



THE 2020 NATIONAL BUDGET SPEECH

'Gearing for Higher Productivity, Growth and Job Creation '

Presented to the Parliament of Zimbabwe

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By

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MOTION

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2020 Financial Year and to make Provisions for matters ancillary and incidental to this purpose.

INTRODUCTION

2. Mr Speaker Sir, allow me to start by thanking the President – His Excellency, E.D. Mnangagwa, and the Honourable Vice Presidents, Cde Kembo Mohadi and Cde Constantino Chiwenga, for their valuable leadership and guidance as we advance the necessary reforms geared towards achieving Vision 2030. The President's vision and political will has facilitated the implementation of a number of bold policy measures, under a challenging economic environment. This was clear from the State of the Nation Address by His Excellency on 1 October 2019.
3. Concurrently, I wish to appreciate the cooperation and contributions received from my colleagues, Honourable Ministers in Cabinet and look forward to their continued engagement as we implement this 2020 Budget.
4. Mr Speaker Sir, allow me to also express my indebtedness for the support I have received from this August House through its oversight functions. In particular, I have benefited immensely from the contributions of the Budget, Finance and Investment Portfolio Committee, Public Accounts Committee as well as other Portfolio Committees.
5. The recent engagement with all the Portfolio Committees of this August House during the 2020 Parliamentary Pre Budget Seminar, held in Victoria Falls over the period 31 October - 3 November 2019, facilitated very useful in-depth discussions and recommendations.

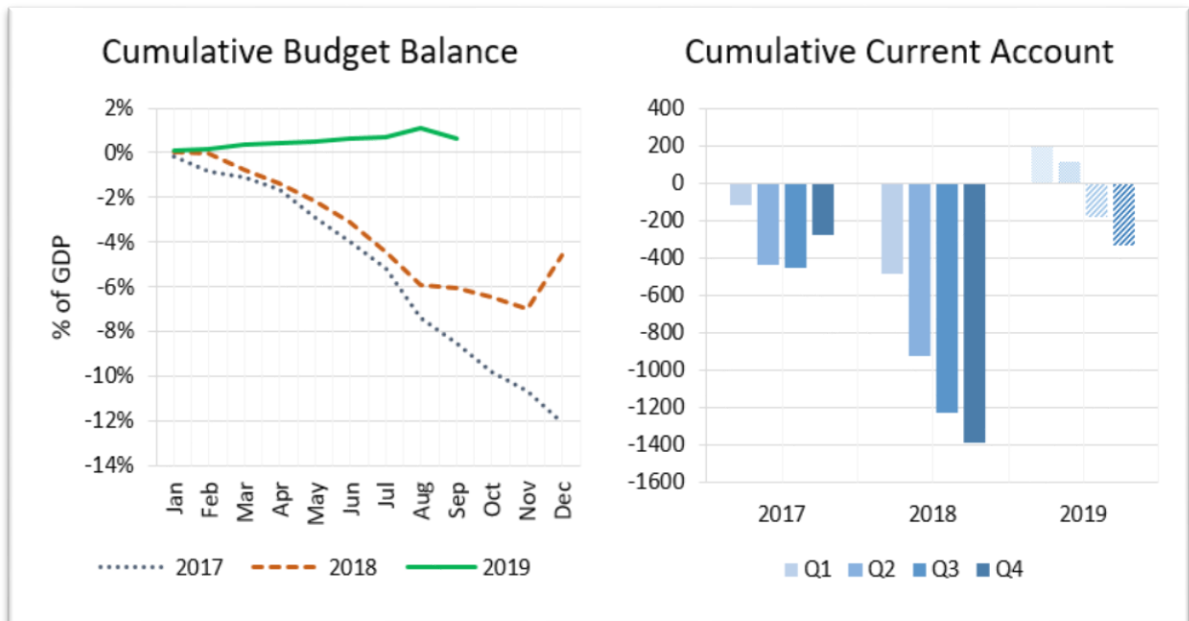
6. Recommendations from that seminar together with various other contributions by the citizenry – individuals, civic society, professional and business organisations, have been invaluable in forming the basis of the 2020 Budget, which is being supported by the following separate documents:
- *The 2020 National Budget Statement* with details on the economy, budget priorities and summarised allocations;
 - *2020 Infrastructure Investment Plan*;
 - *The 2020 National Budget Highlights*, which is a simplified and summarised version of the Budget. This is also referred as the Peoples' Budget.
 - *The Estimates of Expenditure* (Blue Book), with detailed expenditure allocations;
 - *Finance Bill*; and
 - *Appropriation Bill*.
7. Mr Speaker Sir, the theme of the 2020 National Budget is, therefore, '*Gearing for Higher Productivity, Growth and Job Creation*'.
8. Allow me now to contextualize the 2020 Budget by briefly highlighting economic developments during 2019 and expectations for the outlook period.

STATE OF THE ECONOMY

9. Mr Speaker Sir, the year 2019, started with good prospects, following the introduction of key macro-fiscal reforms aimed at stabilising and resuscitating the economy, in line with the Transitional Stabilisation Programme (TSP) objectives.
10. Allow me to share a quote from Orson Whitney (A famous religious leader): "*No pain that we suffer, no trial that we experience is wasted ..., it ministers to our education and development...*".

11. The reforms, which were centred on “Austerity for Prosperity” were in no way a retribution, especially in view of the fact that our public finances were not balancing, following years of unsustainable fiscal deficits. To correct that, the New Dispensation had to put aside the notion of short cuts, magic solutions, and loose funding, by strengthening fiscal discipline and tightening monetary policy, in order to start rebuilding the economy.
12. This primarily entailed switching priorities from unproductive fiscal operations to sound and responsible fiscal spending, which placed the fiscus on the right path.
13. And indeed, during the course of the year, specific millstones were made, particularly in sanitising public finances, implementation of structural reforms, infrastructure rehabilitation, social services delivery, among other achievements.
14. With regards to the fiscus, implementation of fiscal consolidation reforms saw consistent monthly budget surpluses or savings reaching ZWL\$1.4 billion between January and August 2019. Similarly, the current account managed to deliver a positive balance of US\$116.4 million during the first half of the year, which all pointed to positive signs for restoring the much needed macro-fiscal stability, and elimination of the ‘twin deficit’. **Refer to Slide 1**

Twin Fiscal and Current Account Balances



Note: Current Account figures for Q1 and Q2 of 2019 are estimates, those for Q3 and Q4 of 2019 are projections.

15. In complementing fiscal consolidation, tight monetary policy was restored, following the reintroduction of the local currency, and the ensuing reestablishment of a liberalised foreign exchange market, which, is however, in its infancy and requires strengthening. **Refer to Slide 2**

16. On the structural side, milestones were recorded in advancing the *ease of doing* business reforms, culminating in Zimbabwe’s ranking improving by 16 points from 156 to 140¹. **Refer to Slide 3**

17. Furthermore, notwithstanding the difficult macroeconomic environment characterised by escalating costs associated with exchange rate shocks, progress was also made in the area of infrastructure development.

18. Through ring-fencing resources, various infrastructure projects in the sectors of health, education, water and roads, as well as rural electrification were either

¹ World Bank 2020 Report

completed or are at advanced execution stages to allow delivery in the short-term.

19. In addition, complementary loan financing enabled implementation of a number of key infrastructure projects such as the Hwange 7 & 8 expansion project, the New Parliament Building and the R.G International Airport. The implementation of the projects is on course.
20. To mitigate the hardships arising from external shocks of the drought Cyclone Idai, domestic resources were mobilised for various humanitarian needs and social protection requirements, which were also supported by development partners. I would like to sincerely thank our development partners for their continued humanitarian support.

