ZIMBABWE

2021

PRE-BUDGET STRATEGY PAPER

"Building Resilience and Economic Recovery Post COVID-19"

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Harare

October, 2020

Contents

INTRODUCTION

1. Government is launching the 2021 Budget Strategy Paper (BSP) in line with the New Dispensation's commitment of ensuring broader stakeholder involvement in policy formulation processes, that way generating effective public participation in policy and programmes implementation.

2. Accordingly, the 2021 Budget Strategy Paper (BSP) constitutes a valuable tool, meant to guide consultative discussions and sharing of ideas on national priority policies, programmes and projects for the forthcoming 2021 National Budget.

3. Under the theme "*Building Resilience and Economic Recovery Post COVID-19"* the Budget Strategy Paper focusses on strengthening the economy to withstand any potential climatic (drought, cyclones, floods, pests) and macroeconomic shocks, as we focus on attaining inclusive and sustainable growth towards Vision 2030.

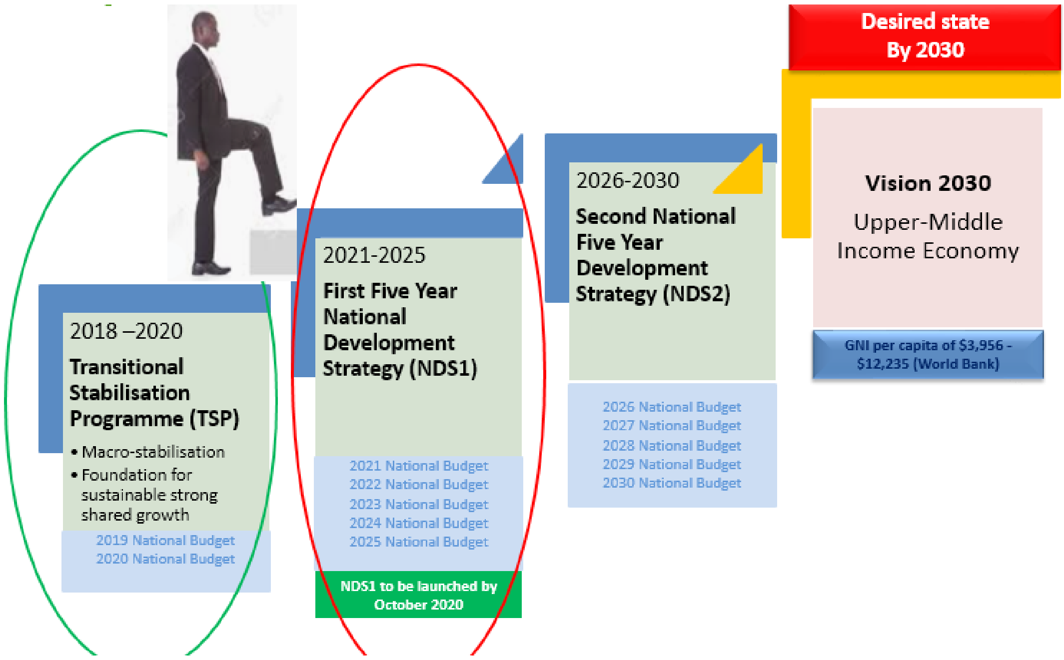
4. The targeted constituency include the Tripartite Negotiating Forum Partners comprising Government, Business and Labour as well as parliamentarians, private sector players, civic society organisations, academia, and all other interested parties/individuals inclusive of cooperating development partners.

5. A broader consultative process is particularly important at this juncture for strengthening policies and other interventions, in view of multi-facetted nature of challenges such as macroeconomic and climatic shocks in form of recurring droughts and other natural disasters, prevailing humanitarian tragedy in form of the COVID-19 pandemic, which all disrupt livelihoods and the economy at large.

6. This, therefore, requires redefinition of the country's priorities and focus, paying particular attention to reducing poverty, promoting equitable shared growth and resuscitating distressed sectors of the economy, strengthening social services delivery systems and establishing resilient and inclusive safety nets to protect the vulnerable members of the society.

7. In addition, the 2021 Budget Strategy Paper marks the transition from the Transitional Stabilisation Programme (TSP), coming to an end in December 2020, paving way for the longer term National Development Strategy: 2021-25, as the country ascends towards Vision 2030, for *attaining a middle income status economy.*

Roadmap to Realisation of Vision 2030



8. Hence, the 2021 BSP focuses on the broader agenda of consolidating gains made under the Transitional Stabilisation Programme and pushing necessary reforms and programmes under the National Development Strategy (2021-2025).

9. In contextualising the 2021 BSP, a scan of the global and domestic economic developments and outlook stands valuable in guiding assumptions and macro-economic and fiscal projections together with the respective 2021 policy thrust and priorities, in line with NDS.

GLOBAL ECONOMY

10. The impact of the COVID-19 pandemic combined with challenges related to trade tensions, Brexit and other geo-political factors, remain key drawbacks to global economic growth prospects.

11. The latest October 2020 global growth contraction has been revised to -4.4%, an improvement compared to the June forecast of -4.9%. The review reflects the better performance mostly in advanced economies where activity began to improve from the second quarter when lockdowns were gradually lifted.

12. Deeper downturns in 2020 are expected across all economic blocks such as advanced economies (-5.8%); emerging and developing economies (-3.3%). Advanced economies are generally the worst hit, in particular the UK, France (both -9.8%), Italy (-10.6) and Spain (-12.8%).

13. Among emerging market and developing economies, India is expected to be worst hit at -10.3%. Economies in Latin America and the Caribbean are expected to contract by -8.1%, Middle East and Central Asia by -4.0%, and Sub-Saharan Africa by -3.0%.

Global Economic Growth Outlook: 2018-21 (%)

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

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

14. Contributing to the output and employment losses, were forced lockdowns, trade and supply disruptions and a contagion into the financial and the rest of other sectors.

15. However, Government responses combined with international cooperation on strengthening health systems and economies through stimulus packages and other supportive measures generally promises recovery, albeit at different paces.

16. Consequently, the global economy is anticipated to recover from 2021 with a projected growth of 5.2%. Advanced economies are projected to grow at 3.9% in 2021, recovering only a fraction of the -5.8% contraction incurred in 2020. Emerging market and developing economies are projected to grow by 6.0%, recovering from a -3.3% downturn in 2020.

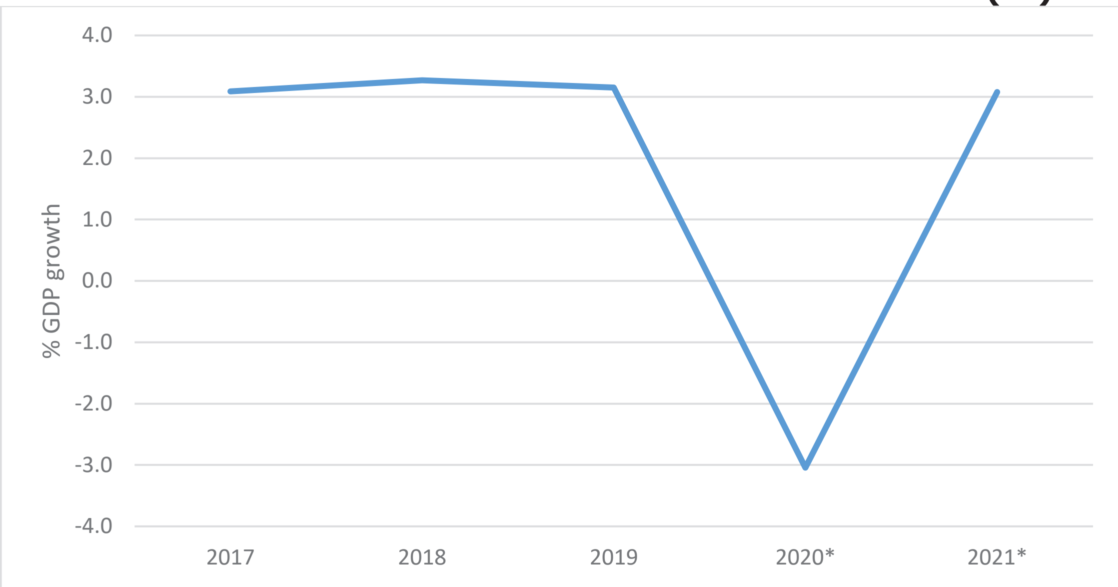
17. However, these projections are largely driven by the relatively positive outlook for Chinese growth forecast of 8.2% in 2021.

18. The forecast is particularly gloomy for the sub-set of countries in Latin America and the Caribbean, where a -8.1% contraction in 2020 is projected to be followed by a recovery of only 3.6% in 2021. Slow growth recovery will particularly in the region's largest economies of Brazil and Mexico, where the pandemic and its fallout were harsh.

Sub-Saharan Africa

19. Across Sub-Saharan Africa, growth in 2021 is projected at 3.1%, following a projected downturn of -3.0% in 2020. A substantial downside risk for the region stems from decreased foreign direct investment, lending, and low tourism activity.

Sub-Saharan Africa Real GDP Growth Rates: 2018-21 (%)



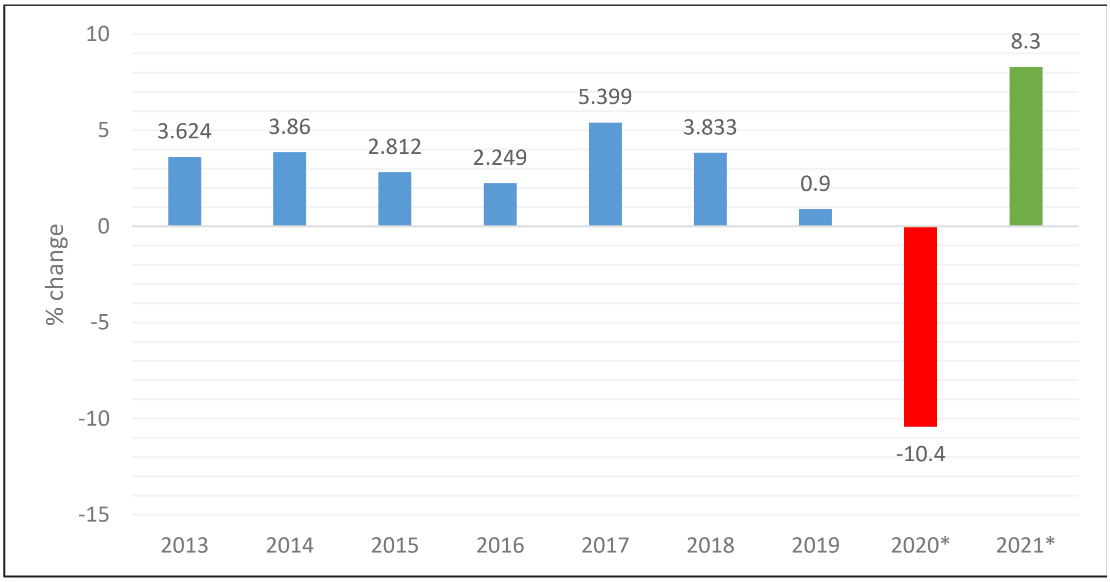
*Source: IMF World Economic Outlook, October 2020 * Projection*

20. Private investors are expected to move to low-risk investments, and advanced economies' governments are expected to channel resources to their domestic recovery efforts.

Global Trade

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

Global Trade Volume: 2013-21 (%)



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

22. As with GDP growth, a large degree of uncertainty surrounds the trade projections for 2021. Besides the developments surrounding the pandemic, trade tensions between the United States and China, as well as the outcome of the Brexit negotiations remain a key factor on which developments in international trade hinge.

