

PROGRESS ON ECONOMIC AND STRUCTURAL REFORMS IN ZIMBABWE

Presentation By

Hon Prof. Mthuli Ncube

Minister of Finance and Economic Development

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Outline

Our Vision

The Transitional Stabilisation Programme
(TSP)

Progress on Economic and Structural
Reforms

Emerging Challenges and Mitigatory

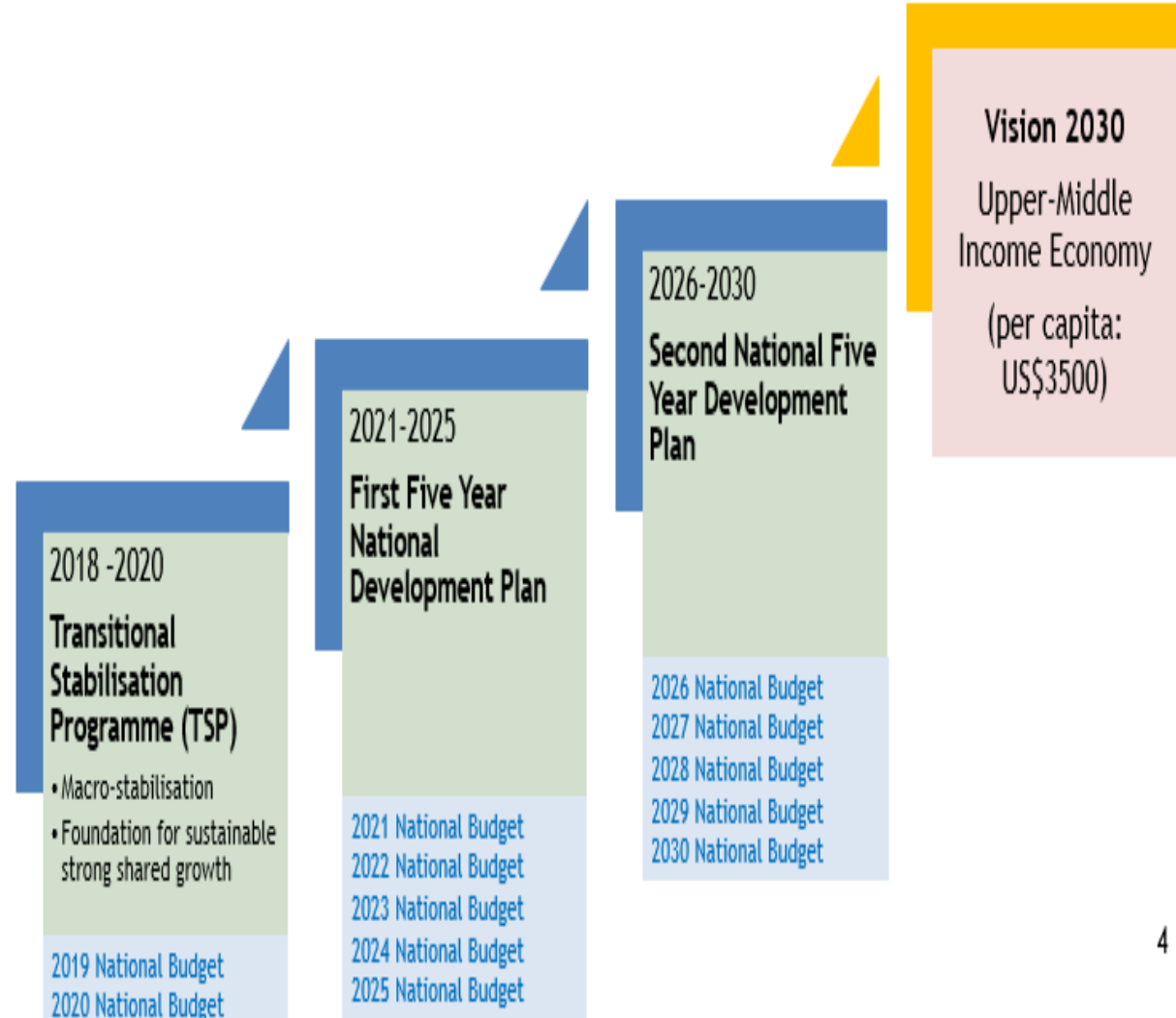
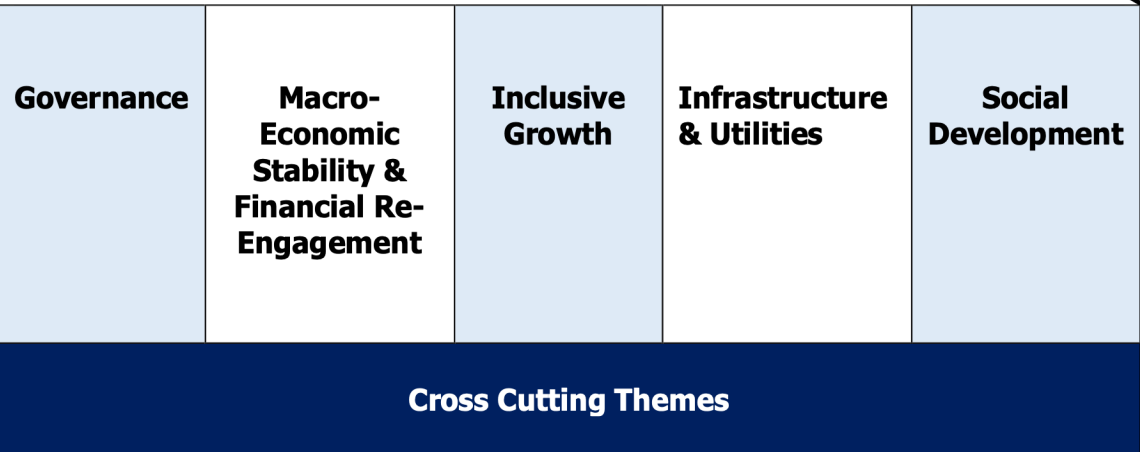
Reform Trajectory