Challenges

21. Unfortunately, the 2019 Budget faced a very difficult economic environment which was aggravated by a severe 2018/19 drought which caused food insecurity and depressed electricity generation, with negative spill-over effects to the rest of other sectors of the economy. **Refer to Slide 4**
22. A humanitarian crisis also descended on the country due to Cyclone Idai, which caused significant loss of lives and left about 270,000 people in urgent need of humanitarian assistance, besides causing widespread property and infrastructure destruction.
23. Furthermore, a complex macroeconomic environment marked with acute foreign currency shortages amid limited international financial support, market distortions and rising inflation further imposed immense pressure on the economy.

24. These challenges reversed some of the stabilisation gains we had made and put off track both the Transitional Stabilisation and the Staff Monitored Programmes.
25. Consequently, the economy was left in a weak position during the better part of the year, with growth projected at -6.5% in 2019. **Refer to slide 5**
26. Inflationary pressures also arose from the depreciating exchange rate of the local currency against the US\$. This was further fuelled by adverse market expectations during the second half of the year. **Refer to Slide 6**
27. However, economic recovery of up to 3% is projected in 2020, primarily premised on the following key assumptions:
 - Expected better rainfall season supported by increased support towards rehabilitation and development of irrigation infrastructure to sustain agriculture activities. Better planning for increased agricultural production will also be crucial for food security and foreign currency generation;
 - Improved macroeconomic stability through continued fiscal and monetary discipline, as well as a substantial improvement in the balance of payments following;
 - Improved electricity supply through imports and other alternative sources of energy. These include harnessing of emergency power generation capacity from Independent Power Projects;
 - Extension of supportive tax and non-tax incentives to stimulate domestic production;
 - Advancing implementation of the ongoing ease of doing business reforms to improve the investment environment; and
 - Increased investments by both Government and the private sector.
28. Similarly, monthly inflation is expected to fall to single digit from the first quarter of 2020 to close the year around 2% on the back of commitment by the RBZ to

implement tight reserve money targeting framework as announced in the second 2019 Monetary Policy Statement.

The 2020 Budget Objectives and Thrust

29. Mr. Speaker Sir, the 2020 National Budget marks the exit from *austerity* to growth stimulation and employment generation era through promotion of production oriented investment and productivity, without losing focus on fiscal responsibility. **Refer to Slide 7**

30. The 2020 Budget prioritises the following areas:
 - Productivity and growth;
 - Jobs creation;
 - Competitiveness;
 - Promotion of more sustainable and inclusive development; and
 - Export diversification and import substitution.

31. The growth and productivity thrust will be supported by the reengagement process with the International Community which will enable us to meet our Budget objectives.

THE 2020 MACRO-FISCAL FRAMEWORK

32. Informed by the above economic developments and outlook, revenue collections for 2020 are estimated at ZWL\$58.6 billion.

33. In order to avoid the undesirable impact of deficits on money supply and macroeconomic stability, the 2020 Macro Fiscal Framework espouses a low budget deficit of around 1.5% of GDP implying expenditures of ZWL\$63.6 billion, excluding retentions. **Refer to slide 8**

Retention Funds

34. In 2020, retention funds are projected at ZWL\$2.1 billion.
35. Members will recall that with effect from 2018 retentions were subjected to Parliamentary appropriation process to enhance transparency and accountability.
36. The thrust was to ensure that, while the income remained earmarked to address specific objectives specified in each Fund's constitution, the expenditure estimates were subjected to scrutiny by both the Treasury and Parliament with respect to prioritisation.
37. To enhance retention funds accountability and transparency and to comply with best practices, Retention Funds are will be expected to wound up in 2020, and be part of Consolidated Revenue Fund to Treasury beginning Fiscal Year 2021.
38. Ministries and departments are therefore being directed to proceed to ensure that procedures to wind up retention funds are implemented by 31 December 2020.
39. I also propose to wind up all retention funds with effect from 31 December 2020 with their income streams being redirected to the Consolidated Revenue Fund with effect from January 2021.

Statutory Funds

40. Statutory Funds are projected at ZWL\$2.6 billion during the 2020 budget year. These funds are constituted pursuant to the provisions of specific Acts of Parliament that stipulate their respective mandates in line with its obligation to exercise a general direction and control over public resources.

Fiscal Policy

41. The main fiscal policy objective in 2020 is, therefore, directed at managing expenditure within the allocated supported by non-inflationary financing and complemented by a tight monetary policy framework. **Refer to slide 9**
42. Strict adherence to the procedures laid out in the Public Finance Management Act [Chapter 22:19], including the issuance of warrants by the Accountant General prior to any spending commitment made by an accounting officer will also be strictly enforced. Rule of law will be the order of the day under my watch.
43. For the success of the 2020 Budget, the following specific risks will receive amplified mitigation attention:

Spending Outside Budget

44. In 2019, spending outside the Budget and macro-economic shocks disrupted the attainment of some of the TSP targets. Refraining from unbudgeted operations and borrowing from the Central Bank will, therefore, constitute a key obligation for both Treasury and the Central Bank Authorities.

Wage Pressures

45. The prevailing inflationary environment has eroded incomes for all most workers. Wage compression has affected aggregate demand with its negative effect on the GDP. Government is committed to ensuring a decent standard of living for its public servants, and will take into account inflationary developments in the ongoing (COLA) wage negotiations.

2019 Bonuses

46. Treasury has made arrangements to pay all civil servants their bonuses in November 2019.

47. The bonuses are based on a formula that is inclusive of transport and housing allowances, which is a once off variation to current policy, which base these payments to basic salary only. This was designed to bring relief to public servants in light of the erosion of disposable incomes under the current high inflationary environment.

Public Services Pension Fund

48. Mr Speaker Sir, the 2019 Budget availed ZWL\$70.4 million as seed money for the establishment of the Public Service Pension Fund to facilitate movement from the Pay As You Go to a Defined Contribution Plan. A further ZWL\$289.5 million is proposed in the 2020 Budget towards the initiative.
49. Once set up, Government will identify assets that will be tied to the scheme as a way of further enhancing its balance sheet.

Subsidies and other Market Distortions

50. Market distortions associated with subsidies present an additional risk to macroeconomic and fiscal stability. In particular, subsidies on fuel, electricity and agriculture have, in the past, led to large and often unpredictable expenses.
51. Where subsidies are deemed essential and can be financed, these will need to be clearly targeted and reflected in the Budget with adequate budgetary provisions.
52. To ensure effective implementation of the proposed subsidy policy, additional measures will be taken to tighten eligibility to subsidised goods and services so that only those who are eligible can benefit.

Fuel and Electricity Pricing

53. Government has already instituted new pricing frameworks for fuel and electricity that adequately reflect costs, including those resulting from changes in import prices and exchange rate fluctuations.
54. The pricing framework for fuel also ensures that pump prices remain comparable to those charged in neighbouring countries, so as to remove arbitrage opportunities arising from illicit fuel exports.

New Grain Subsidy Model

55. The current subsidy policy whereby Government fund the procurement of grain at market price and sell this to registered grain millers at subsidised price, has been open to abuse and placed a huge burden on the fiscus. At times the intended beneficiaries do not enjoy the benefits of the subsidy from Government. Thus cost reflective tariff structure also serve the purpose of reshaping demand patterns in the effective and efficient use of scarce resources in the economy.
56. To address these distortions, Government, will, with effect from January 2020 remove the existing grain marketing subsidies for maize and wheat, that were being provided to Grain Millers through the Grain Marketing Board. The intervention will see GMB selling wheat and maize at market prices, with Grain Millers having an option to either import or purchase grain from GMB. This means the prices of basic commodities such as bread and mealie meal may adjust.
57. In order, to protect vulnerable groups of our society, Government will extend targeted subsidies on the production of roller meal, cooking oil and the standard loaf of bread.
58. A reimbursement system will be implemented in order to extend the subsidy to the producers of roller meal, cooking oil and standard bread through tax set off arrangements where possible and voucher schemes.

Public Transport System

59. To cushion the commuting public against the rising cost of transport, Government will continue to subsidise mass transport system as well as capacitate ZUPCO to provide an efficient public transport system. In this regard ZUPCO will be facilitated to purchase more reliable conventional buses.

