

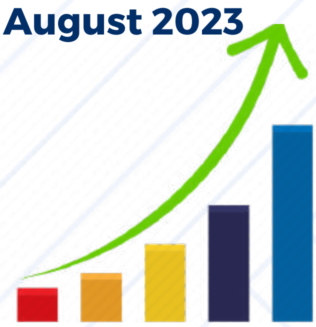

ZIMBABWE

BUDGET STRATEGY PAPER: 2024

"CONSOLIDATING ECONOMIC TRANSFORMATION"

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

August 2023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INTRODUCTION

1. The 2024 Budget Strategy Paper (BSP) has been formulated in accordance with the prescribed budget process calendar as outlined in Statutory Instrument 135 of 2019 (Public Finance Management (General) Regulations 2019) and Statutory Instrument 127A of 2021 (Public Finance Management (General) (Amendment) Regulations, 2021 (No. 1). Its presentation is meant to deepen stakeholder engagements and consensus on the priorities for the 2024 National Budget.

2. The proposed national priorities contained herein are informed by the mid-term review of the National Development Strategy 1 (NDS1), undertaken during the period March – June 2023 with input from Government, private sector, labour, Development Partners and other stakeholders in each of the 14 Thematic Working Groups.

3. The NDS1 Mid Term Review identifies important milestones, gaps and lessons learnt during the first half implementation period of NDS1 which should guide policy actions and direction during the remaining lifetime of the Strategy. In addition, the review highlights the importance of linking the planning process to national budgeting and performance contracting as tools towards full realisation of NDS1 objectives.

4. The Second Republic has presided over the implementation of meaningful and toughest fiscal consolidation measures and reforms, creating the foundations for durable macroeconomic stability and sustainable growth going forward. The country has managed to reverse declining growth trends before the NDS1 period, achieving growth rates of -7.8 %, 8.5%, 6.5% for 2020, 2021 and 2022 respectively, and is now poised for 5.3% growth during 2023, much higher than the original projection of 3.8%. Growth in the medium term is expected to remain strong, underlined by positive performance in most of the productive sectors of the economy.

5. Strong agricultural output has resulted in record tobacco output during the current 2023 marketing season, now at 292 million kgs as at 21 July 2023. This has surpassed the previous record of 259 million kgs recorded in 2019 and follows on record wheat output of 375 000 MT achieved last year. With most of the output being delivered by smallholder farmers, this positive growth is transforming lives and livelihoods throughout the country.

6. Equally transformational is Government's thrust to fully exploit, value add and beneficiate the country's mineral resources, which is being felt through increased investments, production and exports. Transforming the economy is expected to accelerate long term growth and overall competitiveness of the economy, enhance industrialisation and value of export receipts, broaden sources of local content, and create opportunities for decent jobs.

7. Infrastructure investment has markedly increased, largely using own domestic resources as external sources remain inaccessible given the country's external debt arrears position. To meet the ever-increasing demand for infrastructure services from a growing economy, there is need to mobilise new financing resources into this sector that are sustainable and long term, in order to minimize the negative impact of budgetary resources on macro-economic stability.

8. In spite of the positive economic outlook, the economy still faces some risks, mainly arising from price and exchange rate volatility, which complicates policy choices between stability and growth. Containing exchange rate volatility and domestic inflation pressures remains an overriding objective of Government as it engenders market confidence, investment and competitiveness of the economy.

9. Running under the theme *"Consolidating Economic Transformation"*, the 2024 National Budget will seek to scale up domestic resource mobilisation, deepen economic transformation and promote both domestic and foreign

investment in support of programmes and projects that will deliver on the NDS1 priorities.

NDS1 MID TERM REVIEW

10. The year 2023 marks the midpoint in the implementation of NDS1, the second of three successive Government national development plans aimed at achieving the country's Vision 2030 of an ***Empowered and Prosperous Upper Middle-Income Society by 2030.***

11. Government undertook a Mid-Term Review of NDS1 during the period March – June 2023, which provides an update on NDS1 implementation during the first half, highlighting progress and gaps, as well as strategies of accelerating progress towards the full realisation of NDS1 objectives during the remaining period of the Strategy.

12. Overall progress has been positive across all the 14 priority areas. Ministries, Departments and Agencies, as well as other stakeholders under each of the thematic areas must now critically review and revise their strategies, commit to strengthening collaboration under the Whole of Government approach in order to accelerate implementation of programmes and projects that will deliver inclusive growth and development.

13. Broadly, focus during the second half of NDS1, to be implemented through the 2024 and 2025 National Budgets, will cover the following areas:—

- Single digit inflation and a market determined exchange rate;
- Scaling up domestic resource mobilisation in order to fund NDS1 projects and programmes;
- Implementation of the SOE reform strategy;

- Deepening financial inclusion and enhance national savings mobilisation;
- Accelerating implementation of Zimbabwe Arrears Clearance Debt Relief and Restructuring Strategy in order to access funding from international capital markets and unlock new concessional financing;
- Accelerating implementation of ease of doing business reforms;
- Upscaling youth and gender mainstreaming initiatives;
- Intensifying production and productivity of strategic crops and land utilisation;
- Addressing growing environmental challenges and improve bio-diversity health;
- Increasing tourist arrivals as well as tourism receipts;
- Improving national competitiveness, value addition and beneficiation, as well as increase the contribution of the manufacturing sector to GDP;
- Improving access to quality, equitable and inclusive education.
- Improving access and utilisation of advanced knowledge and technologies including promotion of students to take up STEM subjects as well as increase innovation for industrialisation;
- Ensuring the delivery of quality public infrastructure, as well as access to public services;
- Improving access and usage of ICTs;
- Supporting the achievement of energy security;
- Upscaling delivery of new housing units and new serviced stands;
- Improving the quality of life by increasing access to health services;

- Ensuring continued improvement of the country's image;
- Improving access to inclusive social protection;
- Promoting youth participation in development and decision-making processes;
- Safeguarding cultural and creative practices, as well as increase social cohesion, sense of national identity and pride; and
- Upscaling implementation of the devolution and decentralisation agenda.

14. Government will continue to explore alternative financing options to compliment budget resources in order to meet NDS1 requirements.

THE 2024 MACRO-ECONOMIC FRAMEWORK AND ASSUMPTIONS

15. The economy continues to register economic growth rates above the NDS1 annual average targets, achieving GDP growth rates of 8.5% and 6.5% in 2021 and 2022, respectively. In 2023, growth is projected at 5.3%, higher than the initial projection of 3.8%, and projected to remain within the NDS1 targets in the medium term.

16. The 2024 Macro-Fiscal Framework seeks to sustain this positive economic growth trajectory, through among others, stabilizing the exchange rate and achieving lower inflation rates, addressing the high national input costs and low productivity levels affecting the competitiveness of domestic products and sustaining a positive external sector balance.

17. Furthermore, implementation of the Cabinet approved Public Entities Re-capitalization Programme will be given new impetus, given the strategic role as both enablers and providers of essential goods and services to the economy.