Summary of Progress on Reforms

Economic Reforms	Mining Industry	Massive Roadworks	Education
<p>Reintroduction of local currency Introduction of Dutch Forex Auction. Removal of fuel and electricity subsidies. Operationalising ZIDA. Implementation of Special Economic Zones. Removed the gold incentive. Introduced inter-operability of mobile money platforms. Fiscal consolidation.</p>	<ul style="list-style-type: none"> • US\$4.2 billion Great Dyke Investments Platinum Mine already under construction. • US\$4 billion Karo Resources Mhondoro-Ngezi platinum project ahead of schedule. • Arcadia Lithium mine being developed. • Coal production –new coal mines opened. 	<ul style="list-style-type: none"> • Rehabilitation of urban roads funded by ZINARA. • DDF rehabilitating rural roads in all districts. • Harare-Beitbridge highway dualisation. • Karoi-Binga Road under construction. • Chiredzi-Tanganda road completed. • Makuti-Chirundu stretch under construction. 	<ul style="list-style-type: none"> • Implementation of new school curriculum. • Introduction of Education 5.0. • Student Accommodation being built at universities. • Innovation Hubs at Universities. • Construction of new schools (2000 planned).
Agriculture	Major Infrastructure Projects	Power Generation (Ongoing)	Political Reforms
<p>Replaced Command Agriculture with private sector funded Smart Agriculture. Financial Audit completed. Government downsizing in progress. Signed Global Compensation Deed. 10 million farmers trained for Pfumvudza. Established Youth Desk. Investment Schemes revival</p>	<ul style="list-style-type: none"> • Expansion of RGM Airport. • Construction of New Parliament Building. • Expansion and modernization of Beitbridge Border Post. • Gwayi –Shangaan Dam • Marovanyati Dam. • Construction of District hospitals 	<ul style="list-style-type: none"> • Hwange Unit 7&8 (600MW)-45% complete. • Zambezi Gas and Coal -750 MW • Western Areas – 600 MW. • Jinan -600 MW. • Tsingshan – 100MW • Zimbabwe Zhongxin Electrical Energy 430 MW 	<ul style="list-style-type: none"> • Repeal and replacement of POSA. • Repeal and replacement of AIPPA. • Implementation of devolution ongoing. • Alignment of laws to the Constitution almost complete. • Constitutional Amendments ongoing.

Vision 2030

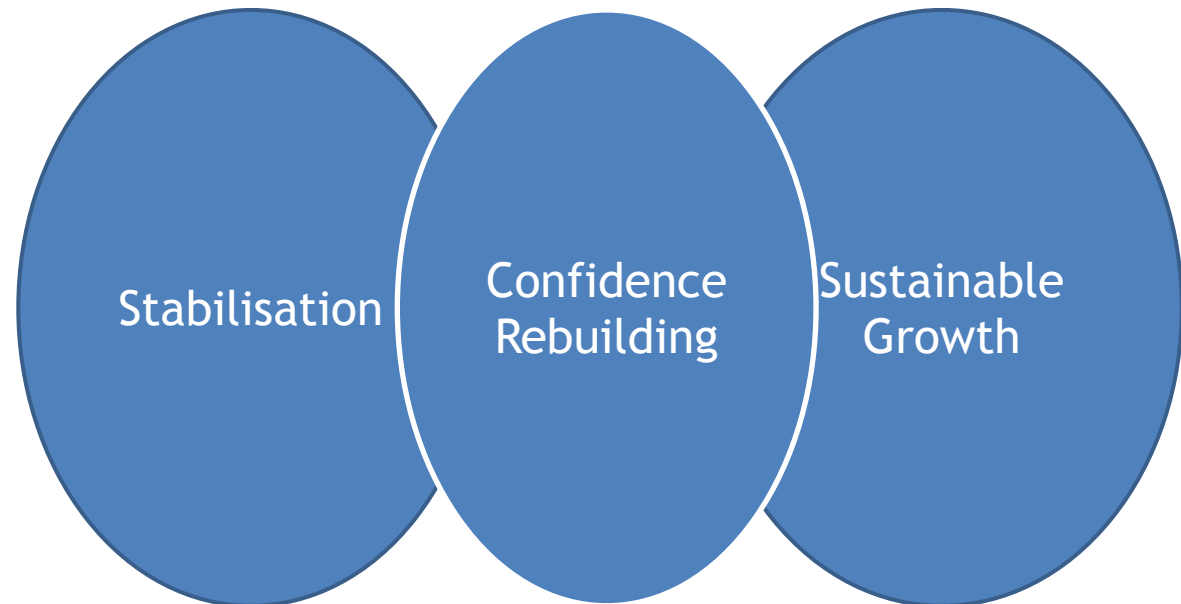
ZIMBABWE VISION 2030



The Transitional Stabilisation Programme

u TSP Objectives

- Macro-Fiscal Stability.
- Laying a foundation for private sector led growth that is sustainable and shared/ equitable.
- Further democratisation of the country;
- Normalising international relations;
- Infrastructure development;
- Public/Social Services delivery; and
- Social protection.



ECONOMIC AND STRUCTURAL REFORMS UNDER THE TSP

Macro-Fiscal Stabilisation Being Restored: Key Milestones

Fiscal Consolidation

Enhanced Revenue Collections

- Strengthened admin measures.
- Sealing leakages.
- Enhanced Revenue collection through taxes, customs and 2% Intermediated Mobile Transfer Tax.

