ZIMBABWE

THE 2020 MID-TERM BUDGET AND ECONOMIC REVIEW

Presented to the Parliament of Zimbabwe

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By

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INTRODUCTION

1. Section 7 (2) (a) of the Public Finance Management Act requires the Minister responsible for Finance to ensure that "*full and transparent accounts are from time to time and not less than annually made to Parliament indicating the current and projected State of the Economy, the public resources of Zimbabwe and the Fiscal Policy of the Government*."

2. The Review provides details on economic developments during the first half of the year, progress on implementation of the 2020 National Budget and also makes proposals for re-alignment of macro-economic and fiscal policies to the Transitional Stabilisation Programme objectives.

Review Objectives

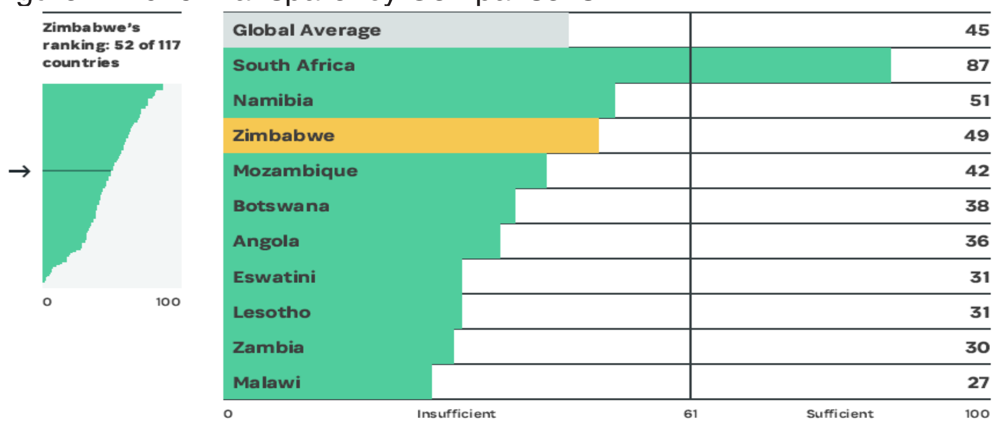
3. The objective is to ensure that implementation of the Budget remains on track, consistent with the objectives on macro-economic stabilisation, enhancing productivity, growth and jobs creation during the last half of the year.

4. In addition, as Government, we keep engaging and interacting with our social partners namely, the business and labour within the context of the TNF. Their valuable contributions together with that of the public at large is well appreciated as they strengthen the effectiveness of our policies and their execution.

Budget Transparency

5. The spirit of stakeholder cooperation and participation in policy and budget formulation and implementation processes keeps enhancing budget transparency and accountability. Zimbabwe has been ranked number three in Africa in terms of budget transparency by the Open Budget Survey (OBS) of 2019, with a Budget Index Score of 49, up from 23 recorded in 2017.

Figure 1: 2019 Transparency Comparisons



Source: International Budget Partnership (IPB)

6. The country's ranking improvement reflects strides in increasing and timely availing of budget information to the general public and other stakeholders through:

i. Publishing the Enacted Budget, Citizens Budget, and Year-End Report online.

ii. Publishing the In-Year Reports online in a timely manner.

iii. Increasing the information provided in the Executive Budget Proposal.

iv. Increasing the information provided in the Pre-Budget Statement.

Recap of the 2020 National Budget Thrust and Priorities

7. Logically, the Review starts by recapping on the policy objectives, thrust and key parameters of the 2020 National Budget presented to Parliament on 14 November 2019.

8. Under the theme *"Gearing for Higher Productivity, Growth and Job Creation"*, the 2020 National Budget emphasised on growth stimulation and employment generation through promotion of productive oriented investment and productivity, without losing focus on fiscal responsibility.

9. In that regard, the Budget prioritised the following areas:

Continued Macro-Fiscal Consolidation
Growth and Productivity
Job Creation
Competitiveness
Strong, Sustainable and Shared Development

10. Accordingly, economic growth of 3% was projected premised on the following assumptions:

- Expected better rainfall season;
- Increased use of irrigation to sustain agricultural activities;
- Better planning for agriculture production;
- Improved electricity supply through imports and other alternative sources of energy e.g solar;
- Improved macro-economic environment;
- Fiscal incentives to various sectors of the economy; and
- Improving investments by both public and private sector.

11. Specific sector growth projections and respective assumptions are indicated below.

Table 1: 2020 Sector Growth Projection and Respective Assumptions

	Agriculture	**+ 5.0%**	✓ Average rainfall season expected ✓ Expanded irrigation programme ✓ Timely provision of inputs
	Mining	**+ 4.7%**	✓ Improved electricity supply ✓ Major investment agreements coming into effect ✓ Reduce mineral leakages ✓ Improved export environment
	Manufacturing	**+ 1.9%**	✓ Improved electricity supply ✓ Resuscitation of Steel Industry ✓ Strengthening of industrial value chains, mineral beneficiation and export led industrialisation
	Construction	**+ 2.3%**	✓ Facilitate access to building permits ✓ Mobilisation of affordable lines of credit
	Distribution, Hotels and Restaurants	**+ 3.3%**	✓ Operationalisation of the Routes Development Committee ✓ Renewal of fiscal incentives
	Overall GDP Growth	**+ 3.0%**	

12. Based on the above projections and assumptions, Parliament approved a Budget of ZWL$63.6 billion, underpinned by revenues of ZWL$58.6 billion and a financing gap of ZWL$5 billion (1.5% of GDP). The respective policy measures are reflected under Annex 1.

Economic Environment

13. From the beginning of 2020, the economy was confronted with a number of shocks from multiple fronts, with the major ones being:

- Climatic shocks in form of the 2019/20 drought and Cyclone Idai;
- Energy challenges;
- Currency volatility; and
- The outbreak of COVID-19 pandemic.

14. Drought, in particular, affected agriculture, the water and energy sectors, with spill-overs to the rest of the economy. This situation was further aggravated by currency volatilities, which fed into price increases.

COVID-19 and Its Impact

15. Added to climatic and macro-economic shocks was the COVID-19 pandemic that also inflicted the entire global economy from the beginning of 2020.

16. The virus, which continues to spread, has so far infected over 13.2 million people globally, with over 575 968 deaths recorded as at 14 July 2020.

Over the same period, Zimbabwe had 1 034 confirmed cases and 19 deaths.

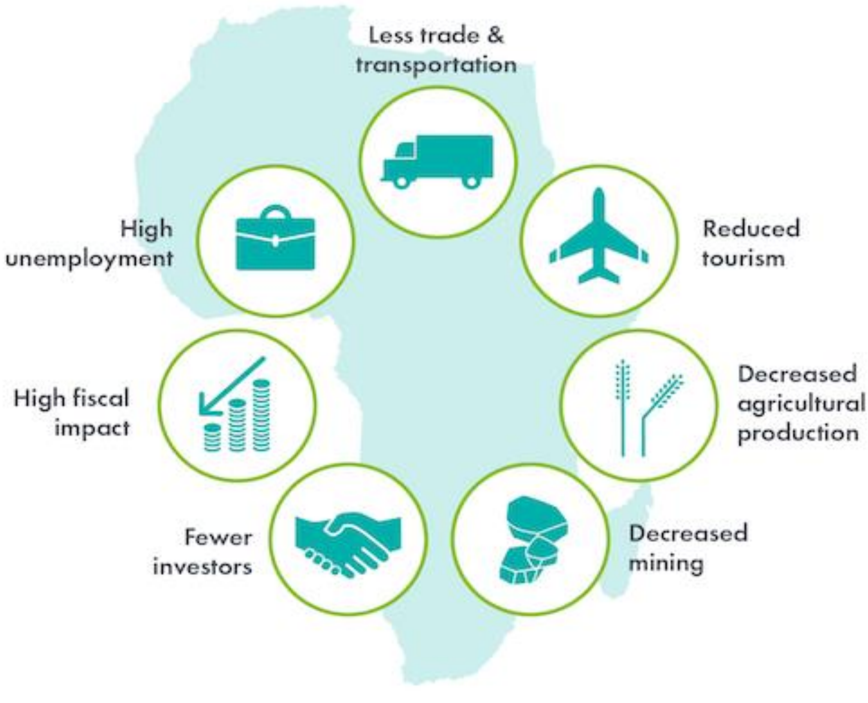
Table 2: COVID-19 Update: 14 July 2020

	Confirmed	Recovered	Deaths
Global	13 256 400	7 772 207	575 968
Most Affected (USA)	3 479 573	1 549 624	138 247
Least Affected (Papua New Guinea)	11	8	1
SADC (South Africa)	287 796	138 241	4 172
Zimbabwe	1 034	343	19

Source: WHO

17. Besides the loss of life, the pandemic destabilised global economies through disruptions in trade, tourism, production, productivity, supply chains and other various integration channels.

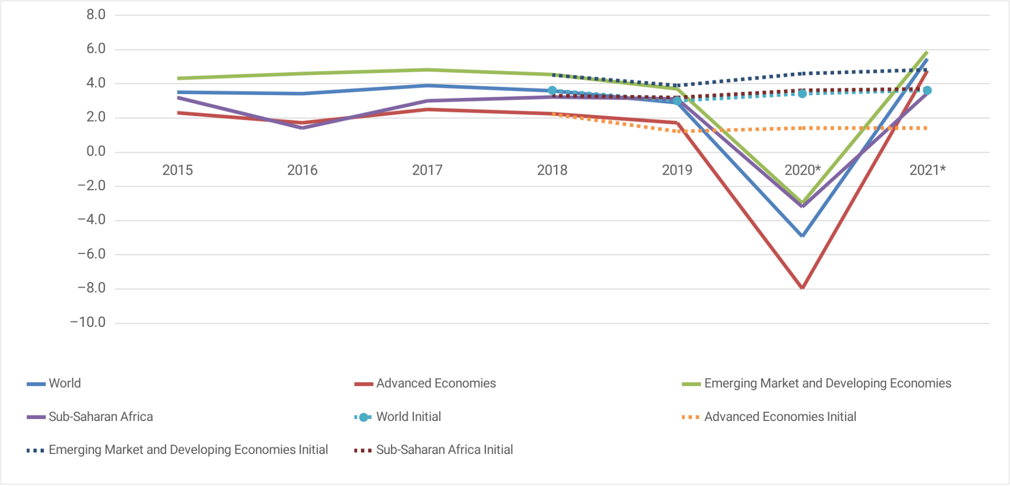
Figure 2: Economic Impact of COVID-19



18. As a result, global GDP growth is expected to contract by about -4.9% in 2020, from -3% earlier projected in April 2020 *(IMF June Update Global Outlook)*, while most affected advanced economies are expected to record severe growth contraction of as much as -8%.

19. As for Sub-Saharan Africa, GDP is expected to contract on average by -3.2%. These numbers are, however, subject to ongoing reviews guided by new developments.

Graph 1: Global GDP



Source: WEO, June 2020

20. The impact of the pandemic to various countries was however mixed with varied responses depending on severity of the pandemic, country's specific capacity and level of support/ cooperation, policy strength and implementation.

Table 3: Impact of COVID-19 on GDP Growth of Selected Economies

Country	Oct 2019 Proj (%).	Jun 2020 Proj (%).
Brazil	2.0	-9.1
China	5.8	+1.0
United Kingdom	1.4	-10.2
United States	2.1	-8.0
South Africa	1.1	-8.0
Vietnam	6.5	+2.7
Zambia	1.7	-0.8
Tanzania	5.7	+2.5
Kenya	6	+1.5
Zimbabwe	**3**	**-4.5**

WEO, October 2019 and June 2020

21. In the outlook, as the pandemic gets managed and subsides, global output is expected to rebound with average growth projection of 5.4% from 2021.

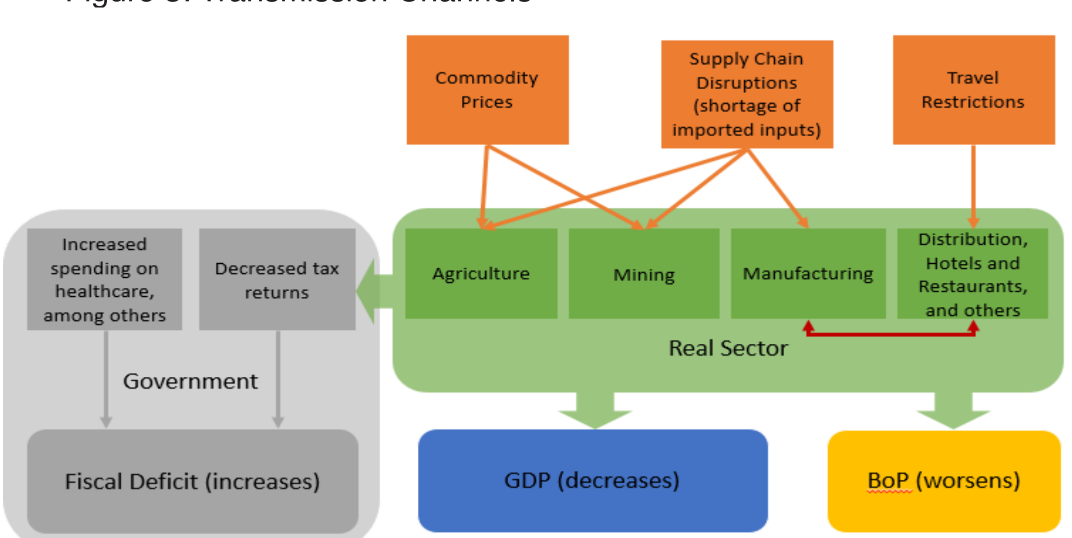
DOMESTIC ECONOMIC DEVELOPMENTS

22. With regards to the domestic economy, the impact of the pandemic is being transmitted through the following channels:

- Lower commodity demand and international commodity prices;
- Reduced tourist arrivals due to travel restrictions;
- Disruption of global supply chains for both raw materials and final products and services;
- Slowing down of global financial flows including credit availability, remittances and portfolio investments;
- Currency volatility; and

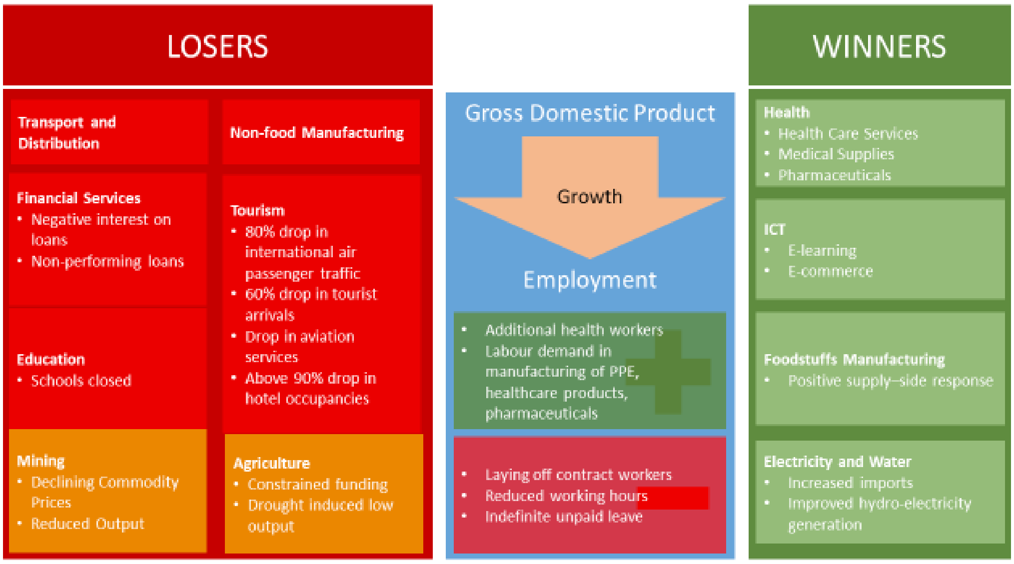
- High inflation.

Figure 3: Transmission Channels



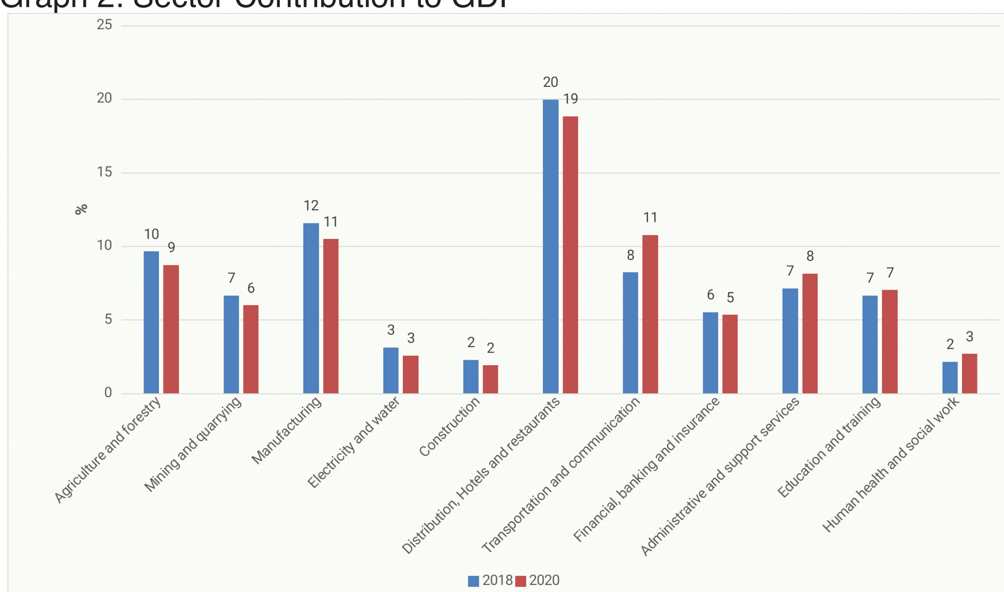
23. While all sectors of the economy were affected by the COVID-19 pandemic, there is variation in terms of severity, with sectors such as tourism, non-food manufacturing, mining, financial services, transport and distribution and education adversely affected. On the other hand, health services, ICT; manufacturing of food stuffs and electricity and water had gains.

Figure 4: Impact of COVID-19 on Sectors of the Economy



24. As a result, there has been some changes to various sector contributions to GDP, with a growing informal and SMEs sector, ICT, health care services and supply, food stuffs manufacturing and other services.

Graph 2: Sector Contribution to GDP



Source: ZIMSTAT & MOFED Projections

Sector Developments

Agriculture

25. With regards to agriculture, the sector was relatively spared by the pandemic. However, agricultural activity was subdued during the season as the country experienced intermittent rainfall with some parts of the country failing to plant crops due to dry spells.

Weather Pattern

26. While the first half of the 2019/20 rainfall season, stretching from October to December 2019, was characterised by a dry spell and general late onset of rainfall across most parts of the country, the second half of the season was relatively wet.

27. Increased rains were received across the country from mid-January through to the month of February, leading to an improved crop condition. On the downside, some low lying areas of the country in the Zambezi Valley experienced flash floods which led to destruction of crops.

28. While cumulative rainfall received in most parts of the country was in the normal category, the spatial distribution was, however, not even.

29. Going forward, Government, through the Meteorological Department will continue to support farmers with weather information for appropriate planning and decision making.

Crop Yields

30. The 2019/2020 First Round Crop and Livestock Assessment Report indicates that in addition to prioritising maize production, farmers chose to increase area planted for drought resistant crops such as traditional grains and other drought tolerant crops like sunflower.

Table 4: Area Planted (hectares)

Crop	2019/2020	2018/2019	% Growth
Maize	1 549 324	1 623 757	-5
Sorghum	305 865	201 065	52
Pearl millet	166 429	151 708	10
Finger millet	34 353	25 146	37
Tobacco	100 426	106 558	-6
Soyabean	33 599	55 660	-40
Cotton	170 622	197 242	-13
Groundnut	208 229	210 468	-1
Sesame	15 044	16 181	-7
Sunflower	24 595	21 258	16
Cowpeas	60 799	53 917	13
Sugar bean	22 997	30 574	-25
Sweet potatoes	20 537	17 502	17
Cassava	718	584	23
Paprika	1 227	611	101

Source: Ministry of Lands, Agriculture, Water and Rural Resettlement

31. Cash crops (cotton, tobacco and soya beans) hectarage was on the decrease in response to declining prices and late onset of rainfall. As a result, revised crop output point to a mild agriculture growth contraction of -0.2% against the 5% originally anticipated.

Table 5: Crops and Livestock Projections (000 tonnes)

	2018	2019 Budg	2019 Rev	2020 Budg	2020 Rev
Overall Growth (%)	7.9	-18.0	-17.8	5.0	-0.2
Tobacco (flue cured)	252.0	259.5	259.5	230.0	224.0
Maize	1831.0	776.6	776.6	1200.0	907.0
Beef	74.5	70.0	62.6	68.0	57.3
Cotton	144.0	74.0	76.8	125.0	101.0
Sugar cane	3903.2	4720.4	4000.0	4750.0	4100.0
Horticulture	71.0	77.4	77.4	82.0	94.4
Poultry	160.8	167.0	151.7	175.4	148.6
Groundnuts	127.0	70.9	70.9	109.6	87.0
Wheat	161.0	60.0	94.7	60.0	416
Dairy (mlt)	92.0	99.4	96.0	109.3	92.3
Coffee	0.6	0.5	0.5	0.5	0.5
Soybeans	54.0	60.0	60.0	80.0	47.1
Tea	20.0	19.0	19.0	21.0	20.5
Paprika	0.8	8.0	0.8	8.0	0.1
Pork	11.4	12.0	12.4	13.0	12.4
Wildlife	33.0	33.0	33.0	33.0	26.4
Sorghum	70.1	41.4	41.4	80.0	103.0
Barley	33.4	40.0	29.0	30.0	25.0
Sheep & goats	9.6	12.0	7.4	12.0	7.7
Sunflower seeds	3.7	8.0	6.4	5.0	9.4

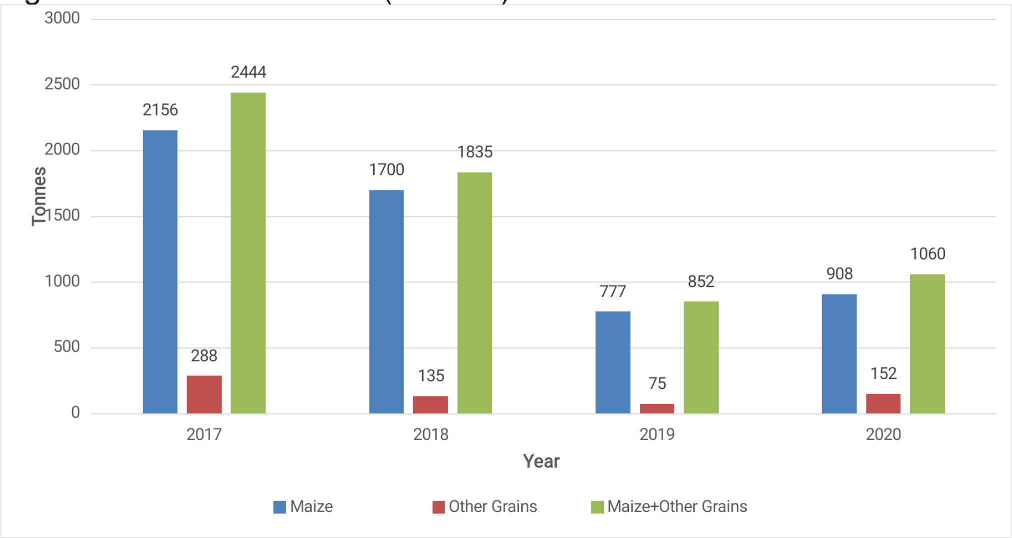
Grains

32. The 2020 Second Round Crop and Livestock Assessment Report indicates that grain production increased by 24% from 852 000 tons to 1 060 000 tons in 2020.

33. Traditional grains production for the 2019/2020 season is estimated at 152 515 MT which is 103% more compared to 75 209 MT in 2018/2019. The increase is attributed to increased support extended to farmers under

the Presidential Input Scheme, encouragement by the Government as well as capacity building of farmers.

Figure 5: Grain Production (000 MT)



Source: Ministry of Lands, Agriculture, Water and Rural Resettlement

Strategic Grain Reserve (SGR)

34. With regards to the strategic grain reserve, ZWL$2.6 billion was expended towards procurement of grain as well as support to GMB for the management of the SGR.

35. For the period under review, a total of 321 961 MT of grain had been procured with 246 705 MT being imports and 75 256 MT being local deliveries.

