and Mining Development* with an allocation of ZWL$12.9 billion to cover sustainable mining development in the country including mineral exploration and support to artisanal and small-scale miners;
- Vote 10—*Environment, Climate Change, Tourism and Hospitality Industry* has a provision of ZWL$14.2 billion to cover development and implementation of environmental and tourism policies and programmes including environmental protection;
- Vote 11—*Transport and Infrastructural Development* with an allocation of ZWL$144.6 billion towards development of transport and transport related infrastructure such as roads, airports, railway and ports of entry;
- Vote 12—*Foreign Affairs and International Trade* has been allocated ZWL$81.9 billion to promote, protect and safeguard the interest of the country, including driving the engagement and re-engagement process and protecting interest of our nationals abroad;

- Vote 13—*Local Government and Public Works* with an allocation of ZWL$98.6 billion mainly towards sound local authorities governance and provision and maintenance of Government infrastructure;
- Vote 14—*Health and Child Care* has been allocated ZWL$473.8 billion for provision of health care services to citizens;
- Vote 15—*Primary and Secondary Education* has been allocated ZWL$631.3 billion to provide quality infant, junior and secondary education, with the bulk of the allocation going towards payment of salaries for teachers and other learning costs;
- Vote 16—*Higher and Tertiary Education, Innovation, Science and Technology Development,* with an allocation of ZWL$156.5 billion mainly for development of a skilled and competent human capital, including support to Universities, Teachers' colleges and Polytechnical Colleges;
- Vote 17—*Women Affairs, Community, Small and Medium Enterprises* has been allocated ZWL$18.5 billion for women empowerment programmes, gender equality and promotion of small and medium enterprises development;
- Vote 18—*Home Affairs and Cultural Heritage* with an allocation of ZWL$293 billion mainly towards maintenance of law and order, registration and issuance of secure identification documents, as well as migration management;

- Vote 19—*Justice, Legal and Parliamentary Affairs* has been allocated ZWL$120.3 billion towards the effective delivery of justice, incarceration and rehabilitation of offenders;
- Voted 20—*Information, Publicity and Broadcasting Services* with an allocation of ZWL$8.6 billion mainly for information dissemination to the public and image building;
- Vote 21—*Youth, Sport, Arts and Recreation* has been allocated ZWL$25.1 billion towards empowerment, employment creation, youth participation in national development programmes, as well as recreational activities;
- Vote 22—*Energy and Power Development* with an allocation of ZWL$15.5 billion for the provision of energy supply and the bulk of the allocation targets electricity supply interventions;
- Vote 23—*Information, Communication Technology and Courier Services* has been allocated ZWL$17.4 billion towards promotion of access and utilisation of ICTs, mainly targeting E-Government projects, maintenance of national systems and establishment of community information centres;
- Vote 24—*National Housing and Social Amenities* with an allocation of ZWL$27.7 billion for the provision of affordable and decent housing;
- To undertake their Constitutional mandate, Independent Commissions have been allocated as follows:

- Judicial Service Commission, ZWL$37.9 billion;
- Public Service Commission, ZWL$107.5 billion;
- Council of Chiefs, ZWL$4.2 billion;
- Zimbabwe Human Rights Commission, ZWL$4.7 billion;
- National Peace and Reconciliation Commission, ZWL$3 billion;
- National Prosecuting Authority, ZWL$11.3 billion;
- Zimbabwe Anti-Corruption Commission, ZWL$7.4 billion;
- Zimbabwe Electoral Commission, ZWL$101.6 billion;
- Zimbabwe Gender Commission, ZWL$3.5 billion;
- Zimbabwe Land Commission, ZWL$10.4 billion; and
- Zimbabwe Media Commission, ZWL$2.6 billion.

TAX POLICY MEASURES

INTRODUCTION

533. Mr Speaker Sir, the tax measures I am proposing will largely focus on enhancing tax collections to support the transformation agenda through reform of policy and administrative practices. Additional measures seek to support growth and

competitiveness of local industry, as well as provide relief to taxpayers.

SUPPORT TO INDUSTRY

Customs Duty on Capital Equipment Imported by Specified Industries

534. Mr. Speaker Sir, you will recall that Government, in 2022, removed customs duty on capital equipment used by the agriculture, energy, manufacturing, mining and health sectors, with a view of reducing the cost of doing business as well as simplifying tax administration.

535. There remains scope to expand the list of such capital equipment, in response to representations by productive sectors.

536. I, therefore, propose to remove customs duty on additional capital equipment, including, but not limited to qualifying products submitted by the agriculture and energy industries.

Suspension of Duty on Milk Powder

537. Mr Speaker Sir, in order to augment local production, and also cognisant of the need to provide the local industry ample

time to invest in the necessary infrastructure and dairy herd, Government has, over the years, suspended duty on imported milk powder.

538. Furthermore, in order to enhance self-sufficiency in milk production, Government, with effect from January 2022, introduced a levy of 5% on the value of imported dairy products. The funds are ring-fenced towards re-capitalising the *Dairy Revitalisation Fund*, which is targeted at growth and development of the dairy sector by increasing the national dairy herd, as well as enhancing competitiveness of the sector.

539. As a quid pro quo to the duty reprieve, dairy processors are expected to increase support to out-grower schemes, with a view to build the stock of dairy herd towards self-sufficiency in raw milk production.