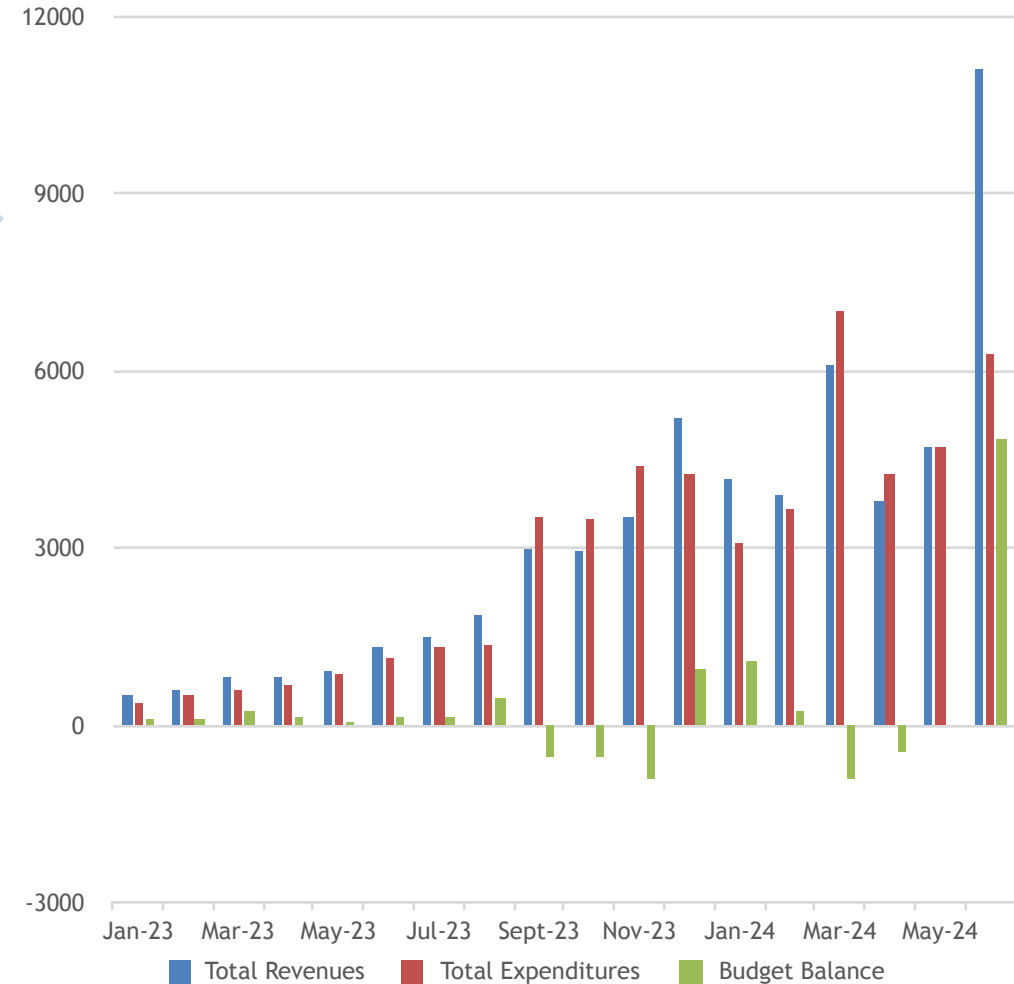
Expenditure Containment

In support of monetary policy on containing money supply and hence inflation:

- No more recourse to Central Bank overdraft
- Issuance of TBs only for Budget.
- Public Wage Bill below 50% of total revenues from 92% in 2017.
- Rationalisation of posts, freeze on hiring, save for critical sectors/posts
- PFMS controls rolled to all departments and local levels.
- New procurement Act now functional.

Fiscal Balance

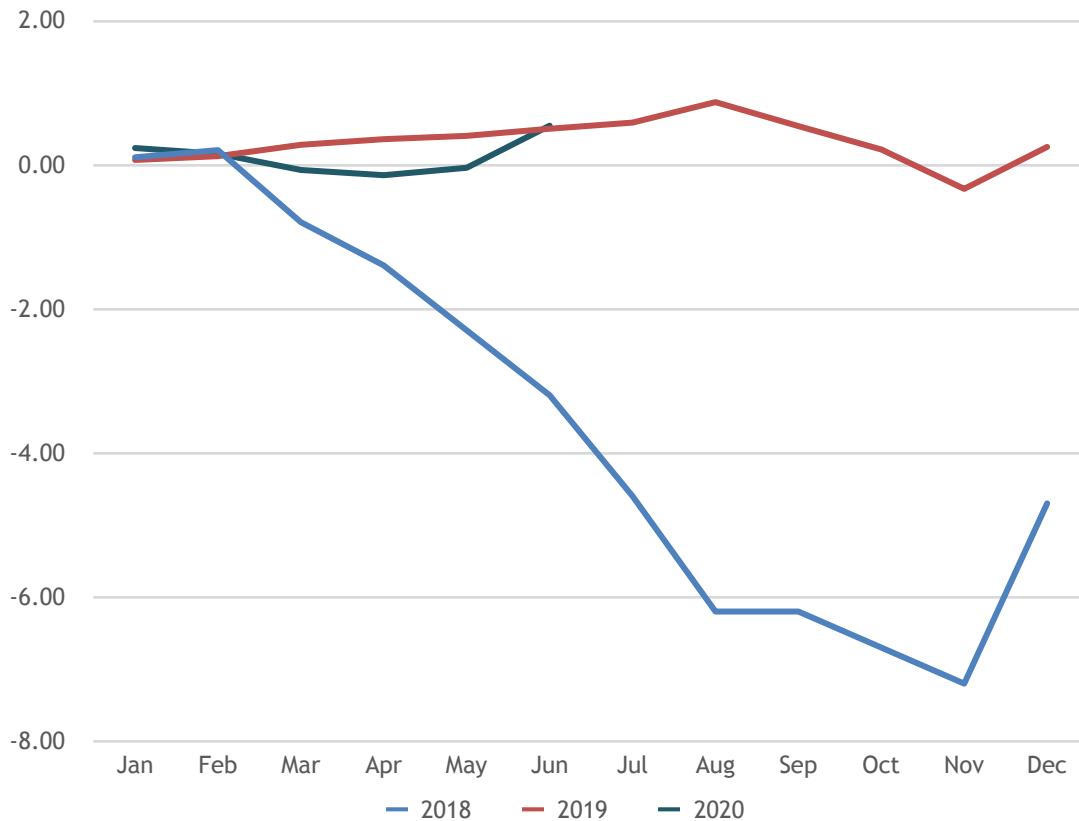
- Deficits turned into surpluses since January 2019. Cumulative surplus of ZWL\$395.5 million by Dec 2019.
- Surplus of ZWL\$800 million for the period Jan to June 2020.
- The surpluses serve as a buffer for shocks such as impact of Cyclone Idai, drought and COVID-19 pandemic.
- Surpluses are also supporting social services delivery, social protection and infrastructure development.