Table 1: Macro-Fiscal Framework (ZWL$M): 2022-26

	2022	2023	2024	2025	2026
National Accounts					
Nominal GDP (ZWL$ M)	12,388,437.83	120,023,947.7	159,741,573.0	182,600,786.9	218,817,704.8
Real GDP Growth (%)	6.5	5.3	5.2	5.0	5.0
Inflation (Annual Average) %	193.4	279.5	39.2	11.5	8.3
Government Accounts					
Government Finances					
Revenues	2,039,495.4	21,987,165.1	30,730,214.3	36,141,987.0	44,386,995.9
% of GDP	16.46	18.3	19.2	19.8	20.3
Expenditures (ZWL$ M)	2,030,686.1	25,597,621.7	33,071,465.1	37,662,993.5	45,425,642.6
% of GDP	16.39	21.3	20.7	20.6	20.8
Expenses	1,890,653.0	20,821,285.3	26,422,968.4	28,989,245.1	32,986,260.2
% of GDP	15.26	17.3	16.5	15.9	15.1
Compensation of Employees	753,468.56	10,657,669.0	12,609,843.7	14,060,708.6	17,062,730.8
% of GDP	6.08	8.9	7.9	7.7	7.8
% Total Expenditure	37.10	41.6	38.1	37.3	37.6
% of Revenue	36.94	48.5	41.0	38.9	38.4
Interest Payments	8,159.68	1,129,020.2	2,412,875.2	2,195,755.4	1,859,818.0
% of GDP	0.07	0.9	1.5	1.2	0.8
% of Revenue	0.40	5.1	7.9	6.1	4.2
Capital Expenditure	395,332.73	4,972,295.0	6,648,496.7	8,673,748.4	12,439,382.4
% of GDP	3.19	4.1	4.2	4.8	5.7
Overall Balance	8,809.27	-3,610,456.6	-2,341,250.8	-1,521,006.5	-1,038,646.7
% of GDP	0.07	-3.0	-1.5	-0.8	-0.5
Public Debt	12,483,398.39	156,472,978.9	184,533,759.0	194,941,801.9	205,341,237.0
% of GDP	100.8	130.4	115.5	106.8	93.8

Source: MoFED

18. The projected revenue for the year 2024 is ZWL$30.7 trillion against expenditures of ZWL$33.1 trillion, resulting in a budget deficit of ZWL$2.3 trillion (1.5% of GDP).

19. Employment costs will be maintained at levels of below 50% of revenue, whilst capital expenditures will gradually increase to 5.7% of GDP in order to address the existing infrastructure gap. Furthermore, social spending will be scaled up in order to address inequality and ensure no one and no place is left behind.

20. Re-establishing macro-economic stability and the creation of an enabling business environment will be crucial in building resilience of the economy

to domestic and external shocks, as well as facilitate a private sector led economic recovery and growth.

Global Economic Outlook and Risks

21. Global economic growth is projected to moderate in 2023 to 2.8%, before rebounding to 3% in 2024 due to China reopening its economy, the unwinding of supply chain disruptions and the fiscal and monetary stimulus support in major economies.

Table 2: Global Growth Outlook (%)

	2021	2022 Est	2023 Prj	2024 Prj
World	**6.2**	**3.4**	**2.8**	**3.0**
Advanced economies	**5.4**	**2.7**	**1.3**	**1.4**
United Kingdom	7.6	4.0	-0.3	1.0
United States	5.9	2.1	1.6	1.1
European Union	5.3	3.5	0.8	1.4
Emerging Markets	**6.7**	**4.0**	**3.9**	**4.2**
China	8.4	3.0	5.2	4.5
India	8.7	6.8	5.9	6.3
Sub-Saharan Africa	**4.7**	**3.9**	**3.6**	**4.2**
Nigeria	3.6	3.3	3.2	3.0

Source: WEO April 2023 Update

22. Growth for advanced economies is projected to slow down to 1.3% in 2023 and 1.4% in 2024, mainly due to tighter monetary policies to counter high inflation and contractions in the UK and European Union. Growth in the United Kingdom is projected to decline to negative 0.3% in 2023 before rebounding to 1.0% in 2024.

23. For emerging markets and developing economies, growth is projected to moderate slightly by 0.1 percentage points to 3.9% in 2023 and rebounding to 4.2% in 2024. In this regard, economic prospects are on average stronger than advanced economies.

Sub-Saharan Africa

24. The Sub-Saharan Africa region's economic growth outlook is expected to moderate to 3.6% in 2023, before recovering to 4.2% in 2024, driven mainly by higher private sector consumption and investment, as well as global economic recovery.

25. Tighter financing conditions remain a challenge to the region, exacerbated by rising borrowing costs, and declining aid flows. The funding squeeze may force countries to reduce resources for critical development programmes.

Table 3: Sub-Sahara African Economies GDP Growth (%)

	2021	2022 Est	2023 Prj	2024 Prj
Sub-Saharan	**4.8**	**3.9**	**3.6**	**4.2**
Fuel Exporters	**3.0**	**3.2**	**3.3**	**3.1**
Nigeria	3.6	3.3	3.2	3.0
Angola	1.1	2.8	3.5	3.7
Middle-Income Countries	**4.5**	**3.4**	**2.9**	**3.4**
South Africa	4.9	2.0	0.1	1.8
Mauritius	3.5	8.3	4.6	4.1
Low Income Countries	**5.4**	**5.1**	**5.4**	**6.1**
Ethiopia	6.3	6.4	6.1	6.4
Zambia	4.6	3.4	4.0	4.1
Malawi	4.6	0.8	2.4	3.2

Source: IMF REO April 2023 Update

26. Growth among oil exporters is projected to decelerate in 2023 and 2024 due to prolonged lower levels of international crude oil prices. In the same vein, Nigeria's growth is projected to decline to 3.2% in 2023 and moderating further to 3.0% in 2024.

Southern African Region

27. GDP growth of the SADC region is projected to moderate to 2.3% in 2023 before rebounding strongly to 3.4% in 2024. The regional growth

will be weighed down by inflationary pressures, higher borrowing costs and sluggish growth in the region's major trading partner, South Africa.

Table 4: Selected SADC Countries GDP Growth Projections

	2021	2022 Est	2023 Prj	2024 Prj
SADC	**4.6**	**3.2**	**2.3**	**3.4**
Botswana	11.8	6.4	3.7	4.3
Lesotho	2.1	2.1	2.2	2.3
Madagascar	5.7	4.2	4.2	4.8
Mozambique	2.3	4.1	5.0	8.2
Namibia	2.7	3.8	2.8	2.6
eSwatini	7.9	0.5	2.8	2.5
Tanzania	4.9	4.7	5.2	6.2
Zimbabwe	8.5	3.0	2.5	2.6

Source: REO April 2023 Update

28. South Africa's growth is projected to decelerate marginally to 0.1 % in 2023, weighed down by electricity supply constraints and a negative carry over effect from the slowdown recorded in 2022.

International Commodity Prices

29. Commodity prices are expected to decline during 2023 in the face of slowing demand globally, albeit prices will remain elevated well above their pre-pandemic (2015-2019) average. During 2024, prices are projected to tapper to pre-pandemic levels and remain relatively stable.

30. Both energy and non-energy prices are projected to decline in 2023 and 2024, in the face of uncertainty both in supply and demand outlook, as precious minerals are expected to continue on the positive path in 2023 before tapering in 2024.