540. Table 33 below shows ring-fenced milk allocations during the year 2017 to 2022:

Table 33: Milk Powder Ring-Fenced Allocations: 2017-2022

Year	Full Cream Milk (kgs)	Skimmed Milk (kgs)	Total (kgs)
2017	1 836 250	2 053 500	3 889 750
2018	4 010 000	2 615 000	6 625 000
2019	3 590 000	3 035 000	6 625 000
2020	3 815 000	1 805 000	5 620 000
2021	4 462 200	2 194 100	6 656 300
2022	3 630 000	2 630 000	6 260 000

Source*: Ministry of Finance and Economic Development*

541. In line with the objectives of NDS1, there is need to gradually substitute imports through increased production, coupled with simultaneous increase in the uptake of raw milk by processing companies from the current level of 70 million litres to 130 million per annum by 2025.

542. It has, however, been observed that there is a reduction in the uptake of locally produced raw milk as well as limited support to local dairy farmers in preference to imported milk powder.

543. In view of the above, I propose to gradually reduce ring-fenced milk powder imports under suspension of duty as follows:

Table 34: Proposed Ring-Fenced Milk Powder Allocations (2023-2025)

Year	Proposed Reduction Formula	Total Ring-Fenced Milk Powder Imports (kgs)
2022		6 260 000
2023	75% of previous year's allocation	4 695 000
2024	50% of previous year's allocation	2 347 500
2025	25% of previous year's allocation	586 875

544. Allocations per company for the period 2023 to 2025 are shown on Annexure 4.

545. In addition, I propose to apply the same gradual reduction of ring-fenced importations of raw cheese as follows:

Table 35 Proposed Ring-Fenced Raw Cheese Allocations (2023-2025)

Year	Proposed Reduction Formula	Ring-fenced Quantities of Raw Cheese (Kgs per annum)
2022		210 000
2023	75% of previous year's allocation	157 500

Year	Proposed Reduction Formula	Ring-fenced Quantities of Raw Cheese (Kgs per annum)
2024	50% of previous year's allocation	78 750
2025	25% of previous year's allocation	19 700

546. Allocations per company for the period 2023 to 2025 are shown on Annexure 5.

Suspension of Duty on Basic Commodities

547. Mr. Speaker Sir, you will recall that Government suspended customs duty on basic commodities, in order to cushion consumers from unjustified prices increases.

548. This measure has contributed to stability in the prices of basic commodities, hence, the suspension of duty, which expired on 16 November 2022, will not be extended.

549. Government will, however, continue to monitor the prices of basic commodities, with a view to ensure responsible pricing and affordability, failure of which the suspension of duty will be reinstated.

REVENUE ENHANCING MEASURES

Value Added Tax Rate

550. Mr Speaker Sir, whereas the SADC regional standard Value Added Tax (VAT) rate averages 16%, Zimbabwe charges a

comparatively lower rate of 14.5%. The VAT rate was reduced from 15% with effect from 1 January 2020, in order to support households during the peak period of the COVID-19 pandemic.

551. Implementation of strict measures to fight the pandemic, complemented by the country-wide vaccine roll-out programme, has enabled Government to open up the economy to various activities.

552. I, therefore, propose to reinstate the VAT rate to the previous rate of 15%, with effect from 1 January 2023.

553. The impact on low-income households will be mitigated by existing exemptions and zero-rating on basic goods and services.

Special Economic Zones Tax Incentives: Mining Sector

554. Mr. Speaker Sir, a majority of the country's minerals are already destined for the export market with low levels of beneficiation. Extending tax incentives to the mining sector is, therefore, a fiscal cost that is not consistent with key considerations for granting *Special Economic Zone* status.

555. In order to safeguard the revenue base, I wish to re-affirm that *Special Economic Zones* tax incentives are not applicable to companies in the mining sector.

Real Estate Investment Trusts (REITs)

556. Mr Speaker Sir, you would be aware that Government introduced tax incentives on *Real Estate Investment Trusts* (REITs), with a view to encourage participation in infrastructure ownership by ordinary investors.

557. The tax benefits accrue to REITS that meet the following prescribed conditions, among others:—

- a minimum of 100 shareholders after the first year of registration; and
- not more than fifty per centum of the shares must be held by five or fewer individuals during a taxable year.

558. Whereas the REIT concept has been well received and is yielding the desired results, it is, however, pertinent to ensure that the privilege is not abused through tax avoidance schemes.

559. I, therefore, propose to limit the investments under this concept to the following priority commercial property developments aligned to the infrastructure development agenda:

- shopping malls;
- halls of residence for tertiary institutions; and
- hotels.

560. The restriction does not, however, apply to *Pension Funds*.

Income Tax Allowable Deductions: Fiscal invoice

561. As part of measures to improve tax compliance, *VAT Registered Operators* that do not submit *Fiscalised Tax Invoices* cannot claim input tax.

562. In order to further improve tax compliance and widen use of fiscalised devices, I propose to disallow, for income tax purposes, expenditure that is not supported by a *Fiscal Tax Invoice*, with effect from 1 January 2023.

Electronic Sealing of Exports in Bond and Use of Prescribed Routes

563. Mr Speaker Sir, excisable products such as cigarettes are exported in bond. Despite this administrative measure to secure export-bound goods from being consumed on the domestic market without payment of requisite tax, incidences of false acquittals and smuggling are rampant.

564. This is exacerbated by use of road networks outside the *Geo-Fence Zone* to transport goods exported in bond.

Electronic Sealing of Goods Exported Under Bond

565. In order to mitigate against these malpractices, I propose that excisable products exported in bond be electronically sealed, with effect from 1 January 2023.