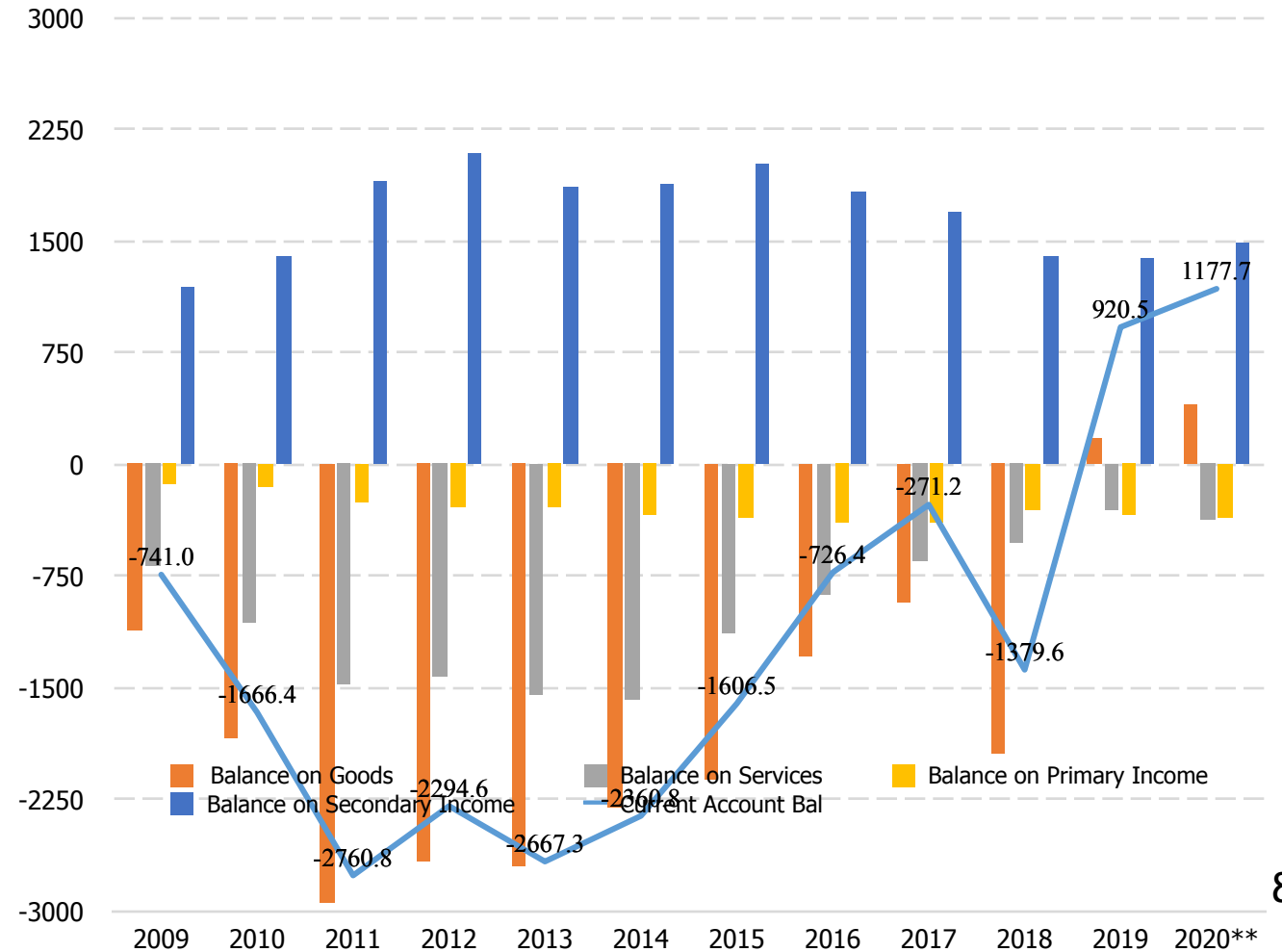
Elimination of the Twin Deficits:

The twin Fiscal and Current Accounts are now in surplus: 2019 and 2020

Fiscal Balance



Current Account Balance



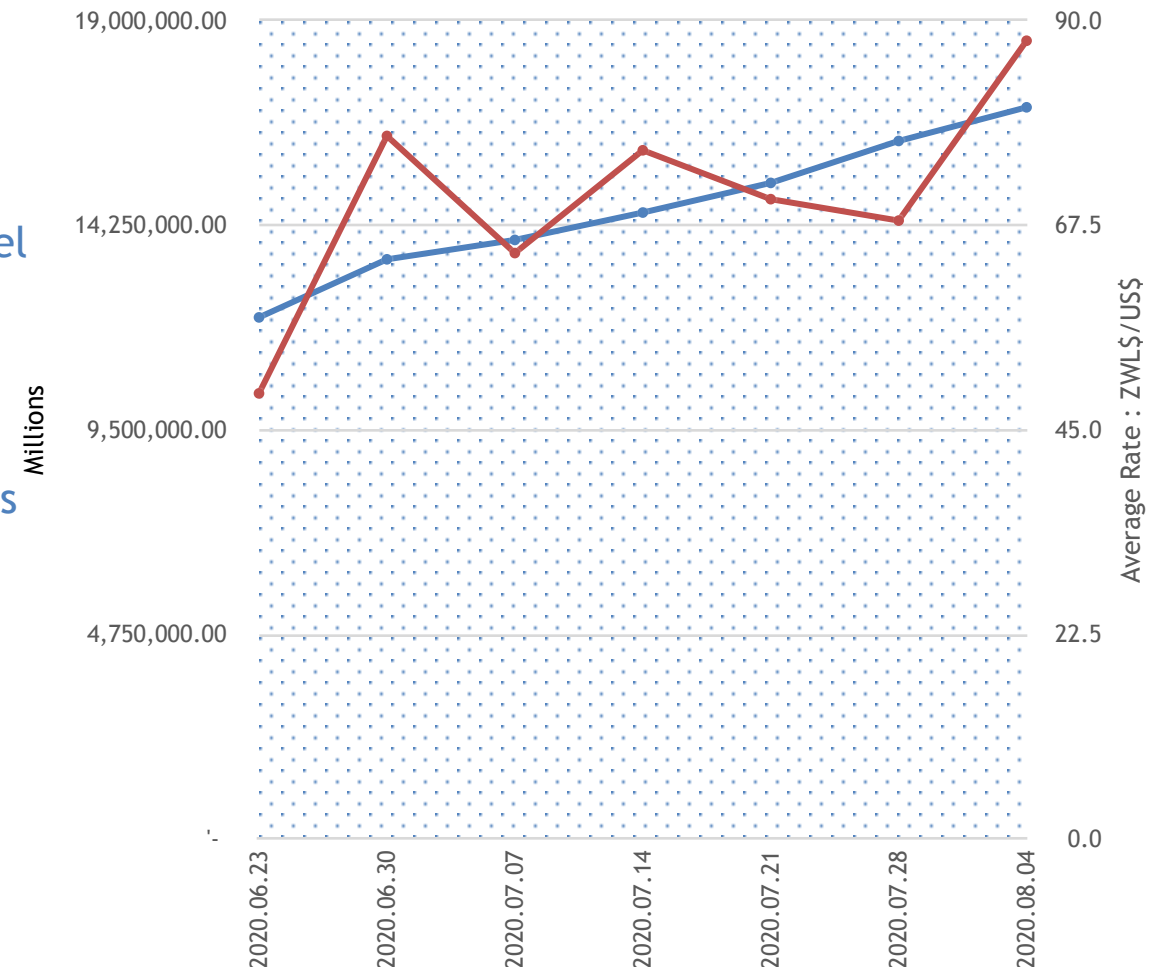
Strengthening Monetary Policy

Monetary Policy being Refined and Strengthened to sufficiently support Fiscal Policy for Stabilisation and inflation containment:

- u Re-introduction of local currency;
- u Strengthening the recently established Reserve Bank a Monetary Policy Committee & New RBZ Board;
- u Monetary targeting: growth in reserve money in line with SSA average of 20-35%;
- u Continued downward trend on Reserve Money to Z\$13.35 billion by August 7, 2020 from Z\$16.66 bin of 31 July, 2020.
- u Introduction of an exchange rate linked Open Market Operations (OMOs) investment instrument settled in local currency, to allow wealth holders to preserve their value;
- u Bursting the speculative bubble on the Zimbabwe Stock Exchange, driven by dually listed shares;
- u Curbing speculative borrowing through appropriate interest rates adjustments (currently increased from 15% to 50% then further to 70% for the RBZ overnight window);
- u Introduced inter-operability of mobile money platforms by adopting a National switch;
- u Removal of fuel, electricity and gold subsidies.