Single Exchange Rate

60. In order to further remove unbudgeted subsidies, as well as avoid their resurgence, Government will apply a single exchange rate regime throughout all sectors of the economy to avoid implicit subsidies arising from preferential allocation of foreign exchange at below-market exchange rates, as it was previously the case for fuel imports and other prioritised goods.

Financing Modalities for Agriculture

61. In line with our smart agriculture thrust which seeks to promote productivity and sustainable financing, Government reiterates the policy position of financing commercial agriculture, including Command from being Government-led to bank-led, with Government providing guarantees to banks.
62. In the same vein, resolution of the bankability of the 99 Year Leases will gradually remove the necessity of the Government guarantees and boost productivity in agriculture.
63. Going forward, direct financing support by Government will be targeted at vulnerable households under the Social Protection Programmes.

SUPPLY SIDE INTERVENTIONS

64. Over a long period of time, the economy has endured under investment, virtually in almost all sectors. The bigger portion of National Budget resources were primarily directed to current budget expenditures, that way undermining all infrastructure and other developmental programmes, which ironically supports both stabilisation and growth objectives.
65. The 2020 Budget, therefore prioritises enhancing productivity for growth that creates better jobs and ensuring equity and inclusivity.

ENHANCING PRODUCTIVITY FOR GROWTH

66. The stabilisation reforms which started in the last quarter of 2018 lay a firm foundation for enhancing productivity for sustainable inclusive economic growth. The thrust for 2020 is centred on ramping up productivity in the agriculture, manufacturing, mining and services sectors to create jobs and reduce imports.

Agriculture

67. Embracing Climate Smart Agriculture (CSA) will improve prospects for agriculture sector, which is projected to grow by at least 5% in 2020. This growth is attributable also attributed to a better rainfall during the 2019/2020 season, supported by timely disbursements of inputs. **Refer to slide 10**
68. In line with this thrust, emphasis will be on better planning, shared financing burden between Government and private players, productivity which also relies on irrigation and marketing systems which guarantee farmer viability.

Better Planning

69. The 2020 Budget makes a turning shift from ad-hoc planning to more forward planning, particularly in terms of availability of inputs on the market. Therefore, The Budget, therefore will ensure starting in January 2020 establish an

appropriate financing plan which ensures early build up and ring-fencing of both local currency resources and foreign exchange in support of domestic inputs producers and importation of inputs.

70. This resolves the challenge of agriculture demands competing with other programmes for both domestic and forex resources during the last quarter of the year, which apparently coincides with the start of summer cropping season.
71. Accordingly, for capacitation of the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement, I am allocating ZWL\$1.9 billion for its prioritised programmes. **Refer to slide 11**

Programme	Allocation (ZWL\$ million)
Irrigation	422.7
Veterinary	521.8
Farmer Compensation	380.0
Agricultural Education and Extension Services	340.1
Crop and Livestock Research and Technology	176.6
Land Survey and Mapping	63.5

Dealing with Climatic Shocks

72. Over the years, Zimbabwe has been experiencing severe droughts at a rate of 1 in ten years and mild droughts of 1 in 3 years. Given that the economy is highly dependent on rain fed agriculture there is an urgent need to drought proofing the sector. See table below. **Refer to slide 12**

GDP Growth (%)



73. There are greater chances that 2019/2020 season will be another bad season. Such developments, if they materialize, may escalate Government expenditures on grain importation, infrastructure rehabilitation and disease control. **Refer to slide 13**

74. Government is, therefore creating a fiscal buffer to the tune of ZWL\$165 million to cater for drought shocks, as well as strengthening the early warning systems. Other, drought proofing measures such as investment in irrigation infrastructure, dam construction and desalination as well as research and extension services, adoption of drought resistant varieties (traditional grains) will be put in place during the 2020 agricultural season.

Extension Services

75. The 2020 Budget allocates ZWL\$281.5 towards agricultural extension and advisory services to facilitate dissemination of agricultural information, new technologies and improved agricultural practises.

Irrigation and Food Security

76. Under the 2020 Budget, irrigation development is receiving top priority in order to guarantee food security in the country. Government will, therefore, target irrigable hectrage to guarantee grain production of around 1.8 million tonnes.

For this purpose, capable farmers with irrigation facilities will be identified with a view of contracting and supporting them to produce required grains specifically for food security. **Refer to slide 14**

77. Similarly, the 200 ha per district irrigation programme will be supported, taking advantage of Smart Agriculture, which promotes solar irrigation systems.
78. For the total irrigation programme, the Budget provides ZWL\$422.8 million.

Compensation of Former Commercial Farmers

79. Government is concluding the evaluation exercise to facilitate the compensation of former commercial farmers. To date, approximately 769 former farm owners consented to the interim payment scheme, with over 500 farmers having been paid.
80. In 2019, a total of ZWL\$68 million was availed towards former farm owners and the 2020 Budget is also setting aside ZWL\$380 million for interim compensation in line with Constitution and BIPPAs, targeting vulnerable and elderly.
81. In addition, consultations with the International Financial Institutions and other stakeholders on sustainable options for mobilizing the requisite compensation resources are being expeditiously explored.

Mining

82. Mr Speaker Sir, realisation of the US\$12 billion mining industry target by 2023 will be advanced through the 2020 Budget. The sector is projected to rebound to 4.7% on account of the expected improvements in the availability of electricity.

83. With regards to gold mining, Government is aware of challenges related to ring-fencing arrangements, retentions, gold deliveries to Fidelity Printers, among others, and these are receiving serious attention.
84. Going forward, investment agreements in platinum, gold and chrome among others which have been concluded, are expected to boost output in the sector.
85. Furthermore, in 2020, the fiscal regime for the mining sector will be fine-tuned and improved, while the Ministry of Mines and Mineral Development will be resourced to enhance exploration which is critical for expansion in the sector. This will allow the Ministry to acquire the relevant equipment such as computers, among others.
86. Minerals Marketing Corporation of Zimbabwe will be supported through a credit guarantee scheme to provide funding and support to non-gold sector.
87. According, I am allocating ZWL\$293.2 million to the Ministry of Mines and Mining Development for its capacitation in terms of planning, promotion of exploration, data capturing and automation, among others.

Curbing Mineral Leakages

88. Mineral exports remain the major sources of foreign currency, especially gold. However, leakages have been on the rise, depriving the country of foreign currency earnings.
89. Government is, therefore, reviewing and tightening the Gold Trade Act, and capacitating the Gold Mobilisation Unit.

Industry

90. Implementation of the Zimbabwe National Industrial Development Policy and the Local Content Strategy will increase capacity utilisation, strengthen industrial value chains, job creation and export-led industrialisation. **Refer to slide 15**
91. The 2020 Budget is, therefore, advancing Industrialisation thrust through actualising value chains and implementing the Local Content Strategy, initially targeting support to the following sub-sectors:
- Pharmaceuticals;
 - Tyre production;
 - Hides/leather processing; and
 - Steel production.
92. Treasury will capitalise the Industrial Development Corporation (IDC) by ZWL\$240 million to enable it undertake its mandate effectively. IDC will focus on promotion of research and development to increase productivity, diversification and broadening product range and creating opportunities for job creation.
93. Treasury will also, provide a guarantee scheme for companies to access capital from financial institutions for retooling purposes.
94. Overall, the Ministry of Industry and Commerce is allocated ZWL\$368.0 million.

Development of Rural Growth Poles

95. The Devolution programme should embrace the Rural Growth Poles development model anchored by cascading Special Economic Zones to the respective growth poles. Growth Poles will be considered on the basis of comparative advantage of the area.
96. Local authorities have, therefore, a greater role to play in promoting this model through developing the necessary infrastructure and investment mobilisation

initiatives. Emphasis will be on ensuring that targeted Growth Poles have the necessary basic infrastructure of portable water and sanitation.