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

Commodity Prices

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

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

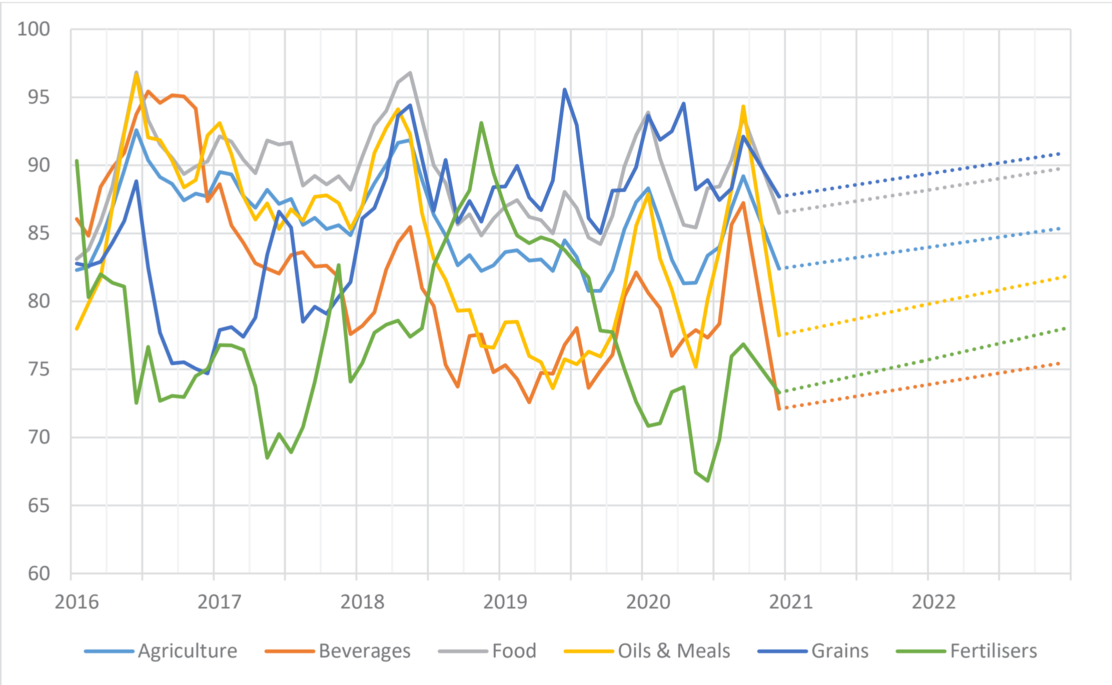
International Commodity Prices: 2018-22 (Indices)

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

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

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

Selected Commodity Price Indices



Source: World Bank Commodity Markets Outlook, October 2019

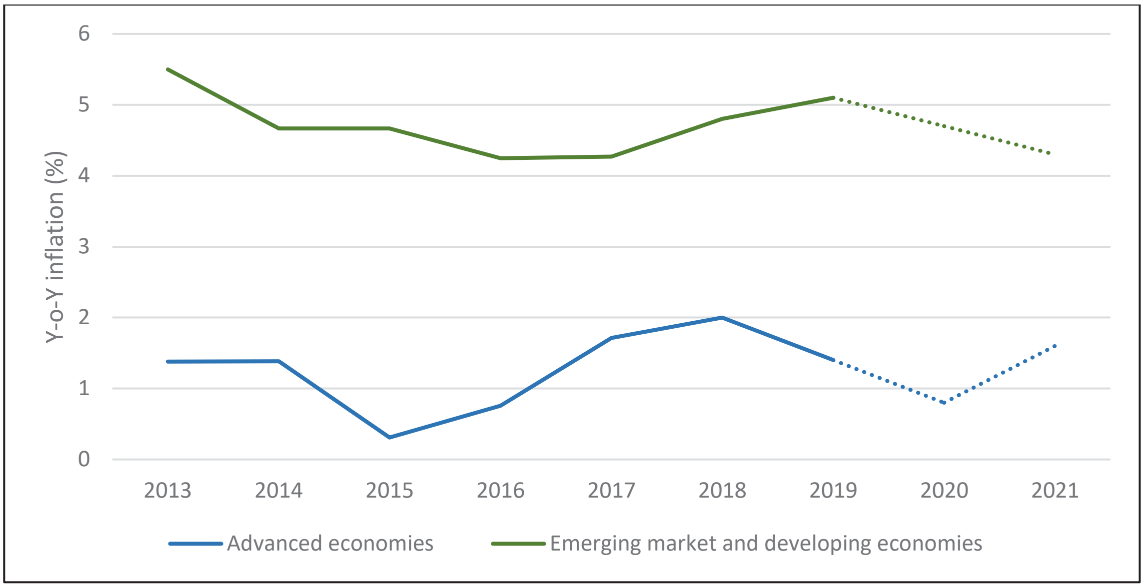
Global Inflation

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

28. However, exchange rate fluctuations could put increased pressure on prices in economies whose currency depreciated relatively to others. This could particularly be the case for commodity exporters.

29. Further inflationary pressure may arise from many Central Banks' expansionary monetary stance, as well as expansionary fiscal policy as governments seek to mitigate the impact of the global pandemic.

Global Year-on-Year Inflation: 2013-21 (%)



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

30. Inflation in emerging market and developing countries remains higher than that in advanced economies. Consumer prices are projected to increase by 4.7% in 2020 and 4.3% in 2021 in emerging market and developing economies, and only 0.8% in 2020 and 1.6% in 2021 in advanced economies.

Risks

31. The above GDP growth outlook hinges on assumptions surrounding the further unfolding of the pandemic and the implementation of policy-measures that are necessary for its containment. Major downside risks are associated with a further acceleration of infection rates and the necessity for further restrictions on social and economic activity.

32. Furthermore, beyond the COVID-19 pandemic, continued trade and technology tensions, especially between the United States and China, pose a major downside risk to the global economy.

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

34. Furthermore, efforts on timely development of effective treatments or vaccines seem on the horizon and this may significantly accelerate global economic recovery.

DOMESTIC ECONOMY

35. The domestic economy, which, in 2018-20 was confronted with climatic, macroeconomic and the current Covid-19 shocks, is projected to contract by -4.5% in 2020.

Summary of Key Macro Economic Indicators: 2018-21

	2018	2019e	2020f	2021f
National Accounts (Real Sector)				
Real GDP Growth (%)	5.5	-6.0	-4.5	7.4
Budget Deficit (% of GDP)	-5.9	0.3	-1.4	-1.3
Public Debt (% of GDP)	46.9	88.1	80.5	65.2
Current Account Balance (% of GDP)	-3.7	6.3	6.4	3.1

Source: MoFED, RBZ & ZIMSTAT, (e): Estimate, (f): Forecast

36. However, since the gradual opening of the economy during the beginning of the second half of the year, economic activity is picking up.

37. From 2021 as with other global economies, the economy is expected to be out of the woods with a growth projection of 7.4%, riding on stabilisation gains recorded under the TSP, expected improvement in the climatic and investment conditions and planned strategies and programmes under the NDS.

Progress under the Transitional Stabilisation Programme

38. Since 2018, visible milestones were made in macro-stabilisation, which positions the economy to focus more on growth initiatives. Commendable strides were on fiscal consolidation, resuscitation of the monetary policy, investment mobilisation and stimulus supportive measures to productive sectors as well as progress on structural and governance reforms.

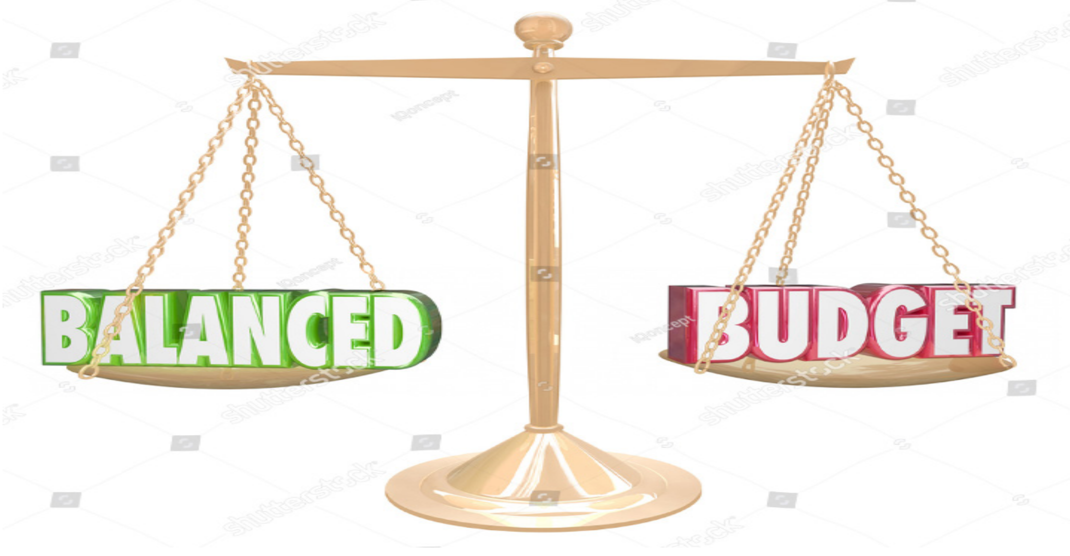
39. Endeavours were also undertaken in pursuing re-engagement with the international community, facilitation of investment, and infrastructure development, which all constitute necessary and adequate conditions to launch and support sustainable growth through the forthcoming National Development Strategy.

Fiscal Consolidation

40. A fundamental policy decision made under the New Administration was to live within its means and this entailed embracing a wide range of expenditure containment and revenue enhancing measures from 2018 to date.

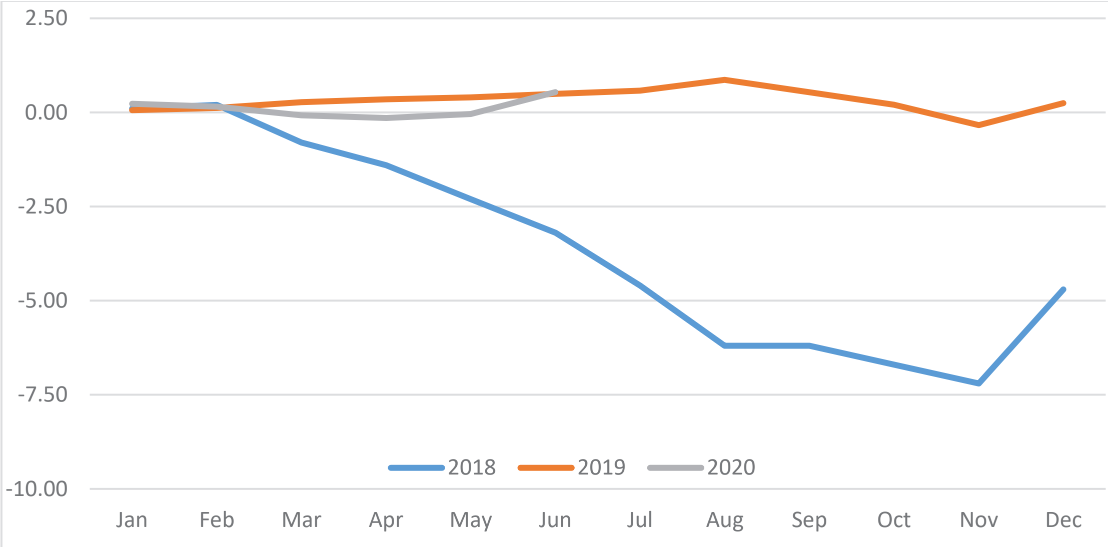
41. Fiscal consolidation was meant to restore economic stability through addressing perennial twin fiscal and current account deficits. To that end, during the life span of TSP, Government managed to keep the budget almost balanced while current account deficits turned into surpluses.

Balanced Budget



42. Fiscal deficit as a percentage of GDP declined from -10.5% in 2017 to a surplus in 2019, and with almost balanced budget in 2020.

Evolution of Fiscal Account: 2018-20



Source: MOFED

43. Fiscal consolidation was achieved through a number of interventions such as, among others:

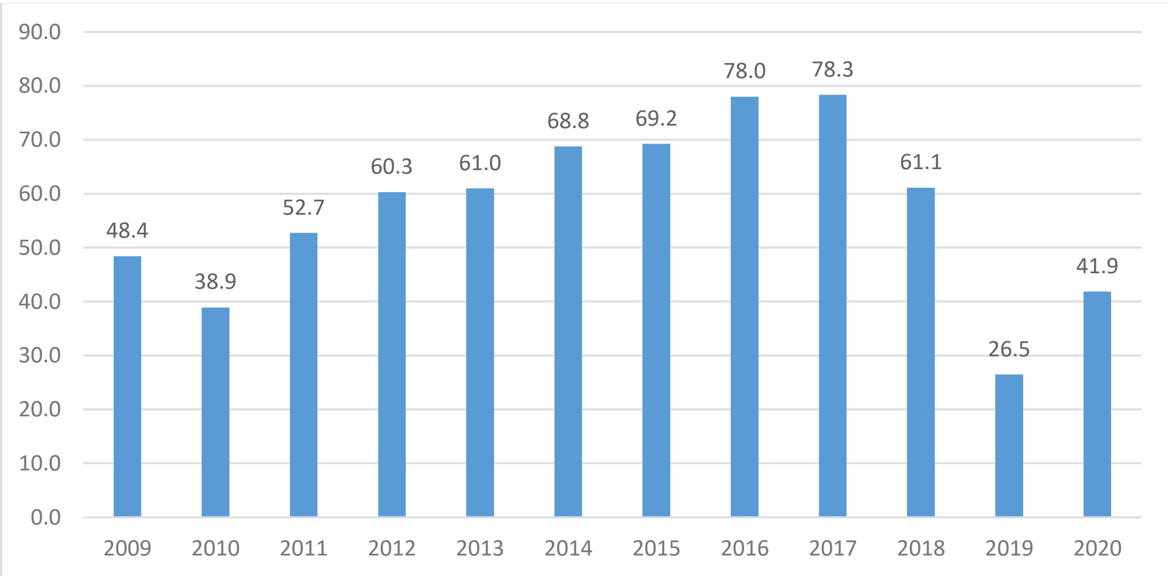
- Introduction of the 2% intermediated money transfer tax, effective 13 October 2018. The measure managed to generate additional revenue which acted as a buffer for exigencies such as impact of Cyclone Idai and drought and support for social services, social protection, and infrastructure development;
- Maintaining balanced budgeting by placing emphasis on living within means;
- Rationalising expenditures in order to create additional financial capacity for funding developmental programmes and enhancing delivery of public services;
- Reining in off-budget expenditures by scrapping unsustainable distortionary subsidies, leaving those which protect vulnerable groups and these include agricultural inputs, maize meal, public transport, health, education and other social services;
- Containing excessive borrowing by ensuring zero recourse to RBZ financing; and

- Restructuring of domestic debt into long term marketable instruments.