Prescribed Routes for Exports in Bond

566. I, further, propose that exports in bond be consigned through *Designated Routes* from the point of loading to *Ports of Exit*, with effect from 1 January 2023.

567. The prescribed routes will be synchronised with the current *Ports of Entry and Routes Orders*.

Penal Fines

568. In addition, where a transporter diverts from a designated route or tampers with an electronic seal, I propose that existing penal provisions apply, with effect from 1 January 2023.

Period for Exporting Goods Under Bond

569. The 10-day period within which goods in bond must be exported provides an opportunity for abuse or tampering. In addition, the battery charge on cargo seals cannot sustain a 10-day period of discharge thereby exposing the consignment to risk.

570. I, therefore, propose to reduce the exportation period to 5 days, with effect from 1 January 2023.

Suspension of Duty on Capital Equipment imported by Tourism Operators

571. Mr. Speaker Sir, the tourism industry has for the past decade, benefited from rebate of duty on capital equipment, which has enabled operators to revamp their facilities, as well as acquire requisite equipment to match international product standards.

572. Table 36 shows the value of equipment imported and the revenue foregone during the period 2016 to October 2022.

Table 36: Value of Equipment Imported by Tourism Operators

Period	Value of Equipment (ZWL millions)	Revenue Forgone (ZWL million)
2016	14.95	5.24
2017	1.96	0.50
2018	14.10	3.69
2019	36.89	17.64
2020	306.71	121.88
2021	759.33	197.37
Jan- Oct 2022	556.12	193.70

Source: Zimbabwe Revenue Authority

573. In addition to meeting international standards, Government's legitimate expectation is that consumers should benefit from responsible and affordable pricing. The benefits to the consumers have, however, been minimal and the contribution to the *Fiscus* remains insignificant.

574. I, therefore, propose to replace the facility with suspension of duty on specified capital equipment imported by approved tourism operators, with effect from 1 January 2023.

575. Furthermore, for ease of administration, I propose that the minimum value of capital equipment to be imported under suspension of duty be pegged at US$25 000, with effect from 1 January 2023.

Rebate of Duty on Goods Imported by Operators in Special Economic Zones

576. Mr. Speaker Sir, companies operating in *Special Economic Zones* are privileged to import raw materials and capital equipment duty free. Government recently provided for duty free importation of capital equipment for use by the agriculture, energy, manufacturing, mining and health sectors, hence, the need to align *Special Economic Zone* incentives to current policy priorities.

577. I, therefore, propose to limit the *Rebate of Duty Facility* to operators who meet the *qualifying degree of export orientation*, in line with the provisions of the income tax legislation.

578. This measure takes effect from 1 January 2023.

Suspension of Duty on Goods Imported for Specific Mine Development Operations

579. Mr. Speaker Sir, Government has, since 2010, suspended customs duty on goods of a capital nature used for mining

development operations. As already alluded to, Government recently provided for a zero-customs duty regime on capital equipment imported by the agriculture, energy, manufacturing, mining and energy, with a view to simplify tax administration.

580. Mining companies are, thus, able to import specified equipment without seeking approval from Government Ministries, thereby reducing the cost of doing business.

581. I, therefore, propose to repeal legislation relating to suspension of duty on specific mine development operations, in line with the *Ease of Doing Business Concept*, with effect from 1 December 2022.

582. Notwithstanding the above, mining houses will continue to import eligible equipment until the expiry of the already gazetted mining locations and periods thereof.

583. In addition, mining companies will continue to benefit from other tax incentives targeted at supporting growth of the sector.

Excise Duty on Energy Drinks

584. Mr. Speaker Sir, you will be aware that Government, in January 2022, introduced a flat rate of excise duty on energy drinks at a rate of US$0.05/litre, with a view to encourage responsible consumption of such products, as well as mobilise additional revenue to the *Fiscus*.

585. Additional funds generated from the review of excise duty on energy drinks is ring-fenced towards treatment and support of cancer, diabetes and hypertension patients through the *Non-Communicable Diseases Fund*.

586. Mr Speaker Sir, there remains scope to promote responsible consumption of energy drinks, whose health benefits are minimal, against the consequential hazards.

587. I, therefore, propose to review upwards, the flat rate of excise duty on energy drinks from US$0.05 cents per litre to US$0.10 per litre, with effect from 1 January 2023.

TAX RELIEF MEASURES

Rebasing of Unredeemed Capital Allowances

588. Mr Speaker Sir, corporates are allowed to offset the value of investment in capital equipment against taxable income over a maximum period of four years. However, inflation has eroded the unredeemed balances of capital investment qualifying for deduction in the determination of taxable income.

589. Recent policy measures to address the erosion of value for unredeemed capital allowances only cover outstanding balances as at 2021, hence, corporates are reporting artificial profits, thereby increasing the tax burden.

590. In order to restore value, I propose that unredeemed capital allowances as at 1 January 2023 be rebased to the local currency equivalent of the outstanding foreign currency invoice value at the beginning of each financial year.

Intermediated Money Transfer Tax

Foreign Currency Transactions

591. Mr. Speaker Sir, in order to promote usage of the local currency, Government increased *Intermediate Money Transfer Tax* (IMTT) on domestic foreign currency transfers from 2% to 4%.

592. It has, however, been observed that some entities are now preferring to settle transactions in cash instead of electronic transfers.

593. In order to promote use of the banking system, I propose to align the IMTT on foreign currency transactions to local currency transactions at a rate of 2%.

594. This measure takes effect from 1 January 2023.

595. In addition, Government will consider reviewing other measures to strengthen the foreign currency system, including the 20% surrender requirement for domestic foreign currency transactions.