97. The Central Government on its part will provide requisite fiscal incentives.

Tourism

98. Tourism is recognised as one of the pillars anchoring the country's economic growth. The sector has continued on a positive trajectory path as evidenced by tourist arrivals that grew from 1.8 million in 2013, to 2.5 million in 2018. It is expected that tourist arrivals will marginally increase to 2.7 million in 2019, irrespective of the prevailing macroeconomic environment.
99. In order for the sector to achieve its set priorities, the 2020 Budget is allocating ZWL\$291 million to the Ministry of Environment, Climate Change Tourism and Hospitality Industry.

Renewal of Fiscal Incentives

100. Government provided some duty dispensations for tourist sector equipment such as luxury buses, which have assisted the sector by providing an investment window to aid the recovery of the sector.
101. The respective facilitative Statutory Instruments have a one to two year lifespan and hence most will expire at the end of the year. This issue is receiving due consideration under revenue measures.

Construction and Housing

102. The National Housing Delivery Programme seeks to address the country's housing backlog, estimated to be around 1.3 million within the context of urban renewal/regeneration. This involves the modernisation of old or dilapidated

superstructures and the attendant infrastructural services such as sewer and water.

103. This Programme has also immense opportunities for creating jobs and value addition and I am, therefore, providing ZWL\$2.68 million.
104. Government has approved the concept of the New City being constructed on 18 000 hectares of land in Mt Hampden with the New Parliament Building as the catalyst. A modern Conference Centre will be budgeted under the 2020 National Budget.
105. While Government will support in terms infrastructure, the private sector is being invited to invest in new technologies such as fibre networks, solar biogas, as well as buildings infrastructure through Public Private Partnerships (PPPs).

JOB CREATION AND ENTREPRENEURSHIP

106. The youth are making an important contribution to economies as productive workers, entrepreneurs, consumers, citizens, members of society and agents of change. Taking advantage of this demographic dividend can also speed up the pace for inclusive economic development.
107. In most cases, the full potential of young people is not realized owing to lack of access to productive and decent jobs.

Youth Employment Tax Incentive (YETI)

108. Under the 2020 Budget, a fiscal incentive is being introduced to support employers who generate jobs for our young job seekers. Any additional job created will attract a percentage tax rebate to the employer, linked to the employee's salary.

109. This measure will reduce the employers cost of hiring young people through a cost-sharing mechanism with Government.
110. To operationalise YETI, the Ministry of Finance and Economic Development will work closely with ZIMRA, Ministry of Justice, Ministry of Labour, EMCOZ and other relevant organisations to work out the respective legal and administrative framework.

National Venture Capital Fund

111. In order to increase economic opportunities and participation by Zimbabwean Youth in national development, the National Venture Capital Fund will be capitalised in both local and foreign currency, to incorporate the financing of start-up projects of our youth with preference being given to targeted areas in the context of the Local Content Strategy.
112. Treasury, through the 2020 Budget is committing ZWL\$500 million for this Fund.
113. The Fund will provide affordable loans to young entrepreneurs including those engaged in production, that way encouraging them to be job creators and not job seekers.
114. This marks the Launch of the 'Presidential Youth Entrepreneurship Programme' to drive entrepreneurship among the Youth.

Employment Intensive Investments

115. Investment in infrastructure development plays an important part in job creation. Job opportunities will be created through investments in roads, water, energy, construction, ICT and social sectors infrastructure. It is with this view in mind I have allocated ZWL\$2.6 billion for infrastructure development under this Budget.

116. Specific flagship labour intensive programmes being supported by this Budget include:

- Roads rehabilitation programme, ZWL\$1.2 billion;
- Dam Construction, ZWL\$1.4 billion;

117. The above Budgetary provision is being complemented by loan financing, development partners and private sector investment initiatives.

Women, Youth, Empowerment and MSMEs

118. Government will continue to play its role in capitalizing various institutions which support women, youth and medium & small scale enterprises (MSMEs) besides facilitating access to markets, workspace, trade promotion and capacity building, among other critical support. **Refer to slide 16**

119. In 2020, the Budget provides for capitalisation of the following institutions, which support various MSMEs projects: **Refer to slide 17**

- Women Development Fund, ZWL\$20 million;
- Community Development Fund, ZWL\$15 million;
- Zimbabwe Women Microfinance Bank, ZWL\$100 million;
- SMEDCO; ZWL\$90 million; and
- Empowerbank, ZWL\$50 million.

120. Specific allocations in support of projects and programmes aimed at empowering women, including the completion of refurbishment of training centers-Jamaica Inn and Rodger Howman, and the construction of safe houses in all provinces in 2020.

Protecting Intellectual Property Rights

121. Innovation, which is integral for growth and better job creation is lacking protection and hence suppressed in its infancy. A number of SMEs, artists and other entrepreneurship initiatives collapse owing to unfair practices where other organisations take advantage of inventors work and make duplications. This is despite the inventors having invested a considerable amount of money and time in developing innovative products.
122. Therefore, Government through this Budget is strengthening intellectual property rights through capacitating the respective institutions mandated to protect patent innovative products including trademarks and copyrights. This gives exclusive rights, commercialize the invention enabling SME to obtain higher returns on their investments.

EQUITABLE AND INCLUSIVE DEVELOPMENT

123. *"The only true and sustainable prosperity is shared prosperity", so said Joseph E. Stiglitz, - Nobel Prize Winner in Economics.*
124. The 2020 National Budget is people centred and therefore, first and foremost prioritises promoting equitable development through appropriate investments particularly in infrastructure development, and social services delivery. The devolution model of development is also embraced through appropriate allocations in line with the Constitution.

Infrastructure

125. Infrastructure investments, play a key role in enhancing competitiveness including growth. Underfunded and neglected infrastructure services results in the economy performing in a highly inefficient manner, and the widespread disruptions to electricity and other services only adds costs to business operations and increases the burden to the public.

The 2020 Infrastructure Priority Plan

126. In this regard, the 2020 Infrastructure Investment Plan provides a roadmap towards infrastructure recovery, ensuring public assets are restored to full working condition, including addressing the apparent high costs of service provision which currently present binding constraints to sustained inclusive economic growth.
127. The 2020 priority list is a culmination of engagements and consultation stakeholders with various stakeholders, including Ministry Departments and Agencies and Parliamentary Portfolio Committees. The priority list projects included in the 2020 Infrastructure Investment Plan.
128. Funding of the infrastructure projects will include resources from the Budget and private sources under PPPs, as well as long term concessional loans. **Refer to Slide 18**

Infrastructure Sources of Funding

	ZWL\$ billion
Budget	12.1
Loans	8.8
Development Partners	2.0
Pubic Entities Own Resources	1.0
Statutory Funds	0.7

129. Consistent with the prioritization framework of the 2020 Infrastructure Investment Plan, the following allocations are proposed: **Refer to Slide 19**

Infrastructure Priority Allocations

Sector	Amount ZWL\$ billion
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Transport	4.5
Energy	8.9
Water and Sanitation	2.5
Agriculture Infrastructure	0.9
ICT	1.2
Housing	2.68
Health	2.0
Education	1.9

Electricity Supply

130. The 2020 Budget seeks to alleviate power supply constraints through the following strategies:

- Rehabilitation and expansion of Hwange Thermal Power Station; ZWL\$8.4 billion
- Supporting alternative sources of energy such as solar power projects through various fiscal incentives relating to importation of equipment and respective accessories. 20 IPP solar projects are already lined up for implementation.

131. While ZESA will raise the local resource component through cost recovery tariff model, Government through the RBZ will assist to mobilise the requisite foreign currency from the market.

Rural Electrification

132. The Rural Energy Master Plan (REMP) aims at broadening modern energy access through the development of Grid Connected Solar and mini hydropower plants, installation of Solar Photovoltaic (PV) microgrids, Solar Home Systems (SHS), Solar Water Pumping Systems and Biogas Digester Plants.