Preparations for the 2020/21 Summer Cropping Programme

36. Going forward, preparations for the 2020/21 farming season are underway guided by the Agriculture Recovery Plan, which prioritises

productivity through interventions centred on mechanisation, irrigation, soil conditioning, extension services and appropriate and timely financing.

37. In preparations for the 2020/21 summer cropping programme, Government is mobilising resources to finance farming inputs for the vulnerable households. Government is also supporting mechanisation and irrigation development programmes.

38. The financial sector and private players are expected to finance commercial farming activities.

Vulnerable Input Support Programme 2020/21

39. The 2020/21 Presidential Input scheme targets to support 1.8 million households to grow maize and traditional grains. The Programme will be funded through the Budget for procurement of inputs. The farmers will be provided with standardised input package of 3-5kg seed, 50kg basal and 50 kg top dressing fertilisers.

40. The package is enough to cover a 0.125 ha plot and beneficiaries are expected to fully and religiously adopt Conversation Agriculture Principles (CA) as a way to climate proof the programme. These plots are coined Pfumvudza.

41. These inputs will enable a household to establish two standardised plots (Pfumvudza Plots) of maize/traditional of either soyabeans/sunflower groundnut.

42. Each household is expected to deliver at least 75kg contribution to the strategic grain reserve, which should unlock an input package for the next season.

43. To date training of trainers that is extension workers have been undertaken and these are now training communal farmers about the Pfumvudza concept.

Command Agriculture Programme

44. For the 2020/21 Summer Cropping Programme, Government is continuing the guarantee arrangement with the financial sector. The financial sector is expected to target highly productive farmers in irrigated and highly productive areas for the following crops:

- Dryland maize (150 000ha);
- Irrigated maize (80 000ha);
- Traditional grains (50 000ha); and
- Soyabeans (60 000ha).

Wheat

45. In terms of the 2020 winter wheat programme, Government is targeting 80 000 ha, of which, 65 000 ha is being financed by Government through guarantees amounting to ZWL$1.8 billion, with the balance being financed by private contract financiers.

Table 6: Provincial Wheat Plans

Province	Target (ha)	Target Production MT @ 5.2ton/ha
Mashonaland West	35 000	182 000
Mashonaland Central	18 000	93 600
Mashonaland East	12 000	62 400
Manicaland	7 000	36 400
Midlands	4 500	23 400
Masvingo	800	4 160
Matabeleland North	700	3 640
Matabeleland South	2 000	10 400
Total	**80 000**	**416 000**

Source: Ministry of Lands, Agriculture, Water and Rural Resettlement

46. As at 19 June 2020, a total of 54 356ha had been registered for winter wheat production, out of which 52 303ha had been contracted. As at the same date, wheat seed germination on 34 429ha was recorded across the country.

47. Area planted is expected to increase as some farmers are still planting with the inputs they received from both Government and private financiers.

Winter Maize

48. For purposes of enhancing food security, this year Government seeks to expand the winter maize programme. In low-lying areas of Masvingo, Matebeleland North and Mashonaland West, Government is targeting to put 4000ha under winter maize.

49. This will result in substantial savings of our hard earned foreign currency through import substitution as well as maximisation of land use; food supply sufficiency; employment creation and reduced burden on Treasury support as the programme is run on a cost-recovery basis.

Cash Crops

Tobacco

50. During the 2019/2020 agriculture season, area planted for tobacco declined by 11% to 117 049ha from 132 040ha done in the previous season on account of low prices. Therefore, output for 2020 is expected at 224 million tons, down from the previous year's output level of 259.5 million tons.

51. Marketing of tobacco is progressing well in compliance with the World Health Organisation COVID-19 health guidelines. Furthermore, the decentralised marketing model is supporting deliveries as well as reducing costs.

52. As at 8 July 2020, tobacco deliveries to the auction floors stood at 129.9 million kgs valued at US$311.8 million. This is against 142.6 million kgs worth US$261.5 million delivered during the corresponding period in 2019.

Table 7: Tobacco Deliveries as at 8 July 2020

SEASONAL	Delivered from		TOTAL 2020	TOTAL 2019	% CHANGE
	Non-contracted	Contracted			
Mass sold(kg)	5,616,368	124,293,283	**129,909,651**	142,641,405	(8.93)
Value(US$)	15,391,740	296,448,399	**311,840,139**	261,478,080	19.26
Avg.price US$/kg	**2.74**	**2.39**	**2.40**	**1.83**	**30.95**

Source: TIMB

53. Higher prices by 30.9% (from US$1.83/kg to US$2.40/kg) accounted for higher value of deliveries.

Cotton

54. While area planted for cotton is estimated to have decreased by 13% to 170 000 ha, output is projected to significantly increase by 33% to 101 000 tons, mainly due to anticipated higher yields following the adoption of hybrid seed during the current season.

55. The 2020 seed cotton marketing season commenced on 3 June 2020 with six licenced buyers as follows:

- The Cotton Company of Zimbabwe;
- Alliance Ginners (Pvt) Ltd;
- Zimbabwe Cotton Consortium (Pvt) Ltd;
- Innovative Cotton (Pvt) Ltd;

- Shawasha Agri (Pvt) (Ltd); and
- Southern Cotton (Pvt) Ltd.

56. On 9 June 2020, Government set the floor price at ZWL$43.94 per kg of which 38% is paid in cash, US$10 per bale and the balance electronically.

57. The Agricultural Marketing Authority has designated 300 Common Buying Points and has deployed clerks to regulate the marketing of cotton. The marketing of the crop is also compliant with COVID-19 health regulations, including provision of PPEs and sanitisers to staff manning the depots.

58. As at 19 June 2020, 8.7 million kgs had been delivered to cotton companies with advances ranging between ZWL$1 000—ZWL$1 500 per bale, being paid to farmers.

Payment to Cotton Farmers

59. Meanwhile, the Reserve Bank is coordinating banks on establishing appropriate payment systems to farmers. Respective banks which include CBZ, Agribank, POSB, among others have been identified and will reach out remote cotton farming areas with a view of opening bank accounts for the farmers.

Soya beans

60. Area planted for soya beans dropped by 40% from 55 000 ha in 2019 to 33 000 ha in 2020. Therefore, output is also expected to decrease to 47

000 tons compared to 60 000 tons recorded last year. This is far below the national requirement of more than 300 000 tons.

Livestock

61. Previous Government efforts paid more attention to crop production with minimal support for livestock. As a result, the country's cattle herd has remained stagnant at around 5.4 million cattle as at January 2020, also reflecting the impact of drought, forced destocking and diseases.

62. Going forward, the Ministry of Agriculture will closely work with Treasury with a view of improving livestock numbers in terms of quality, health and welfare and already a Strategy which focusses on building the national herd and other small livestock is being developed.

Milk

63. According to the 2020 First Round Crop and Livestock Assessment Report, dairy herd stands at 38 000, of which 12 000 are in milk production, producing an average of 14 litres per day per cow.

64. However, milk production for the first quarter of 2020 declined by 6.6% compared to the fourth quarter of 2019, where production stood at 20.6 million litres.

65. Given marketing challenges of milk brought by COVID-19 containment measures compounded by drought and shortage of foreign currency,

milk production is expected to take a dip in 2020 for the first time in recent years to 92.3 million litres from 95.6 million litres.

Horticulture

66. The horticulture sector is showing signs of recovery, with growth being witnessed in macadamia, fruits, flowers and avocados, among others. However, in 2019 performance in the subsector was affected by the cyclone Idai which destroyed horticultural farms.

Table 8: Selected Horticulture Crops (tons)

	2018/19	2019/20	2020 Growth (%)
Cabbage	457250	821070	79.57
Carrot	87380	125202	43.28
Cucumber	38580	60300	56.30
Irish Potato	408158	592779	45.23
Leafy Vegetables	394218	435176	10.39
Onion	178290	181461	1.78
Peas and beans	14764	18500	25.30
Pepper	23584	29152	23.61
Pineapples	6576	9142	39.02
Tomato	354603	807150	127.62
Orange	133178	151772	13.96
Lemon	9750	185112	1798.58
Banana	252376	271404	7.54
Apples	3885	4347	11.89
Peaches and Nectarines	8040	9108	13.28
Avocado	59488	84091	41.36
Mango	95475	107125	12.20
Flowers	1827	1830	0.00
Macadamia	43064	61913	43.77

	2018/19	2019/20	2020 Growth (%)
Sweet potato and other tubers	88248	114558	29.81

Source: Ministry of Lands, Agriculture, Water and Rural Resettlement

67. In 2020, output is projected to increase by 22% to 94 000 tons from 77 400 tons produced in 2019 as the sector leverages on the market integration and trade liberalisation at global level which has led to an increase in the demand for horticultural products from the country.

68. However, the sector is facing a number of challenges including among them high cost of capital for start-ups, stringent certification requirements and processes to participate in the export market, limited access to international markets, high marketing costs and weak farmer organisation leading to poor coordination in the sector.

69. Going forward, Government will prioritise the revival of the country's horticulture sector by addressing some of the challenges affecting viability and competitiveness.

Mechanisation

70. Government is spearheading the mechanisation programme to enhance production and productivity. To that end, Government is mobilising resources from the private sector to mechanise domestic farming.

71. Already, Government has managed to secure US$51 million Belarus facility and another US$51 million for the John Deere Facilities. These facilities are aimed at supporting farmers to access tractors, combine harvesters, planters, and lowbed trucks and will be accessed by farmers through commercial banks namely CBZ, Stanbic and Agribank.

Irrigation

72. To mitigate the effects of climate change, drought in particular, Government is expanding the rehabilitation and expansion of irrigation facilities across the country, and allocated ZWL$390 million towards rehabilitation of smallholder irrigation facilities. Of this amount, ZWL$88 million was disbursed.

73. With regards to the Presidential Input Scheme, Government, as with the Command Scheme will forthwith enhance monitoring in terms of usage of distributed inputs to curb against misuse and misdirection of those inputs.

Research and Productivity

74. Government also notes that most successful farmers take advantage of appropriate seed varieties, use of chemicals and fertilisers and modern equipment. Accordingly, Government will forthwith support agriculture related research work and institutions, also paying attention to soya beans among other seed varieties.

75. Further to this, Government, over and above its supportive mechanisation programme is urging farmers to engage various financiers on acquiring modern equipment for farming operations, that way enhancing productivity.

Water

76. Normally by June of each year, dam level would average 70.5% full. However, as at 19 June 2020, the average national dam levels stood at 48.1% full, mainly attributed to water usage and the current drought.

Table 9: Water Levels in selected dams (million cubic litres)

Dam	Net capacity (m3 l)	Present capacity (m3 l)	(%)
Kariba	64 800	26 498.9	40.9
Tugwi Murkosi	1802.6	717	39.8
Mutirikwi	1378.1	506	36.7
Manyame	480.2	323.3	67.3
Osborne	401.6	178.9	44.5
Mazvikadei	343.8	249.8	72.7
Manyuchi	309.1	145.2	47
Manjirenji	274.2	161.7	59
Sebakwe	265.7	88.9	33.4
Chivero	247.2	136.6	55.3

77. Despite the general receding dam levels, Lake Kariba water levels stood at 40.9% as at 19 June 2020. This current level is significantly higher than the same period last year of 28.9% and was mainly a result of good rains from catchment areas/countries.

Water Projects

78. In the water sector, from the Budget allocation of ZWL$2.5 billion, a total of ZWL$239.2 million was availed towards dam construction, upgrading water and sanitation infrastructure and borehole drilling.

79. Out of the nine dams earmarked for implementation in the 2020 Budget, only five (Marovanyati, Causeway, Gwayi-Shangani, Chivhu and Semwa) are now targeted for implementation in the wake of the COVID-19 pandemic with Marovanyati Dam and Causeway dams being targeted for completion during the year.

80. Substantial works on the other three dams are expected to resume once the current situation improves with Gwayi Shangani dam expected to be completed in 2021.

81. In order to ensure sustained work on the accelerated smallholder irrigation rehabilitation and development programme, funds amounting to ZWL$88 million were availed under the Budget for 32 irrigation schemes.

82. However, adverse effects of the COVID-19 pandemic and procurement delays resulted in minimal progress in the implementation of irrigation development projects.

Mining Sector

83. The mining sector, being the largest foreign currency earner (60% of total foreign currency) is poised to surpass agriculture which currently contributes between 9-10% to GDP. Currently, mining sector contributes about 8% of total GDP and has set a target of generating US$12 billion revenues by 2023 from as little as US$2.7 billion in 2017.

84. Priority policy areas to attain this target and other TSP benchmarks include reviewing and updating mining legislation, enhancing exploration and investment in mining, modernisation and computerisation of the mining title administration system (mining cadastre), improving transparency in the mining sector and establishing a viable fiscal regime. Furthermore, beneficiation and value addition of minerals to create more jobs and earn more foreign currency are priorities for the sector.

85. Reforms in the above areas are ongoing and on course to attaining the US$12 billion target.

86. Consequently, during the first quarter of 2020, PGMs and diamond registered strong performance compared to same period in 2019, while gold, chrome and nickel fell short of targets.

Table 10: Quarterly Mineral Production

	QI 2019	QI 2020
Gold/kg	6,965	6,152
Nickel/t	4,421	3,935
Chrome/t	419,486	292,673
Platinum/kg	3,417	3,544
Palladium/kg	2,825	2,957
Diamonds	461,348	540,939

Table 11: Monthly Mineral Production

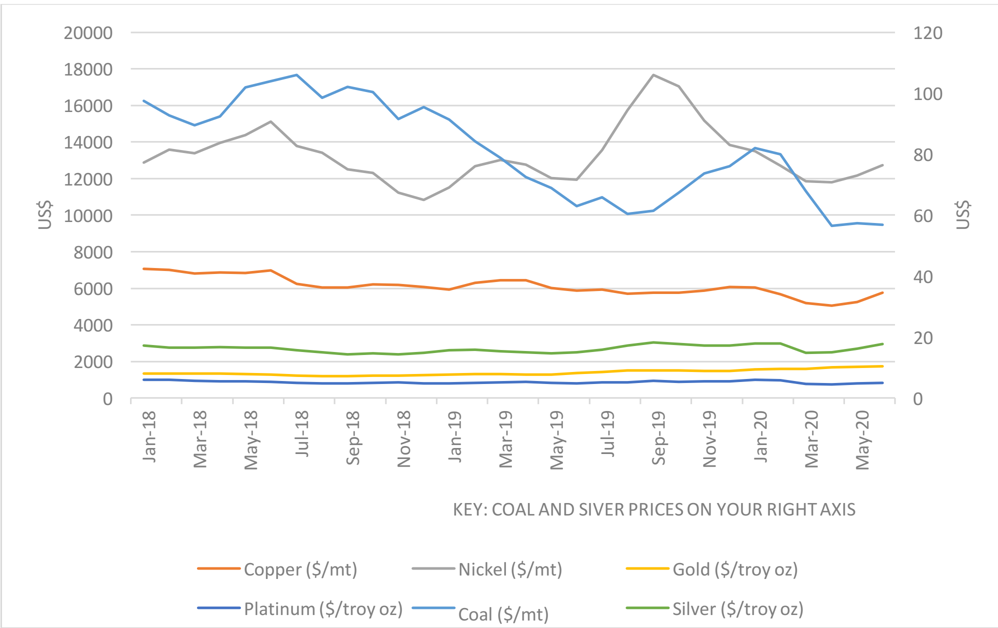
	January	February	March	April	May	TOTAL
Gold (kgs)	2,702.43	1,549.41	1,899.83	1,600.16	2015.8	9,767.73
Platinum (kgs)	1,273.42	1,203.68	1,066.64	1,087.38	1,552.98	6,184.10
Palladium (kgs)	1,055.71	1,010.79	890.46	908.27	1,310.49	5,175.72
Rhodium (kgs)	113.04	109.66	94.00	97.01	142.32	556.03
Iridium (kgs)	81.94	71.61	62.25	72.96	60.35	349.10
Ruthenium (kgs)	71.01	69.88	64.12	53.67	126.68	385.36
Diamonds (cts)	147,935.00	197,188.68	195,815.47	194,750.00	-	735,689.15
Chrome (MT)	99,322.72	88,004.38	105,345.42	179,243.28	-	471,915.80
Nickel (MT)	1,461.84	1,363.20	1,110.95	748.60	-	4,684.59
Copper (MT)	761.70	691.64	665.38	583.07	-	2,701.79
Cobalt (MT)	30.65	268.89	22.30	12.97	-	334.81
Coal (MT)	2,269.20	2,567.48	-	3,957.50	-	8,794.18
HCFC (MT)	23,728.74	21,615.42	14,205.84	27,186.00	-	86,736.00
Lithium (MT)	4,255.00	3,358.90	2,449.00	-	-	10,062.90

87. Therefore, growth for mining sector is now projected to slow-down to -4.1% in 2020, reflecting the impact of COVID-19 and other challenges including perceptions around retentions, erratic power supply and loss of skills in the mining sector.

International Mineral Prices

88. Save for coal, most mineral prices were firming up from May 2020, with gold prices reaching as high as US$1732.22, while nickel recovered from US$11 804/ton in March to US$12 727/ton by May 2020.

Graph 4: International Mineral Prices

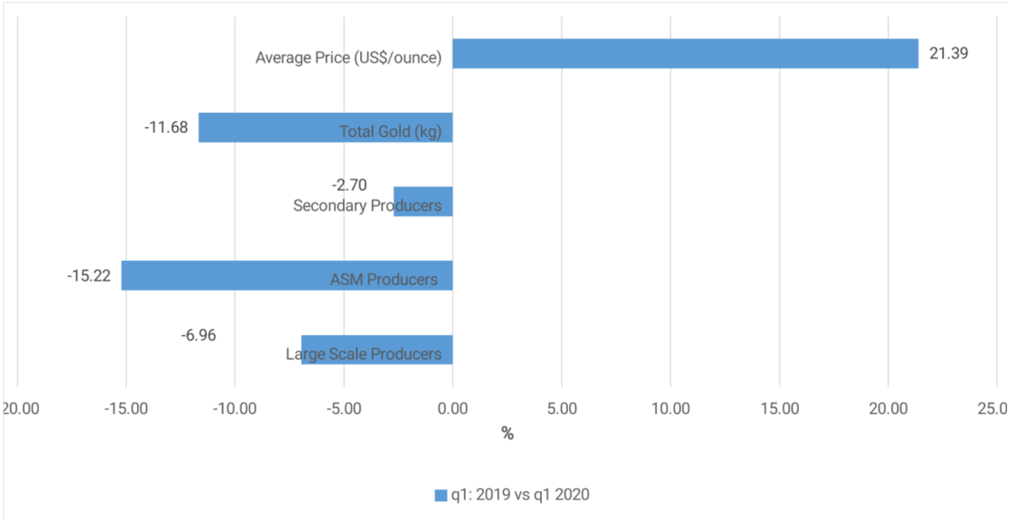


Source: World Bank

Gold

89. Despite higher average international gold prices by about 21.4% in the first quarter of 2020, gold deliveries (against expected increased output) under-performed as shown below.

Graph 5: Gold Perfomance



Source: Ministry of Mines, Chamber of Mines, FPR, 2020

90. Reduced deliveries reflect increased leakages (amid high production) through smuggling and diversion of gold to the informal market arising from issues around retentions.

91. Against this background, gold deliveries are projected at 27 958 kg for the year 2020, which is lower than the 2019 levels despite the favourable international prices obtaining compared to the previous year.

92. In order to increase gold deliveries, Government continue to engage mining companies including small scale miners on pricing and viability issues. Government in conjunction with private investors is also establishing gold buying centres around the country and the Bubi Centre is already functional.

PGMs

93. During the first quarter of 2020, total output of key PGMs (platinum, palladium and rhodium) surpassed output compared to same period in 2019, largely driven by increased throughput at Unki. This was notwithstanding loss of production time due to scheduled maintenance of plant and equipment at the other producers during this period.

94. PGMs benefited from favourable international prices, as well as relative stable power supply. International prices of platinum were about 10% higher than those 2019. Therefore, platinum output at 3 544 kg, was 3.7% above output produced in the same period in 2019. Platinum is projected to increase to 14 169 kg by the end of 2020, benefitting from the favourable prices, particularly of rhodium and palladium.

Nickel

95. Nickel output stood at 3 936 tonnes during the first quarter of 2020, about 11% below output during the same period in 2019. Output declines were attributed to scheduled maintenance at some of the major producers.

96. Nickel output was also affected by the COVID-19 pandemic induced shutdown of the manufacturing sector in parts of China that reduced consumption of base metals. This culminated in rising nickel inventories on the London Metal Exchange (LME) from 156,378 tonnes at the start of January to end February 2020 at 235,368 tonnes, resulting in nickel prices falling to US$12 155 per tonne on 28 February, down from US$14 285/t in mid-January 2020.

97. As a consequence of reduced demand, one primary producer gradually scaled down operations, with capacity utilization declining from about 85% as at end December 2019 to about 50% during the first quarter of 2020.

98. In 2020, nickel is projected at 15 000 tonnes, which compares unfavourably to output in the previous year.

Diamonds

99. Diamond output in the first quarter of 2020 surpassed same period last year by about 17%, largely on account of increased production from Zimbabwe Consolidated Diamond Company (ZCDC).

100. However, the subsector faces challenges on power supply, COVID-19 impact on production, demand and hence depressed prices. Resultantly, capacity utilisation was around 40% during the first quarter of 2020.

101. In view of these developments, diamond is projected at 2.1 million carats in 2020.

Chrome

102. Chrome output for the first quarter of 2020 stood at 293 000 tonnes, about 30% lower than in the same period last year, largely due to a steep decline in ferrochrome prices. Raw chrome prices and high carbon ferrochrome (HCF) prices registered declines of 47% and 23%, respectively, compared to the same period in 2019.

103. The COVID-19 induced lockdown in source and transit markets, that include China, Spain, Italy and other European countries during the first quarter of 2020, sharply reduced demand for these commodities, pulling prices to shut-down levels.

104. Chrome was also affected by:

- Logistical challenges in South Africa under lockdown and closure of some docking ports considered unsafe in China due to pandemic weighed down on raw chrome exports to China;
- Disruption of supply of components and spare parts forced most smelters to gradually scale down operations and put plant on care and maintenance. The key player, Zimasco went under care and maintenance on the 25th of March 2020. Potnex had already closed while Afrochine was operating below 50% of installed capacity during the period under review; and
- Other challenges that include power and fuel shortages, high operational costs due to surging inflation also continued to weigh down chrome output.

105. In the outlook, the anticipated global containment of the COVID-19 pandemic is expected to lead to a gradual recovery in demand of ferrochrome as the source markets open up their economies. As a consequence, producers are likely to increase capacity utilisation levels in response to favourable prices. In view of these developments, chrome output is expected to end the year at 1 million tonnes, which compares unfavourably to the previous year output.

Coal

106. Coal output reached about 417 000 tonnes in the first quarter of 2020 (from two major producers), about 16.6% more than production realised during the same period in 2019, despite viability challenges facing the miners. The price of coal to ZPC (US$26.50 per tonne) which is payable in local currency at ongoing interbank rate, are below the average cost for mining, processing and delivery of coal to Hwange Power Station of about US$30.30 per tonne and therefore, unviable.

107. In addition, the industry players contend that low foreign currency retention thresholds (45%) for an industry which exports only 10% of the produce, is making it difficult for the industry to procure production inputs. This is in addition to other challenges that include fuel shortages and high operation costs induced by rising inflation, among others.

108. In 2020, coal is projected at 3 million tonnes, constrained by reduced investment in exploration, shortages of fuel and foreign currency challenges.

Dealing with Mineral Leakages

109. Government remains seized with dealing with mineral leakages which continue to deprive the country of substantial foreign currency inflows. Therefore, during the half of the year and going forward, the Budget will expend more resources on capacitating security institutions engaged

in monitoring and curbing mineral leakages. This will also prioritise the Minerals and Border Control Unit.

Manufacturing Sector

110. Manufacturing remains central for industrialising the country. Top on the agenda are policy reforms on improving the investment environment currently ongoing under the ease of doing business programme and containing the cost of doing business by addressing cost-effectiveness challenges such as energy, road networks, security, financing, bureaucratic restrictions, corruption, dispute settlement, and property rights, among others.

111. However, the sector continues to face investment deficit and other challenges relating to electricity and foreign currency supply and inflation.

112. The COVID-19 pandemic also depressed the performance of the manufacturing industry by restricting production, distribution and consumption of goods and services, among other factors. It also caused input supply disruptions in source markets and hence, the sector is expected to contract by -10.8% in 2020 against 1.9% originally projected.