Employment Costs

44. A major expenditure outlay related to employment costs, which rose from 48% of total revenues in 2009 to a peak of about 78.3%[1] in 2017, before receding to 61% in 2018. Following fiscal reforms under the TSP, the employment costs have been placed on a "sustainable footing", with any salary reviews aligned to economic growth and government revenues.

Employment Cost as % of Revenue: 2009-20



Source: MOFED

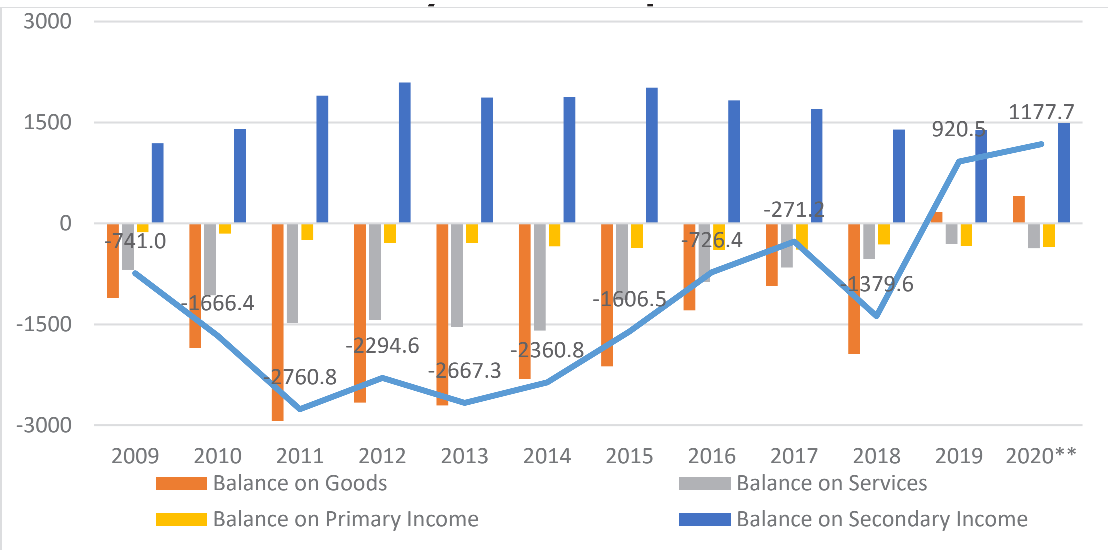
45. Consequently, employment costs are expected to continue the downward trend to be about 42% by end of 2020, against deemed sustainable levels of around 30% of total revenues, that way allowing provision for investment in developmental projects.

Current Account

46. Similarly, Government managed to record current account surplus for the first time in decades. Current account improved from a deficit of US$1.4 billion in 2018 to a surplus of US$311.2 million in 2019.

1 These employment costs exclude pension which if added brings the ratio to 90%

Balance of Payment Developments: 2009-20



Source: RBZ

47. Notwithstanding the impact of foreign currency shortages, the improvement in current account balance was also a reflection of the effect of import compression measures undertaken by Government and improved competiveness that came with the introduction of the local currency.

Restoration of Monetary Policy

48. The country has been increasingly losing international competitiveness by maintaining use of foreign currencies as primary domestic currency. Government, through Monetary Policy Statements of 1 October 2018 and 20 February 2019, introduced the local currency, restoring the monetary policy instruments in the process.

Local Currency: ZWL$10 and ZWL$20 Notes

49. Restoration of monetary policy increased tools at the disposal of Government to influence economic activity. This is important especially when the economy has received limited external financial support.

50. As part of enhancing effectiveness of the monetary policy, the Monetary Policy Committee and New RBZ Board were established and the Central Bank has since introduced monetary targeting with a view of containing money supply and hence inflation.

Mitigating the Impact of COVID-19

51. Besides causing a humanitarian crisis, the COVID-19 pandemic almost paralysed a number of our productive sectors through output and employment losses. Most affected sectors were tourism and manufacturing.

52. In response to this pandemic, Government instituted a stimulus package equivalent to 9% of GDP (ZWL$18.02 billion). The rescue package, which was buttressed by other RBZ relief measures managed to support a number of sectors scale up production levels. Small-scale industries were also supported through tailor made facilities and as a result the economy was salvaged from deeper contraction.

Infrastructure and Utilities

53. Notable achievements were recorded in road; water and sanitation; information communication technology; aerospace; energy and power; irrigation; housing and office accommodation infrastructure. The following Table summarises progress made in a number of infrastructure projects.

Summary on Progress of TSP Infrastructure Projects

Sector	Progress
Roads & Related Infrastructure	The following road projects were completed: • Construction of Ngundu-Tanganda road completed; • Maphisa-Mpoengs road; and • Pembi Bridge. • Chimanimani roads in cyclone affected areas • The following are in progress; • Harare – Masvingo – Beitbridge • Harare – Gweru – Bulawayo • Harare – Chirundu.
Airports	Robert Mugabe International Airport: resurfacing of the runway, foundation and exactions of the Terminal expansion building works have commenced.
Railways	Of the targeted 50km of the mainline, 30km was rehabilitated. 2 of the 5 targeted locomotives were refurbished. The NRZ surpassed the refurbishment of 95 wagons against the target 50 wagons.
Energy & Power Development	Hwange 7 and 8 (600MW) Thermal Expansion, the project is at 26.5% and is on course to meet the target. Kariba Dam Rehabilitation: Pool reshaping preparatory works are at 90% completion. Solar Systems: From the targeted 5MW, 8MW have been commissioned and connected to the national grid, while an additional 35MW are still under construction. Tugwi-Mukosi Mini-Hydro Project: The target was to construct a 15MW Mini-Hydro power plant at Tugwi-Mukosi Dam.
Irrigation Infrastructure	The target was to develop and rehabilitate 10 000 hectares per year (200 hectares per district). A total of 669 hectares of the target have been developed.

Sector	Progress
Water and Sanitation	The following projects were completed: Prepaid metering and upgrading of water mains in Chegutu Municipality and Kwekwe City; Connection of new suburbs to the reticulation system in Gokwe as well as the extension of the water reticulation system in Masvingo City's Rhodene Suburb. Refurbishment of the water works at City of Harare. ZWLS$12 million spent on new pumps. Drilling of one hundred and twelve (112) boreholes were drilled in Matabeleland South, Masvingo and Manicaland. Embarked on water reticulation projects in small towns such as Gokwe, Mberengwa, Rutenga, Hauna, Murambinda and Mhangura Some of the dams under construction included: • Marovanyati Dam (100%) • Causeway Dam (85%) • Bindura Dam (38%) • Semwa Dam (39%)

Social Services Delivery

54. Prior to COVID-19 and during the crisis period, Government made a number of investments that improves quality of life in the areas of education, health and social protection.

Health Care

55. In health, focus was on building of new health centres, upgrade and renovation of hospitals and other health centres, acquisition and installation of new hospital equipment and recruitment of additional health workers.

Renovated Beatrice Infectious Hospital: COVID-19 Isolation Ward

56. As a result, a number of indicators improved and these include institutional maternal mortality reduction by 98%, antenatal care bookings before 16 weeks' target were 34%, with an achievement of 29%. The proportion of pregnant women attending ANC 4+ visits achieved 89%, against a target of 87%.

57. Institutional child deliveries performance was 86%, against a target of 82% while 86% deliveries were assisted by a skilled birth attendant against a target of 82%.

58. Postnatal care day 3 target was at 86%, and the performance achieved was 69%, whilst the Prevention of mother-to-child transmission achievement was 94%, against a target of 93%, giving a positive variance of 1%. People living with HIV on ART (Children) achieved a 67%, from a target of 90%, giving a variance of -23%.

59. The Modern Contraceptives Prevalence Rate (MCPR) achievement was 67%, against a target of 68%, with a variance of -1%. Unmet needs for family planning among currently married women registered an attainment of 8%, against a target of 7.6%, with a positive variance of 0.4%. There was a general increase of Cervical cancer screening among women. Children of 6-59 months were also targeted to receive Vitamin A supplementary.

Access to Education

60. In education, introduction of Education 5.0 gained momentum, supported by a new school curriculum.

61. In addition, education infrastructure was prioritised which included building of student accommodation at universities, setting up innovation hubs at universities, construction of new schools and general focus of the '*knowledge for production*'. Again, most universities and schools now produce masks and other PPEs.

Great Zimbabwe University Sanitisers

62. Specific outputs included implementation of the competency-based curriculum, which was supported by retraining of 12 240 teachers already in service.

63. In higher and tertiary education, through Private Public Partnerships (PPPs), Government completed construction of new infrastructure at 8 Universities, 8 Polytechnics and 4 Teachers Colleges. Furthermore, the country managed to

establish Innovation Hubs and Industrial Parks, five innovation hubs at 5 state universities and two industrial parks in Mashonaland West and Harare Provinces were constructed.

Completed Chinhoyi University of Technology Innovation Hub

64. Construction works have commenced for the Industrial Parks in Harare at the University of Zimbabwe Farm and in Mashonaland West at Chinhoyi University of Technology.

Social Protection Programmes

65. Social programmes were directed at supporting vulnerable groups in the areas of drought relief, agriculture inputs, education, health and livelihoods.

66. The Basic Education Assistance Module (BEAM) targeted a total of 415 000 and 500 000 orphans and vulnerable children for 2018 and 2019, respectively. To date, 450 000 vulnerable pupils are being assisted through BEAM.

67. The Harmonised Social Cash Transfer is benefiting 62 017 food-poor and labour constrained households, against a target of 65 041 households. About ZWL$1 082 280 is being paid to 29 658 beneficiaries under the Child Protection Fund (CPF) in 8 Districts, benefitting 7 248 households.

Harmonised Cash Transfer

68. Following successive droughts, a total number of 760 692 households accessed food assistance through the Food Deficit Mitigation Programme against a target of 756 980 households. The programme was expanded to cover urban areas, that is Bulawayo and Harare Metropolitan Provinces. An additional 250 000 people are now receiving ZWL$300 cash transfer under Covid-19 and Cereal Support Programme.

69. Meanwhile, agricultural inputs for the fourth coming agricultural season are being distributed to 1.8 million vulnerable households as part of ensuring food security.

Governance Reforms

70. Strides were made in transforming governance systems to conform to provisions of the Constitution. About 159 laws out of the 206 Acts were aligned. Notable, is the successful repeal of the Access to Information and Protection of Privacy Act (AIPPA) and the Maintenance of Peace and Order Act (MOPA) which replaced the Public Order and Security Act (POSA).

71. To enhance access to justice by all citizens of the society, Government has cascaded Legal Aid Directorate Services to five (5) districts and established five (5) Specialised Anti-Corruption Courts in Harare, Bulawayo, Gweru, Masvingo and Mutare.

72. The National Prosecuting Authority has also established a Special Anti-Corruption Unit to complement the efforts of the Judicial Service Commission (JSC). In addition, there is now separation of High/Supreme Court judges from the Constitutional Court judges.

Public Enterprise Reforms

73. Under the TSP, Government committed to improve efficiency and governance of public enterprises to reduce their recourse to the fiscus. Decisions were made on each enterprise for full or partial privatisation, de-mergers, outright disposals, formation of strategic partnerships or reverting to Government Department status.

74. In implementation of the above policy, the National Indigenisation and Economic Empowerment Board (NIEEB), Board of Censors, National Library and Documentation Services, and National Liquor Licensing Authority, have been integrated as departments of respective line Ministries.