133. Furthermore, the Rural Electrification Fund will invest in extending the grid to sites identified in the Rural Energy Master Plan (REMP) in order to increase the rural electrification rate which currently stands at 13%. This will also include Rural Growth Poles.

134. This Budget provides ZWL\$142 million for this important development programme, seeking to improve the livelihoods of our rural population.

Devolution and Transfers to Local Authorities

135. The path taken of devolving powers and resources from central Government to Provincial Councils and Local Authorities recognizes the right of communities to manage their own affairs, drive development at the subnational level, and ensures other tiers of Government do not rely on the goodwill of the Central Government for resources.

136. With the additional resources at their disposal, Provincial Councils and Local Authorities now need to be more responsive to the needs of their constituencies as well as provide services to all people in a sustainable and inclusive manner.

137. With regards to the 2020 financial year, an appropriate allocation equivalent to the 5% (ZWL\$2.93 billion) statutory requirement for Provincial Councils and Local Authorities will be distributed to the lower tiers of government, in line with the agreed formula, targeting projects that have already been identified by Local Authorities.

Information Communication Technology/Digital Economy

138. The rapid development and adoption of ICTs has been transforming every sector of the Zimbabwean economy. The Second Quarter of 2019 show a high active Mobile Penetration Rate of 84.8%, a high Internet Penetration Rate of 57.2%, and a static Fixed Tele-density of 1.9%.

139. To systematically exploit the potential of ICTs for national development and transformation, the Government of Zimbabwe is developing the Smart Zimbabwe 2030 Master Plan, which is an all-inclusive guideline that clearly articulates how the country will develop, deploy and manage ICTs across all sectors.
140. The Smart Zimbabwe 2030 Master Plan and Implementation Strategy, will be part of the National Infrastructure Master Plan.

National E-Government Programme

141. Government is rolling out the National E-Government Programme in order to simplify communication between citizens and Government, and the creation of an effective system for Government Departments to interact with each other. This also enables citizens to gain quicker access to Government services and hence greater user satisfaction, and substantial monetary savings.
142. In this regard, the 2020 Budget has made a provision of ZWL\$341.7 million for the above ICT programmes.

Water Supply and Sanitation

143. The strategic focus for the WASH sector during 2020 is to restore basic water and sanitation services through maintenance, rehabilitation and upgrade of infrastructure, harnessing of water through construction of dams, weirs, borehole rehabilitation and drilling, and water and sanitation in our urban areas.

Refer to Slide 20

144. Accordingly, the following projects have been prioritised in the 2020 Budget;

Project	Allocation ZWL\$million
Gwayi shangani dam	400
Causeway dam	128
Chivhu dam	192
Kunzwi dam	259
Semwa dam	216
Other dams	205
Water supply schemes	113
Local authorities water and sanitation	311

Transport

145. The Road Development Programme, which commenced in 2018, will be sustained during 2020 with resources being set aside for the Programme, targeting the following:-**Refer to Slide 21**

- Dualisation and upgrading of the Harare-Beitbridge Road, ZWL1 billion;
- Ongoing upgrading works on trunk roads, ZWL1.2 billion;
- Rehabilitation and maintenance of rural feeder roads through DDF, ZWL120 million; and
- Local Authority roads, funded through ZINARA, ZWL510.8 million.

146. The above excludes resources being channelled to Local Authorities through the Inter-Governmental Fiscal Transfers, for roads infrastructure development.

Urban Mass Transport System

147. A comprehensive Public Transport Policy Framework is required, along with a transparent partnership between Central & Local Government and the private sector. **Refer to Slide 22**

148. Government has since introduced the Urban Mass Transport System, initially targeted at urban areas, which has also been extended to other parts of the country. Government will deepen and fine tune the system in order to bring sanity to the sector, and meanwhile allocates ZWL\$540 million as a subsidy to this public policy programme.

Social Services

149. Social services are integral for equitable development. Government will pay more attention to efficient and timely utilisation of resources allocated for social sector services including reducing any bottle necks being encountered.

Health

150. Government has made positive gains on some of its healthcare indicators over the recent past. For example, under 5 mortality has fallen from 98 per 1000 live births in 2008, to 56 in 2016. Other areas relate:

- Improvements in immunisation with both DPT (Diphtheria, Pertussis, and Tetanus) and measles reaching 90% and 95% respectively; and
- HIV incidence has fallen from 1 to 0.48, while Prevention of Mother to Child Transmission of HIV (PMTCT), rate has fallen from above 30 to 5.7, among other achievements.

151. Such achievements have empowered the Government to lobby for additional support from various bilateral and multilateral sources such as the Global Fund.

152. To consolidate our achievements in health care, I am allocating ZWL\$6.5 billion to the sector. This will cater for health infrastructure, personnel welfare, medicines, drugs, and sundries, among other essential hospital equipment and necessities. **Refer to Slide 23**

Education

153. Ensuring inclusive and equitable quality education and the promotion of lifelong learning opportunities for all students remains the country's top priority in the education sector as Government commits to leave no child behind.
154. Similarly, the energy for change, innovation and creativity and ultimate inclusive economic growth needs investments in human capital base.
155. Government will, therefore, continue to focus on creating a highly developed human capital in primary, secondary and tertiary education, and has accordingly allocated ZWL\$8.5 billion for Ministry of Primary and Secondary Education and ZWL\$2.2 billion for Higher and Tertiary Education, Science and Technology Development for their various programmes.

Innovation Hubs

156. Under the 2020 Budget, the major focus will be on completing the setting and equipping up of the first six innovation hubs and operationalizing them to ensure existing innovations in the different universities are developed into prototypes that will be industrialized at the industrial parks. Resources will be allocated to stimulate and support innovation and industrialization.
157. A graduate internship programme designed to equip graduates with entrepreneurial skills and business experience to enable them to become productive and play a key role in national development will be initiated.

Apprenticeship

158. The apprenticeship program, initiated last year with 1000 new apprentices being recruited will see another cohort of 1000 apprentice being recruited by the beginning of next year.

Support for School Children Sanitary Wear

159. This Budget responds comprehensively to the plight of the girl child in enhancing their dignity. In anticipation of the finalisation of the Education Act, the Budget is required to have a provision for the supply of sanitary wear for female learners.
160. Based on equity consideration, the proposal is to begin with rural primary and secondary learners from Grade 4 to Upper sixth form and a provision of ZWL\$200 million has been made under this Budget.

Social Protection

161. The 2020 Budget is being formulated at a time when Government is seeking to respond positively to the increasing poverty and food insecurity situation across the country, and as the Government implements structural reforms under the Transitional Stabilization Programme (TSP). Climate changes continue to impact negatively on food security.
162. Government is cognisant of the need to scale up social protection interventions in the wake of increased vulnerabilities among citizens. It is encouraging that development partners remain committed to complement Government efforts.

Refer to Slide 24

163. To strengthen social protection programmes, the 2020 Budget will support the following:

Programme	Allocation ZWL\$ (million)
Food for Work and Income Generating Projects	50
Harmonised Social Cash Transfer	500
Basic Education Assistance Module	450

Management Information System	10
Decent Work Country Programme	300
Food deficit mitigation	1 020

164. Overall, the Ministry of Public Service, Labour and Social Welfare is allocated ZWL\$2.4 billion.

Development Partner Support

165. Implementation of Government development programmes continues to benefit from support provided by Development Partners.

166. This has gone a long way in improving livelihoods as well as ensuring that no one is left behind, especially in the aftermath of the devastating effects of Cyclone Idai and the drought experienced during the 2018/19 cropping season.

167. Cumulative disbursements by Development Partners to end September 2019 amounted to US\$331.2 million, of which US\$194.1 million was from Bilateral Partners and US\$137.1 million was from Multilateral Partners. **Refer to Slide 25**

168. Cumulative support from Development Partners to end December 2019 is projected at US\$610.4 million, with Bilateral Partners contributing US\$449.1 million and Multilateral Partners US\$161.3 million.