Table 13: Manufacturing Index

Manufacturing	2019	2020 Budget	2020 Rev	2020 vs 2019
Foodstuffs	109.4	105.0	87.5	-22.0%
Drinks, Tobacco and Beverages	76.6	83.0	68.9	-15.0%
Textiles and Ginning	90.6	63.0	91.5	1.0%

Manufacturing	2019	2020 Budget	2020 Rev	2020 vs 2019
Clothing and Footwear	26.8	96.0	25.4	-5.0%
Wood and Furniture	214.4	93.4	203.7	-5.0%
Paper, printing and Publishing	90.1	98.0	72.1	-20.0%
Chemical and Petroleum Products	76.3	75.0	83.9	10.0%
Non-metallic mineral products	130.2	93.0	104.2	-20.0%
Metals and Metal products	59.7	82.0	53.7	-10.0%
Transport, Equipment	56.6	68.0	50.9	-10.0%
Other manufactured goods	95.2	69.0	85.7	-10.0%
Manufacturing Index	87.4	87.7	77.0	-12.0%
Growth Rate	**-8.7**	**1.9**	**-10.8**	

Foodstuffs

113. The foodstuff subsector under-performed in the first quarter of 2020, on account of drought induced declines in cereals that weighed down on maize milling and stock feed manufacturing, as well as, slowdown in domestic milk processing following a 6.6% decline in milk output compared to the same period in 2019. In addition, the continued shortage of foreign currency for importing key raw materials such as wheat is further expected to constrain the sub-sector.

114. The increase in meat processing, particularly pork and beef, as well as sugar cane processing during the first quarter is, however, expected to slightly offset the declines in foodstuffs.

115. Overall, the subsector is projected to decline by 22% in 2020, weighed down by the aforementioned challenges.

Drinks, Tobacco and Beverages

116. Production of alcoholic beverages declined by about 27%, whilst non-alcoholic beverages declined by 24% during the first quarter of 2020, largely on account of depressed aggregate demand. The sales of alcoholic beverages were also constrained by the COVID-19 induced lockdown which resulted in the closure of most channels of distribution which drive the consumption of beverages.

117. The performance of sparkling drinks, at 368% compared to the same period last year when the business was virtually closed, however, saved the sub-sector.

118. In line with first quarter performance, the subsector is expected to decline by 15% in 2020, attributable to the confluence of numerous challenges bedevilling the manufacturing sector.

Chemical and Petroleum Products

119. The subsector is projected to grow by 10%, largely driven by increased production of alcohol based sanitisers for preventing the spread of the COVID-19 pandemic and some medical supplies. In addition, increase in demand for ethanol for fuel blending and agro-chemical industries is also expected to drive activities in this sub-sector.

120. However, the potential of the sub-sector continues to be adversely impacted by shortages of foreign currency to import raw materials for

producing high value products such as fertilizers, and low demand due to rising inflation.

Metals and Metal Products

121. The subsector is projected to decline by 10% in 2020, due to persistent shortages of foreign currency to import raw materials, particularly steel and related products. COVID-19 containment measures are also expected to continue interrupting inputs supply chains, further depressing activities in the sub-sector.

Clothing and Footwear

122. The sub-sector is expected to contract by 5% in 2020 due to stiff competition from cheap imports and shortage of foreign currency to import raw materials, particularly for footwear production.

123. Whilst the advent of COVID-19 increased demand for PPE, domestic players that include universities and security service sector were confined to the production of low value PPE for households, as the high value PPEs for frontline health staff are being imported.

Paper, Printing and Publishing

124. Activities under this category are expected to decline by 20% in 2020, as COVID-19 mitigation measures accelerated migration to virtual (online service provision) thereby reducing the need for paper printing activities.

Non-Metallic Mineral Products

125. The combined effect of depressed household incomes and the suspension of some Government infrastructure projects is expected to reduce cement sales in the economy by about 14% as well as reduced sales of other building materials such as tiles. This shrinkage in demand for cement and tiles points to a decline in activities in this category by about 20% in 2020.

Textiles and Ginning

126. The subsector is benefiting from the expected slight increase in cotton which drives ginning activities. However, the depressed aggregate demand compounded by shortage of foreign currency and fuel amid rising inflation is projected to dampen the textiles activities, partially offsetting gains from the ginning.

127. In view of this, the subsector is projected to grow by 1% in 2020.

Import Substitution

128. Notwithstanding the COVID-19 pandemic impact, part of the manufacturing sector took advantage of this crisis to promote import substitution which saw a number of local companies and tertiary institutions innovation hubs venturing in the production of various products including those for mitigating the spreading of the COVID-19 virus.

129. In support of this development, Government, under the Stimulus Package facilitated a ZWL$3.5 billion facility to cater for industry working capital (ZWL$3 billion) and SMEs support (ZWL$0.5 billion).

130. Furthermore, Government prioritises establishment of special economic zones to fast-track the process of attracting long-term investment and promotion of value addition, including import substitution.

Distribution, Hotels and Tourism

131. The distribution industry, which constitutes output from wholesale and retail services was not spared from the knock-on effect from the pandemic during the first half of 2020.

132. Tourism, which has higher weight was particularly most affected by the COVID-19 pandemic through restricted travel, and indications are that the subsector will contract by -7.4% in 2020.

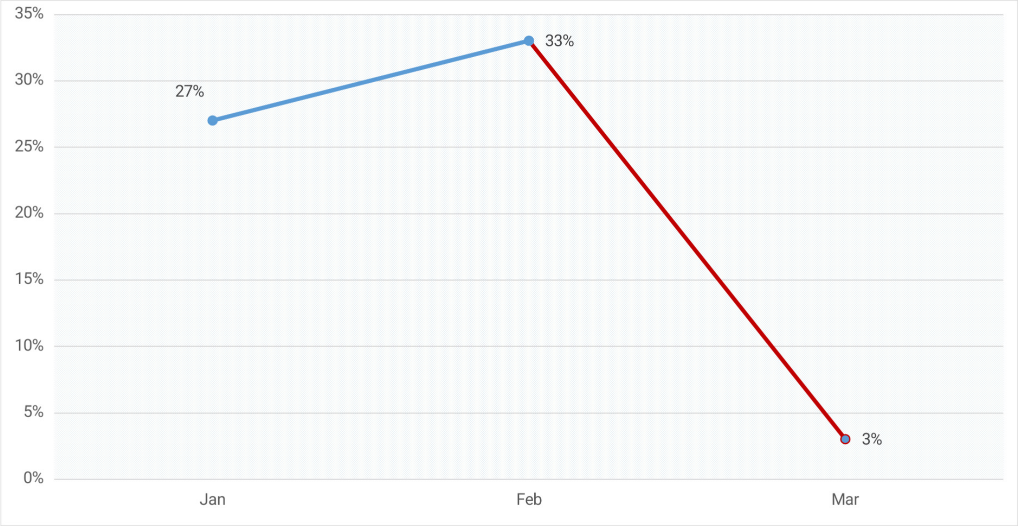
Tourism

133. The travel and tourism industry experienced an unprecedented blow from the pandemic, with the UNWTO global estimates showing a 97% drop in global arrivals, (translating to 180 million international arrivals) between March and April 2020.

134. Zimbabwe's foreign tourist arrivals followed the global path to April 2020 and average hotel occupancy rates, which had peaked to 33% in

February from 27% in January dipped to a low of 3% in March 2020 as shown below.

Graph 6: 2020 First Quarter Average Occupancy Rates



Source: Zimbabwe Tourism Authority (Estimates)

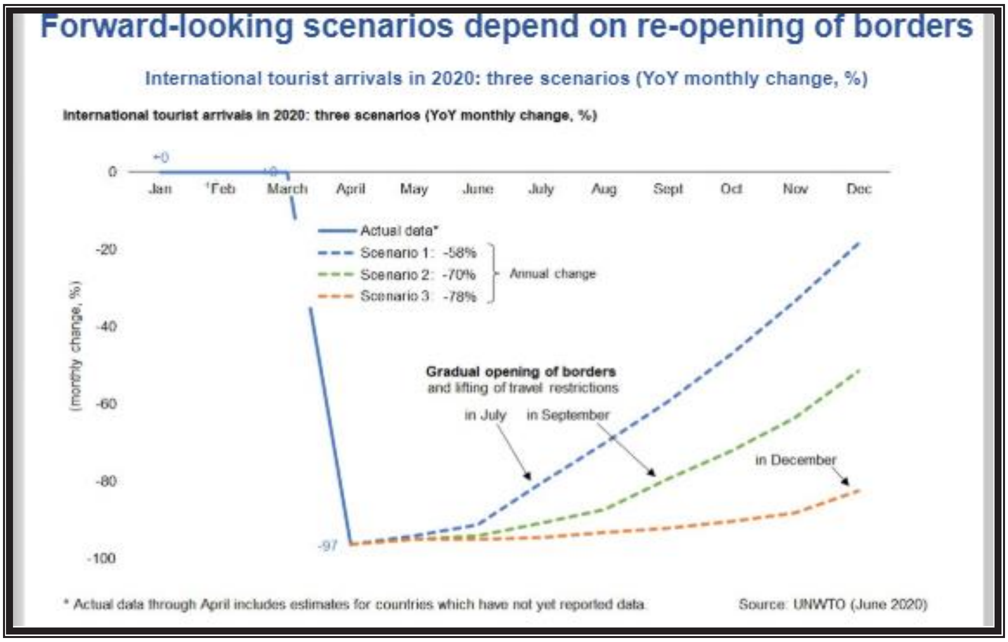
135. Although Zimbabwe instituted lockdown measures towards the end of March, other countries constituting tourism source markets had already taken precautionary steps to manage the pandemic.

136. Therefore, as domestic lockdown measures eventually took effect, most facilities had already started feeling the impact of the pandemic. Hence, domestic measures further added to the predicament of the local tourism hospitality companies some of which recorded near zero receipts from accommodation facilities after the lockdown.

137. As a part of the recovery from the pandemic, Government has adopted a gradual re-opening approach, albeit with strict conditions, which

potentially allow domestic tourism and hospitality industry to recover in the near term (blue line scenario).

Graph 7: Options for Re-opening the Tourism Industry



138. This recovery strategy during the last half of 2020, is expected to remain inward looking with initial focus on domestic tourism while monitoring and assessing implications from opening to international tourism.

139. Any easing of travel restrictions and opening up of airline transport system will create an opportunity to gradually resume international tourism, although both tourists and service providers will **require to take extraordinary caution** to avoid resurgence of infections which can trigger further lockdown measures.

Transport and Communication Sector

Transport

140. Transportation was affected by reduced economic activity on account of reduced cargo from mining (coal, chrome, black granite), agriculture and manufacturing, that affected airline, road and rail activity, affected by fuel and foreign currency shortages.

141. The most affected is the airline business which has been virtually grounded during the lockdown period.

142. In the road passenger transport, capacity was reduced to less than 50% in April 2020, before being increased to 70% thereafter. However, Government continued to prioritise road rehabilitation programme under which the Harare-Beitbridge road got ZWL$321 million leading to much faster progress in construction works. The target is to achieve 200km by year end.

Rail

143. The rail managed to ferry 1.06 million tonnes of cargo during the first half of 2020, a 19% decline compared from the same period in 2019.

Table 14: Rail Cargo Freight (tonnes) Jan-June 2020

		Jan	Feb	Mar	Apr	May	Jun	Cum Total
Tonnage volumes	Target	179 691	185624	193 476	229180	337986	351611	1 477 856
	Actual	149 069	136205	123 735	141158	234161	278538	**1 062 866**

Source: NRZ

144. Performance was further weighed down by the outbreak of COVID-19 pandemic which affected the industry in addition to other existing challenges of under-capitalisation and operational hurdles.

145. On the passenger side, the rail subsector witnessed a significant decline in passenger ferried, due to travel restrictions to contain the spread of COVID-19. Resultantly, passengers freight declined by 44% to 201,853 during the first half of 2020 from 3 629 64 recorded during the same period in 2019.

Table 15: Passenger Ferried Jan-June 2020

Passengers		Jan	Feb	March	April	May	June	Total
Intercity Passengers	Target	70 810	51 712	61 139	73 659	92 196	72 659	**422 175**
	Actual	32083	31 580	17 764				81 427
Commuters	Target	41 540	51 925	41 538	52 125	38 675	35 232	**261 035**
	Actual	41 437	69 201	50 788				120 426

Source: NRZ

146. Going forward, Government is working to expedite the recapitalisation of NRZ.

Communication

147. Communication, data and internet services replaced most of physical interaction, virtually driving industrial and other economic activities, with the shift towards telecommuting and e-learning thereby driving demand for data.

148. Internet usage increased by 2.8% to 6 661 terabytes in the first quarter of 2020, from 6 489 terabytes recorded in the fourth quarter of 2019, driven by the substitution of voice traffic and print media by over the top serves (OTTs) and online publication. The COVID-19 mitigation measures are further expected to enhance mobile data and internet usage for remote working driven by corporates and government, as well as online education.

149. Online education and e-commerce is growing with Government already increasing its spending on telecommunication and data services. Over The Top (OTT) services and remote working are projecting to result in surge in data usage going forward.

150. Overall, the whole transport and communication sector is projected to grow by 3.2% in 2020, driven by enhanced communication activities that is offsetting the dampening effect of the transport sub-sector.

Digital Broadcasting Migration Project

151. Under the Digital Broadcasting Migration Project, Government is putting in place an important component of the country's ICT backbone for the delivery of digital television services, in line with developments across the world.

152. This Project is also addressing the challenge of poor radio reception in significant parts of the country, particularly in rural and border areas where members of the public have resorted to foreign services.

153. Significant progress has been made with the following having been completed:

- Two out of six digital television studios at Pockets Hill in Harare.
- Digitalisation of eighteen transmitter sites.
- Construction of thirteen out of twenty-five new television transmitter site towers.
- The renewal of five FM radio transmitter sites. The radio transmitter installations have brought about significant improvement in radio coverage to the communities in and around those areas.
- The installation of a Regulatory Content Monitoring System at the BAZ offices in Harare, together with the installation of seven remote stations in areas with local commercial radio stations.
- Provision of 48 Electronic News Gathering camera sets to the public broadcaster ZBC.
- Five new tower foundation works as own works at Chikombedzi, Gutu, Maphisa, Murewa and Wedza to bring the number of completed new tower foundations to eighteen out of twenty-five.
- Four phases of content production together with three phases of content training.

154. The Digitalisation Project requires a total of about US$173 million dollars to see through its completion. To date, an equivalent of US$69.55 million dollars has been disbursed to the Project with the balance of about US$103.45 million still required to project completion.

155. The biggest challenge to the Project is the shortage of foreign currency which is hindering foreign payments for more equipment deliveries. The scope of the Project is also being reviewed to rationalize against requirement in view of the time lapse from contract signing. Alternative ways of financing the Project are also being explored, particularly the potential of the Digital Dividend spectrum.

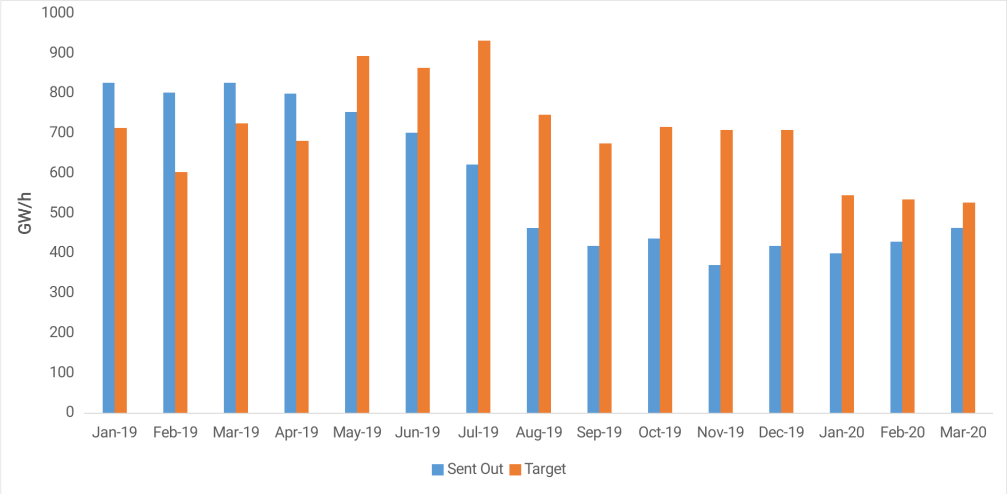
156. Completion of this Project will see more channels with better picture quality and improved reception being delivered to the public. There will also be a significant improvement in radio coverage with both radio and television coverage expected to improve from about 55% to at least 80% of the population.

157. The need for content on the digital platform is going to create a business opportunity for content producers in the production of digital content, creating employment opportunities in the Zimbabwean creative arts industry and contributing towards the growth of the economy.

Electricity

158. There was a relative improvement in electricity generation during the first quarter of 2020 compared to the last quarter of 2019, with total electricity generated amounting to 1 294 GW/h, up from 1 226 GW/h. The improved generation combined with consistent imports resulted in reduced load shedding.

Graph 8: Electricity Generated and Sent Out

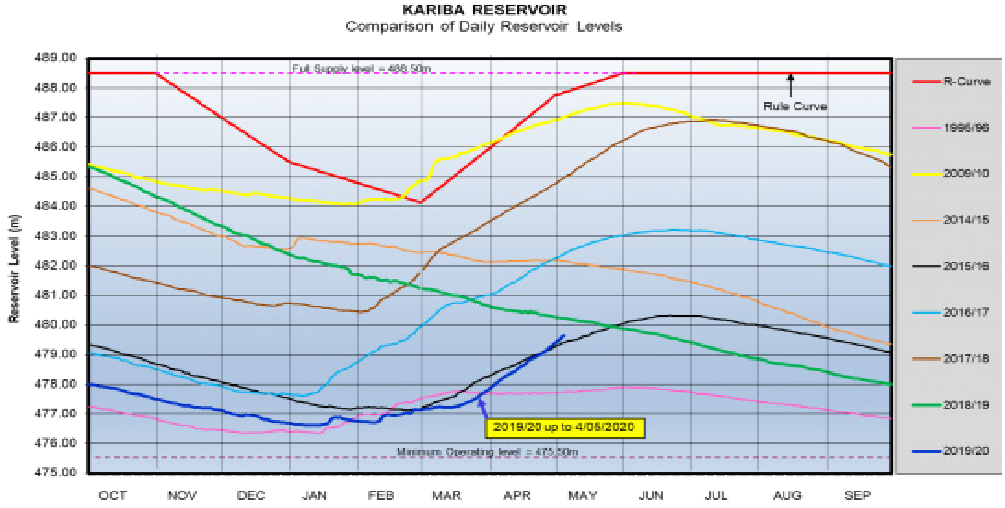


Source: ZPC

159. The generation performance is, however, lower when compared to the same period last year. This reflects the planned reduced operating levels at Kariba Power Station in order to allow the dam to fill up following a drastic fall in reserves of usable water. In line with this, the Zambezi River Water Authority allocated about 11 billion cubic meters to Kariba Power Station, which is consistent with a generation capacity of 275MW/h.

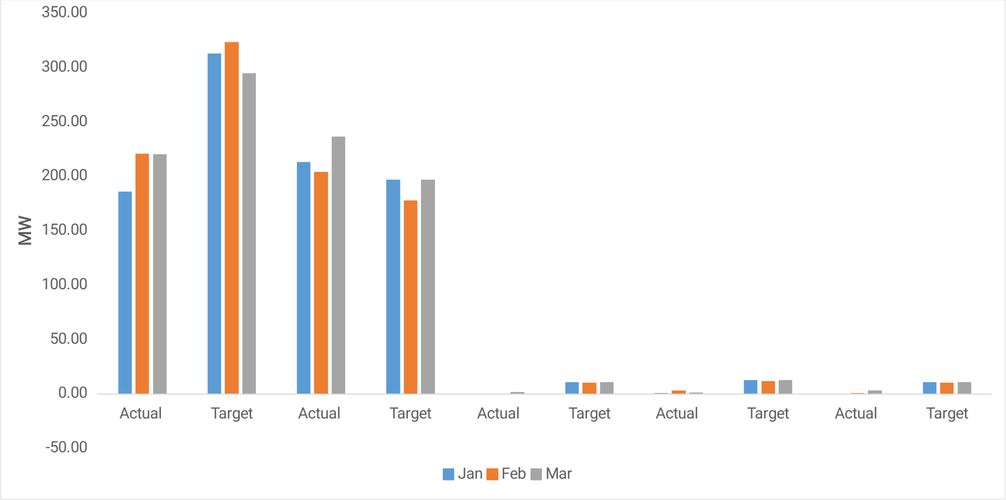
160. On a positive development, the Lake Kariba level has continued to rise steadily during the quarter, closing at 478m (19.20% of usable storage). The recovery has been supported by an increased flow of water into the dam following normal to above normal rainfall in the Zambezi water catchment areas.

Graph 9: Kariba Dam Reservoir Levels (metres)



Source: Zambezi Water Authority

Graph 10: Generation by Units



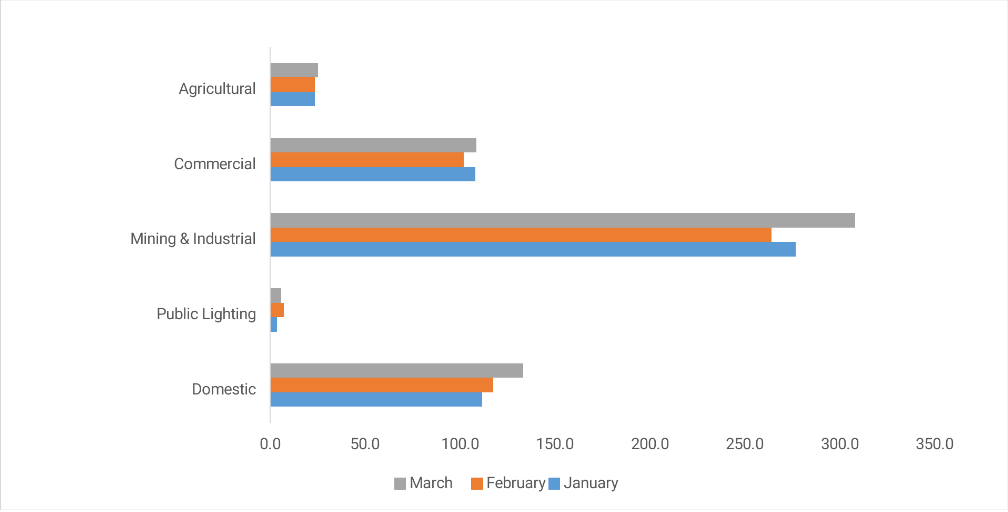
Source: ZPC

161. The Kariba Hydro and Hwange Power plants were the main sources of generation during the quarter. Other small generation plant contributions were low due to operational constraints.

Electricity Consumption

162. During the quarter, electricity consumption for domestic purposes was on a gradual increase while commercial, agriculture, mining and industrial activities experienced a decline in February before recovering March.

Graph 11: Consumption by Sector



Source: ZPC

Power Tariffs

163. The Zimbabwe Electricity Transmission and Distribution Company (ZETDC) adjusted the electricity tariffs by 19% effective 1 March 2020 and further on 12 June 2020. This was in accordance with the Tariff Award of 2 October 2019, which takes into account the movement of macro-economic fundamentals such as exchange rate and inflation, for changes above 10%.

Table 16: Approved Conventional Meter Tariffs

	KWH	Cost/Unit
a) Fixed Monthly Charge		$7.24
b) Energy charge per kWh	(i)1st 50 kWh	$0.52
	(ii) 51 to 200 kWh	$1.14
	(iii) 201 to 300kWh	$3.12
	(iii) From 301	$4.88

Source: ZETDC & ZERA

164. The tariff adjustments offer ZESA scope for improving working capital and viability resulting in improved electricity generation.

165. Further to this, ZESA is minimising generation losses through the following interventions:-

- Maintaining average generation capacity of 450MW at Hwange.
- Concluding ongoing dialogue on coal pricing, which is constraining supply currently, is expected to come up with a solution before end of the first half of the year.
- Ensuring that small thermals operate at average capacity of 22MW, 25W, 15 MW at Munyati, Bulawayo and Harare, respectively.
- Gradually improving supply chains during the last half of the year as source markets for repairs slowly re-open.
- Switching to solar by households and corporates (Schweppes commissioned a 1MW plant, 118 KW roof top solar plants at Surrey farm and Kefalos, among others).

- Indexing of electricity pricing to inflation and exchange rate in line with any developments on inflation and foreign exchange market.

Energy Projects

166. In the energy sector, most of the work stalled during the last months due to the COVID-19 pandemic.

167. Progress on construction of Hwange 7 & 8 Power project stands at 45.7% against the planned progress of 54.4%. Taking into account the current challenges and revised plans the project is now expected to near completion by year end.