75. The Table below summarises progress made in reforming various public enterprises under the TSP.

Progress on PEs Reforms

Entity	Status
Civil Aviation Authority of Zimbabwe	The Civil Aviation Amendment Act for the unbundling of Civil Aviation Authority (CAAZ) of Zimbabwe into separate Airports Management Company and Regulatory Authority is now in place. This is being implemented by the respective line Ministries.
Zimbabwe Electricity Supply Authority (ZESA)	The re-bundling of ZESA is underway, with the draft statutory instrument for the amendment of the Electricity Act now in place.
Silo Foods Zimbabwe	The de-merger of the Grain Marketing Board (GMB) into GMB Strategic Grain Reserve and Silo Foods Industries has been completed.
Zimbabwe Consolidated Diamond Company	Cabinet approved the Joint Venture between ZCDC and Alrosa Overseas S.A. a subsidiary of PJSC Alrosa of Russia for the exploration, development, mining and marketing of diamonds.

Entity	Status
Zimbabwe United Passenger Company (ZUPCO)	Government has sourced buses from China, Belarus and South Africa to boost the ZUPCO fleet and cushion the commuting public against exorbitant bus fares. To date, ZUPCO is managing a fleet of 880 busses and 1 000 combis comprised of own fleet and public private sector arrangements.
Zimbabwe Investment & Development Agency (ZIDA):	The Zimbabwe Special Economic Zones Authority (ZIMSEZA), the Zimbabwe Investment Authority (ZIA) and the Joint Venture Unit have been integrated into the One Stop Investment Services Centre. A Board and CEO are now in place.

Ease of Doing Business Reforms

76. The New Dispensation under the TSP sought to improve the doing business environment as part of the wider reform agenda under the Integrated Results Based Management system underpinned by the Rapid Results Approach. This is expected to attract more investment into the country.

77. Concerted efforts in implementing relevant reforms in this area saw Zimbabwe being rated as one of the top 20 in the world and top five in Africa doing business reformers according to the 2019 World Bank Doing Business Report. The reforms targeted administrative and other legislative bottlenecks. Notable improvements were in the following areas:

- Starting a Business: By improving online name search (Overall number of days reduced from 32 to 11 days).
- Harare Municipality reduced business licensing fee from about US$300 to US$200.
- Construction Permits: Faster approval of permits following more frequent sessions by the Municipal Building Commission in Harare. (Number of days to get permit reduced from 208 to 150 days).
- Registering property: Deeds Registry now implementing an internal tracking system, allowing applicants to track their applications throughout the property transfer process. Number of days reduced from 36 to 14 days.
- Introducing a new reorganisation procedure, allowing creditors to vote on the reorganisation plan.

- Operationalisation of the Credit Registry to coordinate debt on clients/ creditors.
- Trading across Borders was improved through reviewing of checkpoints for both imports and exports clearance processes at Beitbridge Border Post and there is 41% reduction in compliance checkpoints.
- Enforcement of Contracts was improved through increasing the number of small claims courts from 2 to 10 and establishment of commercial courts from 0 to 4.

78. Below is a summary of achievements under TSP:

Summary of TSP Achievements

Economic Reforms

- ✓ Reintroduction of local currency.
- ✓ Introduction of Dutch Forex Auction.
- ✓ Removal of fuel and electricity subsidies.
- ✓ Operationalisation of ZIDA.
- ✓ Implementation of Special Economic Zones.
- ✓ Fiscal consolidation.

Mining Industry

- ✓ US$4.2 billion Great Dyke Investments Platinum Mine already under construction.
- ✓ US$4 billion Karo Resources Mhondoro-Ngezi platinum project ahead of schedule.
- ✓ Arcadia Lithium mine being developed.
- ✓ Coal production–new coal mines opened.

Massive Roadworks

- ✓ Commenced the emergency Road Development Programme- resulted in massive road rehabilitation in urban and rural areas:
  - Harare-Beitbridge highway dualisation.
  - Ongoing dualisation of Harare-Mutare and Harare-Bulawayo including Norton road over rail bridge.
  - Karoi-Binga Road under construction.
  - Ngundu-Tanganda road completed.
  - Makuti-Chirundu stretch under construction.
  - Rehabilitation of Cyclone Idai damaged roads and bridges

Education

- ✓ Implementation of new school curriculum.
- ✓ Introduction of Education 5.0. -general focus of the “knowledge for production”.
- ✓ Student Accommodation being built at universities.
- ✓ Innovation Hubs at Universities leading into essential production activities under COVID-19 and other areas.
- ✓ Completed 17 new primary and secondary schools.

Agriculture

- ✓ Replaced Command Agriculture with private sector funded Smart Agriculture.
- ✓ First phase of Land Audit completed
- ✓ Farm downsizing in progress.
- ✓ Signed Global Compensation Deed.
- ✓ Increased beneficiaries under the presidential input support programme to 1.8 million farmers who were also trained for Pfumvudza/Intwasa.
- ✓ Commenced the 200 ha per district Irrigation Rehabilitation Programme.
- ✓ Sourced agriculture mechanisation equipment.
- ✓ Revived cotton production.

Major Infrastructure Projects

- ✓ Completed Central Registry and criminal investigation department headquarters;
- ✓ The expansion of RGM Airport ongoing.
- ✓ Ongoing construction of New Parliament Building.
- ✓ Expansion and modernisation of Beitbridge Border Post ongoing.
- ✓ Gwayi –Shangani Dam.
- ✓ Marovanyati Dam.
- ✓ Semwa Dam
- ✓ Causeway Dam
- ✓ Construction of District hospitals.
- ✓ Commenced the Bulawayo water and sewer upgrading project.

Power Generation (Ongoing)

- ✓ Completed the Kariba South Power extension.
- ✓ Hwange Unit 7&8 (600MW)-51% complete.
- ✓ Zambezi Gas and Coal -750 MW
- ✓ Western Areas – 600 MW.
- ✓ Jinan -600 MW.
- ✓ Tsingshan – 100MW.
- ✓ Zimbabwe Zhongxin Electrical Energy -430 MW.
- ✓ Various Solar Projects – about 300 MW.
- ✓ Commenced Karoi-Alaska electricity transmission line.

Political Reforms

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

ICT/Digital Economy

- ✓ Launched virtual network for cabinet meetings.
- ✓ Launched national switch for electronic banking transactions.
- ✓ Launched e-learning platform for universities and schools.
- ✓ Developed framework for e-procurement platform for Government.
- ✓ Completed the national data centre.
- ✓ Ongoing migration from analog to digital broadcasting.
- ✓ Rolling out of ICT kiosks across provinces.

Health services

- ✓ Ongoing construction of new rural health centres.
- ✓ Upgrade and renovation of hospitals and other health centres.
- ✓ Acquisition and installation of new hospital equipment.
- ✓ Recruitment of additional health workers.
- ✓ Special allowances for health COVID-19 frontline workers.
- ✓ Restructuring of Ministry of Health and Child Care ongoing.

Youth and Gender Empowerment

- ✓ Government is establishment a National Venture Capital Fund to the tune of ZWL$500 million.
- ✓ National Venture Capital Company has been incorporated.
- ✓ Capitalization of the Women's Bank and Empowerment Bank

Strengthening Monetary Policy

- ✓ Re-introduction of local currency.
- ✓ Reserve Bank Monetary Policy Committee and New RBZ Board in place.
- ✓ Monetary targeting.
- ✓ Curbing speculative borrowing.
- ✓ Introduced inter-operability of mobile money platforms.
- ✓ Streamlining of operational lines of mobile banking operators.

Financial Sector/Savings Mobilisation

- ✓ The Public Service Pension Fund was established in January 2019.
- ✓ Government in 2019 allocated ZWL$70.4 million as seed money.
- ✓ The cumulative pension contributions during the period January 2019 to June 2020 amount to ZWL759.5 million.
- ✓ Government Employee Mutual Saving Fund (GEMS) to support the civil servants borrowing needs.

Social Protection

- ✓ Drought Mitigation.
- ✓ Basic Education Assistance Module.
- ✓ Sustainable Livelihoods.
- ✓ Support to disabled persons.
- ✓ Harmonised Social Cash transfers.
- ✓ Support to elderly persons.
- ✓ Children in difficult circumstances.
- ✓ Health assistance.
- ✓ Covid-19 response.
- ✓ Presidential Input Scheme.

Justice Delivery

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

Communication

- ✓ Post-Cabinet press briefings to update the public on agreed positions.
- ✓ COVID-19 communication rolled out to provincial and community level.
- ✓ Social media based communication by government.
- ✓ Various Ministries and Government Departments are now active in social media platforms like twitter.
- ✓ Websites are active.

Industry

- ✓ Launched the Zimbabwe National Industrial Development Policy.
- ✓ Agro-based industrialisation.
- ✓ Zimbabwe produced goods on shelves of supermarkets.
- ✓ Improved on World Bank ease of doing business ranking from 156 to 140.

Tourism

- ✓ Tourism Support Package.
- ✓ Domestic Tourism Promotion.
- ✓ Regional Tourism Promotion.
- ✓ Destination Branding and Image Transformation.
- ✓ Digital Marketing Campaign.
- ✓ Diaspora Tourism Promotion.

Regional Economic Development

- ✓ Spatial development in Victoria Falls
- ✓ Agriculture-related spatial development in:
    - Bulawayo Kraal (Binga);
    - Kanyemba(Mash Central);
    - Tokwe Mukosi Dam area,
    - Batoka city
    - Housing re-development in Mbare(Harare); Sakubva(Mutare); and Makokoba(Bulawayo).

International Engagement and Re-engagement

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

Challenges in Implementing TSP

79. While much progress was recorded under TSP, many challenges were also faced including:

- COVID-19 pandemic.

- Impact of drought: Efforts to stabilise the macroeconomic environment were slowed down by a severe 2018/19 and 2019/2020 droughts which caused about 7.7 million to be food insecure and depressed electricity generation, with negative spill-over effects to the rest of the other sectors.
- Cyclone Idai: The catastrophe triggered a humanitarian crisis resulting in significant loss of lives and left about 270,000 people in urgent need of humanitarian assistance and large infrastructure damages estimated at US$1.2 billion.
- Lack of international financial support: Fiscal consolidation was not complemented by international support, resulting in wage compression.
- High inflationary pressures mainly emanating from exchange rate pass through effects.
- Delays in foreign debt arrears clearance: The implementation of the Staff Monitored Program was affected by shocks and this delays Zimbabwe's access to external official support.
- Delays in project implementation due to cost escalations emanating from inflation and exchange rate depreciation.

80. Consequently, the economic performance was below potential and expectations.

MACROECONOMIC PROSPECTS FOR 2021

81. Prospects for 2021 and beyond are based on the following broad assumptions:

- Recovery from Covid-19 pandemic;
- Resumption of global economic activity;
- Good agricultural season;
- Enhanced revenue collection;
- Sustainability of the auction system;
- Tourism and trade resumption;

- Materialisation of mining investment targets;
- Firming international mineral prices;
- Recovery in domestic aggregate demand;
- Macro stability characterised by currency stability, declining annual inflation averaging 134% and fiscal stability;
- Domestication of value chains; and
- Further control of wasteful expenditures and value of money on all expenditures.

The 2021 Macro-Fiscal Framework

82. In 2021, the economy is predicted to recover from a projected contraction of -4.5% in 2020 to a growth of 7.4%, driven by consumption (2.6%) and investment (5.8%) improvements.

Contributions to GDP Growth: 2018-23 (%)

	2018	2019	2020	2021	2022	2023
GDP Growth (%)	5.5	-6.0	-4.5	7.4	5.5	5.2
Final consumption	0.3	-19.5	-9.7	2.6	1.1	1.7
Household	0.8	-19.4	-10.3	2.1	0.3	0.9
Government	-2.1	0.1	0.6	1.9	0.7	0.7
Gross capital formation	-3.1	1.9	4.3	5.8	6.7	6.0
Gross fixed capital formation	-3.1	1.9	4.3	5.8	6.7	6.0
Government	-4.6	-1.0	4.7	5.1	6.1	5.5
Other sectors	1.5	2.9	-0.4	0.7	0.6	0.6
Changes in inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade balance	8.2	11.5	1.0	-1.0	-1.9	-1.8
Exports of goods and services	-11.7	0.4	-2.2	2.2	2.5	2.8
Imports of goods and services	-19.9	-11.1	-3.1	3.2	4.4	4.6

Source: MOFED, RBZ and ZIMSTAT

83. The recovery in consumption is mainly anchored on expected stabilisation of inflation through ongoing policy interventions which should aid restoration of purchasing power of consumers. Employers including Government will continue to review wages and salaries in line with inflation developments and budget capacity to restore eroded incomes as the economy recovers.