169. In 2020, Development Partners support is projected at US\$677.6 million, with Bilateral Partners contributing US\$506.7 million and Multilateral Partners US\$170.9 million.

170. Government reiterates that *free funds* from international organisation, non-governmental organisation, Missions and Embassies may be used through Nostro FCA transfers for their operations, including settlement of local contracts.

171. In the spirit of partnership, Government is taking a pro-active role to address concerns our partners and many other stakeholders continue to raise over cost of corruption, transparency and accountability, security of tenure and investment climate/framework in mining.

COMPETITIVENESS

172. The thrust of creating a conducive environment for attracting investment, will be advanced in 2020 paying attention to the following KEY competitiveness elements.

Ease of Doing Business

173. With the thrust of creating a conducive environment for attracting investment, Government has embarked on the second round of ease of doing business reforms, targeting 16 areas including improvements in paying taxes, obtaining construction permits, starting a business, ease of doing transport business, clearance of imports and exports among other areas.

Zimbabwe Investment and Development Agency

174. Government has been working to operationalize the one stop shop investment centre to reduce the bureaucratic process of registering, licencing, and facilitating investments and operations of companies. This is culminating in the establishment of a consolidated Zimbabwe Investment and Development Agency (ZIDA).

Export Revolving Fund

175. Government will support various exporters by setting up an Export Revolving Fund with US\$20 million as seed capital for the development of the sector with effect from 1 January, 2020. This will also target the horticulture sector.

Public Enterprises

176. Government is implementing a comprehensive programme to reform state enterprises and parastatals, to address weak governance and other operational and capitalisation related challenges.

177. Therefore, the 2020 Budget should fast track the implementation PE reforms whilst enforcing the provisions and regulations of the Public Entities Corporate Governance Act and making the necessary adjustments to all administered prices to ensure cost recovery.

Research and Development

178. Research and Development is critical for the Zimbabwe's social economic transformation and competitiveness of the economy.

179. Research and Development Programmes will be supported by both the Government and private sector as the country seeks to innovate in developing new products and services, and also advance the value addition strategy. The Budget has set aside resources for the Research and Development programme, including the launch of the space satellite.

Fighting Corruption

180. Corruption causes economic malaise, wastage of public resources, jeopardises the environment for domestic and foreign investment and general morale in the

public service, reinforces political instability and propagates social and economic disparities even in the presence of economic and social policies.

181. Based on the Auditor General's Report, Government is losing resources through corrupt activities. In addition, corruption in some parastatals and Local Authorities has compromised some desired development outcomes. There is a risk that some Development Partners may withhold funding for critical programmes and/or projects. Delays in taking remedial action against violations identified in audit reports has the unintended effects of propagating corrupt tendencies in the public service.

182. To avert this risk, Government from 2020 will focus on:

- Strengthening the internal control systems through among others, finalisation of the establishment of the Centralised Internal Audit Unit;
- Developing and implementing a national anti-corruption strategy aligned with good practice principles with periodic monitoring and evaluation results;
- Enacting whistle blower legislation and protection in line with international best practices;
- Capacitating institutions established to combat corruption; and
- Addressing conflict of interest issues where Government is both regulator and player.

183. Furthermore, observations by the Auditor General will be pursued with a view of taking corrective measures.

Financial Sector

Compensation for Pension and Insurance Losses

184. The Justice Smith-led inquiry made recommendations in 2018 on compensation of pension members and insurance contracts prejudiced during the conversion of insurance and pension values will be implemented once Government finalises amendments to the pensions and insurance legislation, which will guide and enable enforcement of the compensation process.

Review of Minimum Capital Requirements for Insurance Entities

185. The obtaining macroeconomic environment have necessitated upward review of minimum capital requirements for different players in the insurance industry to ensure that entities are well capitalised for the protection of value for policy holders and pension members.

186. Consequently, minimum capital levels, will, with immediate effect be reviewed as shown on the table below: **Refer to Slide 26**

Minimum Capital Requirements

Class of Business	Current MCR (ZWL\$ million)	Compliant Entities as at 30 Sept. 2019	Non-Compliant Entities as at 30 Sept. 2019	Proposed MCR (ZWL\$ million)
Short-term	2.5	17	1	37.5
Life	5	11	1	75.0
Funeral	2.5	6	2	37.5
Re-insurance	5	4	0	75.0
Micro-insurance	0.3	1	0	4.5

187. Meanwhile, IPEC is developing a risk-based capital framework, the Zimbabwe Integrated Capital and Risk Project (ZICARP), which will be launched in 2020.

Review of Preservation and Minimum Commutable Pension

188. It is recommended that the pension preservation amount be reviewed from the current ZWL\$600 to ZWL\$6,000 in order to ensure that the amount preserved is decent enough to warrant payment of a deferred pension at retirement, after meeting preservation expenses.

189. It is further proposed that the minimum commutable pension be reviewed from ZWL\$50 to ZWL\$500 per month, in line with inflation developments in the economy.

Weather Index-Based Insurance

190. Pursuant to the Transitional Stabilisation Programme objective of enhancing agricultural insurance, and in line with the National Financial Inclusion Strategy, IPEC is developing a regulatory framework for weather indexed insurance products.

191. It is envisaged that the framework will enhance regulation of weather index-based insurance products in order to build resilience and ensure policy holder protection in the agricultural sector.

Anti-Money Laundering

192. Significant progress has been recorded in terms of aligning our laws to address short comings identified through the Monitoring Evaluation Report of ESAAMLG, with 33 out of 40 FATF recommendations having been rated compliant or largely compliant. However, there are some legislative deficiencies which require attention.

193. Zimbabwe will address all its deficiencies by 2021 in order to fully comply with the FATF, and avoid facing financial sanctions.

CRITICAL FACILITATIVE PUBLIC SERVICES

Security

194. Mr Speaker Sir, our security services remain an integral part in ensuring a peaceful and stable socio economic environment in our nation, hence the need to ensure that our security services are fully funded to enable them to discharge their constitutional mandate.

195. The 2020 Budget will strive to ensure that we address issues that enable our security forces to undertake their mandate swiftly such as aircraft maintenance, accommodation, equipment, mobility, electrification of prisons and institutional provisions, medical supplies as well as medical facilities.

196. I propose allocations to the security cluster as follows:

- Defence and War Veterans, ZWL\$3.11 billion;
- Home Affairs and Cultural Heritage, ZWL\$2.8 billion;
- Zimbabwe Prisons and Correctional Services, ZWL\$709 million.

197. Improving the livelihoods and welfare of War Veterans through the provision of educational assistance, medical benefits and funeral assistance will continue in 2020. Above all, support towards the self-help projects will be prioritised to ensure an improvement in standard of living for War Veterans.

Independent Commissions

198. Government is supporting Independent Commissions and the 2020 Budget will, therefore, prioritise support towards their operations, infrastructure development as well as equipping them with the requisite tools of trade.

199. Treasury will also endeavour to make quarterly disbursements to the independence of the commissions.

The Public Service Commissions

200. In order to enhance the critical work and operations of Public Service Commission, the 2020 Budget prioritises funding their operations in line with the Commission's Strategic Plan.

201. In addition, the Public Service Commission will be supported in the rationalisation of the service, among other mandates.

Judiciary and Correctional Services

202. The decentralisation programmes and projects will be supported including the decentralisation of justice delivery through construction of courts, provision of the requisite equipment and furniture.

203. Priority is also being given to support towards expediting the work on alignment of the laws to the Constitution.

204. Resources will be availed towards Prisons and Correctional Services farm production enhancement programme, construction of institutional accommodation, institutional provisions for prisoners and security vehicles.

Parliament and Audit Office

205. Within the limitations of the Budget, Treasury has allocated ZWL\$1.87 billion to Parliament.

206. The Budget also addresses requirements of the Audit Office covering personnel, condition of service and tools of trade to enable Parliament to undertake value for money audits, among other oversight functions.