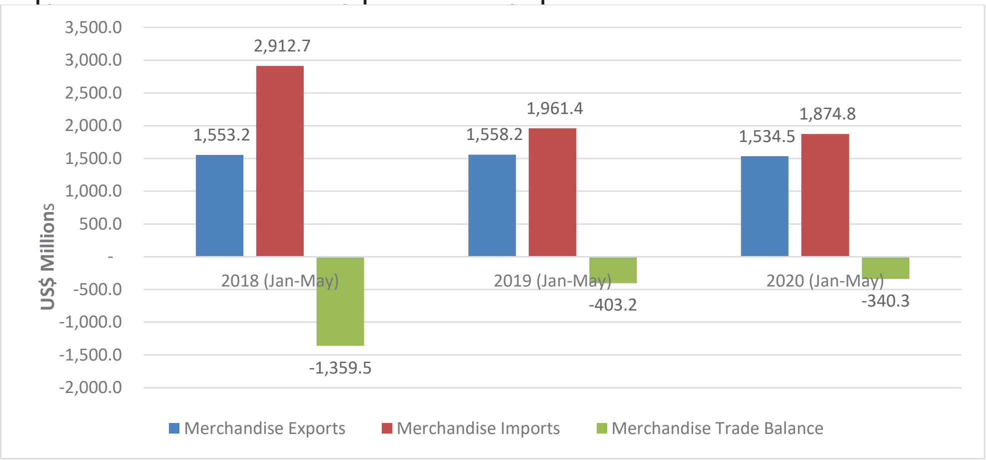
168. Furthermore, utilising proceeds from the Rural Electricity Fund, Rural Electrification Agency (REA) managed to extend the grid to 23 institutions and construction of 2 biogas digesters. The institution has secured funding from the Africa Union Commission, which will be deployed towards development of solar systems.

Balance of Payments

Merchandise Export and Imports

169. Merchandise exports for the first five months of 2020 slightly declined by 2% to US$1.53 billion from US$1.56 billion, whilst imports declined by 4% compared to the same period in 2019. This resulted in merchandise trade balance improving by 16% from a deficit of US$403 million recorded during the same period last year.

Graph 12: Merchandise Exports and Imports



Source: ZIMSTAT

170. On account of the pandemic and climatic shocks, output losses in mining, manufacturing and agriculture are weighing down on export performance.

171. Prices of most minerals (nickel, copper, chrome, coal and cotton) except for gold and rhodium have weakened since the pandemic was first reported amid weaker global demand. Gold has, however, benefitted from safe haven demand.

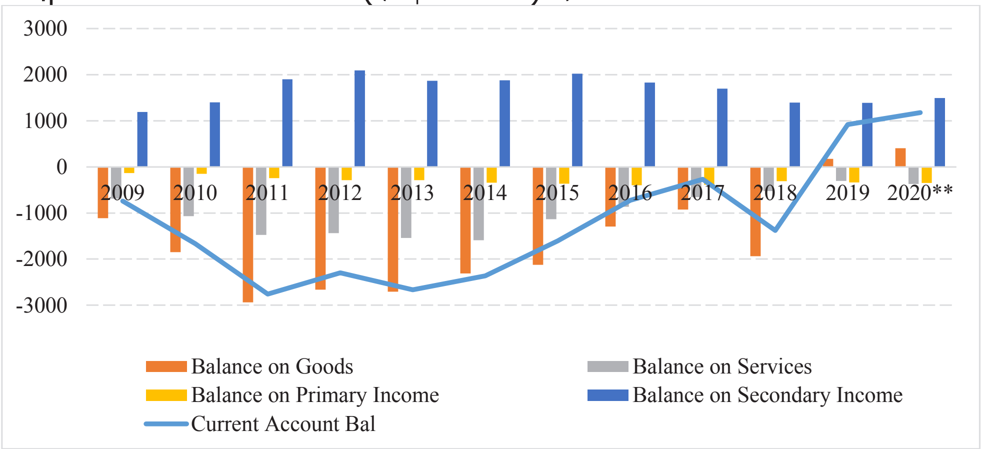
172. Food and electricity imports are rising, given the drought since 2019 and demand for imports of chemicals, medicaments and other finished goods required in the fight against the COVID-19 pandemic.

Current Account

173. Overall, the current account is projected to remain in surplus in 2020 at US$1.2 billion mainly driven by secondary income and goods account.

This is an improvement from US$921 million recorded in 2019. The anticipated surplus is also on account of measures on containing non-essential consumptive imports.

Graph 13: Current Account (US$ Millions)

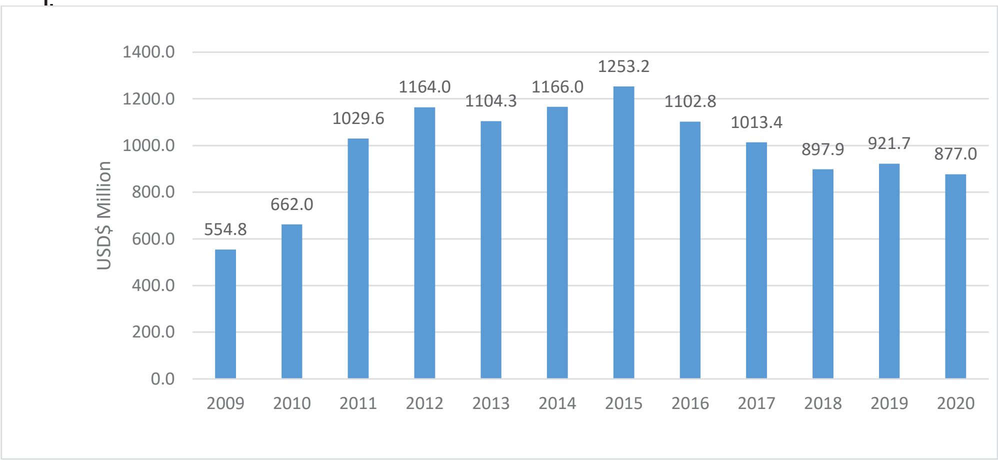


Source: RBZ

Remittances

174. Remittances are projected to remain resilient as diasporans safeguard transfers to their families, irrespective of the COVID-19 shock. In this regard, remittances are projected to slightly decline by 4.9% to US$877 million in 2020, from US$921.7 million in 2019, as major source economies, such as South Africa, UK, and US go into recession this year.

Graph 14: Remittances



Source: RBZ

Financial Account

175. The country's financial account is projected to post a positive balance of US$527.6 million in 2020, compared to an estimated US$404 million for 2019.

176. Perceived country risk, coupled with the adverse effects of the novel coronavirus in countries from which the country gets inflows of both debt and non-debt creating external capital, largely explains the projected subdued inflows. The country's external debt overhang also continues to weigh down prospects of attracting new capital by heightening the perceived country risk.

Foreign Direct Investment

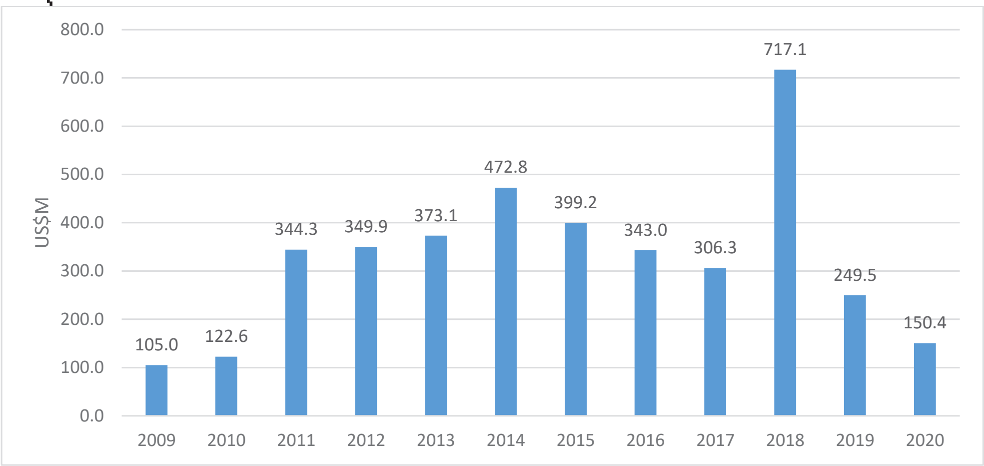
177. The UNCTAD Investment Trends Monitor of March 2020 projected a global contraction in foreign direct investment (FDI) flows of between

30 percent and 40 percent during the period 2020-2021, largely due to the COVID-19 related deterioration of global prospects and revisions of earnings of the largest Multinational Enterprises (MNEs).

178. The hardest-hit sectors are the energy and basic materials industries for energy, with an additional shock coming from drop in oil prices, airlines and the automotive industries.

179. Domestically, FDI inflows have remained subdued after reaching a peak in 2019 at US$717.9 million. During the first half of the year, FDI inflows is estimated at US$71.2 million compared to US$111.6 million recorded during the same period in 2019.

Graph 15: FDI Inflows



Source: RBZ

180. FDI inflows for the year 2020 is expected to end the year at US$150.4 million, which is a 40% decline from the US$249.5 recorded in 2019.

RESPONSE TO THE COVID-19 PANDEMIC AND OTHER MACRO-ECONOMIC SHOCKS

181. In view of the impact of the COVID-19 pandemic on the economy, Government came up with mitigatory interventions covering both prevention and support to productive sectors in order to save lives and livelihoods.

182. Measures in support of production, continue to be reviewed in order to limit deeper damage to the economy.

COVID-19 CONTAINMENT MEASURES

183. In order to save lives, Government managed to unfreeze 4 713 posts with a view to scaling up the response to the COVID-19 pandemic.

184. This was made possible by instituting cuts from respective line Ministry allocations/budgets and redirecting of capital expenditure allocations under the 2020 National Budget towards health related expenditures including water supply and sanitation programmes.

185. Resources from the 2% Intermediated Money Transfer Tax (IMTT) were also ring fenced and channelled towards COVID-19 related mitigatory expenditures.

186. Furthermore, resources were directed to alleviate the plight of vulnerable groups in our society who were most exposed under this COVID-19 crisis.

Accordingly, resources to cushion one million vulnerable individuals were put in place and payments continue through the Social Welfare Department.

Support to Line Ministries

187. Government is tackling the Covid-19 pandemic in a multi-sectoral approach and for the period to 30 June 2020 direct support amounting to ZWL$1.8 billion went to various Ministries/Agencies/Departments as follows:

188. Support to the Ministry of Health and Child Care was ZWL$738.5 million mainly in support of the following:

- Covid-19 Risk allowances;
- Additional employment costs from recruitment of additional staff to fight Covid-19;
- Capacity building of health staff (training);
- Procurement of health and laboratory equipment including the consumables;
- Procurement of Personnel Protective equipment; and
- Rehabilitation and construction of isolation units.

189. Support to the Ministry of Lands, Agriculture, Water and Rural Resettlement of ZWL$18.14 million went towards drilling of boreholes

whilst DDF complimented in the drilling of boreholes and ZWL$19.96 million was availed.

190. In the quest to promote local production of PPEs, especially face masks and sanitizers, institutions of higher learning were provided with ZWL$33 million seed capital which has seen the country benefit from this initiative through import substitution. Furthermore, ZWL$10 million was availed to the Midlands State University for reproduction of Covid-19 materials, whilst ZWL$32.8 million went towards supporting the e-learning initiative.

191. In order to enforce lockdown restrictions, the security sector received ZWL$197 million. This support was operational support which included production of PPEs and enhancing surveillance capabilities of the institutions during this lockdown.

192. The level of vulnerability during the lockdown increased and to mitigate against the effects of the lockdown, ZWL$50 million has been availed so far for support to the transitory poor households.

193. Furthermore, lockdown conditions required that all the homeless be placed in various shelters and ZWL$35.5 million was availed towards that whilst quarantine centres received ZWL$50 million.

194. The Ministry of Local Government and Public Works is a key player and support of ZWL$76.1 million went towards water and sanitation requirements by local authorities whilst ZWL$179.7 million went towards

construction of identified isolation centres inclusive of protective equipment for public works personnel who were involved in the construction of the quarantine centres.

195. The Ministry of Primary and Secondary Education has received ZWL$100 million for reopening of schools starting with examination classes.

196. Other Government Departments have also received support towards procurement of PPEs and fumigation of the institution's buildings including the foreign missions.

Stimulus Package

197. Government unveiled a ZWL$18.2 billion Stimulus Package, which amounts to 28.6% of the 2020 National Budget. The Package is designed to:

- Scale-up production levels across all sectors of the economy;
- Address the constraints faced by a large section of small-scale industries
- Improve health facilities; and
- Reduce poverty and hardships to assist vulnerable groups in our society.

198. The respective targeted sectors include the following:

Table 17: Stimulus Package

Area	Amount
Agriculture Sector Support	$6.1 billion
Working Capital Fund for Industry	$3.0 billion
Mining Sector Facility	$1.0 billion
SME Support Fund	$0.5 billion
Tourism Support Fund	$0.5 billion
Liquidity from Statutory Reserves	$2 billion
Health Sector Support Fund	$1.0 billion
Broad Relief Measures	$1.5 billion
Covid Cash Transfer	$2.4 billion
Arts and Sport Grant	$0.2 billion
Total	**$18.2 billion**

199. The resources are already being disbursed to all key areas with wheat farmers being some of the first to benefit.

200. Additionally, Government has also put in place other Fiscal and Monetary Policy Relief Measures which include the following:

Import Duty on Raw Materials

201. Government relaxed import duty on selected raw material imports for the three quarters up to the end of 2020 to cushion producers and to manage imported inflation considering that trade has been affected by the COVID-19 pandemic.

Corporate Tax Credits for COVID-19 Donation

202. A Tax Credit on up to 50% of expenditure was instituted and this will enable businesses/companies to have funds which can be invested back to boost the working capital in order to sustain operations.

Interest Rates

203. Productive Sector lending interest rates were also lowered to not more than 20% and loans were restructured to allow businesses to recover. Loan restructuring will also entail review and relaxation of regulatory guidelines and benchmarks.

Reduction of Statutory Reserve Requirements

204. A comprehensive reduction of statutory reserve requirements on banks was also implemented in order to release ZWL$2 billion of liquidity to increase the capacity of banks to lend to productive sectors.

Tax Relief Measures

205. In order to enhance preparedness to fight the corona virus, and also guided by the United Nations COVID-19 Medical Supplies, Government further suspended duty and tax on the following list of goods:

Table 18: List of Goods with Duty and Tax Suspension

Categories	Product names	Brief information	HS Classification
I. COVID-19 Test kits/ Instruments and apparatus used in Diagnostic Test	COVID-19 Test kits	Diagnostic reagents based on polymerase chain reaction (PCR) nucleic acid test.	3822.00
	COVID-19 Test kits	Diagnostic reagents based on immunological reactions	3002.15
	COVID-19 Diagnostic Test instruments and apparatus	Instruments used in clinical laboratories for in Vitro Diagnosis	9027.80

Categories	Product names	Brief information	HS Classification
II. Protective garments and the like	**Face and eye protection**		
	Textile face-masks, without a replaceable filter or		6307.90
	Gas masks with mechanical parts or replaceable filters for protection against biological agents. Also includes such masks incorporating eye protection or facial shields.		9020.00
	Protective spectacles and goggles		9004.90
	Plastic face shields (covering more than the eye area)		3926.20
	Gloves		
	Plastic gloves		3926.20
	Surgical rubber gloves		4015.11
	Other rubber gloves.		4015.19
	Knitted or crocheted gloves which have been impregnated or covered with plastics or rubber		6116.10
	Textile gloves that are not knitted or crocheted		6216.00
	Other		
	Disposable hair nets		6505.00
	Protective garments for surgical/medical use made up of felt or nonwovens whether or not impregnated, coated, covered or laminated (fabrics of heading 56.02 or 56.03). This includes spun-bonded garments.		6210.10
	Other protective garments of textiles of rubberised textile fabrics or woven fabrics that are impregnated, coated, covered or laminated (fabrics of headings 59.03, 59.06 or 59.07). Actual classification will depend on type of garment and if for males or females. Example: a unisex full body woven suit impregnated with plastics would be classified under 6210.50 Other women's or girls' garments		6210.20 6210.30 6210.40 6210.50
	Protective garments made from plastic sheeting		3926.20
III. Thermometers	Liquid filled thermometer for direct reading	Includes standard "Mercury-in-glass" clinical thermometer.	9025.11
	Other thermometers	For example, digital thermometers, or infrared thermometers for placing on the forehead.	9025.19

Categories	Product names	Brief information	HS Classification
IV. Disinfectants/ Sterilisation products	Alcohol solution	Undenatured, containing by volume 80% or more ethyl alcohol	2207.10
	Alcohol solution	Undenatured, 75% ethyl alcohol	2208.90
	Hand sanitizer	A liquid or gel generally used to decrease infectious agents on the hands, alcohol-based type.	3808.94
	Other disinfectant preparations	Put up in forms or packings for retail sale such as rubs and wipes impregnated with alcohol or other disinfectants.	3808.94
	Medical, surgical or laboratory sterilisers	Function by steam or boiling water	8419.20
	Hydrogen peroxide in bulk	Bulk H2O2 whether or not with solidified with urea.	2847.00
	Hydrogen peroxide presented as a medicament	H2O2 put up for internal or external use as a medicine, including as an antiseptic for the skin. Only covered here if in measured doses or in forms or packings for retail sale (including directly to hospitals) for such use.	3004.90
	Hydrogen peroxide put up in disinfectant preparations for cleaning surfaces	H2O2 put up as cleaning solutions for surfaces or apparatus.	3808.94
	Other chemical disinfectants	Put up in forms or packings for retail sale as disinfectants or as disinfectant preparations, containing alcohol, benzalkonium chloride solution or peroxyacids, or other disinfectants.	3808.94

Categories	Product names	Brief information	HS Classification
V. Other medical devices	Computed tomography (CT) scanners	Uses a rotating X-ray machine to image thin slices of the body to diagnose diseases such as pneumonia.	9022.12
	Extracorporeal membrane oxygenation (ECMO)	Provides prolonged cardiac and respiratory support by removing blood from the person's body and artificially removing the carbon dioxide and oxygenating red blood cells.	9018.90
	Medical ventilators(artificial respiration apparatus)	Provides mechanical ventilation by moving breathable air into and out of lungs	9019.20
	Other oxygen therapy apparatus including oxygen tents	As well as complete oxygen therapy apparatus, this subheading also covers recognisable parts of such systems.	9019.20
	Patient monitoring devices - Electrodiagnostic apparatus	Electrical or electronic equipment for the observation of a disease, condition or one or several medical parameters over time. This includes such devices as pulse oximeters or bedside monitoring stations used for continuous monitoring of various vital signs. (Note: this does not include devices more specifically covered elsewhere e.g. electro-cardiographs (9018.11) or electronic thermometers (9025.19).)	9018.19
VI. Medical Consumables	Wadding, gauze, bandages, cotton sticks and similar articles	Impregnated or coated with pharmaceutical substances or put up in forms or packings for retail sale for medical use.	3005.90
	Syringes, with or without needles		9018.31
	Tubular metal needles and needles for sutures		9018.32
	Needles, catheters, cannulae and the like		9018.39
	Intubation kits		9018.90
	Paper bed sheets		4818.90

Source: MOFED & ZIMRA

Development Partner Support

206. On 2 April 2020, His Excellency, the President, Cde E. D. Mnangagwa in conjunction with the United Nations, launched the Domestic and

International Humanitarian Appeal for assistance with a budget of US$1.8 billion inclusive of US$220 million (later revised to US$300 million) for COVID-19 support. The request for support to mitigate the COVID-19 pandemic is in line with Government's National COVID-19 Preparedness and Response Plan.

207. In response to the appeal, development partners revised their Humanitarian Response Plan to include requirements towards the COVID-19 pandemic. In addition, most development partners re-allocated and pledged and committed fresh resources from ongoing projects towards strengthening Zimbabwe's public health response.

208. Against Government's request of US$300 million, Development Partners have pledged US$202.6 million, of which US$26.9 million has already been disbursed as shown in the Table below.

Table 19: Summary of Development Partner Cash Support Towards COVID-19

Development Partner	Pledges/Commitments	Disbursements
	US$	US$
China[1]	100,000	100,000
European Union	62,446,419	14,002,452
Japan	3,850,000	
Sweden	1,612,324	1,612,324
United Kingdom	46,391,659	2,118,319
USA/USAID	13,515,000	
Global Financing Facility (World Bank)	5,000,000	
World Bank - ZIRP	2,400,000	2,400,000
Global Fund	25,000,000	4,153,940
Africa 50	10,000	10,000
	13,648,000	

1 The People's Republic of China and Jack Ma Foundation have donated a considerable amount of PPEs and medical advisory services

Development Partner	Pledges/Commitments	Disbursements
	US$	**US$**
ZIMFUND	1,087,000	1,087,000
GAVI	1,016,560	1,016,560
BADEA	500,000	
FAO	1,000,000	
ILO	20,000	
UNAIDS	100,000	
UNDP	767,071	
UNESCO	100,000	
UNHCR	150,000	
Health Development Fund	11,418,373	391,195
UN Women	200,000	
WFP	5,250,000	
Global Partnership for Education	7,000,000	
Total	**202,582,406**	**26,891,790**

209. The support is targeted towards the eight (8) pillars of the Response Plan:

- Coordination, planning and monitoring;
- Risk communication and community engagement;
- Surveillance, rapid response teams and case investigation;
- Points of entry;
- National laboratories;
- Infection prevention and control;
- Case management; and
- Procurement, operational support and logistics.

210. In addition, Government also appreciates support in kind from development partners, corporates and other individuals for various projects including medical and protective equipment, and supplies as well as medical experts.

REVISED GDP GROWTH PROJECTIONS

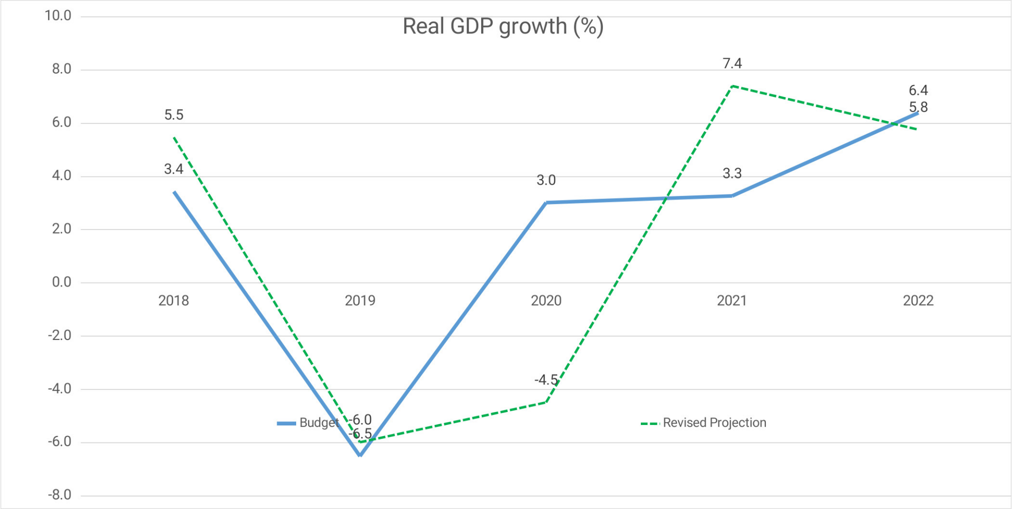
211. A combination of Government intervention and external development support in mitigation of the COVID-19 pandemic is expected to alleviate deeper contraction of the economy to a projected -4.5% in 2020, against the initial Budget projection of 3% growth.

Table 20: Revised GDP Growth Projections

	2018	2019 Budget	2019 Rev	2020 Budget	2020 Rev
Overall GDP growth	5.5	-6.5	-6.0	3.0	-4.5
Agriculture and forestry	18.3	-18.0	-17.8	5.0	-0.2
Mining and quarrying	8.7	-11.9	-12.4	4.7	-4.1
Manufacturing	1.3	-5.9	-8.7	1.9	-10.8
Electricity and water	22.5	-13.9	-19.2	2.1	-7.9
Construction	2.0	-14.0	-13.9	2.3	-11.4
Distribution, Hotels and restaurants	4.5	-6.0	-8.2	3.3	-7.4
Supportive services	4.2	-3.2	5.3	1.9	-0.5
Transportation and communication	2.6	-4.5	12.9	2.4	3.2
Financial, banking and insurance activities	6.5	-1.3	-6.1	1.2	-7.1
Administrative and support service activities	-5.0	-0.5	1.5	1.9	-0.5
Education and training	-4.7	0.6	0.9	3.7	-7.2
Human health and social work activities	0.3	1.8	2.7	2.9	7.8
Private's education and health	-3.5	0.9	1.3	3.5	-3.5
Households-related services	2.2	-4.7	-2.6	3.5	-2.1
Real estate activities	3.2	-14.0	-1.6	2.3	-1.8
Other service activities	2.0	0.9	-3.7	4.1	-2.0

212. In the absence of the above stimulus package and assuming prolonged and severe impact of the crisis, the economy would contract severely. Beyond 2020, and in line with the upcoming National Development Strategy framework, the economy is, however, anticipated to recover to record GDP growth of about 7.4% in 2021 before moderating to around 5% thereafter.