Table 5: Commodity Prices Developments

Commodity	2020	2021	2022	2023f	2024f	% Δ	
						2023f	2024f
Energy b/	52.7	95.4	152.6	113.2	113.3	-25.8	0.1
Non-Energy	84.1	112.5	124.4	112.5	109.5	-9.6	-2.7
Agriculture	87.1	108.3	122.7	113.9	111.6	-7.2	-2
Beverages	80.4	93.5	106.3	101	97.6	-5	-3.4
Food	93.1	121.8	143.7	132.4	128.7	-7.9	-2.8
Oils and Meals	89.8	127.1	145.2	124.7	122.4	-14.1	-1.9
Grains	95.3	123.8	150.4	135.8	125.3	-9.7	-7.8
Other food	95.5	113.1	135.6	139.3	140.1	2.7	0.6
Raw Materials	75.8	82.9	80.3	75.7	77.3	-5.7	2.2
Timber	86.4	90.4	80.1	80.7	82	0.8	1.6
Other Raw Materials	64.2	74.8	80.5	70.2	72.3	-12.8	2.9
Fertilizers c/	74.6	152.3	235.7	148.7	138.2	-36.9	-7.1
Metals and Minerals d/	79.1	116.4	115	105.3	101.8	-8.4	-3.4
Base Metals e/	80.2	117.7	122.4	111.5	107.9	-8.9	-3.2
Precious Metals f/	133.5	140.2	136.8	144.3	134	5.5	-7.2

Source: World Bank Commodity Markets Outlook; April 2023 Pink Sheet Data

31. Metal prices are expected to decrease by 8.9% and 3.4% in 2023 and 2024, respectively, as zinc and tin prices are expected to decrease significantly in the outlook.

32. Contrastingly, precious mineral prices are expected to continue on the positive trajectory, and projected to grow by 5.5% in 2023, as demand for gold for safe haven rises amidst elevated uncertainty with respect to future growth prospects, ongoing concerns about global inflation, as well as financial stress witnessed in the first quarter. This buoyant projection is also buttressed by the projected strong supply growth over the forecasted horizon.

33. However, international precious mineral commodity prices are expected to be tapering in 2024 by 7.2%, as prices are expected to retreat to their pre-pandemic levels.

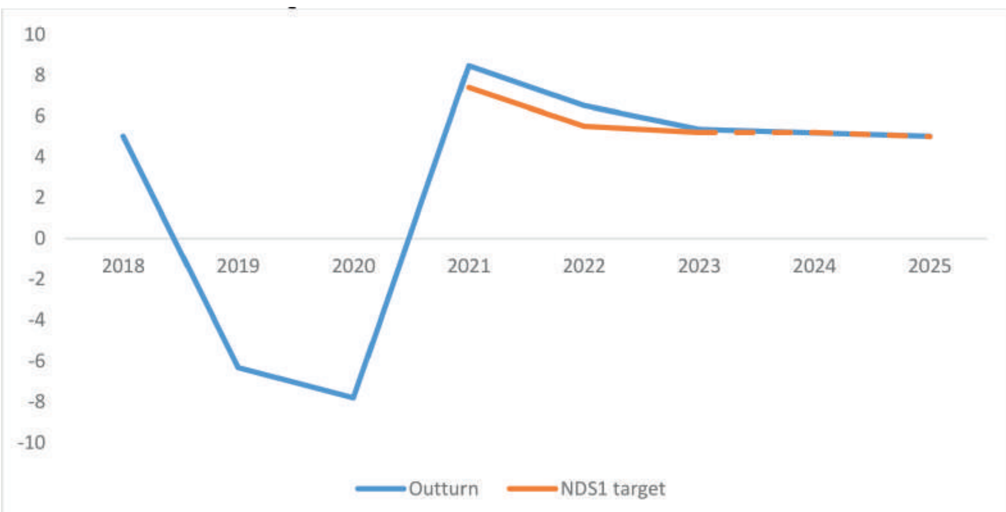
34. Energy prices in 2023 are expected to be 25.8% lower than in 2022 on average, before marginally increasing by 0.1% in 2024, owing to an expected 24% significant decrease projected for Brent crude oil in 2023.

35. Non-energy prices are projected to decrease by 9.6% and 2.7% in 2023 and 2024, respectively. Likewise, fuel and non-fuel commodity prices are generally expected to decline in 2023, amid slowing global demand. In the same vein, food and fertilizer prices are expected to drop significantly during 2023 by -7.9% and -36.9%, respectively and by -7.1% and-2.8%, respectively, in 2024.

Domestic Economic Outlook and Risks

36. The Strategy is anchored on a projected GDP growth of 5.5%. The latest GDP estimates by Zimstats indicate that the economy (measured by quarterly GDP) grew by 6.5 % year-on-year during 2022, driven by continued strong performance in both the mining and non-mining sectors.

Figure 1: Economic Growth Outlook



Source: ZIMSTAT/MoFED/RBZ

37. Economic growth is expected to remain positive, and is projected at 5.3%, 5.2% and 5% for 2023, 2024 and 2025 respectively, well within the NDS1 growth targets. Government measures in support of macro-economic stability, coupled with the drive towards structural economic transformation, value addition and beneficiation, are expected to sustain this positive growth trajectory.

38. In addition, recovery in electricity generation following the completion of the Hwange 7 & 8 expansion project, as well as investments by Independent Power Producers, is expected to further bolster economic activity during 2024.

Table 6: GDP Growth Rates

	2021 Act	2022 Est	2023 Proj	2024 Proj	2025 Proj	2026 Proj
Agriculture	17.5	6.2	9.7	3.3	4.1	4.6
Mining and quarrying	5.9	10.5	4.8	11.1	8.5	9.4
Manufacturing	1.2	1.6	2.2	2.1	2.3	1.6
Electricity	33.9	3.5	0.9	8.8	4.2	4.8
Water supply and waste management	12.7	1.7	3.3	2.2	6.6	5.5
Construction	3.5	1.9	4.0	2.9	4.2	3.6
Wholesale and retail trade	8.1	4.6	4.8	3.4	3.8	4.2
Transportation and storage	8.5	6.6	6.6	6.0	8.2	5.4
Accommodation and food activities	38.5	23.7	20.5	8.3	7.5	7.6
Information and communication	9.8	14.1	4.9	6.8	5.9	5.8
Financial and insurance activities	3.0	15.6	6.5	6.1	6.5	4.6
Real estate activities	4.1	0.1	4.4	2.1	4.5	3.6
Professional, activities	-3.1	-0.3	0.7	3.0	4.5	6.4
Administrative and support activities	14.6	1.7	1.8	3.9	2.8	3.9
Public administration	5.3	4.3	1.8	3.9	2.8	3.9
Education	5.8	5.5	7.5	2.4	3.8	2.8
Human health and social work activities	18.6	-1.7	9.2	9.3	8.2	8.3
Overall GDP Growth	**8.5**	**6.5**	**5.3**	**5.2**	**5.0**	**5.0**

Source MOFED

39. There are downside risks to the current projections, particularly with regard to decline in international mineral commodity prices that could impact the mining sector, adverse weather conditions, as well as continued disruptions of international supply chains that could constrain global demand conditions.

Exchange Rate

40. Recent fiscal and monetary measures instituted by Government were meant to re-establish stability in the foreign exchange market by containing liquidity injections in the economy, increase demand for the local currency, as well as move towards a unified market determined exchange rate through convergence of the parallel and formal exchange rates. Foreign exchange stability and convergence removes arbitrage opportunities and other distortions in the economy, reduces uncertainty and makes it easier for businesses to plan and budget for future transactions.

41. This policy stance also seeks to avoid full US$ dollarisation of the economy, detrimental to domestic industry competitiveness in international and domestic markets.