Exempt Transactions

596. In order to mitigate against higher wheat prices and consequently the price of bread and other wheat products, I propose to exempt from IMTT, the transfer of funds to farmers, for the purchase of wheat by private off-takers approved by the Agricultural Marketing Authority, for the period 1 September 2022 to 31 March 2023.

TAX ADMINISTRATION

Deferment of Value Added Tax

597. Whereas the VAT deferment facility was put in place to mitigate the cash flow impact on business, the benevolence has, however, been abused by most of the beneficiaries through non-payment after the due date.

598. I, therefore, propose to review the minimum threshold for the deferment facility from the current US$ 500 000 to US$ 1 million, with effect from 1 January 2023, in order to mitigate revenue loss to the *Fiscus*.

Prescribed Period for Submission of Tax Returns and Payment of Corporate Income Tax

599. Specified taxpayers are compelled to submit self-assessment returns not later than four months after the end of the tax year

or year of assessment which begins in January and ends in December.

600. This legislative requirement does not, however, cater for circumstances where taxpayers have approved financial periods that end on a date other than end of a year of assessment.

601. I, therefore, propose to compel taxpayers with a year of assessment other than the tax year to submit self-assessment returns no later than four months after the year of assessment approved by the Commissioner.

602. As a consequence of the proposed measures, quarterly payment dates for such taxpayers will be aligned to the approved year of assessment.

Tax Debts

Interest on Tax Debts

603. Mr. Speaker Sir, in order to curb speculative borrowing, thereby stabilising the exchange rate, the *Bank Policy Rate* was reviewed to 200%, with effect from 24 June 2022.

604. Despite the increase in the *Bank Policy Rate*, interest on outstanding tax remains at 25%.

605. Tax revenue has, thus, become a cheaper source of working capital, hence, some companies no longer prioritise remittance of tax, to the detriment of the *Fiscus*.

606. In order to limit accumulation of tax debts, I, propose to align the interest rate on local currency tax debts from 25% to the *Bank Policy Rate*, with effect from 1 December 2023.

607. The interest rate on foreign currency tax debts will, however, remain at 10% per annum.

Preserving the Value of Tax Debts

608. Mr Speaker Sir, a number of taxpayers are deliberately delaying payment of tax obligations, in order to benefit from loss of value.

609. Whereas, charging higher interest on outstanding taxes remains an option, this must be complemented with additional measures to induce compliance.

610. I, therefore, propose that all outstanding tax debts be converted to the foreign currency equivalent at the time the debt is incurred.

611. Payment of outstanding tax will, however, be made in local currency using the prevailing inter-bank exchange rate at the time of payment.

Interest on Delayed Remittances of Tax Revenue to the Consolidated Revenue Fund

612. Mr Speaker Sir, financial institutions are a critical conduit for the real-time remittance of tax payments to the *Consolidated Revenue Fund* (*CRF*).

613. However, a number of financial institutions are delaying remittance of tax payments to the CRF, thereby depriving the *Fiscus* of resources to fund critical Government expenditure. Some of the financial institutions are also utilising the funds as a cheap source of overnight liquidity support.

614. I, therefore, propose to compel financial institutions to remit tax collections to the CRF within 48 hours of receipt from taxpayers.

615. Where financial institutions fail to meet the prescribed timeline for remittance, interest will be chargeable at a rate of 15% and the *Bank Policy Rate*, currently pegged at 200%, on local and foreign currency remittances, respectively.

Stamp Duty: Brokers Notes

616. Mr. Speaker Sir, for purposes of authentication, a *Brokers Note* confirming the purchase of a marketable security or any movable or immovable property must be physically stamped.

617. The physical stamping of brokers notes lags behind the technological developments.

618. I, therefore, propose to replace the physical stamping of brokers notes with an *e-Generated Brokers Note*.

619. The *e-Generated Brokers Note* must, however, be approved by ZIMRA for purposes of safeguarding revenue, in view of fraudulent activities.

Rebate of Duty on Goods Imported by Relief, Welfare and Church Organisations for Free Distribution the Less Privileged

620. Mr Speaker Sir, current legislation provides for a *Rebate of Duty* on goods imported for free distribution among persons in need by any international or regional organisation, body or agency which has been designated by the Minister.

621. It has, however, been observed that some organisations are importing commercial consignments for resale on the local market under the guise of donations, to the detriment of locally produced products.

622. I, therefore, propose to limit such donations to exclude commercial consignments and locally produced goods from a rebate of duty facility.

623. This measure takes effect from 1 January 2023.

Penalty on Late Submission of Returns

624. The penalty for late submission of tax returns is currently pegged at ZW$30 per day following redenomination of specified monetary amounts on a one-to-one basis.

625. The penalty is no longer deterrent, hence, I propose to peg the penalty at US$30 payable at local currency equivalent for each day the return remains outstanding.

Registration of Taxpayers

626. Mr. Speaker Sir, maintenance of an accurate taxpayer register to facilitate payment of tax, risk management and compliance management is a critical element of tax administration.

627. However, tax administration continues to experience challenges with companies that deliberately opt not to register for tax or taxpayers that do not update their details, rendering the tax register inaccurate.

628. I, therefore, propose to compel all companies to register for tax purposes with the Zimbabwe Revenue Authority within 30 days of such company registration.

629. I, further, propose to compel taxpayers to update their registration details with ZIMRA.

630. Failure to comply with the above requirements will attract a penalty of US$30 per day.

VAT Fiscalisation

631. In order to mitigate the risk of understating revenue, as well as enhance transparency, thereby safeguarding *Fiscal* revenues, Government introduced VAT fiscalisation in 2010.