84. Public investment is also expected to contribute 5.1% to GDP growth as Government pushes on some of the projects that stalled during the year.

85. From the production side, all sectors of the economy are expected to register positive growth in 2021, with the agriculture and mining sectors expected to record the highest growth rates of about 11% each, and tourism (6.8%) and electricity (10%) among the major sectors.

GDP Growth Rates by Industry: 2018-23 (%)

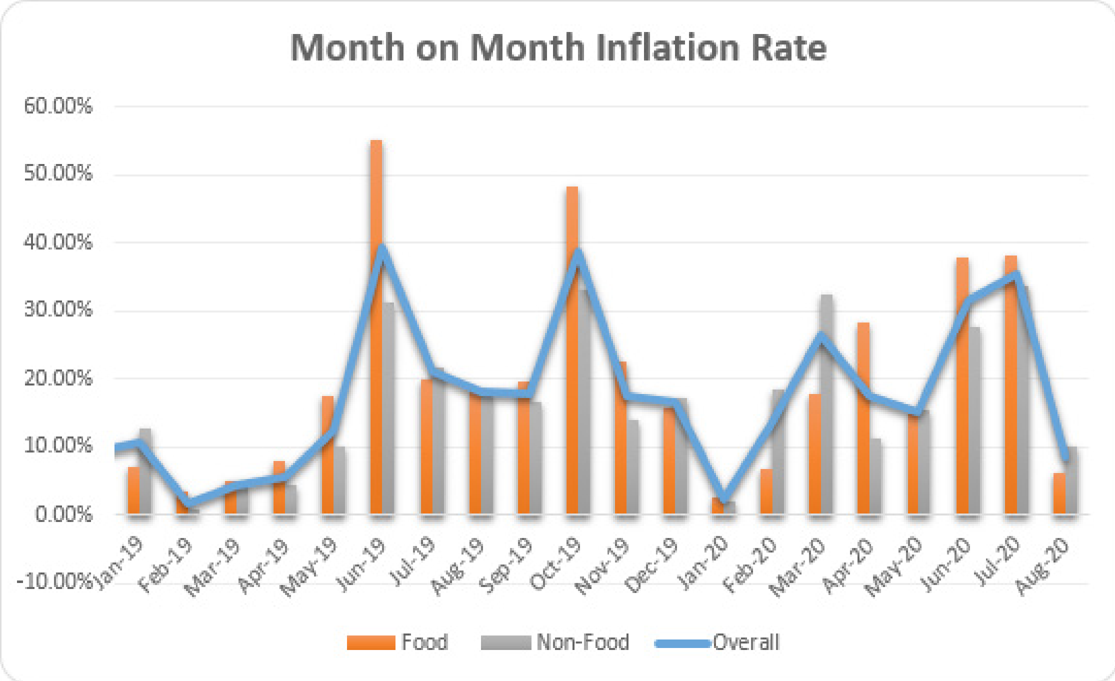
	2018	2019	2020	2021	2022	2023
GDP by Industry Growth Rates	**5.5**	-6.0	-4.5	**7.4**	**5.5**	**5.2**
Agriculture and forestry	18.3	-17.8	-0.2	11.3	8.9	7.6
Mining and quarrying	8.7	-12.4	-4.7	11.0	7.4	8.8
Manufacturing	1.3	-8.7	-10.8	6.4	6.5	8.0
Electricity and water	22.5	-19.2	-7.9	18.8	14.4	5.9
Construction	2.0	-13.9	-11.4	7.2	5.0	4.0
Distribution, Hotels and restaurants	4.5	-8.2	-7.5	5.7	5.6	5.1
Transportation and communication	2.6	12.9	3.2	7.1	4.5	4.4
Financial, banking and insurance activities	6.5	-6.1	-7.1	7.2	3.8	5.3
Public Administration	-5.0	1.5	-0.5	2.5	2.0	2.0
Education and training	-4.7	0.9	-7.2	12.7	4.0	3.2
Human health and social work activities	0.3	2.7	7.8	2.0	2.4	2.4
Households-related services	2.2	-2.6	-2.1	4.3	3.1	2.5

Source: MOFED, RBZ & ZIMSTAT

Inflation

86. Inflation is projected is slow down significantly, with average annual inflation projected at 134% during the year 2020. The slowdown in inflation will be attributed to deepening of the foreign currency auction market which is expected to sustain exchange rate stability. Reserve Bank is also expected to continue to curtail growth in money supply which is one of the major drivers of inflation.

87. Furthermore, the anticipated better agriculture season should result in reduced demand for foreign currency, further supporting exchange rate stability.



Source: ZIMSTAT

Public Finances

88. Improvement in economic activity will also have positive impact on public finances with revenues expected to increase to about 13.4% of GDP. With expenditures projected at 14.7%, a budget deficit of around 1.23% is anticipated, consistent with NDS 1 targets and SADC recommended thresholds.

89. The current account balance is also projected at below 3.1% of GDP, reflecting improvements in exports and management on non-essential imports.

Summary of Macroeconomic Framework: 2018-23

	2018	2019	2020	2021	2022	2023
Real GDP Growth (%)	5.5	-6.0	-4.5	7.4	5.5	5.2
Gross Capital Formation (% of GDP)	10.07	8.55	7.01	7.96	9.45	11.19
Revenues as % of GDP	15.0	14.2	12.8	13.4	13.7	14.6
Expenditures % of GDP	21.0	13.9	14.2	14.7	15.2	16.2
Recurrent Expenditures % of GDP	14.1	8.5	10.4	10.7	10.7	11.2
Employment Costs % of GDP	10.7	4.4	6.7	7.2	7.2	7.1
Capital Expenditure % of GDP	6.9	5.4	3.8	4.0	4.5	5.0
Overall Balance % of GDP	-5.99	0.27	-1.41	-1.28	-1.49	-1.64
Public Debt % of GDP	46.9	88.1	80.5	65.2	65.1	64.6

Source: MOFED, RBZ & ZIMSTAT

Risks to the Economic and Fiscal Outlook

90. The projections contained in this BSP are subject to various economic risks which may result in outcomes deviating from the plan. While the Budget always anticipates such risks and adopt mitigatory measures where possible, such risks will always end in different outcomes than planned.

External Risk

91. The global economic recovery faces uncertainty due to the ongoing pandemic which has no end in sight as yet. If the pandemic persist with the same intensity in 2021, the global economy may also further contract with serious implications on the domestic economy through low international commodity prices, low investment, exports and remittances, as well as tourism opportunities.

92. The persistence of trade and technology tensions between China and USA will have negative spill-over effects on both global demand and supply with negative implications on domestic economic activity.

Natural Disaster Risks

93. The last two years have been marred by extreme natural disasters ranging from droughts, cyclones and the current COVID-19 pandemic with serious negative impact on the economy.

Cyclone Idai damaged Bridge in Chimanimani

94. It is evident the economy is still fragile to withstand any further natural disasters, therefore, any further natural disasters in 2021 will result in different outcomes than planned.

95. Similarly, the persistence of COVID-19 threatens prospects of economic recovery hence the revenue base and other macroeconomic targets will be missed.

THE 2021 NATIONAL BUDGET PROPOSED PRIORITIES

96. The 2021 National Budget is guided by the National Development Strategy (NDS I): 2021-25, to be launched in October 2020. The NDS I is a successor to the TSP which coming to an end in December 2020. It will consolidate the achievements of TSP as we move towards towards Vision 2030, for *attaining a middle income status economy.* The focal areas of the NDS are as follows:

- Inclusive growth and macro-stability;
- Food security and nutrition;
- Governance;
- Moving the economy up the value chain and structural transformation;
- Human capital development;
- Environmental protection, Climate Resilience and natural resource management;
- Housing delivery;
- Digital economy;
- Health and wellbeing;
- Transport, infrastructure and utilities;
- Image building and international engagement and re-engagement;
- Social protection;
- Youth, sport and culture; and
- Devolution.

97. The main messages from the NDS consultations is on repositioning the economy towards a sustainable growth path critical for reducing poverty and growing per capita incomes. Based on the NDS pillars, the 2021 Budget will focus on fewer areas which include the following:

- Inclusive Growth and Macro-stability;
- Developing and Supporting Productive Value Chains;
- Optimising Value in our Natural Resources;
- Infrastructure, ICTs and Digital Economy;
- Human Capital Development and Well-being;
- Effective Institutions Building and Governance; and
- Engagement and Re-engagement.

Pillar 1: Inclusive Growth and Macro-Stability

98. A stable macroeconomic environment facilitates the attainment of key objectives on prices stabilisation, sustainable growth and jobs creation and a balanced BOP. Zimbabweans have first-hand experience of the benefits of macro-stability when the country experienced average annual real GDP growth of about 7.5% during the 2009-2017, while inflation was contained below 1.1%.

99. In turn, macro-stability counts on sound fiscal and monetary policies and supportive structural reforms. Hence the macro-stabilisation decisions we make today on strengthening fiscal, monetary policies, structural and governance reforms determine the trajectory and quality of our future growth.

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

Fiscal Policy

101. Following years of incurring destabilising budget deficits, fiscal policy will remain an anchor for stabilisation, guided by the principle of living within means and the budget. The provisions of the Constitution and Public Finance Management Act remain integral beacons in managing public finances.

102. Therefore, prudent fiscal management will be at the centre of the 2021 interventions and this will entail continued expenditure containment measures targeting avoidance of non-essential spending, decisive reforms on targeting subsidies to allow deployment of resources for developmental programmes such as infrastructure and social spending needs. Capital development expenditures will be targeted at least 4.5% of GDP annually.

103. The wage bill, being the largest expenditure outlay will be managed in line with budget capacity and inflation developments. The target is to contain employment costs to below 50% of total expenditure, throughout the NDS1 period.

104. On the revenue side, tax collection systems will continue to be digitalised, revenue leakages sealed and tax incentives streamlined. As a result, the previous irrepressible deficits will be kept under 2% of GDP.

Monetary Policy

105. In view of limited external BOP support and budgetary pressures, monetary targeting remains an appropriate strategy for conducting monetary policy. Sustaining this strategy will entail enhancing central bank independence and transparency, strengthening the central bank institutional frameworks and observance of mandates in line with the respective laws.

Stabilising the National Currency and Prices

106. The introduction of a market based foreign exchange Auction system is being supported by implementation of strong fiscal and monetary policies for stabilising inflation, and the preservation of the external value of the local currency. Government, is therefore committed to nurturing credibility in the new currency and any identified distortions that promote rent-seeking behaviour in the markets will be rooted out.

Financial Sector Reforms

107. The quality and levels of financial innovation, supervision and inclusiveness indicators have improved, that way promoting financial stability. The RBZ, will therefore continue to intensify asset quality reviews of the banking sector, develop a new framework for managing weak banks, promoting financial inclusion and increase the effectiveness of the AML/CFT framework, including effective implementation of FAFT standards.

Promoting Inclusive Growth

108. Macro-stability provides a base for promoting inclusive growth which in turn facilitates stable and sustainable development. The NDS emphasise on inclusivity anchored on devolution, job creation and empowerment programmes.

109. Additionally, focus will be on equal and universal access to education and health care, social protection programmes and infrastructure development that covers the entire country including remote areas.

Devolution

110. As part of ensuring inclusive growth, in line with Section 301 of the Constitution, since 2018, the Central Government has been disbursing 5% of total collection to local authorities earmarked for infrastructure projects which are in line with Government thrust of strengthening general social service delivery. In 2021, Government will continue to advance the devolution process.

111. Similarly, Government will advance the process of enacting the appropriate legal instruments to guide the devolution process and strengthen accountability of devolution funds.

112. The devolution strategy will also build capacity in evaluating economic potential and performance of each province. Accordingly, technical support in measuring each region's GDP and contribution to overall GDP growth will be extended. Such

performance measurements promote healthy competition among our various provinces.

Pillar 2: Developing and Supporting Productive Value Chains

113. Government through the 2021 National Budget seeks to stimulate domestic production through strengthening value chains and exploiting knowledge from tertiary institutions graduates and researchers, under the new curriculum, Education 5.0.

114. This approach is expected to raise production and productivity in all sectors including agriculture and manufacturing.

Agriculture

115. Enhancing output and productivity in agriculture is one of the most powerful tools to guarantee food security, end extreme poverty and boost shared prosperity. Growth in the agriculture is also effective in raising incomes among the poorest.

116. However, the sector is at risk from climate change and pests affecting yields together with financing challenges-all which require mitigation.

Alternative Technologies and Traditional Grains

117. The impact of climatic changes and reliance on old agricultural methods over the years requires us to revisit our technologies with a view of enhancing production and productivity. This include the necessity of adopting modern alternative technologies including tissue culture as well as further assessments of GMOs, through vigorous debates that examine the merits and demerits of genetic engineering.