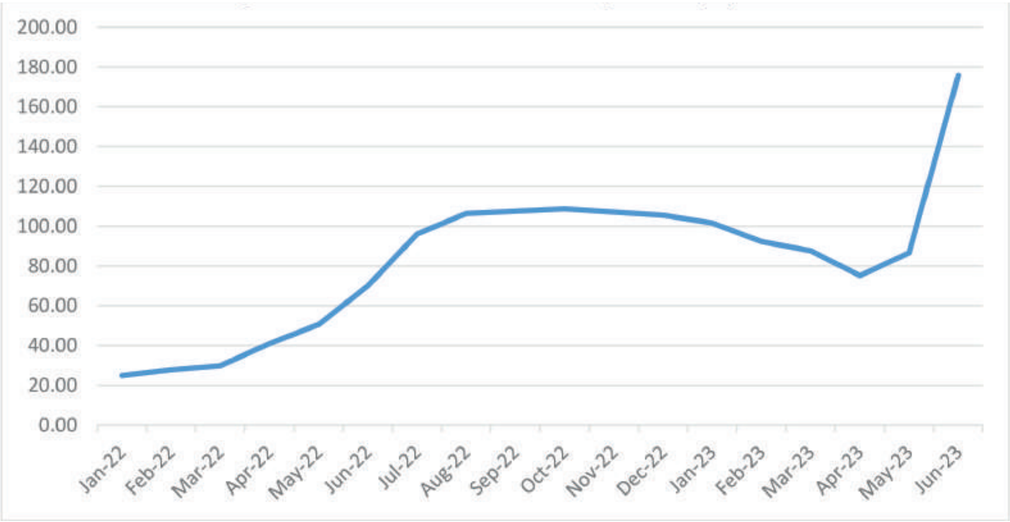
Figure 2: Exchange Rate Movement

Source: MoFED & RBZ

Inflation

42. Prices in domestic currency rose sharply from April 2023, in response to the rapid depreciation in the exchange rate, although US dollar prices continued to fall with USD month-on-month inflation averaging -1.2% for the period January to May 2023. In this regard, the weighted inflation rate slowdown that had been experienced since the second half of 2022, increased to 175.8% in June 2023.

Figure 3: Annual Inflation Developments (%)



Source: ZIMSTATS

43. In response to the recent exchange rate volatility and price increases, Government instituted the following measures to stabilise the market: -

- Improving foreign currency access in the formal market by increasing the retention of domestic foreign currency sales to 100%, maintaining the US dollar cash withdrawal tax at 2%, reduction in the local interbank foreign transactions IMT tax and POS IMT tax in foreign currency to 1% respectively;
- Reducing the creation of additional money supply in the market and introducing non-inflationary financing of external liabilities, with all

foreign currency-denominated loans contracted through the Reserve Bank being transferred to Treasury including funding of the Zimbabwe Dollar component of the 25% foreign currency surrendered by exporters;

- Resource mobilisation measures such as the introduction of a 1% tax on all external foreign currency payments, to be used to fund the RBZ external liabilities;
- Increasing Consumers' Access to Basic Commodities by lifting all restrictions on importation of basic goods;
- Increasing demand for the local currency by ensuring all Government Agencies, including parastatals collect their fees in local currency and all customs duty be payable in local currency, except for designated or luxury goods, and where the importer opts to pay in foreign currency;
- Creation of a Debt Redemption Fund to service RBZ external liabilities transferred to Treasury in line with the arrears clearance program, to be funded through new levies and other resource mobilisation initiatives;
- The weekly auction will be limited to a maximum of US$5 million with winning bids being honoured within 24 hours of award;
- All public foreign currency debts to be contracted by Government and servicing will be the responsibility of the Treasury;
- Tightening of monetary policy in order to reduce lending and hence money creation by banks; and
- All manufacturers selling general goods, such as cement, milk, soft drinks, etc for the export market, will now be required to charge VAT, which is refundable by ZIMRA after exporting.

44. The measures have brought some relative stability in prices, as the market starts to respond to these interventions. Tight fiscal and monetary conditions will be maintained going forward, as Government seeks to stabilise the macro-economic environment and improve market confidence.

45. In the outlook, Government will continue to monitor inflation developments with a view to respond with appropriate policy measures where necessary.

Monetary and Financial Sector

46. The Central Bank has adopted tight monetary policies to anchor inflation and exchange rate expectations, with growth in money supply in the outlook, particularly the local component, expected to align with Government's policy thrust of managing liquidity in the economy.

47. Furthermore, the Central Bank will continue to strengthen its supervisory role to ensure banks and micro finance institutions comply with prudential requirements, including capital adequacy.

48. The 2024 National Budget will focus on the implementation of the Financial Sector Development Strategy that seeks to establish an integrated financial system that promotes financial depth, inclusion, efficiency, and stability, as well as improve the regulatory environment, in line with the National Development Strategy 1.

49. Furthermore, work on the development of a Disaster Risk Financing Strategy is underway, whose objective is to evaluate the cost of disasters, identify different layers of risks, quantify the financial gaps, as well as provide financing instruments necessary to meet financing needs brought about by disasters.

Budget Financing

50. Government's financing requirements are expected to remain under pressure during 2024 on account of the takeover of the Central Bank's external obligations, growing informalisation and the need to sufficiently provide for NDS1 programmes and projects during the medium term.

51. However, Government's commitment to maintain the budget deficit within the 3% of GDP threshold will be critical in managing inflationary pressures and to restore stability in the economy.

RISKS TO THE ECONOMIC AND FISCAL OUTLOOK

52. Achievement of the projected economic growth may be undermined by various macroeconomic factors and climate change-related risks if they materialise. These risks include growing informalisation of the economy, commodity price volatility, a less favourable rainfall season, expenditure rigidities, and contingent liabilities.

Macroeconomic Risks

Exchange Rate Volatility

53. Exchange rate volatility has been a major source of risk in the recent past, affecting revenue collection, expenditures and debt service, particularly for those items denominated in foreign currency. To the extent that exchange rate depreciations feed into domestic inflation, thus generates pressure on prices on the budget.

54. In the absence of policy interventions, a one percent depreciation of the Zimbabwean Dollar against the US Dollar widens the fiscal deficit by about 0.1% of GDP. To mitigate the risk, Government has adopted

various stabilisation measures including the weekly wholesale of foreign currency to commercial banks.

Commodity Price Volatility

55. Fluctuations in commodity prices impact on macroeconomic and fiscal outcomes. Given the country's high dependency on the export of primary commodities, the recent softening of international prices poses a risk to growth of export earnings. A one percent fall in commodity prices, causes a 0.69% fall in the growth of the mining sector.

56. Similarly, a fall in commodity price by 10% may swing the current account surplus into a deficit, affecting fiscal revenue inflows, particularly royalties and corporate income taxes from mining.

57. To mitigate the risks, the country is intensifying value addition and beneficiation initiatives in order to increase the value of exports, create jobs and insulate the economy against volatility of commodity prices.

Revenue Risks

58. Revenue collection risks may emanate from reduced tax compliance and transfer pricing, particularly in mining. This risk is further compounded by rising dollarization, which is shrinking the tax base and promoting informalisation. Full dollarisation has the potential to reduce the taxable base by almost 25%.

59. In order to mitigate the impact, Government is implementing measures to boost the use of the Zimbabwean Dollar in domestic transactions.

Expenditure Risks

60. Structural budget rigidity and limited fiscal space are mainly on account of the rising wage bill in relation to other expenditures. The ratio of wage bill to revenue ratio has risen from 35% in 2020 to around 48.6% of revenue, well above the NDS1 target. This is further compounded by increasing commitments of foreign currency denominated expenditures that are now crowding out expenditures for critical social sectors and infrastructure development.

61. In case of any shock, there will be limited budget flexibility. Given the elevated expenditure risks, Government will implement the following mitigatory measures:

- Deepening implementation of the value for money in all public procurement;
- Implement Single Spine Pay Policy (SSPP) to restore equity and transparency in public service pay administration;
- Adherence to approved budget;
- Cash budgeting;
- Penalties for commitments outside the budget;
- Prioritise completion of ongoing projects; and
- Monitoring and management of payments in foreign currency to ensure effective use of the same.