632. Additional measures that include use of fiscalised tax invoices for input tax claims, and non-issuance of a Tax Clearance Certificates to registered operators whose devices are not interfaced to the ZIMRA server to facilitate real time transmission of data to ZIMRA for audit purposes were also embraced.

633. There is generally low compliance levels with regard to filing of returns and remittance of revenue collected in the currency of trade. Some clients do not bank forex currency receipts, while in other instances, cash sales are receipted offline.

634. The low level of compliance across all categories of registered operators exposes the tax administration to fraudulent VAT claims, thereby undermining revenue collections.

635. Taxpayers attribute the low compliance levels to challenges that include:

- High cost of Fiscal Devices and maintenance thereof;
- constant replacements due to rapid changes in technology; and
- Lengthy Fiscal Device Software update turnaround times.

Virtual Fiscal Solution

636. Mr. Speaker Sir, in order to mitigate against the highlighted challenges that mainly emanate from use of physical fiscal devices, it is necessary to adopt virtual solutions that can easily adapt to technological initiatives, thereby complementing the already existing solution.

637. I, therefore, propose to extend a *Virtual Fiscal Solution* whereby clients will be linked to ZIMRA through server connectivity to accounting systems/POS solutions. A pilot project using selected compliant clients will be implemented during the second quarter of 2023.

638. The *Virtual Fiscal Solution* consists of components that include a Data Controller which is installed in each taxpayer's receipting financial system and records every transaction received from the *Fiscal Device* and ensures that an electronic signature

on the fiscal tax receipt/invoice is printed. The controller is secure and tamper-proof and the tax administration auditor can access any Data Controller.

639. All transactions are also registered on the online platform of the Tax Administrator. The retailer uses an application on a smartphone, tablet or a computer rather than use of specialized physical fiscal devices, which significantly reduces the cost of *Fiscalisation*.

Fiscalisation Back-End Solution

640. The virtual fiscalisation solution will be supported by a back-end solution, hence, ZIMRA is in the process of procuring the system which is expected to be operational during the second quarter of 2023.

641. The Fiscalisation Back-end System provides a platform for managing, monitoring and supporting the fiscalisation back-office applications, operations and processes as well as input data from front-end applications such as point of sale and ZIMRA systems.

642. Benefits that will be derived from the Fiscalisation back-end solution include:

- Ability to verify *Fiscal Tax Invoices* issued through *Fiscal Devices* which can be used to claim input VAT;
- Leveraging ZIMRA capabilities in detecting tax fraud under VAT and Income Tax based on the recorded sales transactions; recorded purchases; declared sales and claimed input taxes over a given tax period. The back-end solution will enable performance of Tax Data Comparisons through data analytics;
- Provision of Fiscalisation Monitoring Dashboards and Data Analytics platforms for managing all fiscalised taxpayers;
- Assisting Tax Audits and promoting utilization of data obtained from fiscalisation project and other various tax revenue mobilisation activities. Fiscalisation back-end solution will be useful for tax audit case selection;
- Risk Assessment and Business Intelligence Tools when processing VAT refunds, with capabilities of VAT return pre-population;
- Effective User Management Platforms for various stakeholders in Fiscalisation such as Taxpayer Database;

643. In circumstances where fiscalisation is expanded to all taxpayers inclusive of those not registered for VAT, the fiscalisation back-end solution will be useful in detecting taxpayers that attain the VAT threshold for possible compulsory registrations and a possibility of enforcing clients to claim tax expenditure using invoices generated from a fiscal device only.

644. The fiscalisation back-end solution, coupled with the virtual fiscal solution will, thus, go a long way in securing revenue collection through increased compliance.

LEGISLATIVE AMENDMENTS

Prohibiting Offsetting of Export Tax against Output VAT

645. Mr Speaker Sir, Government introduced an export tax on selected minerals such as platinum and lithium to encourage companies to engage in mineral beneficiation. The export tax can, however, be offset against output VAT, thereby defeating the policy intention.

646. I, therefore, propose to prohibit the offsetting of export taxes against output VAT.

Strategic Reserve Levy

647. Mr Speaker Sir, the *Strategic Reserve Levy* was regularly reviewed downwards during the course of the year, in order to cushion consumers against high petroleum prices.

648. I, therefore, propose to regularise the reviews that were implemented during the course of the year.

NOCZIM Debt Redemption Levy

649. Mr Speaker Sir, in order to enhance Treasury's capacity to redirect resources towards emergencies that include the COVID-19 response and strategic fuel stocks, among other urgent interventions, Government, in 2021, consolidated the *NOCZIM Debt Redemption Levy* and part of the *Road* (*Fuel*) *Levy* under the *Strategic Reserve Levy*.

650. However, the Income Tax Act still makes reference to the *NOCZIM Debt Redemption Levy*, which has since been discontinued.

651. I, therefore, propose to regularize the legislation to reflect the repeal of the *NOCZIM Debt Redemption Levy*.

Income Tax Exemption on Agreements Entered by Government

652. Mr Speaker Sir, current legislation provides Government with an option to grant prescribed tax exemptions to any other Government or organisation.

653. The provision provides latitude for Government Ministries and agencies to negotiate Agreements with private entities other than Government agencies. This poses a risk to revenue,

hence, the need to safeguard the revenue base from potential abuse.

654. I, therefore, propose to limit the tax exemption to Government-to-Government Agreements provided that such Agreements would have been approved by the *Public Agreements Advisory Committee* and *Cabinet Committee on Legislation*.