Graph 16: Real GDP Growth (%)



Monetary and Financial Sector Developments

Banking Sector

213. The banking sector remained largely safe and sound and generally resilient, despite the outbreak of the Covid-19 pandemic, that has given rise to economic uncertainties and heightened risks to overall banking sector soundness.

214. The Reserve Bank implemented various regulatory and supervisory measures to complement Government initiatives and to maintain

financial stability. These measures were aimed at ensuring that banking institutions are able to continue to support the real economy, as well as minimizing the impact of the COVID-19 pandemic on the sector.

215. Similarly, the banking sector has also implemented various strategies to cushion its customers and maintain stability and these include moratoriums on repayment of loans and a freeze or reduction in service fees.

Banking Sector Capitalisation

216. The banking sector remained adequately capitalized, with aggregate core capital of ZWL$10.74 billion, as at 31 March 2020, representing a 43.78% increase, from ZWL$7.47 billion as at 31 December 2019. The growth in capital was mainly attributed to capitalisation of retained earnings, with the major contributor being revaluation gains assets held by banking institutions.

217. As at 31 March 2020, all banking institutions were compliant with the prescribed minimum capital requirements. A well-capitalized banking system is better poised to support the productive sectors of the economy, thus facilitating increased export generation and fiscal revenues.

218. The Reserve Bank continues to urge banking institutions to implement capital preservation strategies in light of the challenges in the macroeconomic environment.

Banking Sector Liquidity

219. Total banking sector deposits amounted to ZWL$47.05 billion as at 31st March 2020, representing an increase of 36.38%, from ZWL$34.50 billion reported as at 31st December 2019. Total banking sector deposits increased to $55.19 billion as at 8th May 2020.

220. The increase in the deposit base was mainly attributable to revaluation of foreign currency denominated deposits, following the introduction of a floating exchange rate in February 2019.

221. Demand deposits constituted 49.57% of total banking sector deposits, and there transitory is a hurdle to banking institutions' capacity to meet productive sectors' long-term funding needs to re-tool and embark on value adding production.

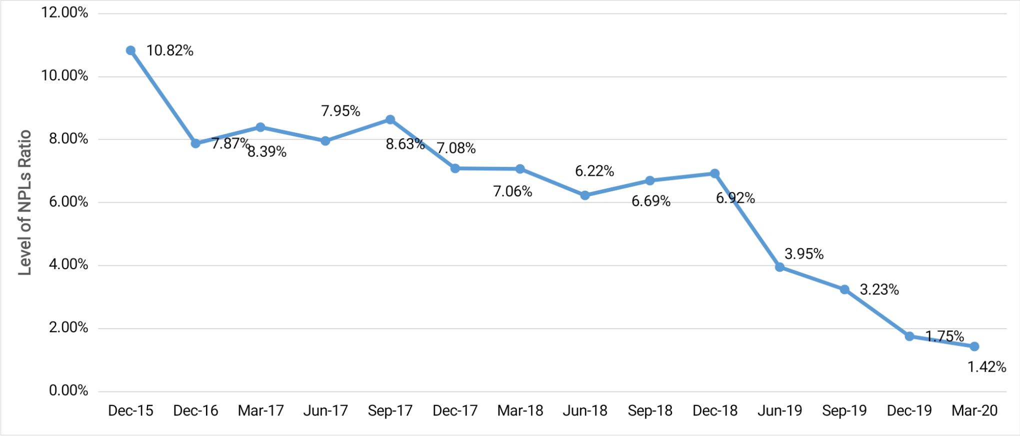
222. The average prudential liquidity ratio for the banking sector was 68.20%, against the minimum regulatory requirement of 30%. The high average prudential liquidity ratio was partly due to a cautious lending approach being adopted by banking institutions and preference for securities and investments.

Loan Portfolio Quality

223. The quality of the banking sector loan portfolio continued to improve, reflected by a decline in the non-performing loans (NPLs) to total loans, from 1.75% as at 31 December 2019 to 1.42% as at 31 March 2020. The

improvement in the NPLs ratio was mainly driven by an increase in total banking sector loans and advances during the period under review.

Graph 17: Trend in NPL Ratio



Source: The Reserve Bank of Zimbabwe

224. However, credit conditions have changed owing to the effects of COVID-19 and this may result in a surge in non-performing loans in the medium term.

Enhancement of Credit Infrastructure

225. Usage of the credit referencing infrastructure continued to improve, against the background of increased coverage by the Credit Registry and Credit Bureaus, as well as depth of credit information. As at 31 March 2020 the Credit Registry held 1.17 million records, of which 494,200 were active loan accounts. Individual records represented 97.7% of the active loan records.

226. The Reserve Bank continues with its efforts to on-board microfinance institutions and utility service providers as data providers. Registered subscribers to the Credit Registry were 201 as at 31st March 2020, up by 17.54% from 171 as at 31st March 2019.

227. Credit Registry usage levels by subscribing institutions increased steadily to a cumulative 771,482 reports as at 31st March 2020. Meanwhile, the Reserve Bank is in the process of establishing the Collateral Registry to operationalize the Movable Property Security Interests Act. The bids closed on 20th February 2020. The Reserve Bank is targeting to deploy the system in the second half of 2020.

Financial Inclusion

228. Implementation of the National Financial Inclusion Strategy (NFIS) has now entered the 5th year since the launch of the Strategy in March 2016. It had become critical to take stock of the progress towards attainment of the strategy objectives, in order to effectively map the second phase of the strategy period.

229. The development of NFIS II is also set to benefit from the FinMark Trust sponsored Making Access Possible (MAP) Review, which is currently underway, and the pending FinScope consumer and MSME surveys.

230. Notable progress has been recorded in the implementation of financial inclusion initiatives underpinned by new product development,

infrastructure enhancement, and advancement in financial innovation and delivery technologies.

231. The Table below shows the trends in financial inclusion indicators tracked by the Reserve Bank.

Table 21: Financial Inclusion Indicators – Dec 2016 to Mar 2020

Indicator	Dec 2016	Dec 2017	Dec 2018	March 2019	Dec 2019	March 2020
MSMEs						
Value of loans to MSMEs	$131.69m	$146.22m	$169.96m	$142.38m	$462.98m	$1.46bn
MSMEs loans as % of total loans	3.57%	3.75%	3.94%	3.87%	3.92%	4.66%
Number of MSMEs with bank accounts	71,730	76,524	111,498	99,489	116,467	121,945
Women						
Number of Women with Bank Accounts	769,883	935,994	1,736,285	1,814,875	2,152,185	2,251,300
Value of Loans to Women	$277.30m	$310.78m	$432.36m	$428.78m	$586.74m	$841.19m
Loans to women as a % of total loans	7.52%	7.96%	10.57%	13.79%	15.59%	4.25%
Youth						
Number of Loans to Youth	38,400	61,529	69,421	176,487	189,658	144,676
Value of Loans to Youth	$58.41m	$138.93m	$104.43m	$282.18m	$188.71m	$669.51m
loans to the youth as a % of total loans	1.58%	3.56%	2.55%	6.51%	6.09%	3.38%
Bank Accounts						

Indicator	Dec 2016	Dec 2017	Dec 2018	March 2019	Dec 2019	March 2020
Total number of Bank Accounts	1.49m	3.07m	6.73m	6.91m	7.62m	8.46m
Number of Low-Cost Accounts	1.20m	3.02m	4.67m	4.33m	4.97m	5.17m

Source: Reserve Bank of Zimbabwe

Exchange Rate

232. Exchange rate levels and movements have far-reaching implications for inflation, competitiveness of exports, efficiency in resource allocation, international confidence and balance of payments equilibrium. Therefore, exchange rate developments are a matter of national interest and concern to Government, the business community and the general public.

233. In order to stabilise the exchange rate and anchor inflation, Government introduced the foreign exchange Dutch Auction system on Tuesday, 23rd June 2020 which is designed to reduce exchange rate instability. The auction is expected to enhance transparency in the management of foreign exchange, achieve a realistic exchange rate (price discovery) for the ZW$ and discouraging speculative demand for foreign currency.

234. It is important to note that the country's foreign exchange position is quite ideal for an auction system. As at 31st May 2020, total foreign currency inflows amounted US$2.35 billion, against foreign payments amounting to US$1.55 billion.

235. The weighted exchange rate of the inaugural auction system was ZW$$57.35 to the US$1. The initial foreign exchange auction saw a total of 92 bids received, with the minimum bid rate at ZW$25 to the US$ and the maximum rate of ZW$100 to the US$. The total bids received amounted to US$11.41 million and US$10.35 million (91%) was allotted.

236. The second auction which was on 30th June 2020, shows the total value of bids increasing to US$18.9 million, of which US$16.3 million (86%) was allotted. The bids ranged from a minimum bid rate of ZW$37.82 to the US$ to a maximum of ZW$92 to the US$.

237. The third auction was held on 7 July 2020 with 264 bids. Two entities bidded at ZW$90 to the US$ and the bulk of the bids (more than 50%) were between ZW$60 and ZW$70 to the US$, giving a weighted average rate of ZW$65.88 to the US$. Table below shows the summary of results from the three auctions.

Table 22: Summary Foreign Exchange Auction Results

	First Auction	Second Auction	Third Auction
Amount Allotted	10,345,250	16,321,028	13,602,408
Highest Rate	100.00	92.00	90.00
Lowest Accepted Rate	35.00	48.00	55.00
Weighted Average Rate	57.35	63.74	65.88
Total Bids	**11,407,240**	**18,957,677**	**15,872,482**

Source: Reserve Bank of Zimbabwe

238. The bulk of the resources were allotted to raw materials, machinery and equipment, in line with Government's objective of increasing production in the economy.

Fiscal and other Supportive Measures

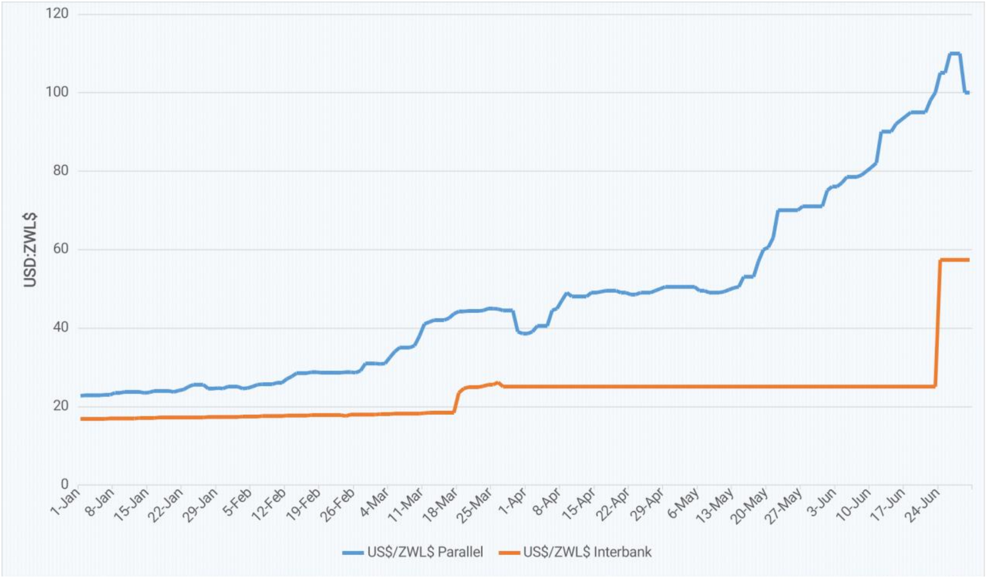
239. In support of the auction system, Government will exercise fiscal restraint including non-recourse to RBZ financing and non-expenditure outside the Budget.

Inflation

240. Inflationary pressures which subsided in the last quarter of 2019 and in January 2020, resurged from February 2020 to June 2020. The surge in annual inflation is attributed to speculative pricing, arising from forward pricing practice and adverse inflation expectations, following the depreciation of the Zimbabwe dollar against major currencies in the parallel market.

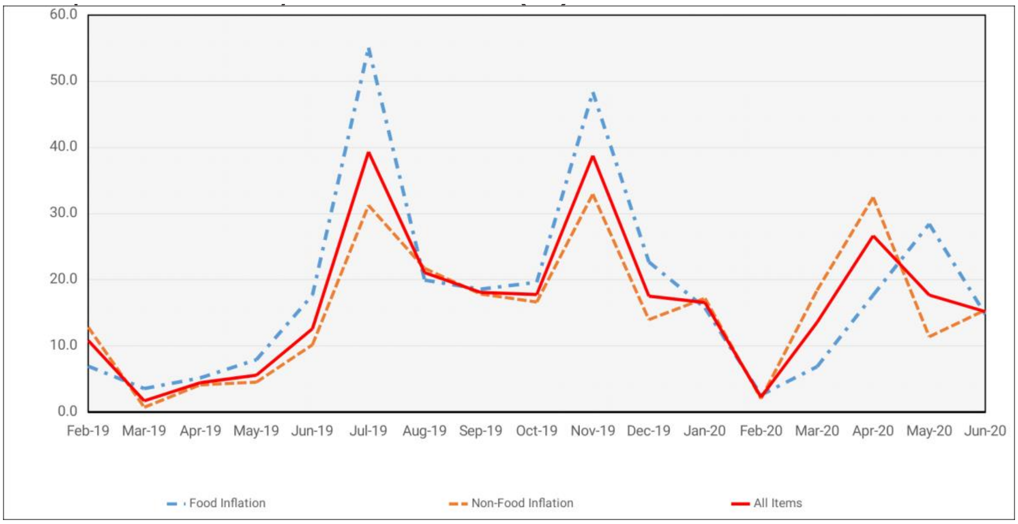
241. Retailers were benchmarking their prices to these parallel rates prior to the introduction of the auction system, which they are now correcting in line with the advent of the auction determined exchange rate.

Graph 18: Official vs Parallel Exchange rates



242. Similarly, month-on-month inflation, which had declined from 16.55% in December 2019 to 2.23% in January 2020, rose to 26.59% in March 2020, before receding to 15.13% in May 2020.

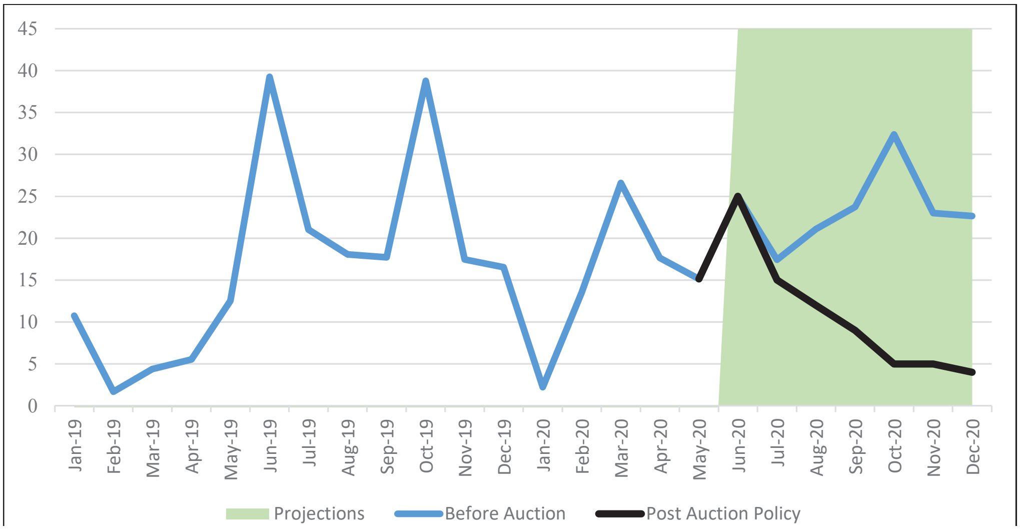
Graph 19: Monthly Inflation Rate (%)



Source: ZIMSTAT, 2020

243. However, inflation is expected to gradually decline in the second half of 2020, from the peak of 785.5% in May 2020, to 300% in December 2020, responding to current monetary and fiscal policy interventions.

Graph 20: Monthly Inflation Outlook (%)



244. The projected annual inflation is consistent with reducing the month-on-month inflation from 31.7% in June 2020 to around 5% in the last quarter of 2020.

Cash Challenges

245. In response to the demand for currency by the transacting public, the Reserve Bank introduced higher denominated banknotes of ZWL$10 and ZWL$20 in the banking system, in a bid to address cash challenges in the economy.

246. In addition, the cash withdrawal limits were reviewed upwards from ZWL$300 to ZWL$1 000 per week. These measures are meant to provide transactional convenience to the public.

247. Whilst the high digitalisation of the economy, particularly through a network of mobile service providers has greatly assisted the country in facilitating payments during the Covid-19 lockdown, the abuse of the mobile money platforms gave a dent to our financial inclusion efforts.

Securities Market

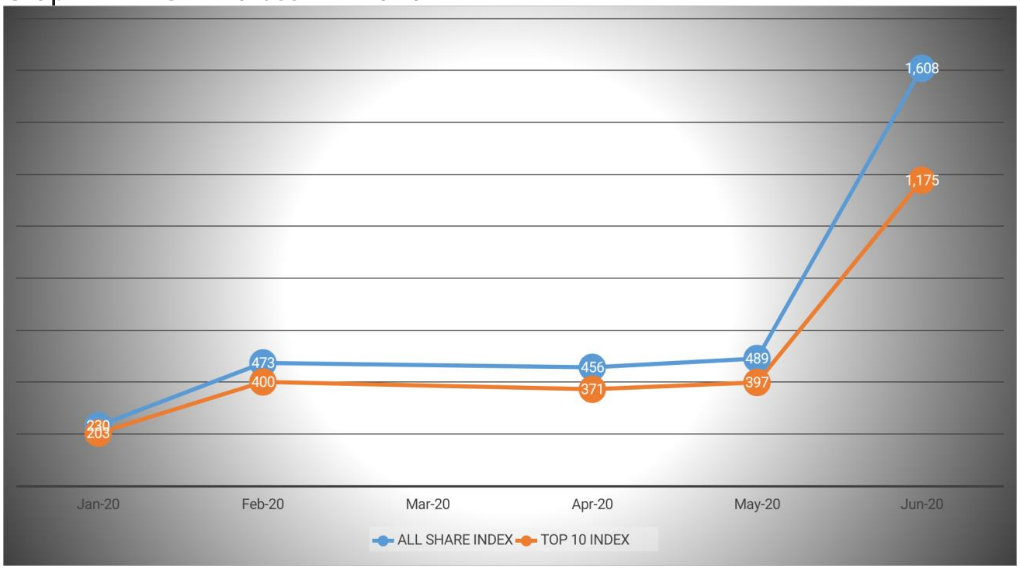
248. The number of listed companies on the ZSE official list was unchanged in the first half of 2020, with 61 listed equity instruments and 1 debt security.

Table 23: ZSE Indices

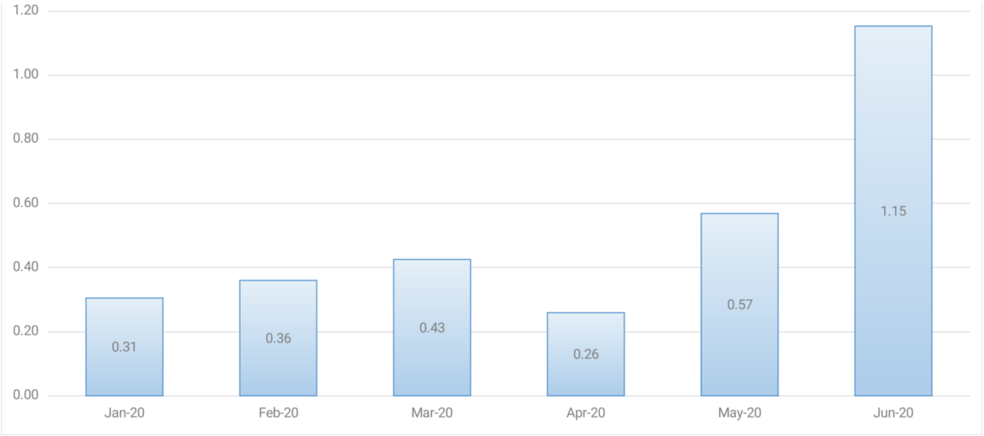
All Share	1,607.90	230.08	598.844%
Top 10	1,174.98	202.68	479.72%

249. The benchmark index, ZSE All Share gained 598.94% during the first half year to 17 June 2020. This major driver was spurred by gains in the heavyweight counters as reflected in the growth of the ZSE Top 10 counters which increased by 479.72%.

Graph 21: ZSE Indices-Jan-June 2020

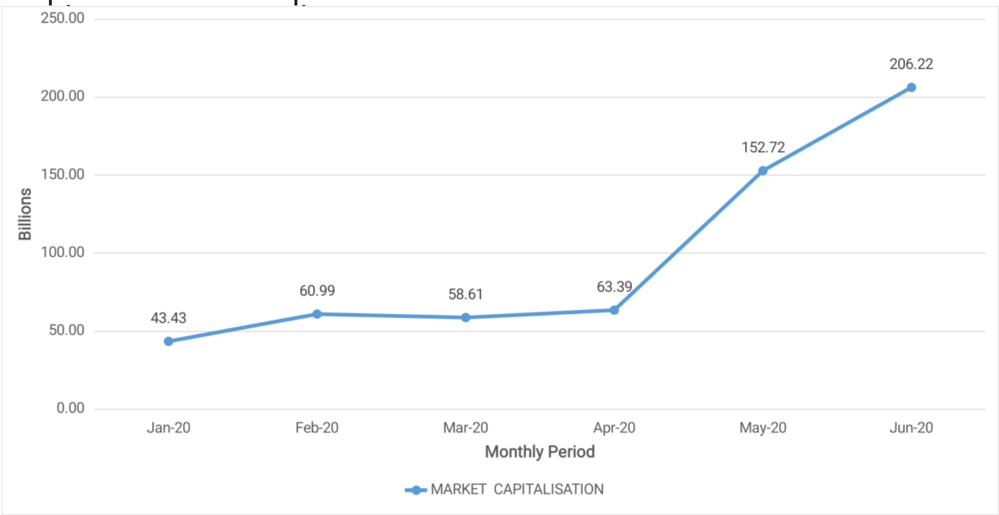


Graph 22: Sales Turnover



250. The sales turnover to 17 June 2020 reached ZWL$3.07 billion from ZWL$0.90 billion during the same period in 2019.

Graph 23: Market Capitalisation



251. The ZSE total market capitalisation recorded a new high of ZWL$206.22 billion during the first half of 2020 since the re-introduction of the local currency. The market capitalisation increased by 893.73% compared to the same period in 2019 which had a market capitalisation of ZWL$20.73 billion.

Insurance and Pension Sector

Commission of Inquiry Update

252. The Commission of Inquiry (COI) recommended that the pension industry players prepare compensation schemes, with IPEC setting standardised loss determination methodologies and assuming overall oversight over the implementation.

253. To date, IPEC has issued a Guidance Paper on Revaluation of Assets and Liabilities in order to ensure preservation of value for pension fund members and policy holders, through ring-fencing assets and liabilities.

Anti-Money Laundering, Counter-Financial Terrorism and Proliferation Financing (AML/CFT/PF) Developments

254. Zimbabwe continues to address deficiencies identified through its Mutual Evaluation Report of 2016, in order to strengthen the AML/CFT/PF framework, as well as comply with the regional and international standards.

255. The AML/CFT/PF National Strategy seeks to improve AML/CFT/PF awareness and capacity building, increase parallel financial investigations, improve beneficial ownership identification, enhance non-profit-organizations supervision and strengthen asset forfeiture and confiscation.

256. During the period under review, the Second Money Laundering and Terrorism Financing National Risk Assessment Report and the National AML/CFT/PF Strategy (2020-2025) were approved by Cabinet, and subsequently launched by the Minister, in February 2020.

257. The Second NRA report identified fraud, smuggling, illicit dealings in gold, corruption and tax evasion as the major predicate crimes fuelling money laundering in the country. A nationwide public awareness programme is also set to be rolled out to all stakeholders in order to ensure understanding of the risks, hence enhance efforts towards combating AML/CFT/PF.