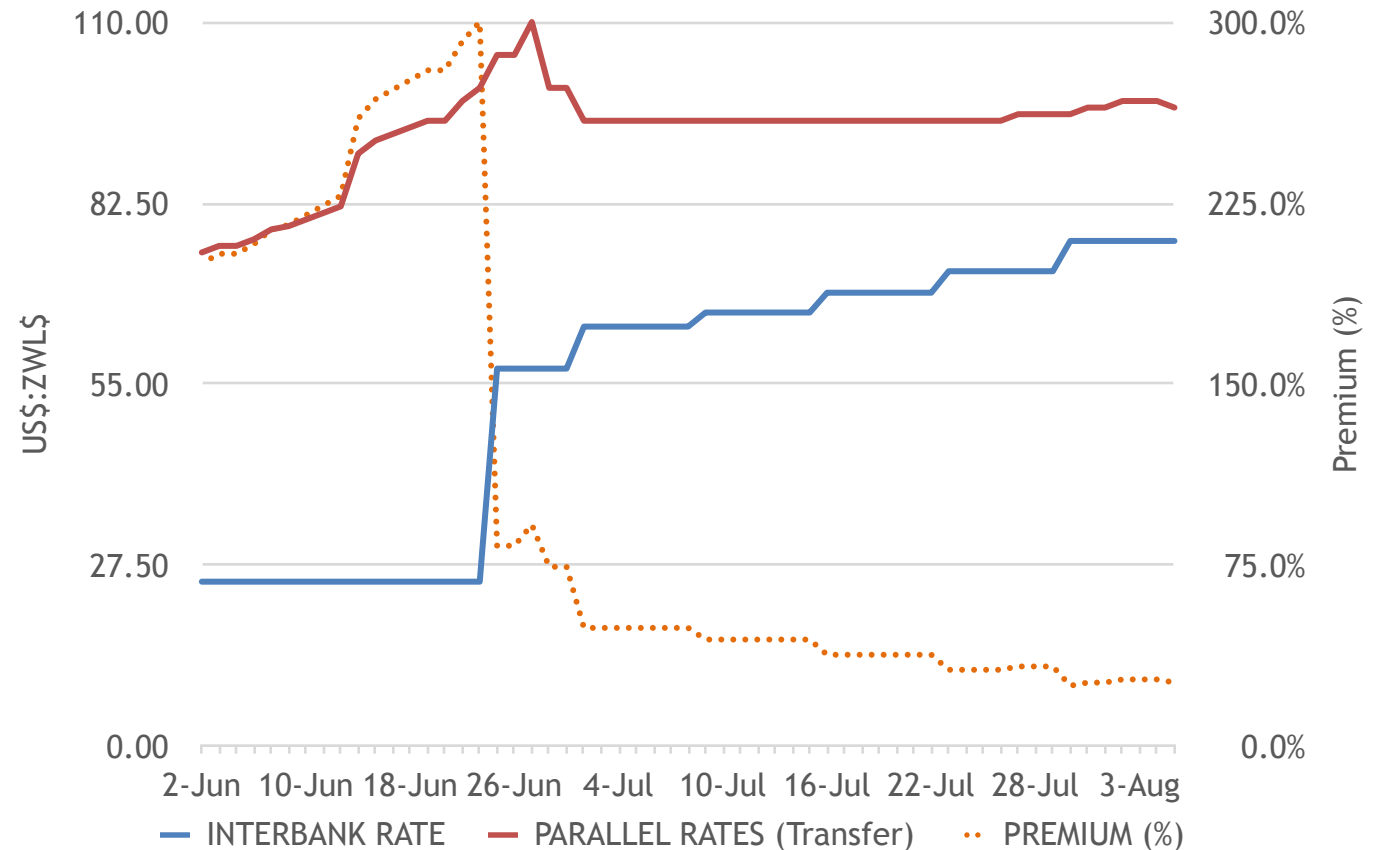
Foreign Exchange Policy and Exchange Rate Movements

- u Introduction of the foreign exchange Dutch Auction system on Tuesday, 23rd June 2020 which is designed to reduce exchange rate instability and improve price discovery;
- u Exchange rate, which had moved from ZWL\$25:US\$1 to ZWL\$80:US\$1; has since stabilized around that level during the better part of July - August 2020;
- u Price stability now visible in line with convergence of parallel and auction rates.
- u Introduced a second auction systems for small scale operators.
- u Use of the Anti-money laundering act and rules to monitor and regulate transactions, especially in speculative activities on the foreign exchange market.
- u Tighter regulation of payment system, e.g. cash in-cash out limits at mobile banking agents
- u Regulating unethical practices on the Stock Exchanges and Bureau De Changes (e.g placed a vesting period of 90 days for dually listed shares);