Income Tax Exemption: POTRAZ

655. Mr Speaker Sir, I propose to regularise the income tax exemption granted to the Postal and Telecommunications Regulatory Authority.

Road Accident Levy

656. Mr Speaker Sir, current legislation provides that 20% of the premiums collected for the benefit of the Motor Insurance Pool chargeable on foreign motor vehicles be remitted to the Consolidated Revenue Fund and ring-fenced towards providing financial assistance to victims of road accidents.

657. In order to augment financial resources for the benefit of road accident victims, I propose to redirect and ring-fence 20% of the Third-Party Insurance Premiums collected from locally registered motor vehicles to the Consolidated Revenue Fund.

OTHER REVENUE MEASURES

Payment of Mineral Royalty

658. Whereas the country is endowed with rich mineral resources, such resources are finite. It is, thus, necessary that part of the resources be used to build up *Fiscal* reserves.

659. Although traditionally, royalties are remitted in cash, it is pertinent that the current formulae be reviewed in line with Government policy to preserve value and also mitigate against revenue loss.

660. As already enunciated by His Excellency, the President, mining houses will be required to remit royalties partially in the form of a mineral and in cash as follows:

- 50% in the form of mineral concerned and in the form of purity or quality of the mineral concerned as maybe prescribed;
- 10% in foreign currency cash; and
- 40% in local currency. PGM miners currently do not have refining facilities, hence, sell semi-processed concentrates for further processing.

661. Mr Speaker Sir, Section of 302 of the Constitution of Zimbabwe specifies that all Government revenues, including royalty

revenue, shall be deposited into the Consolidated Revenue Fund.

662. I, therefore, wish to emphasise that the royalties paid in the form of minerals shall continue to be accounted for in line with the provisions of the Constitution of Zimbabwe.

Road Access Fee

663. Mr Speaker Sir, the *Road Access Fee* is currently pegged at ZWL10 per locally registered vehicle.

664. I, therefore, propose to review the fee to US$10 or local currency equivalent per vehicle.

CONCLUSION

665. The journey of economic transformation, which began in 2018, requires us to deploy resources and effort in areas where the country has comparative advantage. Such a bold move invariably requires hard work, determination, self-belief and discipline, complemented by a shared vision by all, irrespective of background and beliefs.

666. In conceiving this objective, the Second Republic created a foundation which, as Mahatma Gandhi aptly said ‘’The future

depends on what you do today", the support of all stakeholders, enables us to achieve the Zimbabwe we want as espoused by Vision 2030.

667. With "a little more persistence, a little more effort and what seemed hopeless failure will turn to glorious success" (Elbert Hubbard). As we implement this 2023 National Budget, we seek everyone's support so that together we can accelerate economic transformation already underway

I thank you

ANNEXURE

Annex 1: Fiscal Outturn: Jan – Sept 2022

Item	Actual	Target
	Cumulative Total	Cumulative Total
	ZWL$	ZWL$
Total Revenue	1,160,357.5	890,498.5
Tax Revenue	**1,088,610.5**	**859,409.6**
Tax on Income and Profits	**412,649.8**	**339,895.3**
Individuals	*231,624.7*	*154,997.5*
Companies	*165,607.1*	*170,531.8*
Domestic dividend and interest	*8,802.4*	*9,510.1*
Other income taxes	5,587.3	3,773.7
Presumptive tax	1,028.3	1,082.3
Customs duties	**75,096.9**	**58,256.8**
Oil products	-	-
Other(Prime &Surtax)	75,549.8	58,256.8
Refunds Duty	452.9	-
Excise duties	**129,906.5**	**84,520.3**
Beer	*14,159.2*	*9,044.5*
Wines and Spirits	*3,629.9*	*1,546.9*
Tobacco	*4,997.0*	*1,585.6*
Second Hand Motors Vehicles	*509.4*	*180.8*
Fuels	*106,583.5*	*72,162.5*
Electric lamp	*27.5*	-
Taxes on Specific Services	**29,098.9**	**23,418.3**
Business Licences	*6,801.3*	*2,471.5*
Energy Taxes -Carbon Tax	*15,139.6*	*9,831.6*
Fuel levy (4 cents diesel levy)	*7,158.0*	*11,115.2*
Value Added Tax (VAT)	**261,034.7**	**209,809.3**
VAT on Domestic Goods	*184,484.8*	*127,382.3*
VAT on Withholding Tax	*40,823.4*	*9,771.9*
Imported Goods & Services	*100,263.2*	*86,255.1*
Refunds	*64,536.7*	*13,600.0*
Tax on gross Revenue	**74,468.4**	**62,293.6**
Tobacco Levy	*3,392.8*	*3,001.4*
Royalties-mining	*39,509.8*	*32,963.1*
Airtime(including Health levy)	*15,714.4*	*14,831.1*
withholding tax on Tenders	*15,851.4*	*11,498.0*
Taxes on financial and capital transactions	**103,992.0**	**79,472.9**
IMTT	*103,733.5*	*79,407.5*
ATM Levy	*258.6*	*65.4*
Other Indirect taxes	**2,363.4**	**1,743.0**
Stamp duty	*2,212.0*	*1,569.3*
Other indirect taxes	*151.3*	*173.7*
Grants	-	-
Non-tax Revenue	**71,747.0**	**31,089.0**