118. Furthermore, Government is promoting precision agriculture (PA) that uses Information Technology (IT) to ensure that crops and soil receive optimum health

and productivity, that way guaranteeing profitability, sustainability and protection of the environment.

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

120. Adoption of Climate Smart Agriculture that integrates agriculture development, climate responsiveness and environmental management will guarantee the country achieve food security and other broader development goals.

Agriculture Outlook

121. In 2021, the agriculture sector is projected to grow by 11.3%, riding on favourable weather forecasts, timely financing, mechanisation and better capacitation of farmers through extension services and training. However, this growth target of 11.3% is on the lower side than the sector policy targets. Successful implementation of sectors policy strategy will result in higher agriculture output for the next three years with positive impact on GDP.

Agriculture Production (000 tons): 2019-23

	2019	2020	2021	2022	2023
Overall Growth	**-17.8**	**-0.2**	**11.3**	**8.9**	**7.6**
Tobacco (flue cured)	260	192	205	205	210
Maize	777	907	1 400	1600	1 700
Beef	62.6	57.3	55	60	75
Cotton	76.8	101	102	125	140
Sugar cane	4 000.0	4 100	4 200	4 300	4 500
Horticulture	77.4	94	96.0	105	120
Poultry	151.7	148.6	149.0	152	160
Groundnuts	70.9	87	134.3	153.5	163.1
Wheat	94.7	178.2	193.0	220	230
Dairy (m lt)	96	92	97	105	115
Coffee	0.5	0.5	0.7	0.8	0.9
Soybeans	60	47.1	80	120	150
Tea	19	20.5	20.5	23	25
Paprika	0.8	0.07	0.1	0.1	0.1
Pork	12.4	12.4	14	15	17
Wildlife	33	26.4	27	28	30
Sorghum	41.4	103	45	61	63

Barley	29	25	25	25	25
Sheep and goats	7.4	7.70	8	6	9.0
Sunflower seeds	6.4	9.40	11	14	15
Ostriches	19.0	19.0	19	19	19

Source: MOFED, RBZ & ZIMSTAT

122. Already, Government has committed significant resources amounting to ZWL$6 billion under the ZWL$18 Stimulus Package which is expected to restore production in the sector. Growth is also expected to be anchored by specific interventions in the following areas:

Financing

123. Government has already started engaging private financial institutions to extend their financial support towards commercial farmers building from arrangements undertaken in 2019/20 agriculture season. It is expected that the process will be smooth this year to enable farmers to access inputs on time. Success of this initiative should be able to guarantee food security of the country as the financial sector supports productive farmers.

Support to Vulnerable Groups

124. On its part, Government is supporting vulnerable households under the auspices of *Pfumvudza/Intwasa* concept which is aimed at ensuring food security at household level. The programme is targeting 1.8 million households to grow maize and traditional grains.

125. In this regard, Government has already started preparations and distribution of inputs for the forthcoming season.

126. Development partners, as in previous years are also invited to augment Government efforts in this social protection aspect.

Mechanisation

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

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

Mechanised Wheat Harvesting (Zimbabwe, 2020)

129. Already, John Deere Company is availing equipment under a loan scheme through financial institutions, which productive farmers will be utilising.

John Deere Agricultural Equipment (Zimbabwe, 2020)

130. A Belarus Mechanisation Facility worth over US$50 million of agricultural equipment is being facilitated through banks to qualifying and deserving farmers.

Belarus Mechanisation Facility (Zimbabwe, 2020)

Source: Zimpapers

Irrigation

131. The recurring of droughts and reliance on rain-fed agriculture calls for the need to immediately expand functional irrigation infrastructure around the country. To

achieve this, Government will continue to prioritise the allocation of resources towards irrigation development under the National Accelerated Irrigation Rehabilitation and Development Programme, which seeks to exploit irrigable potential in every district, as part of our drought proofing strategy.

Banga Irrigation Scheme, Chivi South, Masvingo

132. Under the Irrigation programme, new technologies such as precision irrigation technology, including drip irrigation will be integral in enhancing productivity in agriculture.

133. Government will also continue to work with Development Partners who have been complementing Government efforts.

Marketing

134. Marketing of agriculture products is important for sustaining agriculture production. Proper functional markets signal viability areas in agriculture and hence guide farmers in identifying appropriate lines of activity relating to crops and livestock production.

135. The 2021 National Budget should, therefore, seek to develop an efficient market system that promotes agriculture production.

Business Advisory and Extension Services

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

137. In 2021, the Budget will continue to set aside more resources to this activity.

Livestock

138. The country has lost substantial livestock due to drought, which reduced pastures, as well as the continued outbreak of pests and disease attacks, including the Fall Army Worm; Tuta Absoluta, Foot and mouth disease, Anthrax and Theileriosis in cattle. To support livestock production, Government will continue to support farmers to restock the national herd and provide resources for vaccinations against diseases.

Horticulture

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

140. Therefore, the country, seeks to stimulate the horticulture industry to enhance domestic production, which also targets capacitation of rural communities, under the Horticulture Recovery Plan. In this regard, the 2021 National Budget will establish appropriate financing facilities, marketing linkages and conducive regulatory environment to promote horticulture production for both small, large and rural farmers.

Manufacturing

141. The 2020 National Budget sought to reinvigorate the industry as a means to stimulate domestic production, reduce unemployment and add value to our low value output in agriculture and mining.

Manufacturing Indices: 2018-23

	2018	2019	2020	2021	2022	2023
Growth Rate	**2.0**	**-8.7**	**-10.8**	**6.4**	**5.1**	**6.3**
Foodstuffs	119.2	109.4	87.5	97.0	104.0	104.0
Drinks, Tobacco and Beverages	94.7	76.6	68.9	72.0	77.0	85.0
Textiles and Ginning	104.0	90.6	91.5	93.0	95.0	110.0
Clothing and Footwear	30.9	26.8	25.4	28.0	31.0	33.0
Wood and Furniture	257.4	214.4	203.7	210.0	215.0	230.0
Paper, printing and Publishing	100.4	90.1	72.1	81.0	85	115.0
Chemical and Petroleum Products	82.5	76.3	83.9	88.0	90.0	92.0
Non metallic mineral products	131.7	130.2	104.2	110.0	115.0	128.0
Metals and Metal products	61.8	59.7	53.7	55.0	58.0	62.0
Transport, Equipment	57.3	56.6	50.9	52.0	55.0	56.0
Other manufactured goods	94.3	95.2	85.7	87.0	90.0	92.0
Manufacturing Index	**95.8**	**87.4**	**78.0**	**83.0**	**87.2**	**92.7**

Source: MOFED, RBZ & ZIMSTAT

142. However, the advent of the COVID-19 pandemic and the resultant lockdown targeted at slowing down the pandemic have further compressed the sector. This is in addition to perennial challenges related to shortages of foreign currency, high production costs, as well as low aggregate demand.

Domesticating Value Chains/Import Substitution

143. In 2021, the priority is to speed up implementation of the Zimbabwe National Industrial Development Policy which was disrupted by the pandemic. To achieve this, Government will continue to facilitate access to affordable financing to enable recapitalisation of the industry and support the emergency of new competitive industries.

144. This will also be achieved through development and strengthening of value chains, agro-based industrialisation, mineral beneficiation and value addition.

145. Furthermore, the pandemic has created an opportunity for import substitution through restrictions to international travel and trade. Through appropriate funding models, Government will support companies/entrepreneurship that seek to exploit such opportunities.

146. The sector heavily depends on the doing business environment. Therefore, Government will need to continue to improve the doing business environment to attract investment and also improve productivity in the sector.

Job Creation

147. Value chains and beneficiation of our resources potentially create more jobs which are a foundation of inclusive growth. Current high levels of formal unemployment reflect the economy's structural weakness, which invariably promote poverty, inequality and social problems. The COVID-19 pandemic has hampered the potential of the economy to create jobs as espoused in the 2020 National Budget. This unfinished agenda will be carried forward in 2021, with focus on job creation through promotion of entrepreneurship.

National Venture Capital Fund

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

149. Government has made progress in operationalising the Fund, having created National Venture Capital Company responsible for taking equity in the investee companies. Guidelines are in the final stages of drafting, under which the company will operate, as well as the procedure to secure funding for the investees.

150. Engagements have also been done with the potential fund managers both local and international who have the capacity to contribute to the fund and the investee companies.

151. In 2021, priority will be to ensure full operationalization of the Fund while mobilising additional capital to ensure that it meets the capitalisation demands of the economy.

SMEs, Youth and Women

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

153. In that regard, the 2021 Budget will further support and broaden the Youth Employment Tax Incentive (YETI), as well as capacitating empowerment institutions such as the Women and Development Bank, Zimbabwe Women Microfinance Bank, Community Development Fund, Empowerment Bank and SMEs institutions.

Sport, Arts and Recreation

154. Government recognises the importance of building necessary environment, infrastructure and relationships for developing youths, sport, arts, recreation and diversity of culture. Research is also integral in this strategy and a revolving fund to stimulate these activities will be prioritised under the 2021 Budget.

155. The fund will also cater for skills training and digitalisation to ensure high performance products and services.

Pillar 3: Optimising Value of Natural Resources

156. Zimbabwe is endowed with vast natural resources in the form of minerals, flora and fauna which are contributing to the national output through mainly mining and tourism activities. However, the country has not been deriving the optimal returns to significantly change the lives of the people of Zimbabwe from such activities.

157. Therefore, the thrust of the 2021 National Budget is to increase exploitation of our natural resources and adding value in order to improve livelihoods.

Mining

158. Mining will be a leading sector in sustaining high and shared growth. Growth will be anchored on the US$12 billion mining industry target by 2023. Attainment of the target will entail increased investment in the exploration, extraction, value addition and beneficiation across all minerals. Government in partnership with the private sector has already started to walk the journey in this respect.

159. Accordingly, the sector is expected to grow by 7.7%[2] in 2021 from a projected contraction of 4.1% in 2020. Recovery will be driven by almost all minerals, including gold, PGMs and diamond. The sector is expected to benefit from relatively higher prices of gold and PGMs.

Mineral Production: 2018-23

	2018	2019	2020	2021	2022	2023
Overall Mining Growth	**15.3**	**-12.4**	**-4.7**	**11.0**	**7.4**	**8.8**
Black Granite \t	213	155	155	173	200	210
Chrome \t	1 756	1 550	1 000	1 500	1 800	2 000
Coal \t	3 348	2 730	3 000	3 300	4 000	5 000
Cobalt \t	402	402	411	432	479	537
Copper \t	9 076	8 678	9 000	9331	9 400	10 539
Gold \kg	35 054	29 429	27 958	32 000	3 4000	37 000
Iridium \t	586	845	880	926	1 025	1094
Nickel \t	17 810	16 278	15 000	15 100	15 300	15 600
Palladium \kg	12 094	11 640	11 869	1 2231	12 566	13 404
Phosphate \t	51 393	27 148	25 791	26 500	28 000	40 000
Platinum \kg	14 703	13 857	14 169	14 600	15 000	16 000

2 This growth is significantly lower than the target set under the US$12 billion target.

	2018	2019	2020	2021	2022	2023
Rhodium \kg	1 334	1224	1 256	1 320	1 462	1 560
Ruthenium \kg	1 155	792	836	879	973	1 038
Diamonds	3 252	2 119	2 100	2 600	3 500	4 000

160. Further, Government will continue to implement the following measures to attract investment and bring transparency in the sector.

Mines and Minerals Act Amendments

161. Government will prioritise finalising amending the Mines and Minerals Act, which is expected to bring market based conducive investment climate, providing stability, consistency, competitiveness and transparency in the sector. This should also pave way for the formulation of mineral policies.

162. This should also facilitate the resuscitation of strategic closed mines.

Minerals Value Addition and Beneficiation

163. The US$12 billion mining industry target is anchored on effectively pursuing value addition and beneficiation of local minerals such as lithium, nickel, graphite, gold, platinum and chrome. Value addition is expected to help the country to generate the much needed foreign currency.

Polished Diamonds

164. It is evident that there is minimum progress in this regard, hence, Government should take deliberate steps to push this agenda during the year 2021.

Mining Cadastre System and Capacitation

165. Improving management of mining information systems through addressing outdated manual cadastre processes, old maps and unreliable records causing disputes around duplicate holdings and delays in issuing licenses remains outstanding and critical. The current state of the cadastre system is making the country lose potential revenue from the mining industry.

166. Therefore, the 2021 National Budget will prioritise exploring innovative financing solutions to enable migration from the current system to a computerised mining cadastre system.