Climate Change Risks

62. Natural disasters and climate change present a critical adaptation and mitigation challenge for the country with significant macroeconomic and fiscal risks. Long term weather forecasts are predicting the occurrence of El

Niño oceanographic phenomenon during the 2023/24 rainfall season that is associated with extreme weather events. Drier conditions are forecasted for Southern Africa and other regions, which will impact negatively on agricultural output and compromise on food security of the country.

63. A poor Summer Cropping season may also slowdown overall economic growth by between 0.6% to 1.1 % depending on intensity, whilst also reducing revenue inflows and increasing expenditures, mainly towards social protection programmes. Previous droughts had implications of increasing fiscal deficits by an average of 0.4 % of GDP.

64. In order to mitigate the risk, Government is scaling up the adoption of drought-tolerant crop varieties, smart agriculture and farming practices, investment in early warning system, adoption of agriculture insurance, provisioning for the distribution of food to vulnerable households, provision of animal health support and rehabilitation of irrigation schemes.

65. In the medium to long term, Government will continue to enhance the country's disaster risk management preparedness through development of a Multi-Hazard National Contingency Plan, regulatory frameworks, Standard Operating Procedures (SOPs), Disaster Risk Management (DRM) plans at the village, ward, local authority, district, provincial and national levels and prepositioning of resources, among other activities.

66. Support will also be extended to the completion of the National Emergency Operations Centre (NEOC) to enhance multi-hazard early warning systems, dissemination of information, amongst others. Training in DRM at all levels will be undertaken incorporating international best practices. In addition, Government will make efforts to procure the necessary disaster management equipment including firefighting trucks, mobile hospitals, ambulances and all-weather helicopters for effective preparedness and response to emergencies and disasters.

Geopolitical Risk

67. Geopolitical tensions have negatively affected the global economy, especially developing countries through higher commodity prices for critical inputs such as fuel, fertilizers and food. They have also affected the global supply chains resulting in higher cost of production and ultimately inflation and debt distress.

68. To mitigate the impact of geopolitical tensions on the economy, Government will continue to implement import substitution measures and adjust the fiscal and monetary policies accordingly where necessary.

2024 FISCAL POLICY THRUST

69. The medium-term fiscal thrust remains anchored on maintaining the budget deficits within the SADC macro-economic convergence threshold of not more than 3% of GDP.

70. The prudent approach to fiscal management is being achieved through cash budgeting, complemented by measures to raise additional tax revenue, ongoing efforts to contain spending and the efficient use of public resources.

71. These measures are also in line with the reform agenda under the Zimbabwe Arrears Clearance Debt Relief and Restructuring Strategy, covering economic, governance, land tenure reforms, as well as compensation of former farm owners and resolution of farms covered under BIPPAs.

72. The economic reforms matrix, whose elements are mostly drawn from NDS1, covers the following:

- A successfully implemented Staff Monitored Programme with the International Monetary Fund (IMF);
- Establish a market determined and competitive foreign exchange rate regime;
- End all quasi-fiscal activities and end all unbudgeted expenditure;
- Maintain tight monetary policy and sound fiscal management;
- Strengthen revenue collection, expenditure management and improved service delivery;
- Ensure availability of social protection for all and undertake measures that will improve access to inclusive social protection;
- Complete review of all sovereign debt and liabilities;
- Agree with development partners on grants to meet the social costs of SMP adjustment; and,
- Crowd in complementary investments growth focused investments from Development Financial Institutions (DFIs).

73. Government has already started implementing the above reforms, with all foreign currency liabilities of the Central Bank having been taken over by Treasury, to be funded transparently through the Budget. Furthermore, work towards a market determined exchange rate regime has been instituted whilst a Staff Monitored Programme is expected to be concluded during the second half of the year.

74. The 2024 National Budget will give impetus to the economic reform agenda, including resolution of the country's external arrears, that will broaden funding sources needed for inclusive economic growth going forward.

Revenue Strategies

75. In 2024, total revenue collections are projected at 19.2% of GDP broken down as tax receipts accounting for 95% of total revenue and non-tax revenue contributing the balance of 5%.

76. Achieving the target collections is underpinned by tax administration initiatives that enhance enforcement and tax compliance, in particular, of business processes and adoption of new technology, among other initiatives.

77. Expansion of the base through embracing emerging industries, including those in the informal sector, as well as capturing the digital market place where sellers and buyers of goods and services converge through e-platforms will ensure that eligible taxpayers contribute towards national development.

78. ZIMRA has also taken stringent measures to curb revenue leakages through corrupt activities. Furthermore, consistent with reforms to contain tax expenditures and minimise leakages, Government is prioritising review of concessions and contracts that undermine revenue collections as well as adjust fees, levies and charges in line with the cost recovery principle.

Expenditures

79. The medium-term expenditure framework is anchored on ensuring that expenditures are limited to available resources and the fiscal deficit maintained at sustainable levels of below 3% of GDP.

80. The wage bill, whilst accounting for the largest share of public expenditures, still has to content with emerging issues such as wage

compression, gaps in service delivery for critical social sectors of health and education, skills flight, low remuneration levels arising from the loss of value of the local currency and devolved functions of Government, among other issues.

81. In order to ensure a fit for size public sector, the 2024 Budget will support the move towards a single spine salary structure, benefiting from the current job evaluation exercise which should inform the harmonisation of the public sector remuneration framework. Furthermore, retention schemes for critical staff will be maintained, including implementation of non-monetary benefits to the public service.

82. Having entrenched performance management within the public sector, the next step is to deepen the linkage between performance contracts and resource allocation in order to enhance delivery of public services, supported by the Monitoring and Evaluation units already established within MDAs.

83. Government will continue to strengthen the value for money audits measures and plug loopholes in the existing procurement systems to ensure that MDAs are not overcharged in respect of payments for goods and services as well as regulate the market, having observed that some of the suppliers/contractors were manipulating the foreign exchange market.

PROPOSED STRATEGIC PRIORITIES FOR THE 2024 BUDGET

84. The goal towards economic transformation is premised on moving the economy from low to high productivity activities within and across all sectors of the economy, increase export diversification and participation in global value chains, particularly for mining and agriculture. This will significantly enhance export performance and contribute to sustainable economic growth and the creation of quality jobs.

85. In this regard, the 2024 Budget will focus on bold measures to sustain this policy thrust, with structural reforms being implemented that engender macroeconomic stability. These include scaling up investments in infrastructure that will ensure provision of critical enablers to the economy, ease of doing business reforms that facilitates private sector led growth and improvements in access to inclusive social protection programmes and other public services for the needy.

Economic Growth and Macro-Stability

86. Monetary policy and fiscal consolidation measures will target the achievement of price and exchange rate stability, in line with the NDS1 objective of achieving single digit inflation by December 2024.

87. Given the centrality of public enterprises in underpinning the country's productive capacities through provision of critical enablers, such as electricity, water and transport services, recapitalisation and reform of identified parastatals will be expediated, in order to sustain economic growth and development.

88. As part of the thrust to enhance domestic resource mobilisation for investment, Government will implement the National Financial Inclusion Strategy II that seeks to deepen financial inclusion by expanding access to banking and financial services, promoting innovation, digitalisation and entrepreneurship. This will be complemented by measures to mobilise savings that will underpin economic growth.