Item	Actual	Target
	Cumulative Total	Cumulative Total
	ZWL$	ZWL$
Property income	*6,105.7*	*1,789.0*
Interest	*607.3*	*319.4*
Dividends	*33.3*	*541.4*
Withdrawals quasi -corporations	*5,368.2*	*720.3*
Pension Contribution	*0.5*	-
Rent	*96.4*	*207.7*
Reinvested earnings on FDI	-	-
Sales of Goods and Services	**63,703.7**	**28,037.3**
sales of market Establishments	*30,393.7*	*11,657.1*
Administrative fees	*30,749.9*	*13,300.4*
Incidental sale By Non market Establishments	*1,626.3*	*799.7*
Imputed sales of goods and services	-	*93.4*
Rentals	*933.8*	*2,186.7*
Fines ,penalties and forfeits	**1,937.7**	**1,262.7**
Judicial fines	*94.9*	*1,262.7*
ZIMRA penalties	*1,795.6*	-
Employment related penalties	*47.1*	-
Total Expenditure	**1,191,036.1**	**1,016,716.9**
Expenses	**939,575.9**	**748,432.7**
Compensation of Employees	**317,486.8**	**293,857.6**
Wages in cash & in kind	*299,025.1*	*265,035.6*
Medical Insurance (PSMAS)	*7,158.6*	*11,825.8*
Social Contribution (NSSA)	*3,166.7*	*8,677.1*
Employer pension contribution	*7,748.2*	*8,221.1*
Funeral Expenses	*388.1*	*98.0*
Use of Goods and Services	**228,123.3**	**186,583.8**
Domestic Travel Expenses	*44,171.5*	*186,583.8*
Foreign Travel Expenses	*17,510.4*	-
Communication, Supplies and Services	*11,075.8*	-
Education supplies and Services	*1,722.8*	-
Medical Supplies and services	*9,733.8*	-
Office supplies and services	*7,225.9*	-
Training expenses	*4,497.3*	-
Rental and other service charges	*42,405.1*	-
Institutional provisions	*18,882.2*	-
Other Good and Services	*33,675.2*	-
Maintenance	*37,223.3*	-
Interest on debt	**4,803.9**	**10,494.1**
Foreign	-	*3,799.1*
Domestic	*4,803.9*	*6,695.0*
Subsidies	**18,052.9**	**7,825.7**
Subsidy	*18,052.9*	*7,825.7*
Grants	**191,706.9**	**139,615.1**

Item	Actual	Target
	Cumulative Total	Cumulative Total
	ZWL$	ZWL$
o/w extra budgetary units -salaries	*71,055.2*	*63,052.3*
- operations	*104,201.9*	*43,153.2*
Transfers to Provincial Councils and local Authorities	*16,449.7*	*33,409.5*
Social Benefits	**177,237.1**	**110,056.4**
Social Benefits	*105,685.6*	*49,649.1*
Pensions	*71,551.5*	*60,407.2*
Other Expenses	**2,165.1**	**-**
Subscriptions: Local	*565.5*	-
subscriptions: Foreign	*1,599.6*	-
Non Financial & Financial Assets	**251,460.3**	**268,284.3**
Building and Structures	*85,057.7*	*105,679.2*
Machinery and Equipment	*31,001.3*	*15,494.5*
Other fixed assets	*3,404.9*	*22,297.1*
Inventories (Fuel)	*2,260.0*	-
Valuables	-	-
Non produced Assets	-	*2,456.0*
Capital Grants to other General Gvt units	*68,751.9*	*103,457.6*
Loans	*3,646.0*	*11,810.0*
Equity and Investments Fund Shares	*50,398.8*	*7,090.0*
Standardised Guarantee Schemes	*6,939.7*	-
Surplus/Deficit	**(30,678.6)**	**(61,408.7)**
Financing	**30,678.6**	**-**
Domestic Financing (net)	**(70,454.2)**	**-**
Banks (net)	**(70,454.2)**	**-**
Mobilisation	**(40,420.8)**	**-**
Exchange rate gain/loss	*417,058.0*	-
Changes in Government Deposits (current accounts)	*(308,041.8)*	-
Changes in SDR balance	*(124,050.6)*	-
Changes in Government Deposits (fixed deposits)	*(61,347.1)*	-
Changes in ZIMRA Bank Accounts	*(17,339.3)*	-
Treasury Bills	53,300.0	-
Issuances (TBs)	53,300.0	-
Repayments	30,033.4	-
Loans	-	-
Central Bank - Loans	-	-
Other - Loans	-	-
Treasury Bills	30,033.4	-
Maturities (TBs)	30,033.4	-
Non Bank (net)	-	-
Mobilisation	-	-
Loans	-	-
Treasury Bills	-	-
Repayments	**(2,422.9)**	**-**

Item	Actual Cumulative Total ZWL$	Target Cumulative Total ZWL$
Loans	-	-
Treasury bills	*(2,422.9)*	-
Foreign Financing (net)	**(25,355.3)**	-
SDR Liquidation	-	-
Borrowings	-	-
Repayments	*25,355.3*	-
Other Financing (net)	**126,488.1**	-
Mobilisation	**126,488.1**	-
Zimra prepayments & unreceipted funds	*50,053.5*	-
Temporary deposits	*1,505.7*	-
Outstanding Zimra transfers	-	-
Out standing payments	*74,928.9*	-
Memorandum Items	-	-
BREAKDOWN OF BANK BALANCES	-	-
Opening Bank Balances	*968,625.9*	-
Closing Bank Balances	*1,276,667.7*	-
Breakdown of ZIMRA bank balances	-	-
Opening Balances	*68,861.9*	-
Closing Balances	*86,201.2*	-
Breakdown of SDR balances	-	-
Opening Balances	*1,337,628.5*	-
Closing Balances	*1,461,679.1*	-
Breakdown of fixed deposits bank balances	-	-
Opening Balances	*224,776.1*	-
Closing Balances	*286,123.2*	-