258. In support of these policy documents and guided by the international standards on Anti Money Laundering and Counter Financing of Terrorism, the Money Laundering and Proceeds of Crime (Amendment) Act came into effect in February 2020 to facilitate confiscation of proceeds of crime through unexplained wealth orders.

259. The Financial Intelligence Unit also implemented intensified measures on mobile money service providers, bureaux de change and banking platforms in order to curtail speculative motives, which had resulted in rampant illicit activities using the financial payment platform.

260. These measures include the following:

- Regulatory action against mobile money service providers who have allowed or condoned the rampant abuse of their payment platforms for speculative foreign currency activities and money laundering;
- Enhanced KYC and transaction monitoring on mobile money and banking platforms; and

- Imposition of administrative sanctions against bureaux de change found guilty of breaching KYC and record-keeping requirements.

261. It is envisaged that these measures, as part of ongoing efforts to ensure Zimbabwe's full compliance with regional and international standard, will go a long way in addressing our deficiencies, particularly taking into consideration the fact that the Financial Action Task Force (FATF) and the global financial community continue to take tougher stance against countries that do not take effective action to combat money laundering and terrorism financing.

African Risk Capacity Programme

262. Following Government's participation in the ARC drought risk insurance policy, complemented by the UN WFP Replica Policy for the 2019/20 agricultural season, Government is set to receive a total pay-out of US$1 755 890 by the end of June 2020.

263. The pay-out will assist the country's substantial number of vulnerable households, through cash transfer assistance to food insecure labour-constraint households (chronically ill, older person headed households) in the worst drought-affected wards.

264. Going forward, several efforts are already underway to broadly strengthen and expand the ARC programmes, and building foundation blocks for disaster risk financing based on successes realised in 2020.

National Venture Fund

265. The 2020 National Budget Statement pronounced the establishment of a National Venture Capital Fund to the tune of ZWL$500 million. The main objective of the fund is to encourage good entrepreneurship and innovation by SMEs, especially those owned by the Youth and Women.

266. To date, a National Venture Capital Company has been incorporated, and a Steering Committee set up to drive the process.

267. Government will also work with innovation hubs, industrial parks and centres of excellences. These hubs and centres will be responsible for the development of ideas. Once ideas have been tested, a project proposal can be developed for financing.

Victoria Falls Security Exchange (VFEX)

268. The 2019 National Budget Statement highlighted Government's intention to set up an Offshore Financial Services Centre (OFSC) as part of efforts to develop the financial services sector, through provision of opportunities for global investment.

269. The Victoria Falls Special Economic Zone has created an opportunity to set up the VFEX OFSC, as a subsidiary of the main board of the

Zimbabwe Stock Exchange. The VFEX will thus be operated from the central business district of Victoria Falls, and will seek to partner any exchanges or international investment banks.

270. Foreign investment is required to close funding gaps required to resuscitate the economy in targeted sectors of mining, tourism, agriculture (tobacco), and horticulture.

271. In order to create confidence in the operation of the Offshore Financing Centre, and attract capital across the globe, Government is establishing a number of incentives to the Exchange.

BUDGET HALF YEAR OUTTURN

Revenues

272. The 2020 revenue collection was projected at ZWL$58.6 billion, comprising tax revenues of ZWL$57.6 billion and non-tax revenue of ZWL$1.1 billion. The projections were informed by broader macro-economic assumptions including real GDP Growth of 3%.

273. Cumulative revenue collections for the period January to June 2020 are estimated at ZWL$34.2 billion, against a target of ZWL$32.1 billion. This resulted in a positive variance of ZWL$2.14 billion or 6.7% of projected

revenues, notwithstanding the slowdown in economic activity that has been induced by the COVID-19 pandemic.

Table 24: Revenue Performance: January to June 2020

	Actual (ZWL$ m)	Target (ZWL$ m)	Variance (ZWL$ m)	Variance (%)
Total Revenue	34,218	32,073	2,144	6.7
Tax Revenue	33,390	31,432	1,958	6.2
Non Tax Revenue	828	641	187	29.2

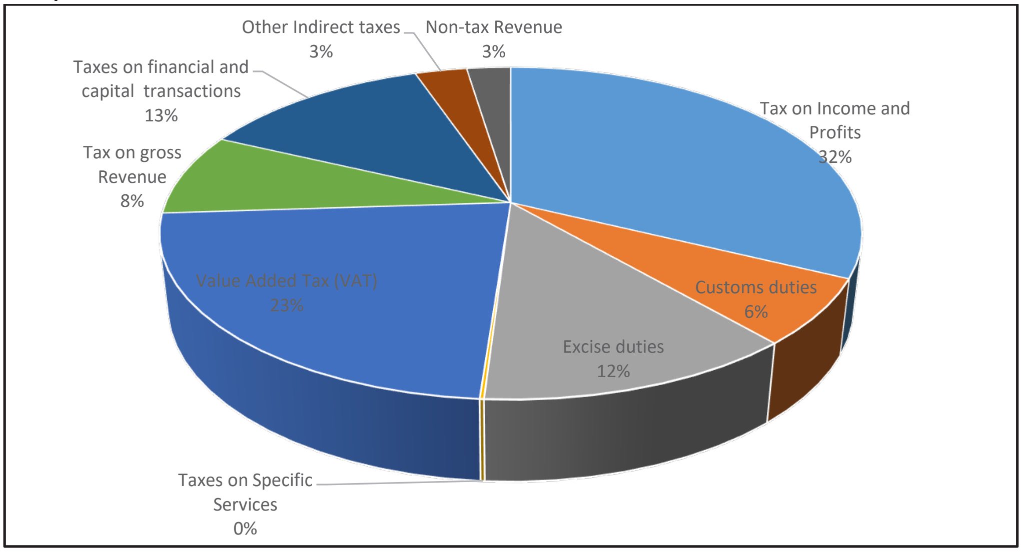
274. Tax revenue continues to account for the bulk of the revenue with collections amounting to ZWL$33.4 billion or 97.6%, while non-tax revenue contributed ZWL$828 million or 2.4% of total revenue.

Contribution of Various Revenue Heads

275. Tax on income and profits (32%), Value Added Tax (VAT) (23%), Taxes on financial and capital transactions (13%) and Excise Duty (12%) accounted for a significant portion of total revenue collections.

276. The graph below summarises the contribution of various revenue heads to total revenue:

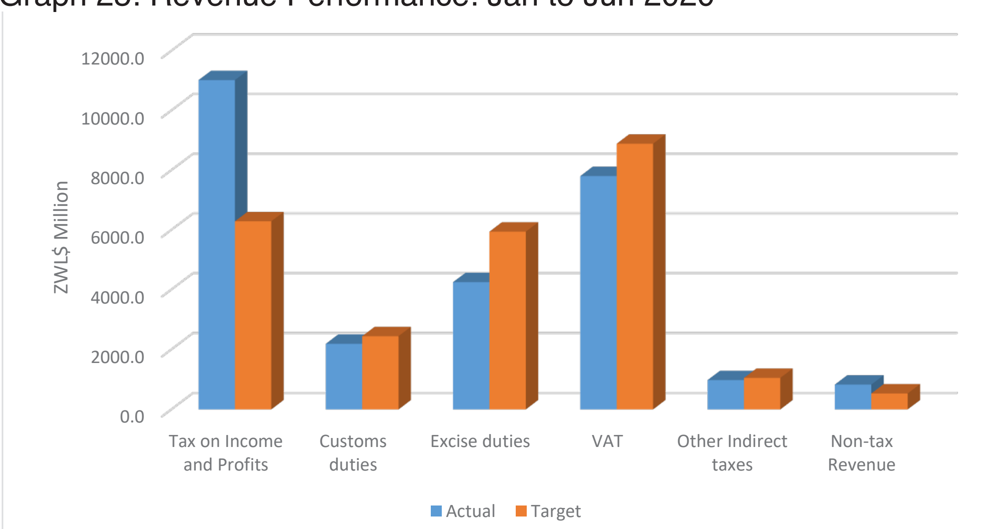
Graph 24: Contribution of Revenue Heads



Performance of Revenue Heads

277. During the period under review, Personal Income Tax, Corporate Income Tax, Other Indirect Taxes and Non Tax Revenue performed above target, while VAT, Excise Duty and Customs Duty performed below target.

Graph 25: Revenue Performance: Jan to Jun 2020



Tax on Income and Profits

278. Cumulative collections for the period under review amounted to ZWL$11 billion against a target of ZWL$6.3 billion, resulting in a positive variance of ZWL$4.7 billion or 75.2% of the target.

279. The variance is attributed to bracket creep, since the tax free threshold and tax bands were not adjusted in line with inflation induced salary and wage reviews, as well as fluctuations in the exchange rate for foreign currency denominated salaries.

Excise Duty

280. Excise duty collections underperformed by 28.5% or ZWL$1.7 billion, with cumulative collections amounting to ZWL$4.2 billion against a target of ZWL$5.9 billion.

281. This performance is reflective of the impact of COVID-19 lockdown measures on the consumption of excisable products mainly beer, tobacco related products and fuel. Notably, beer volumes declined by about 27% during the period under review.

Customs Duty

282. Cumulative Customs duty collections amounted to ZWL$2.2 billion against a target of ZWL$2.4 billion, resulting in a negative variance of ZWL$255 million or 10.4% of target.

283. Restricted international trade in order to minimise contagion effect of the COVID-19 virus reduced trade volumes and consequently customs duty collections on in-bound goods.

Value Added Tax

284. Value Added Tax collections for the period under review amounted to ZWL$7.8 billion against a target of ZWL$8.9 billion, resulting in a negative variance of ZWL$1.1 million or 12.2% of target.

285. Import VAT collections underperformed in line with the decline in imports of about 10.5%.

Other Indirect Taxes

286. Intermediated Money Transfer Tax (IMTT) was slightly below the target by ZWL$74 million, with cumulative collections amounting to ZWL$976.9 billion, against a target of ZWL$1.1 billion.

Non-Tax Revenue

287. Non-tax revenue continues to benefit from review of user fees and charges levied on Government services. Cumulative collections amounted to ZWL$828 million, against a target of ZWL$533 million, resulting in a positive variance of ZWL$295 million.

288. A review of some fees and charges to cost recovery levels has potential to generate significant revenue for Government to support service provision.

Expenditures

289. Expenditure developments to June 2020 have largely been impacted by the need to accommodate expenditures arising from previous successive droughts, extreme weather conditions and the advent of the COVID-19 pandemic.

290. A difficult macro-economic environment, characterised by foreign currency shortages and inflation during the first half of the year, also increased cost of providing public services, including implementation of budgeted programmes and projects.

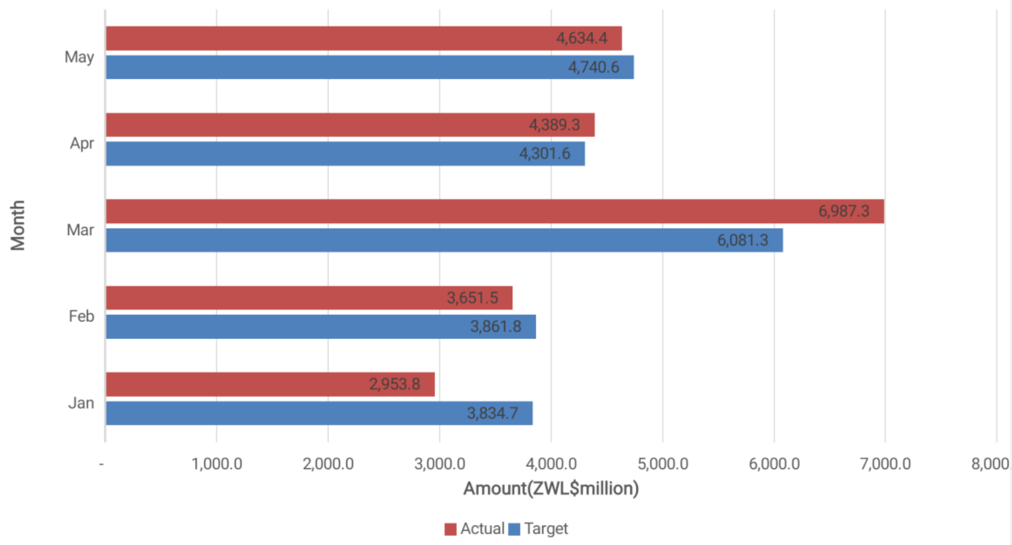
291. Total expenditures disbursements to June 2020 amounted to ZWL$30 billion.

292. Of the expenditures to June 2020, recurrent expenditures amounted to ZWL$19.7 billion, whilst ZWL$9.3 billion was channelled towards capital expenditures, with the balance of ZWL$453 million being transferred to Local Authorities under the devolution and ZWL$400 million for interest payments.

Monthly Expenditure Performance

293. Save for March, where more expenditures were directed towards mitigating the COVID-19 pandemic, in general, monthly expenditures were kept within targets in line with fiscal consolidation objectives.

Graph 26: Monthly Expenditures vs Targets



Votes Performance

294. Whilst there was an increase in expenditure for some heads, overall spending was largely contained within the target as Ministries,

Departments and Agencies (MDAs) redirected spending within the approved Budget and in line with Government directive.

Table 25: Summary of Votes Performance

Vote Appropriations	Original Estimate	Expenditures to 30 June	Variance	Budget Utilisation
Lands, Agriculture,Water, Climate and Rural Resettlement	11,163,481,000	5,216,205,495	5,947,275,505	47%
Primary and Secondary Education	8,495,794,000	3,103,407,659	5,392,386,341	37%
Health and Child Care	6,459,100,000	2,488,785,718	3,970,314,282	39%
Finance and Economic Development	3,967,042,000	2,484,826,100	1,482,215,900	63%
Defence and War Veterans	3,112,708,000	2,246,967,455	865,740,545	72%
Transport and Infrastructural Development	3,089,800,000	1,764,196,879	1,325,603,121	57%
Office of the President and Cabinet	2,353,887,000	1,637,640,633	716,246,367	70%
Home Affairs and Cultural Heritage	2,397,160,000	1,556,698,386	840,461,614	65%
Local Government, Public Works and National Housing	1,760,278,000	1,331,975,903	428,302,097	76%
Public Service, Labour and Social Welfare	2,370,562,000	1,209,070,551	1,161,491,449	51%
Higher & Tertiary Education, Science and Technology Development	2,213,900,000	978,622,895	1,235,277,105	44%
Justice, Legal and Parliamentary Affairs	815,799,000	532,305,840	283,493,160	65%
Parliament of Zimbabwe	1,869,495,000	323,359,218	1,546,135,782	17%
Foreign Affairs and International Trade	1,385,435,000	300,720,699	1,084,714,301	22%
National Prosecuting Authority	72,167,000	257,140,125	-184,973,125	356%
Public Service Commission	1,220,100,000	184,752,090	1,035,347,910	15%
Youth, Sport, Arts and Recreation	323,900,000	169,326,786	154,573,214	52%
Women Affairs, Community, Small and Medium Enterprises Development	503,820,000	126,743,408	377,076,592	25%
Judicial Services Commission	292,533,000	100,144,193	192,388,807	34%
Industry and Commerce	367,260,000	84,931,278	282,328,722	23%
Information, Publicity and Broadcasting Services	409,799,000	53,796,085	356,002,915	13%
Energy and Power Development	419,200,000	36,154,440	383,045,560	9%
Environment, Tourism and Hospitality Industry	425,100,000	34,773,215	390,326,785	8%

Vote Appropriations	Original Estimate	Expenditures to 30 June	Variance	Budget Utilisation
Mines & Mining Development	293,197,000	32,736,409	260,460,591	11%
Information Communication Technology and Courier Services	114,560,000	29,193,494	85,366,506	25%
Zimbabwe Electoral Commission	91,200,000	23,276,929	67,923,071	26%
Audit Office	171,930,000	20,896,685	151,033,315	12%
National Housing	246,403,000	16,617,100	229,785,900	7%
Zimbabwe Anti-Corruption Commission	71,550,000	13,133,221	58,416,779	18%
National Peace and Reconciliation Commission	31,200,000	7,181,594	24,018,406	23%
Zimbabwe Land Commission	163,100,000	6,803,382	156,296,618	4%
Council of Chiefs	25,200,000	4,870,319	20,329,681	19%
Zimbabwe Gender Commission	25,900,000	4,357,168	21,542,832	17%
Human Rights Commission	26,680,000	4,239,727	22,440,273	16%
Zimbabwe Media Commission	**13,900,000**	3,436,999	10,463,001	25%
TOTAL	56,763,140,000	26,389,288,078	30,373,851,922	46%
Debt Service: Interest Bill	704,320,000	408,497,562	295,822,438	58%
Pension	2,814,500,000	1,545,095,972	1,269,404,028	55%
Public Service Pension Scheme	289,560,000	0	289,560,000	0%
Transfers to Provincial Councils and Local Authorities	2,932,000,000	453,182,000	2,478,818,000	15%
Other Constitutional & Statutory Appropriations	157,680,000	95,423,646	62,256,354	61%
Total Expenditure & Net Lending	63,661,200,000	**28,891,487,258**	**34,769,712,742**	**45%**
Repayment of Loans	4,893,122,000	**1,069,351,743**	**3,823,770,257**	**22%**
Total Expenditure & Net Lending Including Loan Repayments	68,554,322,000	29,960,839,002	38,593,482,998	46%

Expenditure Outlook to Year-end

295. As indicated on the table above, Ministries have on average utilised **46%** of their votes as at June 2020. This also implies that **54%** of the original 2020 Budget remains unutilised.

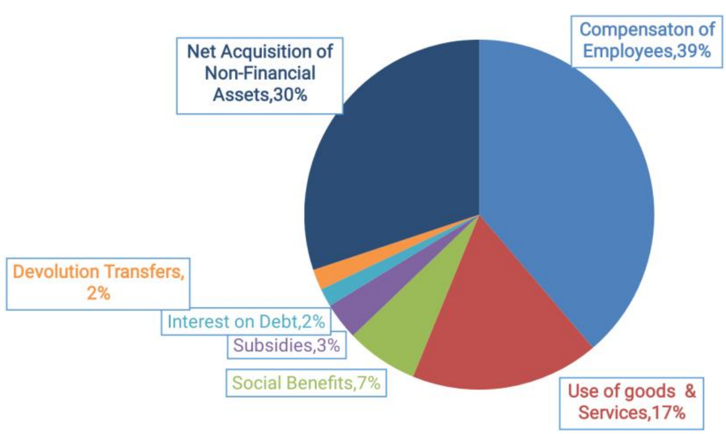
296. This enables us to operate to the end of the year as we reallocate to cover the critical needs, especially those related to COVID-19 and social protection. This position enables us to avoid tabling a Supplementary Budget, given our current levels of spending.

297. Treasury will be dealing with arising expenditure pressures as we consolidate our fiscal position during the remainder of the year, taking account of revenue performance against inescapable reprioritised expenditures.

Recurrent Expenditures

298. The bulk of the current expenditures, estimated at ZWL$19.7 billion, were on employment costs (inclusive of pensionl), subsidies, social benefits, goods and services as well as transfers to grant aided institutions.

Graph 27: Main Current Expenditures



299. Employment costs, inclusive of pension for the period to June, amounted to ZWL$8.8 billion, representing 39% of total expenditures. This is against the original target of ZWL$7.1 billion for the period. The increase in employment costs is on account of the salary review effected from January 2020, recruitment of additional 4 713 health personnel to fight COVID-19, payment of Risk Allowance to the frontline health workers, effective April 2020, as well as review of health specific allowances for health personnel.

300. Expenditure on the use of goods and services amounted to ZWL$3.9 billion, against a target of ZWL$5.1 billion, as inflationary pressures continued to undermine budgeted provisions, including the cost of providing public services. Government redirected resources towards COVID-19 and travel and other avoidable expenditures were suspended.

301. Resources amounting to ZWL$1.9 billion were directed towards the COVID-19 Preparedness and Response Plan, focusing on increasing testing capacity, case management, infection preventions and control, including facilitating the opening of schools.

302. On account of increased vulnerability, arising from drought, COVID-19 pandemic and the difficult economic environment, Government availed ZWL$127.8 million to cushion vulnerable groups in both urban and rural areas.

Social Protection

303. During the period January to June, total social protection expenditure amounted to ZWL$902.2 million against targeted expenditure of ZWL$1.253 billion. The distribution of major expenditures among other social interventions were as follows:

• Drought Mitigation	$412.2 million
• Basic Education Assistance Module	$150 million
• Sustainable Livelihoods	$67.3 million
• Support to disabled persons	$7.1 million
• Harmonised Social Cash transfers	$158.1 million
• Support to elderly persons	$3 million
• Children in difficult circumstances	$5.1 million
• Health assistance	$11.9 million
• Covid-response	$85.5 million

304. Expenditure towards the Basic Education Assistance Module (BEAM) -ZWL$89 million went towards payment of school fees for the first term for 415 000 children while $61 million went towards payment of examination for Grade 7, ‘O’ and ‘A’ level students under the programme.

305. Furthermore, 760 000 vulnerable food insecure households were supported with grain across the eight rural provinces per month during

the first quarter bring the total expenditure to ZWL$414.2 million under the Food Deficit mitigation strategy.

306. In the same vein, Government has scaled its support for Harmonised Social Cash Transfers to food poor and labour constrained households in 23 poorest districts of the country to about 63 000 households. The programme is aimed at household economic strengthening, building household resilience and reducing negative coping mechanisms. The payments improved compared to 2019 as they are now enabled by the mobile transfers through ecocash.

307. Government has also worked with communities to identify programmes and projects with a view to build communities' resilience by facilitating income generation projects for their sustainability. In this regard about ZWL$67.5 million was spent across all the 10 provinces in the country.

308. With regard to other interventions, generally there was an increase in levels of support from ZWL$10 to ZWL$200 per individual due to increase in administration and capita grants required for the upkeep of institutionalized personnel under support towards the elderly, children in difficult circumstances, as well as for the disabled persons.

Urban Mass Transportation System

309. Government introduced, the Urban Mass Transport System (UMTS) with effect from 21 January 2019 in order to alleviate the transport challenges facing the commuting public as a result of unjustified price increases by commuter omnibus operators.

310. Following the growing demand for the service by the general public, Government introduced the commuter omnibuses into the current fleet as part of the measures to improve the service. To date, 800 Conventional Buses and 1 000 Commuter Omnibuses have been introduced to the programme.

Table 26: Fleet

Period	Bus Type	Hire Rate (ZWL$)
21 January to 23 May	Conventional Bus	700
24 May to 31 July	Conventional Bus	1 300
01 August to 30 November 2019	Conventional Bus	2 000
01 December 2019 to date	Conventional Bus	3 000
12 October to 30 November	Commuter Omnibus	500
01 December 2019 to 31 May 2020	Commuter Omnibus	750
1 June 2020-to date	Conventional Bus	4 000
	Commuter Omnibus	1 000

311. In order to minimize revenue leakages associated with the manual ticketing system, ZUPCO has since introduced an electronic ticketing system, the tap card system, which has been rolled out in Harare and Bulawayo.

312. Furthermore, a vehicle tracking system has also been introduced and installed on all the buses being leased through the CMED.

Maize Roller Meal Subsidy Programme

313. Pursuant to removal of grain marketing subsidies for maize in December 2019, Government has since introduced a targeted subsidy on the production of maize roller meal.

314. Treasury has since availed resources amounting to ZWL$1.03 billion towards the implementation of the new roller meal subsidy policy.

315. In light of abuse practises by some producers and individuals, Government is working to strengthen the implementation modalities of the subsidy programme.

Public Service Pension Fund

316. In 2018, Government made a decision to migrate from an unfunded Pay as You Go pension arrangement to a funded Defined Benefit Pension Scheme in line with regional and international best practices.

317. The Public Service Pension Fund was established in January 2019 as an interim measure to manage the public employer and employee

contributions, under the management of Fund Management Committee, pending the establishment of a State Pension Fund.

318. Government in 2019 allocated ZWL$70.4 million as seed money. The cumulative pension contributions during the period January 2019 to June 2020 amount to ZWL$759.5 million.