89. With regards to capital markets, Government, IPEC and the Central Bank will improve the requisite infrastructure and technology, regulatory environment, as well as enforce regulations to sustain their development and contribution to growth and development of the country.

90. To enhance the current account and balance of payments positions, Government will upscale value addition and beneficiation of export products, disincentives on importation of non-essential imports, while also sustaining the mobilisation of diaspora remittances.

Supporting Productive Value Chains

91. The transformation being witnessed in strategic sectors such as agriculture and mining, with emphasis on productivity and product quality, allows the country to derive more value from its natural resource endowments, providing scope for increased participation in the global value chains.

92. The 2024 National Budget will support research on value chain development activities, from the initial input-supply stage, through various phases of processing, to its final market destination, and will identify anchor projects in each sector that will support export growth, attract investment capital as well as create decent jobs for citizens.

93. Such research will identify specific capacity building measures (skills development, product standards, innovation) for players in each sector to enhance their competitiveness as well as deepen value chain development in the country.

Agriculture

94. The country remains on track to achieve sustainable food self-sufficiency and nutrition security by 2025, having achieved record outputs in some strategic crops and positive performances in beef and milk production, among others.

95. Growth for the sector is projected at 9.7% during 2023, and is expected to remain strong at 3.3% during 2024, benefiting from continued targeted state support for the vulnerable households under the various Government supported programmes, complemented by increasing participation of the private sector in the production and marketing of agricultural output.

96. Given the central role of agriculture in the economy, Government interventions during 2024 will focus on upscaling production and productivity of the sector, raise incomes and create jobs as well as further develop market access through business linkages for smallholder farmers with small and medium enterprises (SMEs) and large firms by liberalising marketing arrangements.

97. Government will also review financing mechanisms for each of the subsectors, particularly tobacco and cotton, to sustain the positive growth path. The Budget will introduce further measures to increase the role of the private sector in funding agricultural activities, that includes reviewing the marketing model for all strategic crops, establishing agro-processing centres and increasing access to grain output directly from self-financed farmers.

98. Furthermore, measures to capacitate the local industry and enhance competition through among others, the Five-Year Fertilizer Import Substitution Road Map (2020-2024), will be implemented to ensure adequate availability and access of affordable inputs by farmers, which is critical in ensuring reduced costs along the value chain and economy.

99. The Commodity Exchange was established to unlock value from agriculture by creating a structured and inclusive agricultural financing and marketing model. The Zimbabwe Mercantile Exchange (ZMX) operates as the Commodity Exchange, offering a warehouse receipt system, commodity spot market trading platform and futures market trading platform.

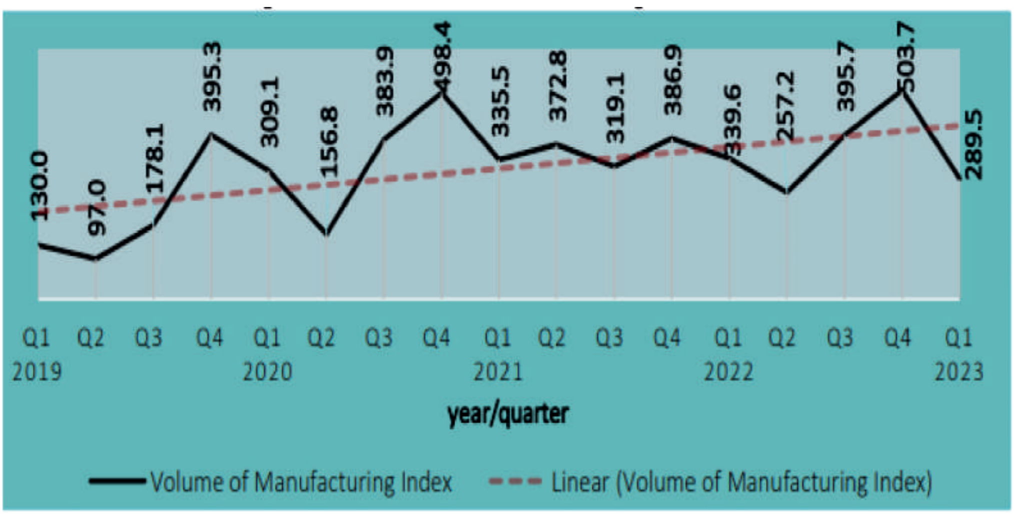
100. The warehouse receipt system has been fully developed and auctions for selected grains and oilseeds has been successfully conducted, broadening market options for farmers and reducing fiscal burden and reliance on GMB. The range of products and services offered by the exchange will be broadened going forward, allowing market access for farmers, price discovery and convenient trading of agricultural commodities.

Manufacturing

101. Growth of the sector, although positive, continues to be weighed down by global and domestic shocks that impact on competitiveness of local products in both the domestic and export markets. The contribution of the sector to exports and progress in value addition have remained low on account of productivity challenges, high input costs and disruptions to supply value chains.

102. The Volume of Manufacturing Index (VMI) for the first quarter of 2023 was 289.5, reflecting a year on-year decrease of 14.8% when compared to the 339.6 recorded during the first quarter 2022.

Figure 4: Volume of Manufacturing Index



Source: ZIMSTAT

103. Supportive measurers to enable growth of the sector include improving access to funding, implementation of the local content policy, ease of doing business reforms, economic empowerment, consumer protection and quality assurance programmes.

104. The new Industrial Development Policy (2024-2030) targets manufacturing growth rate of at least 2% per annum, growing manufacturing sector investment by 3% per annum, increasing manufactured exports by 10% per annum, and increasing the share of manufacturing employment to 20% by 2030, underpinned by productivity improvement, transformation and competitiveness.

105. Taking advantage of the strong linkages and interdependences between manufacturing and the agricultural sectors, special focus will be on Value chains development in areas such as fertiliser, Soya, Cotton, Dairy, Sugar, Leather, Pharmaceutical, Bus and Truck, Engineering Iron and Steel and Plastic Waste Value Chains, considered low-hanging fruits for a structurally transforming economy.

106. Measures will be put in place to encourage growth in emerging industries that adopt the latest technology especially for the innovation and new focus areas of lithium value addition, solar energy, recycled waste and enhanced value addition in the agro-processing area among others.

107. The National Venture Capital Fund will be central in facilitating the establishment and development of emerging industries and start-ups, particularly from the country's youths and women.

108. The National Competitiveness Commission (NCC) will continue to identify cost drivers impacting on competitiveness of the productive sectors and make recommendations for policy interventions. In addition,

collaboration between industry and institutions of higher learning will be sustained to ensure the country takes advantage of the Fourth Industrial Revolution and new production and commercial technologies being developed at local universities.

Mining

109. The country remains on course to generate US$12 billion in mineral revenues by end 2023, contributing to economic growth, export earnings and employment creation. Growth over the past five years has resulted in mining contribution to GDP increasing from 9% in 2019 to 13.2% in 2022, and overtaking agriculture and manufacturing to become the second largest industry.

110. The boom in the sector, attributable to new investments and favourable international prices is expected to provide critical feedstock for other job-creating sectors if beneficiated into appropriate intermediate products, and hence, the drive by Government to upscale beneficiation along the mining value chain. In this regard, the banning of the export of ores and concentrates for chrome, for example, has seen mining companies invest in the requisite facilities to value-add to ferrochrome, with the same principle being applied to lithium mining.

111. The artisanal small-scale miners, whose contribution to mineral output has risen over the years, will be facilitated to increase production, formalise their operations and adopt environmentally friendly, safe and sustainable mining methods.