Annex 2: 2022 Population and Housing Census Results

CATEGORY	OUTCOME
Population Numbers	Population Size: 15,178,979, Male Population: 7,289,558 (48%) Female Population: 7,889,421 (52%) Sex Ratio: 92 males for every 100 females. Annual Population Growth Rate: 1.5 percent. Number of Households: 3,818,992 Average Household Size: 4 persons per household. Population Density: 39 persons per square kilometre
Housing Characteristics and Living Conditions	Tenure Status: 58.6% Owner status Type of Dwelling Unit: 83% modern dwelling units. Main Type of Material for Walls: 91.4% finished walls (burnt bricks, cement, cement) Type of Roofing Material: 81.4% finished roofs (metal, tiles, asbestos, cement, shingles). Type of Flooring Material: 80.7% finished floors (parquet, vinyl, tiles and carpet). Number of Rooms: 64% used between one (1) and three (3) rooms Main Source of Electricity: 34% use of grid electricity. Main Source for Lighting: 91% use of clean fuels Main Source of Energy for Cooking: 60.7% used firewood Main Source of Water for Drinking: 30% accessed piped water. Handwashing Facility Use: 68.7% Type of Toilet Facility Use: 38% use of the flush toilet system. Ownership of Cellphones: 87% Access to Internet at Home: 34.3%
Functioning	Persons with Albinism: 9,753 Persons with a functional difficulty: 1,207,140 (9.2%) Disability Prevalence: 1.6%
Fertility	Crude Birth Rate: 28.7 live births per 1,000 population. General Fertility Rate: 114 live births per 1,000 women. Total Fertility Rate: 3.7 children per woman. Median Age at first live birth: 20 years. Infant Birth Registration: 19.1%

CATEGORY	OUTCOME
Mortality	Crude Death Rate: 8 deaths per 1,000 population Neonatal Mortality Rate: 9.5 deaths per 1,000 live births Under 5 Mortality Rate: 39.8 deaths per 1,000 live births Child Mortality Rate: 15.6 Deaths per 1,000 live births Infant Mortality Rate: 24.2 deaths per 1,000 live births Maternal Mortality Ratio (MMR): 363 deaths per 100,000 live births Life Time Risk (LTR) of maternal mortality: 14.6 deaths per 1,000 women of childbearing age Death Registration: 41.4% Orphanhood: 7.7% Life expectancy at birth: 64.7 years
Education	School Attendance: 94.1% Literacy rate: 93.7 percent Current School Attendance: 71.4%

Annex 3: Expenditure by Classification of Functions of Government (ZWL$m)

Function	2021	2022		2023		INDICATIVE ESTIMATES	
	Unaudited Outturn	Revised Estimate	Unaudited Outturn To September	Approved Appropriation	Statutory And Other Resources	2024	2025
General public services	35,325.60	209,227.32	180,911.03	945,427.36	1,419.60	1,294,392.16	1,728,063.32
Defense	42,478.91	126,868.44	111,956.61	323,038.48	-	445,129.59	511,488.57
Public order and safety	47,796.61	182,430.81	114,788.35	480,532.10	5.00	646,719.18	749,835.01
Economic affairs	135,005.87	360,499.99	277,274.43	688,212.31	698,525.65	1,001,108.76	1,316,844.86
Environmental protection	835.06	4,804.79	2,096.79	6,892.59	-	11,094.23	14,366.90
Housing and community amenities	27,359.60	147,984.85	70,443.56	337,003.51	409.00	527,404.44	674,437.03
Health	44,485.62	182,324.74	77,328.71	463,586.16	238,554.90	661,080.43	735,729.30
Recreation, culture, and religion	2,598.07	16,426.36	9,640.14	38,541.51	11,431.00	63,952.33	82,742.27
Education	61,224.89	296,662.40	153,974.19	756,058.65	77,805.87	1,021,445.92	1,165,478.84
Social protection	44,268.06	182,980.08	97,056.36	410,135.03	-	558,780.39	626,474.41
Grand Total	441,378.30	1,710,209.78	1,095,470.18	4,449,427.70	1,028,151.01	6,231,107.40	7,605,460.50

Annexure 4

Name of Company	Total Milk Powder Allocation (kgs of both FCMP & SMP)		
	2023	2024	2025
Competitive Brand shapers T/A CBS	57,550	28,780	7,200
Dairibord Zimbabwe (Pvt) Ltd	1,395,120	697,560	174,400
Dendairy (Pvt) Ltd	852,000	426,000	106,500
Corked Spin Invest	45,200	22,600	5,650
Kefalos Cheese Products	562,900	281,445	70,360
Kershelmar Dairies	159,100	79,540	19,900
Milkzim (Pvt) Ltd	3,700	1,800	465
Nestle Zimbabwe (Pvt) Ltd	583,700	291,845	72,960
Prodairy (Pvt) Ltd	1,035,730	517,930	129,440
TOTAL	**4,695,000**	**2,347,500**	**586,875**

Annexure 5

Name of Company	Total Raw Cheese Allocation (kgs)		
	2023	2024	2025
Kefalos Cheese (Pvt) Limited	147,650	73,800	18,470
Corked Spin Invest	9,850	4,950	1,230
TOTAL	**157,500**	**78,750**	**19,700**