Table 27: Cumulative Pension Contributions as at 30 June 2020

	Jan-Dec 2019	Jan-June 2020	Total
	ZWL$	ZWL$	ZWL$
Received Pension Contribution	265,667,935.49	423,441,429.11	689,109,364.60
Treasury Seed Capital	70,400,000	-	70,400,000
Total Contributions	336,067,935.49	423,441,429.11	759,506,364.60

319. As at 30 June 2020, the Fund's assets which are under asset managers and money market investment stood at ZWL$768.3 million shown in the Table below:

Table 28: The Distribution of the Fund Assets as at 30 June 2020

Asset Holder	Amount (ZW$)	(%)
Asset Managers	463,029,481.87	60.26%
Money Market	76,384,657.53	9.94%
Interest Money Market	8,814,429.00	1.15%
Bank Balance	220,095,225.20	28.65%
Total	768,323,793.60	100%

320. The state of the fund is summarised on the table 1 below:

Table 29: State of the Public Service Pension Fund as at 30 June 2020

Fund Assets	ZW$759.5 million
Fund Liabilities	ZW$60 billion*
The Fund Gap	ZW$59. 2 billion
Pension Bill (June 2020)	ZW$274.9 million
Pension Bill Budget for year 2020	ZW$2. 8 Billion
Number of Fund Members	206 632
Total Number of Current Government Pensioners	184 069
Average Age of Members	39
Number of Deferred Pensioners	30

**Fund Liabilities are mainly estimated past service liabilities*

321. During the period January 2019 to 30 June 2020, the Fund recorded investment returns of above 147.13%. The interim strategy is to continue with a portfolio diversification strategy to reduce investment risk and maximise returns.

322. Government will continue to capacitate the Fund to ensure it attains its objective of promoting and protecting the pension contribution and rights of pensioners. Already, Treasury is in the process of releasing the ZW$289 million allocated under the 2020 Budget.

Capital Expenditures

323. Capital spending disbursements amounted to ZWL$9.3 billion as at June 2020 against the half year target of ZWL$10.7 billion, with infrastructure spending accounting for ZWL$2.1 billion, strategic grain reserve ZWL$2.6 billion, whilst ZWL$2.1 billion was disbursed towards capacitation of Ministries and Departments.

324. However, the outbreak of the COVID 19 pandemic virtually stalled most construction projects during the first half of 2020.

Infrastructure

325. The 2020 Zimbabwe Infrastructure Investment Programme set out a framework for recovery and growth in infrastructure development in the country.

326. Against 2020 Budget allocation of ZWL$12 billion towards infrastructure development, a total of ZWL$2.1 billion had been deployed towards infrastructure investments, particularly in the transport, water and sanitation, public amenities, irrigation amongst others as shown in the table below.

Table 30: Infrastructure Expenditures

Item	2020 Budget Alloc	Expenditure to May
Energy	374,000,000	22,750,000
Transport	2,664,400,000	887,019,043
Water & Sanitation	2,053,080,000	444,748,380
ICT	614,524,000	354,150,701
Public Amenities	1,791,026,000	144,405,057
Social Services		
Health	2,016,988,000	52,356,039
Education	1,750,320,000	57,158,962
Irrigation Development	540,231,000	102,811,879
Other Infrastructure Outlays	235,640,000	31,692,000
Total Infrastructure	12,039,027,000	2,097,092,061

327. Infrastructure spending was largely affected by cost escalations, shortage of foreign currency for imported inputs, as well as the lock down which saw critical staff failing to access projects sites. As a result, some planned

projects could not commence as programmed. (see annex 2 for update on infrastructure projects)

Transfers to Provincial Councils and Local Authorities

328. From the budget allocation of ZWL$2.9 billion, transfers to Local Authorities amounted to ZWL$453 million against half year target of ZWL$733 million. Impactful Community projects are being implemented across the country, mainly focusing on construction of classrooms and clinics, water and sanitation, among others.

329. Given the need to respond to COVID-19 mitigatory measures, Government has directed that resources under devolution be channelled towards COVID-related facilities such as water and sanitation, isolation, quarantine and treatment centres.

Budget Balance

330. Resultantly, for the period January to June 2020, a budget surplus of around ZWL$800 million has been realised. This takes account of outstanding payments.

PUBLIC DEBT

External Debt

331. Total Public and Publicly Guaranteed (PPG) external debt stood at US$8.094 billion, as at end December 2019 as shown in Table 31 below. Of the total external debt, arrears account for 73% .

Table 31: Public and Publicly Guaranteed External Debt: Dec 2019 (US$m)

	Non-Guaranteed			Guaranteed			Grand Total
	DOD	**Arrears**	**Total**	**DOD**	**Arrears**	**Total**	
External Debt	2,096	4,672	6,767	28	1,299	1,326	8,094
a. Bilateral Creditors	1,815	2,884	4,698	28	755	783	5,482
Paris Club	157	2,467	2,624	24	740	763	*3,387*
Non Paris Club	1,223	339	1,562	4	6	20	*1,582*
RBZ Assumed Debt	435	77	513	0	0	-	*513*
b. Multilateral Creditors	**281**	**1,788**	**2,069**	**0**	**543**	**543**	***2,612***
World Bank	193	1017	1,210	0	301	301	*1,511*
African Development Bank	33	592	625	0	80	80	*705*
European Investment Bank	16	151	168	0	162	162	*330*
Others	38	28	66	0	0	0	*66*

Source: Zimbabwe Public Debt Management Office

332. Multilateral Development Banks (MDBs) are owed a total of US$2.6 billion (32% of the total PPG external debt), of which the World Bank Group is owed US$1.5 billion, the African Development Bank US$705 million, European Investment Bank US$330 million and other multilaterals US$66 million.

333. Total bilateral external debt amounted to US$5.48 billion (68% of the total PPG external debt), of which Paris Club creditors accounted for US$3.39 billion, and Non-Paris Club, US$1.58 billion.

334. With regards to external arrears, Government continues to engage respective creditors, inclusive of multilateral financial institutions for an amicable solution. This includes implementation of a broad range of economic and political reforms necessary for stabilising and strengthening the economy.

Domestic Debt

335. As at end May 2020, domestic debt including ZAMCO (ZWL$1.1 billion) stood at ZWL$12.89 billion.

336. The increase in domestic debt from ZWL$9 billion as at 31 December 2019 is primarily on account of restructuring of the legacy obligations.

STRUCTURAL REFORMS

Repealing of POSA and AIPPA

337. Government is making progress in aligning laws to the Constitution. On the 15th of November, 2019, His Excellency signed the Maintenance of Peace and Order Bill into law repealing the Public Order and Security Act (POSA).

338. The Access to Information and Protection of Privacy Act (AIPPA) has been repealed through the enactment of the Freedom of Information Bill gazetted on the 1st of July 2020.

Ease of Doing Business Reforms

339. Zimbabwe embarked on implementing Ease of Doing Business Reforms in 2015 as part of the wider reform agenda under the Integrated Results Based Management system underpinned by the Rapid Results Approach.

340. The main objectives of these reforms are to:

(i) improve the business operating environment by addressing the administrative, legislative or regulatory bottlenecks that adversely affect businesses;

(ii) improve performance of the public sector institutions, systems and processes in order to deliver quality services to the people; and

(iii) create value for money through lowering or eliminating duplicate transactional costs charged by various Government agencies to existing and prospective investors.

341. Driven by the mantra *"Zimbabwe is Open for Business",* the New Dispensation gave a special impetus to the reform process as it saw it imperative that a supportive business climate be created in order to make Zimbabwe a destination of choice for investors.

342. The Ease Doing Business Reforms in Zimbabwe focus on 10 World Bank Doing Business dimensions or indices and these are:—

- Starting a business;
- Dealing with construction permits;
- Getting electricity;
- Registering property;
- Getting credit;
- Protecting minority investors;
- Paying taxes;
- Trading across borders;
- Enforcing contracts; and
- Resolving insolvency

343. These indicators are very critical for the success of existing business in a country, as well as attracting foreign investors.

344. The Ease of Doing Business reforms' implementation is participatory and inclusive as it involves all Government Ministries, private sector and development partners under the Technical Working Groups (TWGs) arrangement. The OPC is the overall coordinator.

345. It, therefore, allows for high participation and a Whole of Government Approach to implementation of the reforms.

346. In pursuance of the Ease of Doing Business Reforms, Zimbabwe has been ranked within the top 20 improvers on Doing Business reforms by the World Bank at the United Nations General Assembly in New York in September 2019. Resultantly, Zimbabwe's 2020 World Bank ranking is 140 from the previous position of 155, that is, it has improved by 15 positions. See First Phase of Doing Business reforms under Annex 4

347. Going forward, Government has launched the 2nd Phase of the Doing Business reforms in September 2019 to complete the outstanding work from the 1st Phase and scale up on other areas of focus that include Exports, Manufacturing, Mining and SMEs, among others.

348. Specifically, the second phase is pursuing the following areas (see Annex 4).

- Starting a Business and Protection of Minority Investors;
- Construction Permits;
- Registering Property;
- Getting Electricity;
- Getting Credit;
- Paying Taxes;
- Trade Across Borders;

- Enforcement of Contracts;
- Resolving Insolvency;
- Doing Export Business;
- Regulatory Environment;
- Simplified Tax Regime for Small and Medium Enterprises;
- Improving access and availability of empowerment opportunities to youths across key business sectors;
- Empowering and fostering business in, and through sports and entertainment;
- Reducing cost, time and processes associated with doing business across the key industry value chains;
- Reducing cost, time and processes associated with doing business in the mining sector.

349. However, the COVID-19 pandemic is stalling progress in this area and plans are in place to advance reforms using virtual means.

Zimbabwe Investment and Development Agency Act

350. The long-awaited Zimbabwe Investment and Development Agency Act was gazetted on the 7th of February, 2020.

351. The Act repeals and replaces the Zimbabwe Investment Authority Act, the Special Economic Zones Act and the Joint Ventures Act and provide

for the establishment of the Zimbabwe Investment and Development Agency (ZIDA).

State Owned Enterprises and Parastatals Reforms

352. Government has embarked on public enterprise reforms in order to improve efficiency and governance and hence their contribution to the economy. The successful public enterprise reforms will also remove recourse to the fiscus.

353. The implementation of the reform framework is on a case by case basis and is currently at various stages across the designated entities with the milestones indicated in Annex 3.

Corporate Governance

354. Public Entities Corporate Governance Act provides for governance of Public Entities in compliance with Chapter 9 of the Constitution. It also provides uniform mechanism for regulating the conditions of service for senior members of Public Enterprises.

355. In implementation of the respective Act, Government has developed Corporate Governance Manuals, with stakeholder consultations and corporate Governance having been rolled out.

356. Survey for readiness for adoption of modern corporate governance was conducted and has since been completed. The results of the survey

confirm the positive impact of the Act, with close to 80% of public entities now reported to be conducting Annual General Meetings.

357. Furthermore, The Corporate Governance Unit developed and finalised the On-line Database of Prospective Board members as required by the Public Entities Corporate Governance Act. Line Ministries have been made aware of the existence of the Database and most of them now draw their requests for lists of potential Board members from this.

358. With the assistance of the African Development Bank, procurement of hardware for a Management Information System for use by the Unit was undertaken. The Department responsible for Public Enterprise Reform, Corporate Governance and Procurement in the Office of the President and Cabinet will be embarking on the exercise to rate and rank public entities compliance with the Public Entities Corporate Governance Act.

359. In this regard, the results from the first Assessment Report will be submitted to Cabinet in the last half of 2020.

360. In general, the introduction of the Public Entities Corporate Governance Act brought general stability to the tenure of Boards of public entities.

Remuneration Framework

361. Government has since developed, with the assistance of the World Bank, a draft Remuneration Framework for Public Entities' senior executives.

The objective of the Framework is to assist Boards and remuneration committees in the determination and negotiation of the remuneration of the Chief Executive Officers of public entities, and to establish a coherent remuneration policy and system for all the other senior management in the entities.

Political Actors Dialogue (POLAD)

362. POLAD, a platform for political parties that fielded presidential candidates in the 2018 harmonised elections to contribute to social, economic and political progress, was launched in May 2019 with 18 political parties represented.

363. The platform is where every single political party can find expression on issues affecting Zimbabwe and the majority of political parties are on that platform.

364. POLAD is also a platform where Zimbabweans seeks to be united and debate on issues affecting their lives.

365. It is commendable that the various participating parties are making invaluable contribution to the policy formulation process. On the 13th of March 2020, six thematic committees of POLAD presented their reports to the full assembly and work is ongoing in that front.

NATIONAL DEVELOPMENT STRATEGY

366. Government has embarked on the formulation of the National Development Strategy (NDS): 2021-2025, which is the first of two medium term development plans guiding the country's development trajectory towards Vision 2030. The strategy has the following indicative national priorities:

Table 32: NDS Priority Areas

Economic Growth and Stability	Industrialisation through Value Chains	Environment Protection, Climate Resilience and Natural Resource Management	Digital Economy
Food Security and Nutrition	Housing Delivery	Image building and International Re-engagement	Youth and Culture
Transport, Infrastructure and Utilities	Health and Wellbeing	Devolution	
Governance	Human Capital Development	Social Protection	

367. Currently, stakeholder national level consultations are underway and will be concluded in Mid-July, while consultations at sectoral level will be concluded early August 2020. These processes will culminate in the production of the National Development Strategy, which is expected to be launched in October 2020, in time to guide the 2021 National Budget.

CONCLUSION

368. This Mid-Term Budget and Economic Review takes stock of budget and economic performance during the first half of the year.

369. It is, however, imperative that we continue to focus on the 2020 Budget objectives of production, productivity, job creation, competitiveness, in order to bring the economy back on a growth trajectory.

Hon. Prof. Mthuli Ncube
Minister of Finance and Economic Development
16 July 2020

ANNEXURES

Annex 1: 2020 Priority Areas

1. Enhancing Productivity for Growth

Agriculture

- Embracing Climate Smart Agriculture (CSA) that harmonises agriculture development, with shared funding, environment protection and reduction to vulnerabilities to climate change.
- Forward planning: Early build up and ring-fencing of resources for production and importation of inputs.
- ZWL$422.8 million towards irrigation development: Target to guarantee grain production of around 1.8 million tonnes.
- Fiscal buffer of ZWL$165 million to cater for drought shocks and to strengthen early warning systems, among other drought proofing measures.
- ZWL$281.5 million towards agricultural extension and advisory services.
- ZWL$380 million toward interim compensation of former farm owners, prioritising the vulnerable and elderly.

Mining

- Reaping benefits from concluded investment agreements in platinum, gold and chrome and others expected to boost mining output.
- Continued re-engagement with mining companies over power supply and viability challenges.
- Fine-tuning of fiscal regime for the mining sector.
- Support of Minerals Marketing Corporation through credit guarantee scheme to support non-gold sector.
- ZWL$293.2 million towards Ministry of Mines and Mining Development for its capacitation in terms of planning, promotion of exploration, data capturing and automation, among others.
- Tightening of the Gold Trade Act and capacitation of Gold Mobilisation Unit to reduce leakages.
- Concluding legal reforms

Industry

- Implementation Zimbabwe National Industrial Development Policy and Local Content Strategy;
- Promoting value chains, export led-industrialisation and import substitution.
- Capitalising Industrial Development Corporation (IDC) by ZWL$240 million, to support the promotion of research and development, diversification and broadening of product range.
- Developing rural growth poles.
- Guarantee scheme for companies to access capital for retooling purposes.
- ZWL$368.0 million to Ministry of Industry and Commerce.

Tourism

- Renewal of Fiscal Incentives.
- ZWL$291 million to the Ministry of Environment, Climate Change Tourism and Hospitality Industry.
- Increasing connectivity.
- Continuous improvements of facilities and products.
- Improved visa facilitation.

Construction & Housing

- ZWL$2.68 million towards addressing housing backlog, including modernisation of dilapidated superstructures and infrastructural services such as sewer and water.
- Construction of New City in Mt Hampden, with New Parliament Building as the catalyst.
- Encouragement of private sector to invest in new technologies such as fibre networks, solar biogas, as well as buildings infrastructure through Public Private Partnerships (PPPs).

Tripartite Negotiating Forum

- Reinvigorating social dialogue under the auspices of the Tripartite Negotiating Forum (TNF).
- Establishing an independent secretariat to oversee the work of the TNF as provided for in the TNF Act.
- Harmonisation of the country's labour legislation, ensuring robust legislative framework that promotes productivity and upholds fair labour standards.
- Cooperation on ensuring a stable macro-fiscal environment.

2 Jobs Creation and Entrepreneurship

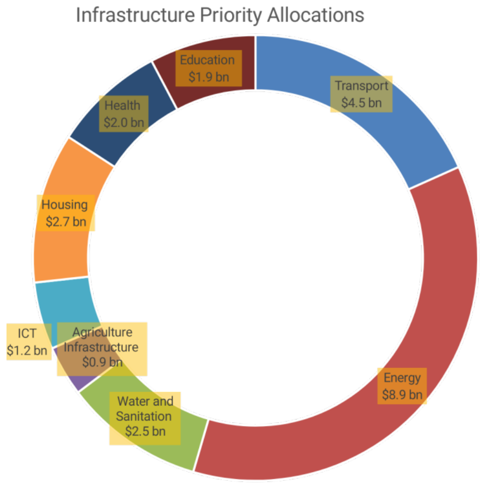
- Employment is at the core of the 2020 Budget.
- The main driver of employment is a general economic upswing and increased investment on the back of improved macro-economic stability.
- Government will support targeted initiatives for job creation, ensuring that the fruits of economic recovery are shared across all parts of society, and serve to catalyse sustained economic development in the medium and long run.

Youth Employment Corporate Income Tax Credit	National Venture Fund	Labour-Intensive Infrastructure Development	Empowerment
Fiscal incentive to support employers who generate jobs for young job seekers. Introducing a tax credit of ZWL$500 per month per employee for corporates that employ additional employees in a year of assessment. The credit will, however, be limited to a maximum of ZWL$60 000 per year of assessment, subject to prescribed conditions. This measure will reduce employers' cost of hiring young people through a cost sharing mechanism.	The National Venture Fund for financing start-up projects for the youth through affordable loans. Thoroughly scrutinising the recipients to avoid fraudulent use of the funds.	Targeted Public Sector Investment Programme (PSIP) projects which create jobs. Construction industry also targeted.	Capitalising the following: • Zimbabwe Women Microfinance Bank • Women Development Fund • Community Development Fund • SMEDCO and • Empowerbank • Youth Employment Fund. Construction of MSME industrial parks, incubation centres, production and marketing centres in major centres to increase local production and export capacity.

3 Equitable and Inclusive Development

Infrastructure

- Infrastructure Priority Plan: Roadmap towards infrastructure recovery, ensuring public assets are restored to full working condition.
- Funding includes resources from Budget, loans, development partners, public entities and statutory funds amounting to ZWL$24.6 billion.



Electricity Supply

- ZWL$8.4 billion towards Rehabilitation and expansion of Hwange Thermal Power Station.
- Support alternative sources of energy such as solar power projects through fiscal incentives.
- 20 IPP solar projects lined up for implementation.

Rural Electrification

- Rural Energy Master Plan (REMP) to broaden modern energy access through the development of Grid Connected Solar and mini hydropower plants, among others.
- Rural Electrification Fund will invest in extending the grid to sites identified in the Rural Energy Master Plan (REMP), including Rural Growth Poles.
- ZWL$142 million allocated towards this development programme.

Devolution and Transfers to Local Authorities

- Communities to manage their own affairs, drive development, and ensures lower tiers of Government do not rely on the goodwill of the Central Government for resources.
- 5% (ZWL$2.93 billion) statutory requirement for Provincial Councils and Local Authorities will be distributed to the lower tiers of government.

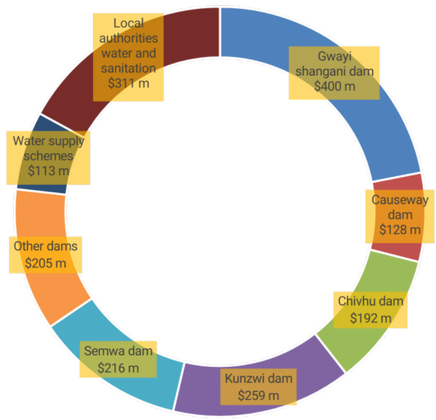
ICT/Digital Economy

- Development of Smart Zimbabwe 2030 Master Plan for promoting ICTs across all sectors.
- Rolling out of National E-Government Programme.
  - ✓ Simplify communication between citizens and Government.
  - ✓ Creation of an effective system for Government Departments to interact with each other.
  - ✓ Also enables citizens to gain quicker access to Government services, and leads to substantial monetary savings.
- ZWL$341.7 million allocated towards the above ICT programmes.

Water Supply and Sanitation

- Restoring 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 urban areas.

Water Supply and Irrigation Priority Projects



Transport

- Sustaining Road Development Programme, including dualisation and upgrading of the Harare-Beitbridge Road, ongoing upgrading works on trunk roads, among others.
- Further provision for Urban Mass Transport System, providing affordable transportation to citizens.
- ZWL$540 million subsidy allocated towards this programme.

Health

- ZWL$6.5 billion allocated to the sector.
- This will cater for health infrastructure, personnel welfare, medicines, drugs, and sundries, among other essential hospital equipment and necessities.

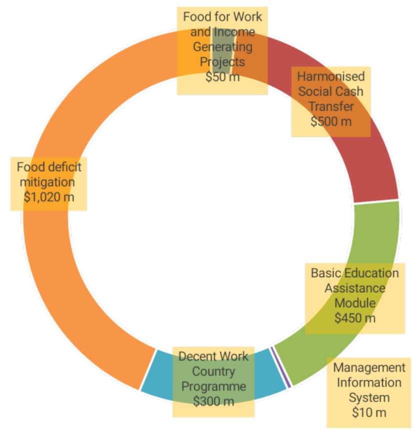
Education

- Inclusive and equitable quality education and the promotion of lifelong learning opportunities remains top priority: Leave no child behind.
- ZWL$8.5 billion for Ministry of Primary and Secondary Education.
- ZWL$2.2 billion for Higher and Tertiary Education, Science and Technology Development.
- Provision for the supply of sanitary wear for female learners to the tune of ZWL$200 million.

Social Protection

- Scaling up of social protection interventions in the wake of increased vulnerabilities among citizens.
- Public Service, Labour and Social Welfare is allocated ZWL$2.4 billion.

Social Protection Programmes



Development Partner Support

- In 2020, Development Partners support is projected at US$677.6 million, compared to an expected US$610.4 million in 2019.
- Government is taking a pro-active role to address concerns that partners continue to raise over cost of corruption, transparency and accountability, security of tenure and investment climate in mining.

4 Competitiveness

Ease of Doing Business

Second round of ease of doing business reforms, targeting 16 key areas including

- improvements in paying taxes
- obtaining construction permits
- starting a business
- ease of doing transport business
- clearance of imports and exports

Last year, significant milestones were achieved in this respect, and the country climbed from rank 155 to rank 140 in the World Bank's ease of doing business ranking.

ZIDA

- Establishment of a consolidated Zimbabwe Investment and Development Agency (ZIDA) as a one stop shop investment centre.

Export Revolving Fund

- Support of exporters through Export Revolving Fund with US$20 million as seed capital, with a focus on horticulture.

Public Enterprises

- Comprehensive programme to reform state enterprises and parastatals.
- Fast tracking of implementation of PE reforms.
- Enforce the provisions and regulations of the Public Entities Corporate Governance Act.
- Make necessary adjustments to all administered prices to ensure cost recovery.

Research & Development

- R&D Programmes supported by both Government and private sector.
- Budget has set aside resources for the R&D programme, including launch of space satellite.