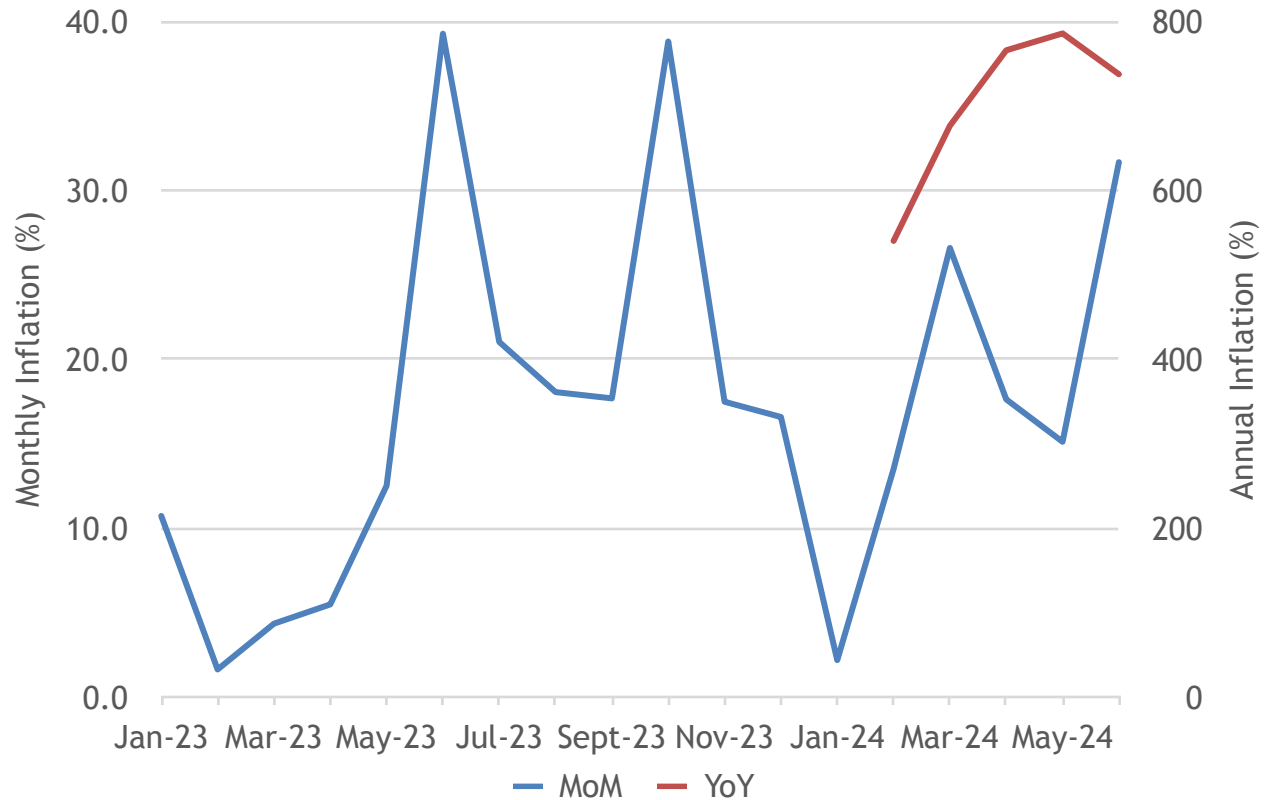
Local Currency Stabilisation

- u The premium on the parallel and official exchange rate has significantly narrowed from a peak of 300% on 22 June to current 26.4%.



Inflation Containment

- u 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.



STRUCTURAL REFORMS

Key reforms in the following areas:

- u Political Reforms

- Alignment of Laws to the Constitution;
- Constitutional Amendments.

- u Governance & Institutional Reforms

- Devolution
- Compensation
- State Owned Enterprises
- Budget Transparency

- u Competitiveness

- Ease of Doing Business

Political Reforms

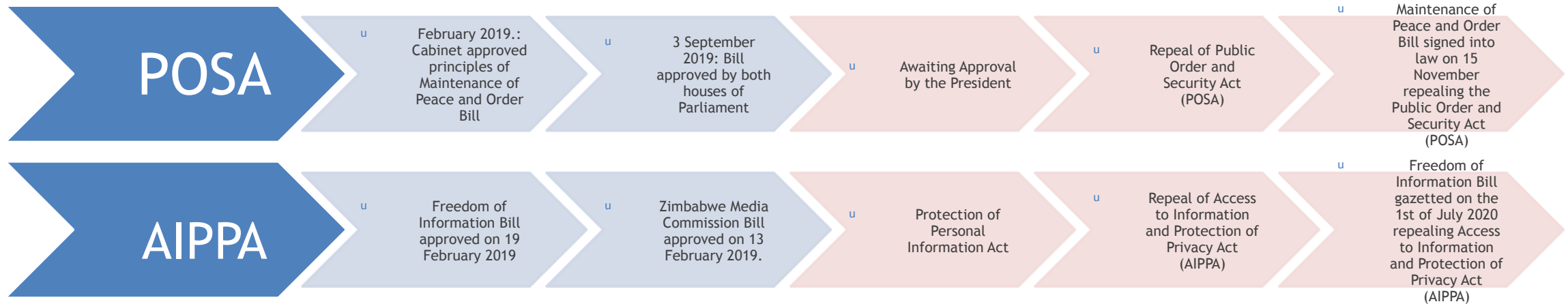
- u **Alignment of laws to the Constitution almost complete.**

- u By end March, 144 laws had been amended out of 183 that need to be aligned to the Constitution.
- u Efforts underway to work on the balance of 39.
- u Alignment is categorised into 10 clusters, which are:
 - Media and Information;
 - Security;
 - Citizenship and Movement of People;
 - Local Government;
 - Social Services;
 - Environmental and Natural Resources;
 - Justice Delivery;
 - Economic Services;
 - Political and Civil Rights; and
 - Cross-Cutting.

- **Constitutional Amendments Ongoing.**

Progress on POSA and AIPPA

POSA and AIPPA successfully Repealed



Governance and Institutional Reforms

Devolution: 2020

Entity	Operational Grant (ZWL\$)	Capital Grant (ZWL\$)	Total Grant (ZWL\$)
Provincial Councils	146,600,000	439,800,000	586,400,000
Local Authorities			
Bulawayo Metropolitan	4,129,000	61,931,000	66,060,000
Manicaland	20,126,000	301,816,000	321,942,000
Mashonaland Central	13,203,000	197,962,000	211,165,000
Mashonaland East	16,222,000	243,276,000	259,498,000
Mashonaland West	20,029,000	300,341,000	320,370,000
Matebeleland North	8,629,000	129,386,000	138,015,000
Matebeleland South	15,897,000	238,374,000	254,271,000
Midlands	19,736,000	295,938,000	315,674,000
Masvingo	18,115,000	271,679,000	289,794,000
Harare Metropolitan	10,514,000	158,297,000	168,811,000
Total	146,600,000	2,199,000,000	2,345,600,000
GRAND TOTAL	293,200,000	2,638,800,000	2,932,000,000

Compensation of Former Commercial Farmers



Compensation to former Farmers

Government has committed to finalising outstanding compensation obligations to all former farm owners affected by Land Reform Programme.

On 29 July, Government and commercial farmers signed Global Compensation Deed Agreement. The agreement settled for an agreed amount of US\$3.5 billion to be paid to former commercial farmers for improvements, land clearing and biological assets.