International Relations

207. Our embassies play a pivotal role in advancing our re-engagement and engagement process agenda under the TSP.
208. In order to address the various challenges our Missions are facing, in 2020, Treasury is providing ZWL\$297.2 million towards rehabilitation and upgrading of infrastructure at foreign missions, in addition to phased procurement of properties in strategic missions, including pursuing PPPs where possible.
209. The Budget will also capacitate various Missions to enable them to execute their functions particularly investment promotion, re-engagement, marketing the country's image and potential, as well as Consular services.

Sport and Recreation

210. Sports activities play an important role in communities not just through improving the health and well-being of individuals but also contributing to the empowerment of individuals, and promoting the development of inclusive communities.
211. The Budget is, therefore, supporting recreation, leisure and sports programmes including investment in recreation and sporting infrastructure, with primary focus on the youth.

Programme Based Budgeting and Integrated Development Planning

212. Mr Speaker Sir, 2019 has been a watershed year in terms of implementation of Programme Based Budgeting. Programme Based Budgeting (PBB) is one of the core components of the Results Based Management (RBM) system which was adopted by Government in 2005.
213. RBM is a management approach which requires Ministries, Departments and Agencies (MDAs) to focus on achieving specific objectives through strategic

planning, systematic resource use, routine performance monitoring, and stringent reporting requirements.

214. Mr Speaker Sir, RBM system includes Integrated Development Planning (IDP), Results-Based Personnel Performance, Results-Based Monitoring and Evaluation and Results Based Budgeting also referred to as Programme Based Budgeting(PBB). PBB directly links planned expenditures to clearly defined results and improved service delivery within the mandate of an organisation. The approach shifts emphasis from inputs and activities to results, and improves prioritisation of expenditure by allocating limited Government resources to programmes with the highest impact. The approach encourages spending ministries to improve efficiency and effectiveness of service delivery.

215. It is, therefore, imperative that Ministries, Departments and Agencies rigorously develop their performance information, as they will be expected to account for performance of their programmes, in terms of planned outputs and outcomes.

216. The Office of the President and Cabinet, the Public Service Commission and the Ministry of Finance and Economic Development will put in place robust measures to foster a stronger performance culture in the public service and have undertaken to implement periodic joint reviews to assess progress.

REVENUE MEASURES TO SUPPORT PRODUCTIVITY, GROWTH & JOBS

217. Mr Speaker Sir, numerous incentives to support growth are already in place. These incentives cover productive sectors, which include, agriculture, mining manufacturing and tourism, among others.

218. The incentives have contributed to the restoration of production capacity and enhanced competitiveness of some industries.

219. During the period 2011 to May 2019, revenue foregone as a result of tax incentives amounted to US\$1.45 billion, as detailed in the table below: **Refer to Slide 27**

Summary of Duty Concessions by Sector (2011 – May 2019)

Sector	Value for Duty Purposes (US\$)	Revenue Foregone (US\$)
Mining	704,035,921.88	103,837,015.19
Agriculture	5,599,010,161.92	779,321,821.13
Manufacturing	530,996,118.55	157,199,847.22
Tourism	72,146,885.16	25,160,645.13
Transport	184,444,188.94	60,965,183.34
Cross-Cutting	1,311,813,943.04	270,478,639.56
Other Concessions	868,962,953.22	52,404,536.56
Total	9,271,410,172.71	1,449,367,688.13

220. I, therefore, propose to avail further incentives and also extend the tenure of existing incentives outlined in this abridged version of the 2020 Budget Statement as follows.

Support to Industry

Suspension of Duty on Semi-Knocked Down (SKD) Kits Used by the Motor Vehicle Industry

221. I, propose to remove SKD kits from the specified list of goods liable for duty in foreign currency. I, further, propose to extend the *Facility* for a further 3 years, beginning 1 December 2019.

Paint Manufacturing Industry

222. In order to promote price competitiveness of paint manufacturers, I propose to ring-fence under suspension of excise duty, 150 000 litres per month, of

illuminating power kerosene, which is a key ingredient in the manufacture of alkyd resins, imported by *Approved Paint Manufacturers*, with effect from 1 January 2020.

Furniture Manufacturers: Small Scale Manufacturers

223. In order to promote growth and formalisation of small scale manufacturers, I propose a *Duty Refund Facility*, whereby Small Scale Furniture Manufacturers pay duty on imported raw materials, which is claimable on a quarterly basis, with effect from 1 January 2020.

Pharmaceutical Manufacturers Rebate

224. The pharmaceutical industry has finalised plans to increase the product range of manufactured goods, hence, I propose to provide for additional raw materials to be imported under *Rebate of Duty*.

Suspension of Duty on Milk Powder

225. Local production of raw milk remains insufficient to meet the requirements of the dairy milk processors, hence I propose to extend *Duty Suspension* on milk powder for the year 2020.

Suspension of Duty on Raw Cheese

226. I propose to suspend duty on ring-fenced quantities of raw cheese, amounting to 25 000kgs per month, for a period of 12 months beginning 1 January 2020.

Clothing Manufacturers' Rebate

227. The *Rebate Facility* for the clothing industry expires on 31 December 2019, hence I propose to extend the *Facility* for a further 2 years, beginning 1 January 2020, in order to lower the cost of production.

Luggage Ware Manufacturers' Rebate

228. In order to consolidate the gains realised by the luggage ware industry, which include increased output, employment and exports, I propose to extend the *Rebate of Duty* facility for a period of 2 years, beginning 1 January 2020.

Suspension of Excise Duty on Raw Wine

229. I propose to extend and increase the excise duty free ring-fenced import quota from 175 000 litres to 200 000 litres per annum for a period of 2 years beginning 1 January 2020

Tourism Industry

230. Notwithstanding the progress realised, there is need to further support the industry to reach its full potential.

231. I, therefore, propose the following incentives:

- Extend *Rebate of Duty* on capital equipment imported by operators of hotels and lodges for a further 3 years, beginning 1 January 2020.
- Extend *Suspension of Duty* on motor vehicles used by *Safari Operators* for game views and drives for 24 months, beginning 1 January 2020.
- Introduce a *Suspension of Duty* facility to car hire companies for a period of 12 months beginning 1 January 2020, subject to the following conditions; and,
- Extend the *Suspension of Duty* on the remaining vehicles used by tour operators for a further 1 year.

Cross-Border Luxury Coaches

232. I propose to extend the *Suspension of Duty* on the outstanding quota of luxury buses for a period of 12 months, taking into account developments in the motor industry.

Public Services Buses

233. I further propose to extend the *Suspension of Duty Facility* for the importation of 100 buses for 12 months beginning 1 January 2019, in order to afford an opportunity to bus operators to replenish their fleet.

Revenue Enhancing Measures

Deemed Motoring Benefits

234. I propose to review *Deemed Motoring Benefits* as follows, in line with current economic developments, with effect from 1 January 2020: **Refer to Slide 28**

Proposed Annual Deemed Motoring Benefits

Engine Capacity	Current Deemed Benefit (ZWL)	Proposed Deemed Benefit (ZWL)
0 - 1500cc	28,800	54,000
1500 - 2000cc	34,400	72,000
2000 - 3000cc	57,600	108,000
Above 3000cc	76,400	144,000

Excise Duty on Tobacco

235. I propose review of the specific rate from ZWL\$50 to ZWL\$100 per 1 000 cigarettes, with effect from 1 December 2019, in line with global trends.

Tax Relief Measures

Youth Employment Tax Credit

236. Mr Speaker Sir, I have already alluded to the need for tax incentives in support of job creation, which is key to sustainable economic development.

237. I, therefore, propose to introduce a tax credit of ZWL500 per month per employee for corporates that employ an additional employee in a year of assessment. The credit will, however, be limited to a maximum of ZWL60 000 per year of assessment.