Annex 2: Progress on Infrastructure Projects

NAME OF PROJECT	PROJECT SCOPE	FUNDING SOURCE RTGS$	FISCAL DISBURSEMENTS TO DATE RTGS$	PROGRESS TO DATE
Hwange 7 & 8 Expansion	Addition of 2 units of 300MW each, and associated transmission infrastructure.	LOAN		Project is 43,9% complete with procurement of generator, boiler and turbine at 56.5%.
Cyclone Idai Damaged Road Infrastructure	Restoration of road infrastructure destroyed by Cyclone Idai	BUDGET	325,700,000	Birchenough-Chipinge, Rusape-Nyanga, Machongwe-Kopa are complete. Skyline-Chimanimani (97%), Wengezi-Skyline 96%, Kopa-jopa 30%, Odzi-Marange 40% and Honde Valley road 80%
Harare - Masvingo - Beitbridge Road	Upgrading, rehabilitation and widening of the 560km road to SATC standards	BUDGET	965,910,000	7.2 km has been completed and opened to traffic, 25 km has been primed and surfacing (tarring) in progress. By end August, target is to open 100km to traffic and by December another 100km, giving a total of 200km for the year.
Robert Gabriel Mugabe International Airport	Upgrading of runway, new terminal building, additional aero-bridges, and communication systems, among others.	LOAN	-	
Causeway Dam	Zoned earthfill dam with maximum height of 18m, crest length of 455m, a concerete 200m ogee spillway and two saddle dams	BUDGET	141,800,000	Overall progress is at 80% to completion with the dam now impounding water
Marovanyati Dam	50 million m³ zoned earthfill embankment dam with a 120m long concrete spillway	BUDGET	111,400,000	Overall progress to date is at 96% and outstanding works include outlet works, spillway construction.
Chivhu Dam	Construction of aDam along Sebakwe River with a capacity of 26 million cubic metres	BUDGET	107,700,000	Progress is at 30% with the dam foundation and outlet trench having been completed.
Harare City Water Improvement Project	Rehabilitation of Darwendale and Warren Control Pump Station	BUDGET	162,664,000 -	Payment and manufacture of 19 pumps have been completed and now await shipment into the country.
Bulawayo City Raw Water Improvement Project	Rehabilitation and augmentation of water system, pumping system and distribution network	BUDGET		
New Parliament Building		GRANT/BUDGET	30,259,000	The six storey superstructure has been completed and the project is now targeted for completion in March 2021.
Chinhoyi Magistrates Court		BUDGET	25,000,000	
Rehabilitation and Expansion of Irrigation Schemes		BUDGET		

Annex 3: Progress on State Enterprises and Parastatals Reforms

SEP	PROGRESS
GMB Silo Foods	✓ The de-merger of the GMB into GMB Strategic Grain Reserve and Silo Foods Industries has been completed. ✓ Silo Foods Industries is now registered as a subsidiary company of GMB with effect from 1st April 2019. ✓ Genesis Global was appointed as the Transaction Advisors to assist Silo Foods in the resource mobilisation initiative and the identification of a potential Strategic Partner. ✓ The Consultants have since completed a due diligence exercise and they are now finalising their Reports. ✓ Formal transfer of some assets from the former Grain Marketing Board to the balance sheet of Silo Food Industries is still to be completed in terms of the demerger Agreement.

SEP	PROGRESS
	✓ Board of Silo Food Industries has approved estimated working capital requirements is proposed to be funded through issuance of Silo bills in the domestic money and capital markets. ✓ The Transactional Advisors have prepared the Due Diligence Reports of Silo Foods, Business Valuation, Strategic Options paper, Information Memorandum and the Invitation of Expressions of Interests (EOI) to potential strategic investors. ✓ The request for Treasury approval of issuing Silo Bills worth $750 were turned down with the advise to seek 60day credit from GMB on the supply of credit. ✓ NSSA have expressed interests in acquiring 35% shareholding in Silo Foods and there are currently undertaking a Due Diligence exercise with the EY as their transactional advisors. ✓ Global Genesis have since completed the Valuation Report of Silo Foods and prepated the Negotiation Strategy document for the Technical team to assists in the negotiation with NSSA..
NRZ	✓ Government annulled the NRZ-DIDG-Trasnet Consortium due to lack of progress and directed that fresh tenders be invited for the project as a matter of urgency. ✓ NRZ Board has written to the Consortium as guided by Attorney General's office to initiate the formal tender termination process which will eventually involve PRAZ writing to the Consortium formally cancelling the award. ✓ A new recapitalisation tender can only be issued after the formal cancellation of the tender. ✓ Meanwhile NRZ is in discussion with a number of potential funders and equipment suppliers for a phased recapitalisation plan.
ZISCO	✓ The government has set up an Inter-Ministerial Task Force to resuscitate Ziscosteel. ✓ The Ziscosteel Board has been reconstituted and complemented with the appointment of the Acting CEO. ✓ The Zisco -Zimcoke agreement is currently being reviewed ✓ The new ZISCO Board has been tasked to prepare business plans for revival of Ziscosteel Lancashire Steel and Zimchem. ✓ The Ministry of Industry and Commerce has commenced the process for inviting new potential investors.
CSC	✓ The new investment partner has already begun to cover some ground towards the implementation of the Agreement, including setting up of processes to underpin enhanced operations, and honouring some of the outstanding obligations to former CSC employees. However, progress has been affected by Covid 19.
CAAZ	✓ The unbundling of the Civil Aviation Authority of Zimbabwe and The Airports Management Company have been completed, with the Boards for the respective companied having been appointed. ✓ The respective Boards will finalize transfer of assets to the Airports Management Company and the remaining regulator CAAZ ✓ The Airports Managenent Company has been asked to constitute the management team of the new entity while staff are being assigned to the two entities.
ZESA	✓ Cabinet approved the re-bundling of all the ZESA subsidiaries into a vertically integrated single entity on 5 February 2019. ✓ A single Board has been appointed for ZESA. ✓ A Technical Committee chaired by the Ministry of Energy and Power Development , ZESA Board and Management, Subsidiaries , SERA , Attorney General Office, and Ministry of Finance and Economic Development are spearheading the re-bundling working with Consultant. ✓ Contract negotiations are now being finalised with EY, which was awarded the tender for Transactional Advisory services for the re-bundling process who are expected to complete the exercise in 3 months
Tel-One & Net-One	✓ Joint negotiations with Price Waterhouse Coopers (PWC), the appointed Transaction Advisors for the privatisation of NetOne and TelOne are being carried out in light of the new monetary regime and the need to comply with the provisions of Statutory

SEP	PROGRESS
	Instrument (S I) 142 in as far as the payment of services in foreign currency is concerned. ✓ Net One and Tel One have indicated that they cannot afford the over USD5m transactional fees for the consultancy services for the transaction. ✓ Following the unsustainable fees for the transaction, Government has cancelled the Transactional contract with PWC Transactional Advisors and is looking at retendering or sourcing for the services of other bi-lateral or multilateral partners. ✓ In this regard, a formal request has been made by the Secretary of SEPs Reforms, Corporate Governance and Procurement to the World Ban local office to ask IFC to as Transactional Advisors since these do not need upfront payment of fixed fees as their fees are success fee based. ✓ The recent Covic 19 has affected the pending visits by IFC representatives in SA to discuss the request to the World Bank.
Allied Timbers	✓ Partial privatisation roadmap through engagement of a strategic partner was approved by Cabinet on 19 February 2019 as iformed by the performance review and turnaround recommendations which was funded by the African Development Bank (ADB). ✓ The AfDB has, in addition to funding the consultancy cost of undertaking the Performance Reviews and the preparation of the Reform Strategy, further availed resources to cover the costs for Transaction Advisory Services to assist in the privatisation of Allied Timbers. ✓ To this end, procurement processes to engage the Transaction Advisor are currently underway and are being undertaken through the ADB procurement procedures. With the ADB committing to pay for the consultancy fixed fees, Government is expected to facilitate the payment of the success fees from the privatisation proceeds. ✓ The procurement process has been temporarily suspended due to the challenges caused by Covid-19 Pandemic after the evaluation of the Expression of Interests (EOIs).
IDC subsidiaries	✓ Cabinet had approved the resumption of the development financing role of the Industrial Development Corporation of Zimbabwe (IDCZ). ✓ The IDCZ resourcing by the Government of Zimbabwe under the 2020 National Budget benefited through an allocation of $240 million to the corporation. ✓ Ernst & Young was appointed the Consultant for the partial privatisation of Chemplex, and work is already under way. Expressions of Interest for investors have since been made, evaluated and shortlisted and submit to the Ministry of Industry and Commerce for consideration by Cabinet. ✓ The IDCZ invited competitive bids and received 6 bids for Willowvale Mazda Industries (WMI) and 3 bids for Deven Engineering. ✓ All the shortlisted bidders submitted their proposals on the deadline date. A memorandum has been written to the Minister of Industry and Commerce on the winning bidder of Willowvale Mazda&Deven Engineering for consideration by Cabinet .
ZMDC Subsidiaries	✓ Partial privatisation is underway. ✓ Cabinet has since granted mining concession for the following: 1. Amari Platinum Concession – Bravura. 2. Kamativi Lithium Concession – Beijing PingChang, Lintmar, Zimbabwe Defense Forces. 3. Mbungu Coal Bed Methane (CBM) Concession – Sakunda Holdings. 4. Gwayi CBM Concession –Tumagole. 5. Lutope Lithium project - Cession. 6. Mberengwa Lithium Concession - Tsingchan. 7. ZMDC Gold Assets and Sandawana Mine- Landela Investments.
Zimbabwe Consolidated Diamond Company	✓ Cabinet approved the Joint Venture Between ZCDC and Alrosa Overseas S.A. which is a subsidiary of PJSC Alrosa of Russia for the exploration, development, mining and, marketing of Diamonds on 16 July 2019.

SEP	PROGRESS
	✓ ZDC is exploring various marketing strategies to resume the export and sale of diamonds. ✓ Various joint venture partnerships are being explored and considered for the other claims under ZCDC.
IDBZ	✓ The procurement process of engaging a Transactional Advisor for the partial privatisation of the Infrastructure Development Bank of Zimbabwe (IDBZ) using the Public Procurement & Disposal of Public Assets Act has been completed. The Transaction Advisor has commenced work, with the expected time to complete the engagement of a Strategic Partner being 8 months. ✓ The Advisors have finalised the Capital Raising Strategy and Business & Asset Valuation. ✓ It is, therefore, being anticipated that by the end of December 2020 given the delays caused by the Covid 19 which affected the original work plan, identification of the ideal strategic partner would have been finalised for recommendation to and consideration by Cabinet.
ZIMPOST	✓ EY was appointed as the Transaction Advisor and Contract negotiations are underway. ✓ ZIMPOST has consolidated Courier Connect and Post Properties as a way to streamline revenue streams and reduce costs under a new Business Model which will determine the partial privatization route. ✓ A new Strategic Plan is being finalized which will determine the timing and the model of the privatization.
Petrotrade	✓ Cabinet approved the merger of Petrotrade and Genesis, a subsidiary of the National Oil Company (NOIC) into fuel retailing business, as well as CMED Fuels. ✓ Thereafter, the consolidated entity is to be privatised through strategic partnership with an established offshore petroleum major. ✓ Already, a proposal towards the identification of a potential strategic player in the petroleum oil industry has been approved by Cabinet. ✓ CBZ & Manokore who were appointed as Transactional Advisors during Contract negotiations submitted high fees because of change of Scope of Works. ✓ The Technical Committee recommended that cancel of the tender because of the high fess submitted and the material deviation of the Scope of Works in line with PPDPA (Cap 22:23) and seek for the issuer of a new tender. Cancellation was done by Petrotrade ✓ A new Trader was issued by the Ministry of Energy Power Development as per advise by PRAZ and proposals have since been received on the 03 July, 2020.
POSB	✓ KPMG Advisors Zimbabwe were recently appointed as the Transactional Advisors for the partial privatisation of the People's Own Savings Bank (POSB), with the consultancy contract having been finalised and awaiting signing. ✓ The delays has been caused by the clarifications on who will pay the foreign currency to KPMG Nigeria who are working as a consortium with KPMG Zimbabwe. We hope the introduction of the interbank exchange rate will also brieng confidence to KPMG as there concern was on the availability of forex for paying KPMG Negeria.
Agribank.	✓ EY was appointed the Transaction Advisors and Contract was signed. Ernst & Young have since completed the following Reports: • Financial Due Diligence. • Tax Due Diligence. • Legal Due Diligence. ✓ EY are currently finalizing the Business Valuation, Strategic Option paper, Information Memorandum, Invitation of Expression of Interests (EOls) and Bidding Documents . ✓ The Ministry of Lands, Agriculture, Water and Rural Resettlement are proposing the restructuring of Agribank to establish the Land Bank within prior to privatization. ✓ It is, therefore, being anticipated that by the end ofDecember 2020 given the delays caused by the Covid-19 which affected the original work plan, identification of the ideal

SEP	PROGRESS
	strategic partner would have been finalised for recommendation to and consideration by Cabinet.
ZUPCO	✓ KPMG have been identified as the Transactional Advisor. ✓ Contract negotiations is being stalled by the issue of payment of foreign currency to KPMG Nigeria who are part of Consortium who were appointed as Transactional Advisors with KPMG Zimbabwe.
Powertel, Zarnet& Africom	✓ The merging of Powertel, Zarnet and Africom into a single entity has been painstakingly slow. Counter proposals to the merger have been put across, and these are being considered. The outcome of due diligence on the respective entities and the considered position will be presented to Cabinet once finalised.
Air Zimbabwe	✓ The appointed judiciary manager of Air Zimbabwe, Mr. R.Saruchera of Grant Thornton instituted the process of inviting potential strategic partners to submit expression of Interest (EOI) for investment in Air Zimbabwe in 1st quarter of 2019. ✓ Adjudication of shortlisted bidders was conducted during the 3rd quarter of 2019. Following the adjudication, all bids were unsuccessful due to failure to meet the evaluation criteria spelt out in the tender. ✓ Meanwhile, the airline took delivery of a Boeing 777 from Malaysia Airlines in January 2020. Government is working with the airline to develop options for effective utilisation of this long haul aircraft through possible leasing them out to other airlines. A short list of possible airlines who want to lease the aircraft has been finalised and negotiations have been delayed by the current Covid 19. ✓ In another development, the airline was finally granted the longstanding KYC (Know Your Customer) certificate for the ERJ145 Embraer Jet, paving way for the commencement of operations by the aircraft. This should capacitate the airline to deal with domestic and regional route network.
Zimbabwe Investment and Development Agency	✓ In the spirit of improving the ease of doing business and creating seamless investment approval processes, the Special Economic Zones Authority (ZIMSEZA), the Zimbabwe Investment Authority (ZIA), and the Joint Venture Unit have been integrated into ZIDA through the Zimbabwe Investment and Development Agency Act. ✓ The National Investment Policy has been launched while the new Investment Guidelines were approved by Cabinet. ✓ The Board and Chief Executive Officer of ZIDA have been appointed. An organogram has been developed and approved and the recruitment of staff is now underway.
Review of the State Enterprises Ownership Model	✓ The Rebel Group of South Africa were appointed as the Consultant to undertake the assignment. ✓ The Consultant has produced the 1st Daft Report for consideration by the Key Stakeholders . ✓ The internal stakeholders review workshop was undertaken on 26 February 2020. ✓ The project is being funded by the African Development Bank (AfDB), Institutional Support for State Enterprises Reform and Delivery Project (ISERDP). ✓ The Consultant have submitted the 1st draft report to be considered through a Stakeholder Workshop before finalisation.

SEP	PROGRESS
Performance Reviews and Preparation of Turnaround Strategiesfunded by the AfDB and EU.	✓ Performance Reviews and preparations of Turnaround Reform Strategies have been completed for: • Allied Timbers - December 2018. • ZMDC - January 2019. • ZIMPARKS - May 2017. • Forestry Commission- May 2019. • Agribank – February 2020 • IDBZ - February 2020 • SMEDCO – February 2020 ✓ Memoranda on theproposed Turnaround/Reform Strategies have been approved by Cabinet for Allied Timbers, ZMDC and ZimParks while that for Forestry Commission have been submitted and approved by Cabinet. ✓ ZINARA – Re-tendering after the cancellation of Consultancy contract is underway. ✓ Memorandums on the Turnaround Strategies on the Sovereign Wealth Fund and Printflow have been finalized for consideration by Cabinet. ✓ Memorandums on the turnaround of the SIRDC and improvements of performance of EMA and SMEDCO are being developed.
Kingstons	✓ Following the Government decision that non-performing entities under Kingstons should be dissolved, the 2019 National Budget did not have any allocation for Kingstons and the 2020 National Budget also does not have an allocation for Kingstons. Kingstons has a debt overhang of about $6.7 million against an asset netbook value of $738 801. ✓ Of the seven entities under Kingstons, two entities were recommended for retention and these are Kingstons Holdings and Kingstons Private Limited. Kingstons Holdings will continue to manage the radio licences that are being operated by Zimpapers. Kingstons Private Limited will continue with the original Kingstons business model. The two entities will be sister companies to avoid legacy issues associated with the former. ✓ The following Kingstons entities are being liquidated: • Lenben Properties • Kingstons Entertainment • Kingstons Properties • Textbook Sales • Art Stationers
Departmentalisation of the Identified Parastatals	✓ National Indigenization and Economic Empowerment Board, Board of Censors, National Library and Documentation services and National Liquor licensing Authority were absorbed within their respective line ministries. ✓ Lotteries and Gaming Board and National Competitive Commission retained their status quo. ✓ New Ziana- A Memorandum to Cabinet is being developed which seeks to propose the possibilities of anacquisition by Zimpapers, taking into account theZimbabwe Stock Exchange (ZSE) regulations.
Broadcasting Authority of Zimbabwe & POTRAZ	✓ The merger between the Broadcasting Authority of Zimbabwe (BAZ) and Postal and the Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) had not materialised due to diverging views of the respective Ministries in as far as the merger is concerned. Hence, there is no progress with regards to the merger of the two regulators.

Annex 4: Progress under Phase one of Doing Business Reforms

1. During the First Phase, the reforms focused mainly on legislation and administrative procedures, turn-around time and costs that inhibited business operations.

2. As a result of the reforms, there was an improvement in the country's World Bank ranking, which currently stands at 140 from as high as 171 out of 190 countries prior to implementation of the reforms.

3. To date, eight of the 13 initial pieces of legislation which, either, needed amendment or enactment were assented to by His Excellency, the President.

4. Zimbabwe has also moved to create institutions to promote investment, such as the Zimbabwe Investment and Development Agency (ZIDA), which is destined to be a One Stop Investment Centre. The ZIDA Act became law in 2019 and subsequently a Board and a Chief Executive Officer were appointed by His Excellency the President

5. Another important piece of legislation, the Companies and Other Business Entities Act, was signed into law in November 2019 and came into effect on 13 February 2020. Regulations related to procedures and implementation of online company registration have also subsequently been gazetted.

6. Four Commercial Courts to date have been established in major cities. In addition to the legislative and institutional reforms, some administrative procedures have also been reviewed and streamlined to reduce the attendant bottlenecks.

Specific Achievements In Creating an Enabling Environment

Zimbabwe Investment Development Agency

7. Through implementation of Ease of Doing Business Reforms, the Government has made progress in some areas especially in enactment of laws that support an investor friendly environment. An interim Zimbabwe Investment Development Agency (ZIDA) has been created to be the One Stop Investment Centre. The ZIDA Bill was passed into law in November 2019 and awaits Presidential assent for the One Stop Investment Centre to legally start operations.

Companies and Other Business Entities Bill

8. To further create an investor friendly business environment, the Companies Act and other Business Entities Bill, was assented into law by His Excellency, the President.

Work in Progress

Manpower Act and NSSA Act Amendments

9. The draft principles of the two Bills have been crafted and presented to the relevant Ministry for consideration. Once enacted into law, the Manpower Act will streamline the number of tax payments made by employers by enabling ZIMRA to collect ZIMDEF contributions on behalf of ZIMDEF together with NSAA payments thereby reducing employee related payments from 36 to 12.

10. Amendment of NSSA Act will enable ZIMRA to collect NSSA contributions on behalf of NSSA together with ZIMDEF payments. These reforms affecting NSSA, ZIMDEF and ZIMRA will drastically reduce the time taken to pay taxes, thus easing business operations.

Regional Town and Country Planning Amendment Bill

11. The legislation is meant to improve the time taken and procedures for issuing construction permits to facilitate business. Principles of the Bill have been re-submitted to Cabinet after factoring in more inputs from stakeholders. The Cabinet Committee on Legislation is seized with the matter.

Acceleration of ease and cost of Doing Business Reforms

12. To accelerate reforms on ease and cost of doing business, Ease of Doing Business Reforms have been elevated to a Cabinet Agenda. A Cabinet Committee dealing with Ease of Doing Business Reforms is now in place.

Reduction of the costs of Doing Business through a review of business registration and licence fees

13. Multiple licence and registration fees charged by some government agencies such as the Environmental Management Agency (EMA), Agricultural Marketing Authority (AMA) and National Bio-technology Authority have an inhibitive effect on business operators both local and foreign. However, work is in progress to streamline and review downwards the fees currently being charged.

Review of Statutory Instruments

14. In addition to amending pieces of legislation cited above, more than 22 Statutory Instruments administered by various Ministries, Departments and Agencies are being reviewed to make them more friendly to investment by removing some of the inherent operational bottlenecks.

*Zimbabwe's 2020 World Bank ranking is **140** from the previous position of **155,** that is, it has improved by 15 positions.*

Phase 2 Ease of Doing Business Reforms

15. Starting a Business and Protection of Minority Investors: The lead Ministry is Justice, Legal and Parliamentary Affairs. Implementation of Companies and Other Business Entities Act, and related procedures such as online company registration system are the key focus.

16. Construction Permits: The Ministry of Local Government, Public Works and National Housing is responsible. Amending the Regional Town and Country Planning Act and implementing an e-permitting system shall be key strategic thrust.

17. Registering Property: Ministry of Justice, Legal and Parliamentary Affairs leads the reform process in this area. To achieve the desired change the following strategies should be employed: (i) digitize cadastral documents and Deeds documents to create a fully electronic and searchable database; (ii) develop an electronic registration system to enable electronic interchange of documents between the Deeds Registry, ZIMRA, Treasury, Courts and Conveyances.

18. A Memorandum of Understanding seeking to set property registration quality guidelines and effective time limits, reduce cost of registering property, establish a document tracking system and the establishment of a One Stop Shop was signed in April 2020.

19. Getting Electricity: The reform process is led by the Ministry of Energy and Power Development. There is an urgent need to improve the Zimbabwe Electricity Transmission Distribution Company systems in order to benchmark reliability and approval, followed by publication of power connection procedures.

20. Getting Credit: The Ministry of Finance and Economic Development is responsible. What remains outstanding is the implementation and roll out of the Collateral Registry system.

21. Paying Taxes: The lead Ministry is Finance and Economic Development working with Ministries of Higher and Tertiary Education, Science and Technology Development; Public Service, Labour and Social Welfare and Industry and Commerce. Streamlining the tax payments to ZIMRA (PAYE), NSSA, ZIMDEF and Standards Development Fund into one payment for tax payers and automated splitting through back office systems is required.

22. Trade Across Borders: Led by the Ministry of Industry and Commerce, working with Ministries of Finance and Economic Development and Foreign Affairs and International Trade, the stakeholders should (i)establish a fully-fledged Single Window at Beit Bridge Border Post; (ii) implement measures to ensure that adequate processing infrastructure is available at the border post; (iii) address the non-compliance by other stakeholders at Beit Bridge Border Post on issues of overlapping mandates.

23. Enforcement of Contracts: The Ministry of Justice, Legal and Parliamentary Affairs should use the following strategies to achieve the desired outcome: (i) full roll out of the Magistrates' Commercial Courts to all provinces, accompanied by adequate publicity; (ii) Open the commercial division of the High Court, including operationalising the Commercial Court rules for both High Court and Magistrates Court; and (iii) implement the integrated Electronic Case Management System in the Commercial Division of the High Court.

24. Resolving Insolvency: the Ministry of Justice, Legal and Parliamentary Affairs is responsible. The strategies for reform include; conducting training on the new insolvency law and regulations for all insolvency practitioners working with a technical expert in the area;

25. Doing Export Business: The Ministry of Foreign Affairs and International Trade is responsible and lead implementation of the reforms for this sector by removing export permits for non-strategic agricultural produce. Ministries of Industry and Commerce and lands, Agriculture, Water, Climate and Rural Resettlement are some of the stakeholders.

26. Regulatory Environment: The Ministry of Industry and Commerce is the lead agency. The proposed strategies include streamlining the regulations related to doing business as well as empowering the National Competitiveness Commission to be the regulator of regulatory agencies thereby providing an extra layer of control for checks and balances when passing new regulations. The implementation of reforms in this sector will have a specific focus on assessing all the regulations around business to establish their impact and develop appropriate recommendations for Cabinet consideration.

27. Small and Medium Enterprises: The Ministry of Finance and Economic Development will lead the reform process working in collaboration with the Ministry of Women Affairs, Community, Small and Medium Enterprises Development and other stakeholders. The key strategy in creating a conducive environment for the sector entails establishing a simplified Tax Regime for SMEs.

28. Youths: The lead agency is the Ministry of Youth, Sport, Arts and Recreation working in collaboration with the MoFED. Improving access and availability of empowerment opportunities to Youths across key business sectors is the main focus.

29. Sports: Led by the Ministry of Youth, Sport, Arts and Recreation, the focus will be on empowering and fostering business in, and through sports and entertainment

30. Industry (Manufacturing and Agriculture): Implementation of reforms in this sector will be led by the Ministry of Industry and Commerce in collaboration with the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement. To achieve the planned outcome, the strategy will involve reducing cost, time and processes associated with doing business across the key industry value chains from the field to the consumer.

31. Mining: Led by the Ministry of Mines and Mining Development, the focus of the reforms will be on reducing cost, time and processes associated with doing business in the mining sector.