112. Full operationalisation of the Computerised Mining Cadastre Information Management System, targeted for completion during 2024, seeks to enhance transparency and accountability in mining title management, eliminate overlapping mining claims, strengthen property rights and

security of tenure as well as improve Government's regulatory capacity through improved efficiencies and revenue collection.

113. Furthermore, to ensure compliance with environmental laws and reduce incidences of smuggling and other mineral revenue leakages, responsible departments will be capacitated to undertake mining inspections, audits and enforcement of EIA compliance of all mining activities under the "*Orderly Mining Initiative"*.

Tourism

114. The tourism sector has witnessed a rapid post covid 19 pandemic recovery. In 2024, growth of the sector is expected to be underpinned by increases in investment by local investors and growing confidence in destination Zimbabwe, lifting of travel restrictions, and resumption of flights into popular destination tourism sites such as Victoria Falls.

115. The Budget will support domestic marketing and promotion activities through the Meetings, Incentives, Conferences and Exhibitions (MICE) and in traditional and emerging markets abroad through the VisitZim, ZimBHO and Meet in Zim campaigns.

116. Furthermore, tourism infrastructure investment initiatives in potential sites such as Kanyemba, Masuwe (through the Mosi Oa Tunya Development Company) and Tugwi-Mukosi Dam, will be undertaken to broaden tourism products in collaboration with the private sector.

117. These initiatives will be complemented by the finalisation of the National Tourism Policy (currently under review), and the National Tourism Growth Strategy which are all expected to promote the development and exploitation of value chains in the tourism sector.

Infrastructure, ICTs and The Digital Economy

118. Infrastructure activity has markedly increased, particularly in transport, energy and housing sectors, as well as climate proofing projects, whose completion has impacted positively on economic performance. However, demand for infrastructure services as a result of a growing economy and population continues to widen, requiring innovative actions and reforms to close the infrastructure gap and improve on project delivery.

119. Slow progress has been observed in the delivery of some critical projects, mainly attributable to domestic macro-economic conditions, funding and procurement related challenges, sluggish project implementation culture, as well as the slow pace in concluding some third-party financial arrangements as is the case with the NRZ re-capitalisation initiatives, which had a negative effect on overall economic performance.

120. In line with the fiscal consolidation measures and the thrust towards value for money, Government will upscale enforcement of best practices in the infrastructure space such as proper project planning, implementation, monitoring and evaluation, among others, ensuring outlays are sustainable and behaviour of players do not destabilise the market.

121. Government is also critically reviewing current private funding arrangements for some projects in order to ensure long term fiscal sustainability, whilst also considering new financing innovations such as refinancing and asset recycling which are expected to crowd in additional funding to the sector.

Information Communication and Technology

122. Despite the huge shift towards usage of ICT services during the past few years, investment in digital backbone infrastructure still lag behind, impacting negatively on access and affordability of services.

123. Going forward, the Budget will support policy interventions that facilitate new entrants and promote service competition, encourage mobile network operators' capitalisation efforts, upscale digital infrastructure provision in rural disadvantaged communities through the Universal Services Fund, as well as promote the use of digital tools within the economy.

124. Regarding the e-Government Programme, focus will be on standardisation of all Government websites in terms of design, content, availability, relevance and security whilst also promoting provision of E-Services in day-to-day conduct of Government business in order to improve the delivery of public services.

Transport

125. Government interventions, particularly in the road and aviation subsectors have sought to connect supply chains, ensuring speed and efficiency in the movement of goods and services within and outside the country's borders.

126. Through the Road Development Programme (RDP) and Emergency Road Rehabilitation Programme (ERRP 2), fiscal outlays have prioritised rehabilitation, upgrading and maintenance of the road network, in order to reduce the backlog of roads in need of maintenance.

127. Given the magnitude of requirements in the road sector, Government will explore sustainable Structured Finance Arrangements with the private sector that are sustainable and affordable to the economy.

128. The strong performance in passenger traffic and inbound air traffic bodes well for our tourism sector, as such investments improves access and broadens tourism products across the country. In this regard, the Budget will prioritize increasing the capacity of airports, complemented by measures to improve safety and compliance, in line with international standards.

129. The underperformance of the rail sector remains a cause for concern, impacting negatively on the economy in terms of transportation costs for businesses, especially bulk freight that damages roads. This requires a holistic approach, given the huge capital outlays required. The ongoing NRZ re-capitalisation programme, targeted at refurbishment and replacement of the track infrastructure, signaling, ICT and rolling stock will need to be upscaled in order to adequately service passenger and freight demands.

Water and Sanitation

130. The country has made progress in improving access to portable water and sanitation services, with 77.7% of the population having access to clean and safe drinking water and the national water capacity being increased by 26 000 mega litres.

131. The 2024 Budget will sustain these improvements by prioritising the completion of water bodies at advanced stage of implementation, including the associated water reticulation and conveyancing infrastructure under the integrated approach to water management.

132. Furthermore, focus will be on borehole rehabilitation and drilling, complemented by community-based management of WASH facilities and associated nutritional projects in line with the thrust to emancipate and empower livelihoods in rural areas.

Energy

133. Whilst completion of the Hwange 7 & 8 Expansion project has provided much needed relief to the economy, scaling up implementation of new and ongoing electricity generation projects remains critical in meeting the

growing demand of electricity from the economy, as ongoing investments in mining alone will require an estimated 2 500MW by 2025.

134. Policy measures and a supportive environment for increased clean energy investments by Independent Power Producers will be pursued, which includes allowing users of electricity to develop captive capacity to meet their requirements, including importation from the region directly or through third parties.

135. Government through the Rural Electrification Fund will continue promoting the use of renewable energy and intensification of the rural electrification programmes to schools, health centres, businesses, Government offices, and community projects such as irrigation schemes.

Housing Development

136. Growth of the sector has remained strong, sustained by both private and Government investments. However, regularisation of informal settlements such as Gimboki (Mutare), Cowdray Park (Bulawayo), Hatcliff Extension (Harare), Southlea Park (Harare) and Caledonia (Mashonaland East) as well as pilot projects for the smart city concept (Melfort, Chirundu and Figtree) have not progressed as planned due to non-bankability of the projects.

137. Accordingly, the 2024 Budget will introduce measures to speed up execution of the above interventions by addressing challenges impacting implementation, as well as scaling up engagement of players in the built environment.

138. As part of measures to scale up housing development projects, new housing delivery technologies will be promoted, including use of locally available materials which are cheaper and environmentally friendly to use.

139. Government's support towards institutional accommodation, Housing Loan Schemes and other supportive infrastructure services such as water, sewer and roads will ensure continued growth in the sector, allowing the NDS 1 targets for new housing units and new serviced stands to be met.

Youth, Sport, Arts and Culture

140. Interventions by Government have sought to harness the energies and entrepreneurial spirit of the youth for the development and progress of the country. Such measures include strengthening skills development systems that improve employability, access to productive economic activities and incomes for inclusive and sustainable growth for the country's youths.

141. Youth empowerment opportunities have been availed in the agriculture, tourism, mining, manufacturing and social services sectors as well as from national projects spearheaded by Government.

142. Capacity building initiatives have seen youths benefiting from targeted education, vocational and life skills training programmes, whilst the proportion of youths involved in decision-making increased from 3.3% in 2020 to 5.2% in 2022. These measures will be sustained during 2024.

143. Government will also prioritise citizen participation in sports and recreation activities through upscaling renovations of existing sporting facilities and construction of standard sports stadia capable of hosting international events.