167. Furthermore, the budget will seek to capacitate Ministry of Mines and Mining Development personnel in terms of mobility, communication and computerisation to ensure that mining applications are timely processed, and inspections can be conducted. Currently, the ministry has a backlog of more than 17 000 applications, which is stalling mining activities and hence additional capacity is needed to clear such a backlog.

Environmental Sustainability

168. Mining activities across the country have resulted in serious environmental degradation. This is more pronounced in artisanal mining activities, hence the need to intensify enforcement of environmental laws to protect the environment for future generations.

Investment and Exploration

169. The country has huge and highly diversified mineral resource base, dominated by two prominent geological features, namely the famous Great Dyke and the

ancient Greenstone Belts, also known as Gold Belts which offer opportunities for investment.

170. Exploration to date is considered to have only scratched Zimbabwe's mineral potential as the country lags behind in exploration due to under-investment in exploration in the last 20 years.

171. Currently, the Department of Geological Survey forged a partnership with Japan's JOGMEG for technical support in the area of remote sensing to identify new possibilities. The Department also partnered the Chinese to undertake geochemical exploration in some parts of the country.

172. The 2021 Budget should seek to expand capacity of the country for exploration to identify and quantify the value of mineral deposits.

Opening of Closed and New Mines

173. Already the country has a number of closed mines, some of which are owned by the State through ZMDC which require investments to reopen. Increasing the number of operational mines is important to increase the mining sector's contribution to GDP, employment creation, exports, as well as provide inputs for value addition and strengthening value chains.

174. Therefore, the 2021 National Budget should prioritise the reopening of closed and new mines.

Mining Taxation

175. Succinct mining fiscal regime is crucial in attracting foreign investment to the industry. Therefore, finalising the Mines and Mineral Amendment Act and harmonisation of mining taxation laws are critical in in ensuring the viability of the sector

Sealing Leakages

176. The country is losing millions in exports proceeds through mineral smuggling, especially gold, through porous border posts and illegal crossings.

177. To contain this leakage, Government revised gold retention threshold to 70% in foreign currency for sale proceeds from the previous 55% in a move aimed at boosting production and curb smuggling in the sector. In addition, Government is expediting the review of Gold Trade Act and capacitation of the Gold Mobilisation and Border Control Units.

178. To eliminate leakages, Government will continue to review gold marketing conditions and capacitate law enforcements institutions.

Tourism

179. The tourism industry is one of the hardest hit sectors of the economy with COVID-19 pandemic during the year 2020. The industry has been affected by travel restrictions in an effort to contain the spread of the disease. The country instituted the 1st lockdown on 30 March 2020 lasting 21 days and measures have been reviewed throughout in view of infection curve and sustaining economic activity.

Tourism Sector Recovery

180. Despite the severe situation facing the sector, tourism has the potential to quickly recover in 2021, leveraging on the country's rich natural and cultural assets characterised by a varied and beautiful landscape.

181. The recovery of the sector does not require huge investment relative to other sectors, with the potential to generate substantial foreign currency, employment and revenue for the country. Hence in 2021, priority should be to bring back to life the tourism activities.

182. Already, the industry has begun implementing the Tourism Recovery Strategy, which was launched by His Excellency, the President of Zimbabwe on the 6th of August 2020. The Strategy seeks to achieve a *'US$5 Billion Tourism* Economy *by 2025'.* On its part, Government has provided support to the industry through the Tourism Sector Support Scheme, ZWL$500 Million Tourism Guarantee Facility and ZWL$20 million Revolving Facility.

Domestic Tourism Promotion

183. Noting the cautious re-opening of borders and resurgence of spikes in infection rates in some countries, travel decisions post the COVID-19 pandemic will be guided by health and safety measures. Notwithstanding the tourist's choice of destination to visit, recovery of regional and international tourism is likely to be delayed.

184. The country's tourism recovery, therefore, will initially focus on domestic tourism. The Strategy seeks to extensively promote domestic tourism development in close collaboration with the tourism private sector. Promotion will leverage on tourist assets operated by public institutions such as the Zimbabwe National Parks and Wildlife Management Authority and the National Museums and Monuments of Zimbabwe to offer affordable and exciting products to the domestic market.

Regional Tourism Promotion

185. Depending on developments of the current COVID-19 trend, it is anticipated that regional and intra-Africa travel will recover before international tourism. Therefore, in order to tap into this market, an aggressive marketing campaign targeted at the regional markets, that show early recovery, will be rolled out during the tourism recovery period.

Destination Branding and Image Transformation

186. The COVID-19 pandemic presents an opportunity for nation branding/rebranding, which seeks to develop a unique identity and personality. It also presents the country with the opportunity to transform her image, which over the years has not been consistently positive in the source markets. The National Image Transformation will be championed at the highest political level to encourage and foster buy-in across the divide.

Diaspora Tourism Promotion

187. The COVID-19 pandemic messaging has been hinged on the "stay at home" campaigns and the encouragement of social distancing, as well as placement of travel restrictions. This has significantly affected travel, including for the purposes of Visiting Friends and Relatives (VFR). This also restricted the Diaspora from visiting their loved ones especially over the Easter Holidays.

188. As nations and people heal from COVID-19, the markets recover and travel and tourism business bounce back, the need to tap into the Diaspora market will be critical. Post COVID-19, the Diaspora tourism promotion will be targeted at markets such as SA, the USA, Australia and the UK.

International Tourism Promotion

189. International tourism promotion remains a critical component of Zimbabwe's tourism recovery as it significantly contributes to export earnings through tourism receipts. In order to reassure and regain confidence of the source market regions in particular the Americas, Europe and the Asia Pacific (most of which were hard hit by COVID-19 pandemic), the strategy proposes the need to enhance market presence in the source markets through deployment of Tourism Attachés and market representatives.

190. This will be supported by the engagement of international travel trade and conducting travel trade training and participation in key international travel fairs after the pandemic is contained. Targeted marketing will be done to markets that will recover first, post the Covid-19 pandemic and priority will be given to those markets likely to travel based on least economic stress and greatest appetite for risk.

Pillar 4: Infrastructure, ICT and the Digital Economy

191. Capital development expenditure is important in reducing the cost of doing business through efficient infrastructure, however, the outbreak of the COVID 19 pandemic, virtually stalled most capital projects during the first half of 2020 as priority went towards emerging expenditures.

192. Therefore, priority for the 2021 capital Budget will be on the following areas:

- Growth enhancing investment projects with potential to unlock significant private sector investments;
- Projects that address emerging infrastructure gaps, such as Cyclone Idai, COVID-19 pandemic and which threaten the safety and health of citizens; and
- Projects with potential to generate own cash flows for sustainable delivery of public services.

193. Essentially, capital expenditure will be directed towards, water and sanitation, ICT, agriculture, health, energy, education and transport.

194. However, capital projects and programmes financed through loans, extra budgetary funds, grants, PPPs and private sector initiatives will continue as planned. The thrust is to let the private sector through joint ventures and PPPs finance huge projects which have the capacity generate meaningful income.

195. Moving into 2021, Government will strive to complete various unfinished infrastructure projects, while drawing on-board new ones in line with capacity of the Budget. Attention will also be paid to capacity needs of various line Ministries involved in implementing projects.

Information, Communication and Technology

196. The advent of the COVID-19 pandemic has brought in new ways of doing business with particular shift towards use of ICT to replace physical contact. The country was found wanting in this regard as the ICT infrastructure is not able to cope with the increased demand. However, the use of ICT came with its challenges which require appropriate legislation to curb abuse of the technological progress.

197. Therefore, the 2021 National Budget will support the expansion and upgrading of the ICT infrastructure to enhance connectivity, better internet coverage and cheaper data. This will also include supporting the implementation of the appropriate governance systems, as well as Digital Migration Project.

National Data Centre, Housed at the Central Computing Services

198. Government should also take advantage of the prevailing situation to expedite E-Government digital infrastructure to facilitate de-centralised public service provision.

Housing, Urban Infrastructure and Renewal

199. Government prioritises housing infrastructure development in both rural and urban areas, supported by basic infrastructure and sustainable services. It is a vital form of wealth creation as we move towards middle class as espoused in our Vision 2030.

200. In order to improve the housing stock from a backlog of over 1.3 million country-wide, Government will recapitalise the Housing Fund and the National Housing Guarantee Fund to ensure affordable housing and decent living for all. To achieve this, Government will partner with private sector to provide mortgages and other affordable financing schemes.

201. The housing strategy and programmes will integrate the refurbishment and rehabilitation of old residential suburbs such as Mbare, Makokoba, Mucheke, Mbizvo, Rimuka, Sakubva, among others, as well as other old sports and recreational infrastructure in various urban and rural centres.

202. Furthermore, in order to curb nefarious activities by “land barons” and other unscrupulous individuals, local authorities, IDBZ, UDCORP, registered land developers and real estate companies will be sole agents for handling housing programmes with home seekers on both land development and allocation.

Transport

203. The country’s transport sector is mainly made up of the roads, rail and aviation, infrastructure and the corresponding services. The Government’s role is that of sector regulation, and provision and upkeep of the public infrastructure.

204. The transport infrastructure in all areas require substantial investment to lower the cost of production.

The Country's Road Network

Category	Total (km)	% of total
Regional Trunk road network	3,182	3.25%
Primary Road Network	8,053	8.2%
Secondary Road Network	14,084	14.4%
Tertiary Feeder Roads	29,586	30.17%
Tertiary Access Roads	26,782	27.31%
Urban road network	10,065	10.27%
Other Roads	6,298	6.42%
Total	**98,050**	**100%**

Source: Zimbabwe Roads Condition and Inventory Report, 2017

205. Government is committed to continue with transport infrastructure projects that have potential to open new business opportunities such as the Harare-Beitbridge road. Resources from Central Government will be complemented by resources collected by ZINARA.

Completed Section of the Harare – Masvingo-Beitbridge Road

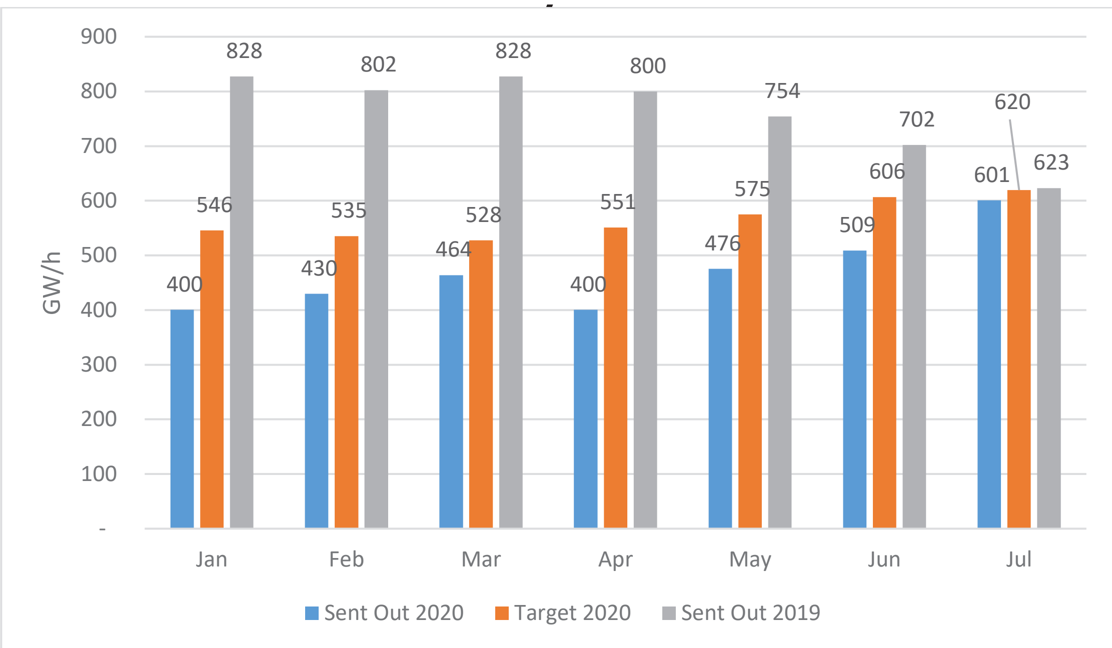
206. With regards to aviation, it has become necessary, in some cases, to rehabilitate and maintain a number of air strips to allow accessibility into various points including remote areas.

Energy

207. The country has been facing serious electricity shortages which crippled domestic production. The situation was exacerbated by drought which resulted in low water levels in Kariba Dam, compromising hydro electricity generation in one of the major power stations in the country.

208. Electricity generation during the first seven months of 2020 declined by 39% to 3 279 GW/h from 5 337 GW/h sent out during the same period last year. This is attributed to planned reduced operating levels at Kariba Power Station in order to allow the dam to fill up following a drastic fall in reserves of usable water.