238. The support *Framework* to be published through regulations, will target employers who meet the following conditions, among others:

- The company should be registered for *Personal Income Tax* and compliant for the preceding tax period;
- Tax credit will only be claimed after the additional employee has served a period of 12 consecutive months;
- Employees should be aged 30 years and below at the time of employment;
- For the purposes of the incentive, "employee" excludes a trainee, intern and apprentice;
- The minimum wage payable to the new employee should be at least ZWL2 000;
- The tax credit will not apply to supervisory grades; and,
- The tax credit will not apply to corporates with a turnover exceeding an equivalent of US\$1 million.

239. This measure, which takes effect from 1 January 2020, will reduce employers' cost of hiring young people through a cost sharing mechanism.

Personal Income Tax

Tax-Free Threshold

240. I propose to review the tax free threshold from ZWL 700 to ZWL 2 000 per month and adjust the tax bands to begin at ZWL2 001 and end at ZWL50 000, above which the highest marginal tax rate of 40%, in line with economic developments, with effect from 1 January 2020.

Bonus Tax-Free Threshold

241. I, further, propose to review the tax free bonus from ZWL 1 000 to ZWL 5 000, with effect from 1 November 2019.

Taxation of Retrenchment Packages

242. In order to safeguard the value of retrenchment packages, I propose to review the non-taxable portion of the retrenchment package to from ZWL 10 000 to \$50 000 or one-third of the package, to maximum of \$80 000.

Intermediated Money Transfer Tax (IMTT)

Value of Non-Taxable Transactions

243. I propose to review the *Tax-Free* Threshold from the current ZWL\$20 to ZWL\$100 and the maximum tax payable per transaction by corporates from the current ZWL\$15 000 to ZWL\$25 000 for transactions with values exceeding ZWL\$1 250 000.

Bulk Payments through Mobile Banking Platforms

244. For the avoidance of doubt, all bulk payments through mobile *Money Banking Platforms* attract intermediated money transfer tax, except where such payments relate to remuneration.

245. I, therefore, propose to exempt from *IMTT*, social transfers by *Development Partners* accredited in terms of the Privileges and Immunities Act [Cap 3:03].

Corporate Income Tax

Corporate Income Tax Rate

246. Mr Speaker Sir, job creation, enhanced productivity and economic growth requires substantial investment in capital equipment, improved production techniques and modern technology.
247. Lowering the tax burden is also instrumental in increasing the return on equity.
248. I, therefore, propose to review the corporate income tax rate from the current rate of 25% to 24%, with effect from 1 January 2020.

Value Added Tax

Value Added Tax Rate

249. Furthermore, I propose to reduce the VAT standard rate from 15% to 14.5%, with effect from 1 January 2020, in order to stimulate aggregate demand.

Export Tax on Raw Hides

250. In view of potential capacity to export raw hides, without prejudicing the local industry, I propose to extend the export relief facility for 2 years, renewable on an annual basis.

Capital Gains Tax

251. Where immovable property is disposed in foreign currency, capital gains tax is also levied in the currency of trade. However, where the seller fails to provide documentary evidence on the flow of transactions, such transaction shall be deemed to have been concluded in foreign currency.

Royalty on Diamond

252. Mr Speaker Sir, diamond miners are exploiting conglomerate deposits, hence the cost of extraction has significantly increased.

253. In order to promote investment in exploration and extraction, I propose to review the royalty on diamond from 15% to 10% of gross revenue, with effective from 1 January 2020.

Customs and Excise

Excise Duty on Fuel

254. Mr Speaker Sir, notwithstanding that Treasury has channelled substantial resources collected from *IMTT* towards road rehabilitation, the *Department of Roads* remains incapacitated to undertake major road construction and rehabilitation projects.

255. This has undermined rehabilitation and dualisation of the *Beitbridge-Harare-Chirundu* highway which Government has undertaken to fund from internally generated resources.

256. It is, therefore, critical to secure additional resources for the *Beitbridge-Harare-Chirundu* highway, which facilitates the movement of goods along the *North-South Corridor*.

257. I, therefore, propose to ring-fence 5% of excise duty revenue collected on fuel towards the construction and rehabilitation of *Beitbridge-Harare-Chirundu* highway, with effective from 1 January 2020.

Customs Duty on Sanitary Wear

258. Mr Speaker Sir, sanitary wear is a basic commodity for the hygiene of women and girls. However, its unaffordability is exposing the vulnerable to health related problems.

259. I, therefore, propose to extend duty exemption on sanitary wear by a further twelve months and also include sanitary cups and pants on the list of duty free products.

Tax Administration

Value Added Tax Threshold

260. In order to ease tax administration, I propose to review the VAT registration threshold from ZWL60 000 to ZWL1 000 000, with effect from 1 January 2020.

Legislative Amendments

Tax Exemption on Venture Capital Financing

261. Mr Speaker Sir, in order to incentivise *Venture Capital Funds* to provide financing to start-up companies, Government implemented a tax exemption on income of any company whose principal object is the provision of venture capital for development.

262. However, legislation does not specify conditions for granting tax exemption.

263. In order to minimize opportunities for abuse of the tax exemption, I propose to apply the following conditions on venture capital companies:

- The *Venture Capital Fund* or company as well as the *Recipient Company* should be residents and also be tax compliant;
- The *Recipient Company* should not be listed on the stock exchange, since the targeted beneficiaries are start-up companies;
- *Recipient Companies* should be in critical sectors of the economy, in particular, agriculture, mining, manufacturing and tourism;

- The *Venture Capital Fund* or company should not control (directly or indirectly through a related entity) a *Recipient Company* in which it holds shares; and,
- *Recipient Companies* should primarily be financed through equity as opposed to debt, to the extent of the prescribed debt to equity ratio.

Capital Gains Tax on Donated Houses

264. Mr Speaker Sir, donations of housing units to any *Local Authority, Employee Share Ownership Scheme or community Development Trust* from capital gains tax.

265. I, therefore, propose to extend the exemption to houses donated to *Community Development Trusts*.

Efficiency in Tax Administration

Designation of Port of Entry and Customs House

Mlambapele Port of Entry

266. In recognition of increased flow of commercial goods imported through Botswana, I propose to designate Mlambapele as a *Port of Entry*, with effect from 1 December 2020.

Gwanda Customs House

267. Furthermore, I propose to appoint a *Customs House* in Gwanda District in order to reduce the *Cost of Doing Business*.

Customs Dry Ports

268. Mr Speaker Sir, congestion due to infrastructure bottlenecks, particularly at Beitbridge and Forbes *Ports of Entry*, remains one of the major constraints to trade facilitation.

269. In order to address this challenge, Government has adopted the *Dry Port Concept*, whereby commercial cargo is consigned to specified inland facilities pending final clearance.

270. I, therefore, propose to designate *Customs Dry Ports* in Masvingo, Bulawayo, Makuti and Mutare, in order to relieve pressure on *Ports of Entry*.

CONCLUSION

271. Mr Speaker Sir, let me conclude by a quote from Arnold Schwarzenegger (72 year old Austrian-American politician, actor, film maker, businessman author and former professional body builder) "*What we face may look in-surmountable. But I learnt something from all those years of training and competing. I learnt something from all those sets and reps when I didn't think I could lift another ounce of weight. What I learnt is that we are always stronger than we know*".

272. I have no doubt that current economic challenges are surmountable provided we put our efforts together as a nation and continue taking bold and decisive steps to open up and grow the economy. This includes seriously pursuing policies that enhance production.

273. The monetary and fiscal reforms undertaken if supported by increased domestic production will clearly lay a firm foundation for sustainable and inclusive economic growth.

274. In this regard, our thrust and priority for 2020 is centred on domestic production, productivity and job creation, all leading to growth.

275. While we are focussing on productivity and growth we are not lost to broader understanding of human and overall development, which to quote Amartya Sen Philosopher, Nobel Memorial Prize in Economics and India Economist, "*he argues that human development is about expansion of citizen's capabilities to fend for themselves.*"

I Thank You

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

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