144. Similarly, citizen participation in arts, culture and heritage programmes and activities will be enhanced through ensuring access to the necessary facilities, including construction of new facilities such as the Kanyemba Arts Cultural Centre and the Victoria Falls Arts Gallery.

145. Regarding the emerging challenge of drug and substance abuse, involvement of community leaders and family systems in awareness and mitigatory measures will be upscaled, complemented by interventions to plug the movement and proliferation of drugs in the country, including legislative measures to regulate their use.

Women, Gender Equity and SMEs

146. Implementation of the National Gender Policy has seen more women taking managerial posts, with Government adopting a policy to compel employment of women in senior level positions in Ministries, Departments and Agencies which will enhance gender inclusivity.

147. Participation of small and medium scale enterprises in the various productive sector value chains such as agro-processing, construction, retail and manufacturing, among others, has been critical in driving transformation of the economy.

148. Government will prioritise capitalisation of the Zimbabwe Women's Microfinance Bank, Empower Bank and the Small and Medium Enterprises Development Corporation (SMEDCO), whose thrust is to provide loans and capacitate women, the youth and small businesses participate effectively in the mainstream economy.

Devolution and Decentralisation

149. The devolution and decentralisation programme adopted by Government has enabled the State to respond faster and better to the local level demands for better and efficient service. Fiscal outlays through the Inter-Governmental Fiscal Transfers allocation have ensured local communities undertake locally driven impactful projects in critical social sectors.

150. Furthermore, each of the 10 provinces is being transformed into specialised economic zones and leveraging on local endowments, with Government capacitating local tiers in the planning processes.

151. The 2024 Budget will provide resources for the scaling up of locally driven projects that have transformed lives within communities, in the context of the 5% Constitutional provision. Furthermore, alignment of relevant legislation to the Constitution will be prioritised in order to propel the devolution and decentralisation agenda.

Human Capital Development, Well-Being and Innovation

152. The new focus on health, education and social services is premised on the need to develop the technical and creative skills necessary for higher productivity and production, as well as stimulate innovation and invention that facilitates production of local products able to compete effectively on the global stage.

153. The focus towards an innovation and knowledge driven economy has also seen Government prioritise development of a specialised and skilled workforce, improvement in access to quality and inclusive health and education services, technology transfer and usage for the industrialisation and modernisation of the economy, among other interventions.

154. These interventions will be sustained during 2024 in order to lay the foundations for inclusive growth and economic transformation.

Health

155. Government's robust and decisive response to emerging health epidemics such as COVID 19 and cholera through elevated preventive and curative measures saved lives and reduced their impacts on the economy and wellbeing of citizens.

156. Fiscal outlays will focus on building capacity for containment of future epidemics and other health related challenges through establishment of new facilities, upgrading of existing assets and equipment. Such interventions will be complemented by availability of drugs and other medicines across the value chain, improved sanitation and portable water coverage, staff training and retention and strengthening of emergency preparedness and response measures.

157. Interventions will also seek to increase local manufacture of critical medicines and commodities in partnership with the private sector.

Education

158. The transformation of the education system through Education 5.0 has resulted in the development of creative thinking, innovativeness and an entrepreneurial mindset which has seen a number of national impacting industrial solutions being produced, creating economic value from knowledge for the country's institutions of higher learning.

159. Upscaling these interventions and broadening the focus of such institutions to act as creators of employment through university linked start-ups will ensure the education system truly aligns to the national ambition of economic transformation through value addition and beneficiation of the country's natural endowment.

160. Budget outlays towards primary and secondary education will focus on improved access to quality, equitable and inclusive education, including uptake of STEM subjects and ICTs, in order to create the foundations for a knowledge driven economy.

Social Protection

161. Inclusive social protection programmes help in addressing inequalities within communities and promote more inclusive growth, ensuring vulnerable families cope and recover from the impact of exogenous shocks.

162. The Budget will ringfence resources towards social protection programmes such as social assistance, social care and support services, among other interventions.

163. The current social protection system will be reviewed and updated to enhance its cost effectiveness by improving coordination with development partners, ensuring timeous disbursements of budgeted resources, investing in ICTs as well as addressing emerging social concerns such as drug and substance abuse.

Effective Institution Building and Governance

164. Building strong institutions such as the Zimbabwe Anti-Corruption Commission, Auditor General, National Prosecuting Authority and Judicial Service Commission help build citizen's trust in Government, uphold social cohesion, ensure the fair and efficient use of resources and promote sustainable and equitable development.

165. In this regard, governance reforms which also target these institutions have been identified as central to the Arrears Clearance, Debt Relief and Restructuring Strategy being undertaken by Government.

166. The 2024 Budget will support the decentralisation of service for some of these institutions, introduce reforms and capacity building measures, covering procurement of requisite equipment, skills development and

recruitment of personnel, critical in enhancing public service delivery nearer to the populace.

Image Building, Engagement and Re-Engagement

167. Government's resolve to improve the country's image and international relations has seen various programmes and projects being implemented, including expansion of digital transmitters and base stations, establishment of community radio stations, signing of various International Treaties and Protocols, as well as Re-Engagement Meetings with Creditors and International Finance Institutions (IFIS) under the Arrears Clearance, Debt Relief and Restructuring Strategy.

Arrears Clearance and Debt Resolution Process

168. The country urgently requires access to external concessional financing sources to fund NDS1 national priority projects and programmes under NDS1.

169. The Structured Dialogue Platform on economic and governance reforms that underpin the Arrears Clearance, Debt Relief and Debt Resolution process, and championed by the President of the African Development Bank, Dr. Adesina, and supported by the Former President of the Republic of Mozambique, H. E. Chissano, as High-Level Facilitator provides an opportunity to progress on these critical issues.

170. Engagements involving Government, Development Partners, creditors, private sector, labour and Civil Society Organisations have focused on identifying reforms that will ensure sustainable debt resolution under the following three pillars:—

- Economic Reforms;

- Governance Reforms; and
- Land Tenure Reforms, Compensation of Former Farm Owners and the Resolution of Bilateral Investment Protection and Promotion Agreements (BIPPAs).

171. The Structured Dialogue Platform (SDP) meetings culminated in the development of respective Policy Reform Matrices, with indicators and targets being drawn from the NDS1 Results Framework. Government takes full ownership of the process and is committed to the full implementation of the reforms as outlined in the three Matrices.

172. Government has already commenced negotiations for an SMP with the International Monetary Fund which is expected to be concluded before year end. To cushion the vulnerable during the SMP implementation period, Government is seeking a 'wet' SMP, for which funding from development partners will cushion citizens from the costs of adjustment, focusing on social protection, education, health, agriculture/food security and climate change.

Development Partner Support

173. Multi-stakeholder engagements and dialogue are central in strengthening development cooperation. Thus, Government will strengthen dialogue with Development Partners through the already established dialogue platforms, and Sector Working Groups for effective coordination of development assistance.

174. Following the launch of the Development Management Information Systems (DEVPROMIS), both Government and Development Partners will strengthen coordination by capturing all development projects under implementation through the system.

CONCLUSION

175. The 2024 Budget Strategy Paper draws inspiration from His Excellency, the President's rallying call ***"nyika inovakwa nevene vayo/Ilizwe lakhiwa ngabanikazi balo"*** which exhorts the citizens to use local skills and resources to develop the country, "*brick by brick, stone by stone*".

176. Achieving this objective will provide further impetus to the reform and transformation agenda envisaged under NDS1, and provides the foundations for equitable and inclusive socio-economic development of the country.

Hon. Prof. M. Ncube
Minister of Finance and Economic Development
11 August 2023

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