Electricity Distributed



Source: ZPC

209. During the period under review, there has been improved generation capacity at Kariba Hydro Power plant due to continued increase in inflows into the Lake as a result of normal to above normal rainfall in the Zambezi water catchment areas.

210. To address the shortage of power in the country, Government is undertaking several alternative electricity generation projects, most of which are funded by extra budgetary funds, loans and private sector.

211. Since the current projects are mainly off budget funded, therefore, activity in the energy sector is expected to continue in 2021 as planned.

Water and Sanitation

212. The occurrence of successive droughts, deterioration of water and sanitation infrastructure has severely diminished access of potable water to millions of people both in urban and rural areas.

213. Currently, most dams are at low levels, boreholes are drying up and the infrastructure to access portable water are now archaic reducing national coverage of basic water service provision now estimated at 77.1 percent (51 percent for rural and 92 percent urban while basic sanitation according to MICS, 2019.

214. The deterioration of water and sanitation services is attributed to inadequate investment and infrastructure maintenance, reducing the effective capacity of water sources.

215. The growing shortage of portable water derail the fight against diseases such as typhoid, cholera and the current COVID-19 pandemic, among others.

216. Therefore, the 2021 National Budget will support investment in water and sanitation infrastructure, as well as water harvesting facilities.

Pillar 6: Human Capital Development and Well-Being

217. Human capital is important factor of production. It supports production and productivity leading to higher growth and improves general wellbeing of the society. To attain Vision 2030, the country has to migrate to knowledge based economy driven by innovation and practical education. The country should also take advantage of the youthful population in order to harness demographic dividend.

218. Similarly, Government seeks to improve physical and emotional health of the citizens by ensuring universal access to health as enshrined in the Constitution.

Health

219. The challenging economic environment of the past undermined the country's health delivery system leading to deterioration in health outcomes in general, in the areas of maternal, newborn, child, and adolescent health indicators.

220. However, the New Dispensation has over the last two years been providing significant resources to revive the health system in certain areas such as reproductive, maternal, newborn child and adolescent health and nutrition services.

221. It is apparent that the sector still requires substantial investment in terms of human capital by increasing the number of medical personnel and review their remuneration. In addition, the sector requires resources to restock consumables in public clinics and hospitals, as well as restoration of the appropriate infrastructure.

222. Therefore, the 2021 National Budget should build on the TSP achievements by increasing allocation to the health sector so that it gravitates towards the Abuja target of 15 percent of National Budget to ensure the country achieves the desired health outcomes. There is also need to enhance the restructuring process at the Ministry of Health and Child Care, focussing on production, research and service quality.

Education

223. Education and training remain the principal instruments for human capital formation which invariably underpins national production and productivity. While the country has attained relatively higher literacy rate, Government has embarked on invigorating the education system both at all levels to review the traditional curricular and pedagogical practices.

224. Establishment of innovation hubs, incubators and common equipment centres that serve industry, academia and society at large is the thrust of Education 5.0. For education to be useful, it should produce goods and services that improve wellbeing of the society.

225. In 2021, Government will increase resource allocations to education, from primary to tertiary levels, to ensure adequate teaching resources, relevant infrastructure, motivated teaching staff and reasonable fees affordable by the majority including the poor.

Social Protection

226. The challenging environment facing the country has resulted in increases in the number vulnerable households while the capacity of the existing social safety nets has equally deteriorated. This then calls for establishment of strong integrated social safety infrastructure which is resilient and inclusive.

Pillar 7: Effective Institutions Building, Governance and Peace

227. Effective institutions are essential for ensuring efficient implementation and monitoring of various Government programmes and projects. Capacity building programmes and welfare needs for the whole Government will be accorded priority under the 2021 Budget.

Peace and Security

228. In recognition of the importance of peace in enabling full and active participation of all citizenry development of the country, Treasury has been prioritising allocations and disbursements to the security sector.

229. This vital support will continue into 2021 and beyond ensuring provision of essential requirements such as training, accommodation, mobility, equipment, uniforms, medical facilities and other welfare essentials.

Alignment of Laws to the Constitution

230. The attainment of Vision 2030 is anchored on good governance enshrined in the Constitution. Therefore, in 2021, Government will aim to complete the alignment of laws to the Constitution and also to strengthen governance institutions to entrench rule of law, which is important for investment promotion.

231. Government has taken steps to align provisions of the Constitution through a cluster approach under the Inter-Ministerial Taskforce on the Alignment of Legislation to the Constitution (IMT).

232. Progress has been made in this regard having successfully repealed the Access to Information and Protection of Privacy Act and the Public Order and Security Act, among others.

233. However, the process has been slow owing to various challenges including capacity constraints on the relevant institutions. Therefore, the 2021 National Budget should support and strengthen ongoing relevant institutions to expedite the process.

Property Rights

234. Investment, economic prosperity and property rights are inextricably linked. Zimbabwe, through its Constitution and other related statutory instruments, guarantees protection of both foreign and domestic investment in line with respect for property rights.

235. Secure property rights vastly improve economic productivity through guarantees to economic benefits, in the short and long term.

236. Hence, Government continues to respect various international agreements in which it is a signatory and these include BIPPAs and other UN agreements. Repealing of the Indigenisation Act, issuing 99-Year Leases and the recent

signing of the Global Compensation Deed with former farmers also testify to this commitment.

Social Contract

237. The Social Contract brings together all social partners- Government, Business and Labour with the objective of consulting each other on policy formulation and implementation and other issues of interest for the development of the country. Such engagements builds unity and confidence among partners.

238. Following the enactment of Social Partners' Tripartite Negotiating Forum (TNF) Act, parties are now focussing on various policies which support macro-stability, productivity, labour and all-inclusive citizen's welfare and growth.

239. This initiative will be supported going into 2021.

State Owned Enterprises

240. State Owned Enterprises (SOEs) which used to contribute about 40% to GDP are merely adding 7.5% to the country's gross domestic product. As Government is dealing with the shock of drought and the pandemic, most State Owned Enterprises (SOEs) are already operating on weak balance sheets. There are some inherent and systemic challenges within and across SOEs. Financial statements show mounting losses, negative equity and failing infrastructure that most public enterprises are faced with.

241. It is estimated that prior to the pandemic, the SOEs had accumulated losses worth around 5% of GDP since 2011 and potential costs could be as large as 18% of GDP. The pandemic may further compromise the balance sheets and services delivery of SOEs which may threaten the attainment of 2021 macroeconomic targets.

242. Given their spread and reach, their efficient performance is crucial to the modernisation, industrialisation and development of a robust rural industry system and growth of our economy as a whole.

243. Under the SOEs restructuring and reforms, Government has clearly classified SOEs in different reform categories such as full or partial privatisation, de-mergers, outright disposals, formation of strategic partnerships or reverting to Government Department status. However, progress on actual implementation of the agreed reforms has been sluggish for various reasons including the complex nature of the reform processes.

244. Targeting of at least five SOEs for reforms per annum will enhance implementation of this programme.

245. However, more important is a revisit to the ownership model of SOEs with a view of improving their efficiency and enhance their contribution to the attainment of targets set under Vision 2030.

246. Learning from other countries that have transformed their State enterprises through the adoption of appropriate ownership models, the envisaged review will lead to a major transformation in the way these enterprises are run, from the existing model where they fall under line ministries to a more centralised system.

247. In addition, the proposed model is set to strengthen structural, governance and administrative frameworks of these entities.

Corruption

248. Continued attention in dealing with corruption challenges and enforcement of the rule of law to improve the business climate and support private-sector-led inclusive growth, should be maintained.

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

250. While relevant institutions including ZACC, NPA and Police are making some strides in fighting corruption, their capacity is limited by lack of sufficient financial and human resources.

251. Therefore, to effectively fight corruption, the 2021 National Budget should seek to capacitate the relevant institutions, including exploring innovative financing to ensure that corruption is nipped in the bud.

Zimbabwe Investment and Development Agency

252. ZIDA, as a vehicle for promoting an appropriate and competitive investment environment is already in place following the enactment of the Zimbabwe Investment and Development Agency Act in February 2020.

253. The 2021 National Budget will therefore, provide adequate resources to enable the Agency to fully undertake its mandate which is important in improving the country’s image.

Ease of Doing Business Reforms

254. One of the TSP objectives is to pursue ease of doing business reforms as part of broad measures on enhancing the country`s investment environment. As a result of undertaking these reforms, the country was among the top 20 performers in doing business in 2019 on the World Bank’s rankings.

255. Progress has been made in areas such as starting a business, dealing with construction permits, registering property and getting credit among others.

256. Going forward, Government should continue to implement the Ease of Doing Business reforms at an accelerated pace to facilitate the turnaround of the country's fortunes.

Pillar 7: Engagement and Re-engagement

257. Normalisation of relations with various governments and international institutions remain our top commitment. To date, Government successfully initiated the EU, USA and Commonwealth Dialogue. The first official Zimbabwe and the EU dialogue (Senior Officials' level) was launched in May 2019, whilst the second dialogue (political level), took place on 21st November 2019. Re-engagement with the USA continues, and is being done at officials' level. Government also kick started negotiations for Zimbabwe's re-admission into the Commonwealth.

258. In 2021, the thrust is to continue to deepen the engagements and re-engagement process.

External Arrears

259. Integral in normalising relations with the international community is engagement with international financial institutions, bilateral and other private creditors in resolving external arrears currently estimated at about US$6 billion. Successful engagement on this issue will facilitate arrears clearance and open new lines of credit critical for stimulating domestic production and productivity. This should fast track the attainment of Vision 2030.

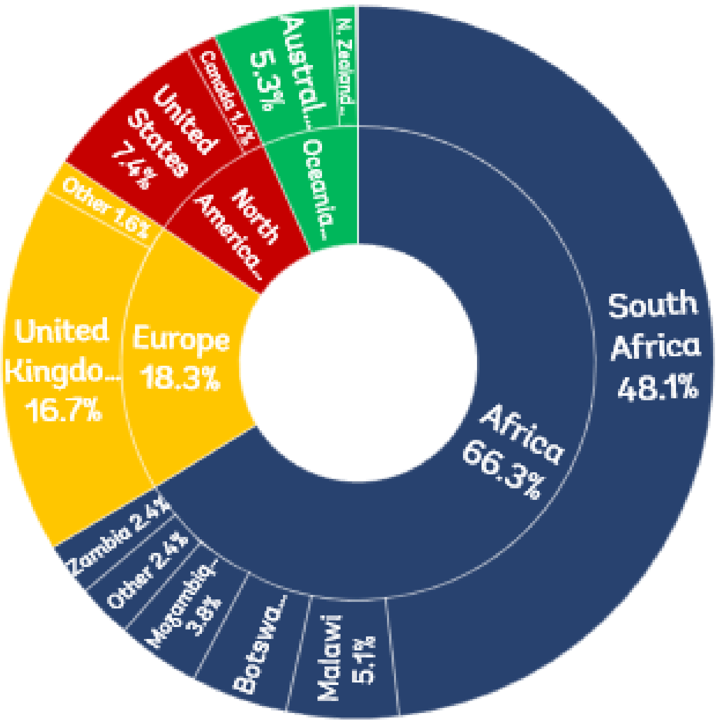
260. Equally important will be implementation of credible and robust policies to prepare the economy to handle old and further new financing for growth. To that end, cooperation with the international community and creditors will also prioritise importance of continued technical and development assistance and other innovative ways, to help sustain stabilisation and growth efforts.

261. Similarly, a commitment to minimising further collateralized external borrowing on commercial terms will be essential for building better standing with old creditors.

Diaspora Engagement

262. Zimbabwe has significant number of citizens residing outside the country, with great potential to contribute towards national development through remittances, investment, skills, resource and networks if sufficiently harnessed.

Number of Zimbabweans around the World



Source: World Bank, Bilateral Migration Matrix 2018

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

- Formally mainstream the Diaspora into the national development agenda by creating an enabling environment;
- Develop mechanisms for dialogue and partnership with Zimbabweans abroad and encourage them to develop joint venture investments and partnerships;

- Engage Diaspora to participate in national skills development in national institutions of Higher learning.
- Create formal channels for investing in Zimbabwe by the Diaspora in order to harness and maximise the potential of their contribution to Zimbabwe's development; and
- Encourage the Diaspora to use formal channels of remitting funds to Zimbabwe for development purposes by creating the enabling environment.

CONCLUSION

264. The 2021 National Budget is a bridge of the TSP and the successor five-year National Development Strategy 2021-25, hence, stakeholder contributions should seek to consolidate the work of the TSP as we move towards the attainment of the Vision 2030.

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

13 October 2020