The agreement entails that Government and the former commercial farmers jointly mobilise the resources from potential financiers

As at December 2018, a total of 301 former farmers were fully compensated with another 452 farmers partially compensated

Public Enterprises Reform

PEs Reform Strategies

For Privatisation

- **Infrastructure Development Bank of Zimbabwe (IDBZ)**
- **ZUPCO**
- **Agribank**
- **Some subsidiaries of the Industrial Development Corporation (IDC)**

For listing on ZSE

- **Petrotrade**
- **Willovale Motor Industries**
- **Chemplex**
- **Deven Engineering**

Merging

- **Potraz and BAZ**
- **Powertel, Zarnet & Africom**
- **Boxing and Wrestling Boards**
- **Competition and Tariffs Commission**
- **ZIA, Special Economic Zones, ZIMTRADE & Joint Ventures Unit**

For liquidation

- **National Glass Industries**
- **Zimglass**
- **Kingstones Limited**
- **Tractot Firm Motira**

Adopted by Line Ministries

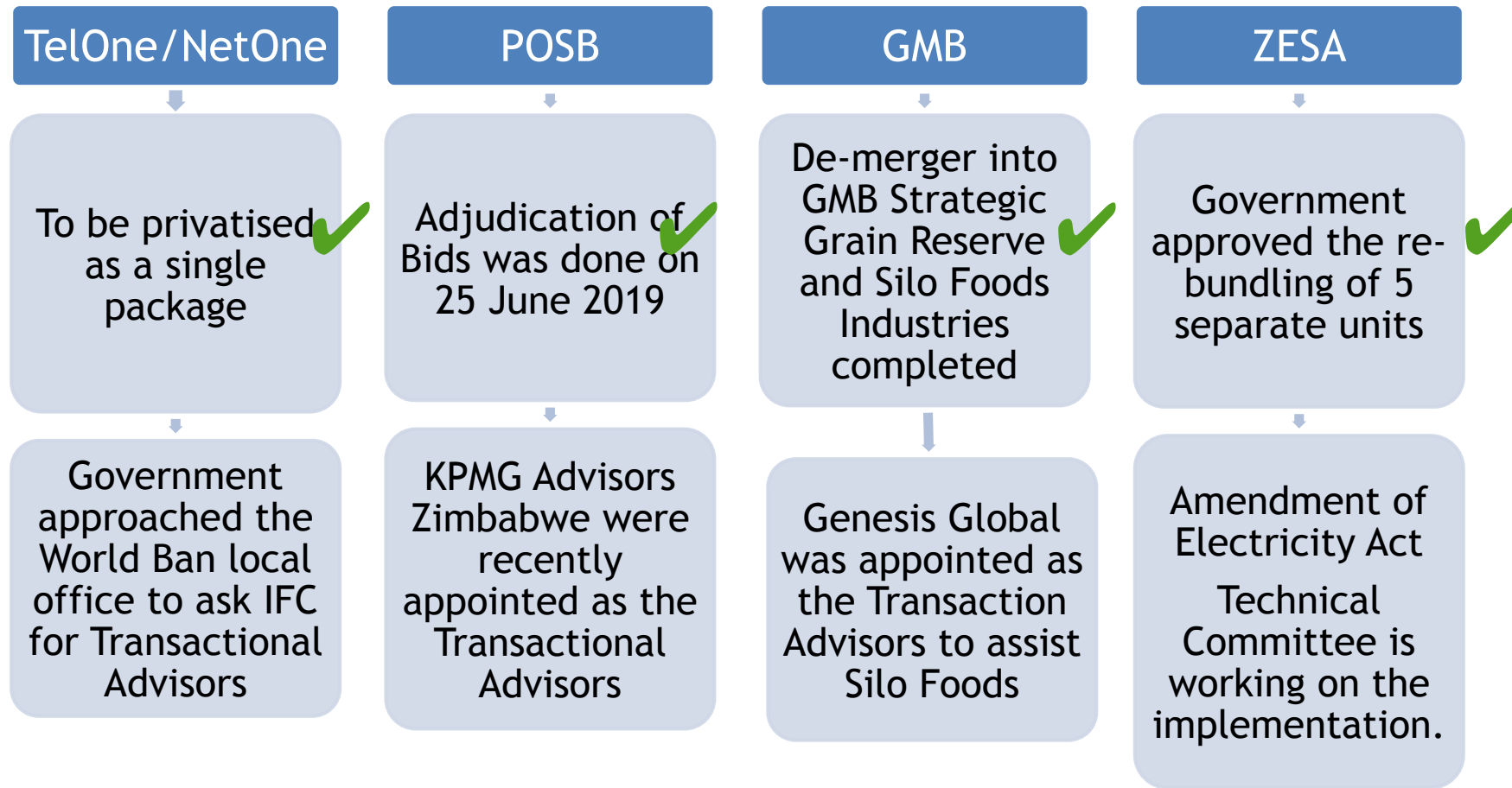
- **New ZIA**
- **NIEEB**
- **National Liquor Licensing**
- **Board of Censors and Lotteries and Gaming Board**

Partial Privatisation

- **17 ZMDC subsidiaries**
- **The GMB and CAAZ will be unbundled to separate their regulatory and commercial functions**

Public Enterprises Reform

Five Enterprises targeted for immediate reforms



Competitiveness

Building a Foundation for Competitiveness and Growth

Repealing Indigenisation Law

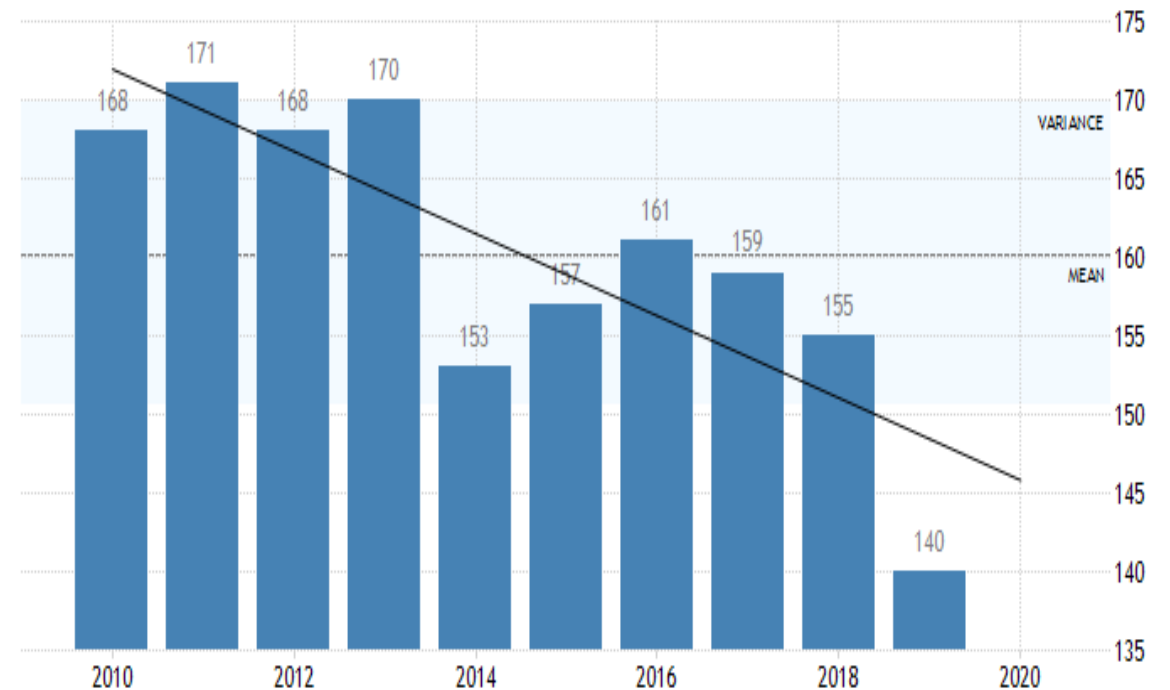
Concluding Repealing of
the Indigenisation law

Establishing an Economic
Empowerment law

Ease of Doing Business Reforms

- u Zimbabwe's 2020 World Bank ranking is 140 from the previous position of 155, that is, it has improved by 15 positions.
- u Zimbabwe-one of the top 20 on the world and top five in Africa doing business reformers, according to the 2019 World Bank Doing Business Report.
- u Launched Second Phase of Ease of Doing Business Reforms.

Country's Ranking



SOURCE: TRADINGECONOMICS.COM | WORLD BANK

Ease of Doing Business Reforms

Administrative Milestones

Institutional Reforms

One Stop Shop Investment Centre-Zimbabwe Investment Authority (ZIDA) now Operational; Special Economic Zones and the Joint Venture Unit.

Areas of improvement:

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

Enforcement of Contracts

- Improved through increasing the number of small claims courts from 2 to 10 and establishment of commercial courts from 0 to 4

Trading across Borders

- Improved through reviewing of checkpoints for both imports and exports clearance processes at Beitbridge Border Post
- 41% reduction in compliance checkpoints.

Moving from First to Second Phase of Ease of Doing Business Reforms

Legislative

Milestones

Amended Legislation

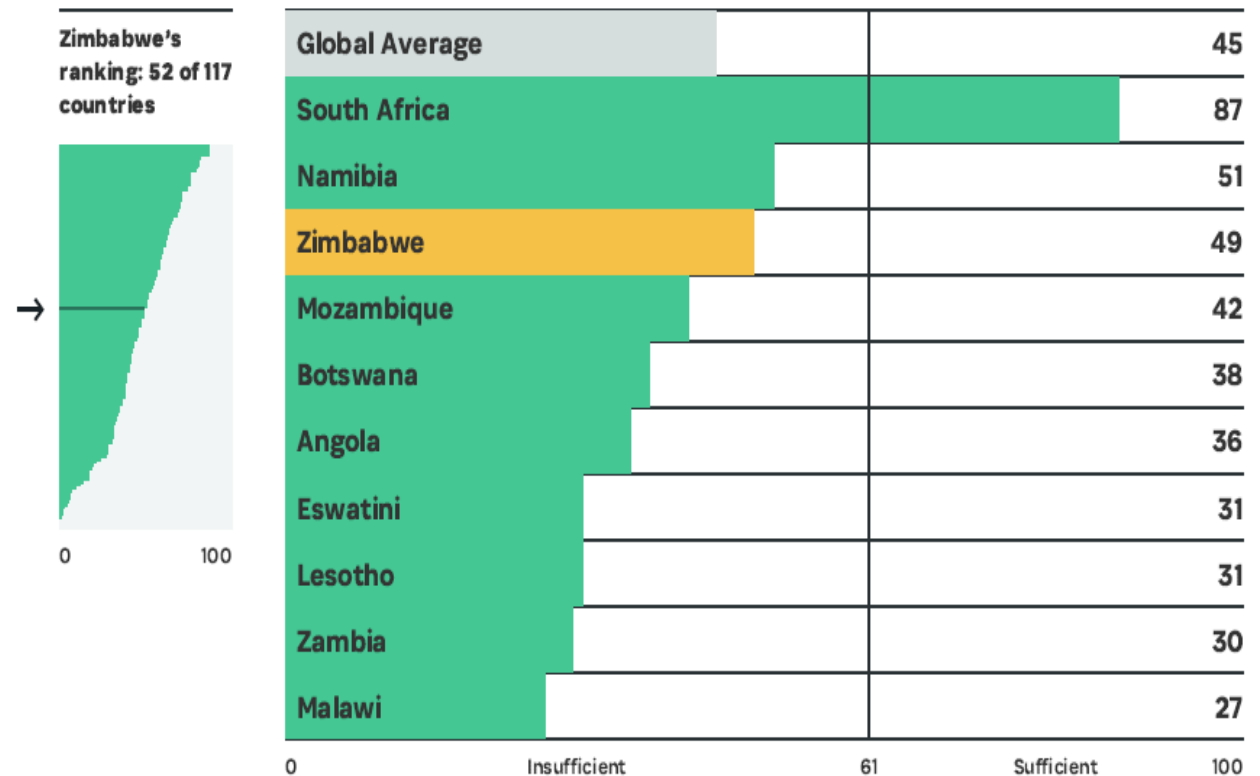
Act	Main Objective
Deeds Registry	Facilitates the use of an online deeds registry and streamlines the process.
Shop Licenses Amendment	Streamlines processes for compliance with post registration regulations for businesses.
Estate Administrators Amendment	Introduces eligibility criteria and a robust code of conduct to ensure accountability of insolvency practitioners.
Judicial Laws Ease of Settling Commercial Disputes	To facilitate the settlement of certain suits or actions, especially suits or actions of a commercial nature.
Movable Property Security Interests	Facilitate the use of movable properties as security for borrowing and enables the creation of the collateral registry.
Public Procurement and Disposable of Public Assets	Abolish the State Procurement Board and set up a new body to be called the Procurement Regulatory Authority of Zimbabwe which will oversee and regulate procurement activities conducted by government Ministries, statutory bodies

Being Processed

Act	Main Objective
Zimbabwe Investment Development Agency	To facilitate the establishment of the one stop shop investment centre.
Manpower Act Amendment Bill & NSSA Act Amendment	Permit the centralization of collection of manpower development levies NSSA Obligations and PAYE and thereby streamline payments under the Paying Taxes indicator
Regional Town and Country Planning Act Amendment Bill	Streamline processes for Construction Permitting.
Companies and Other Business Entities	Facilitate starting a Business and Protection of Minority Investors

Budget Transparency

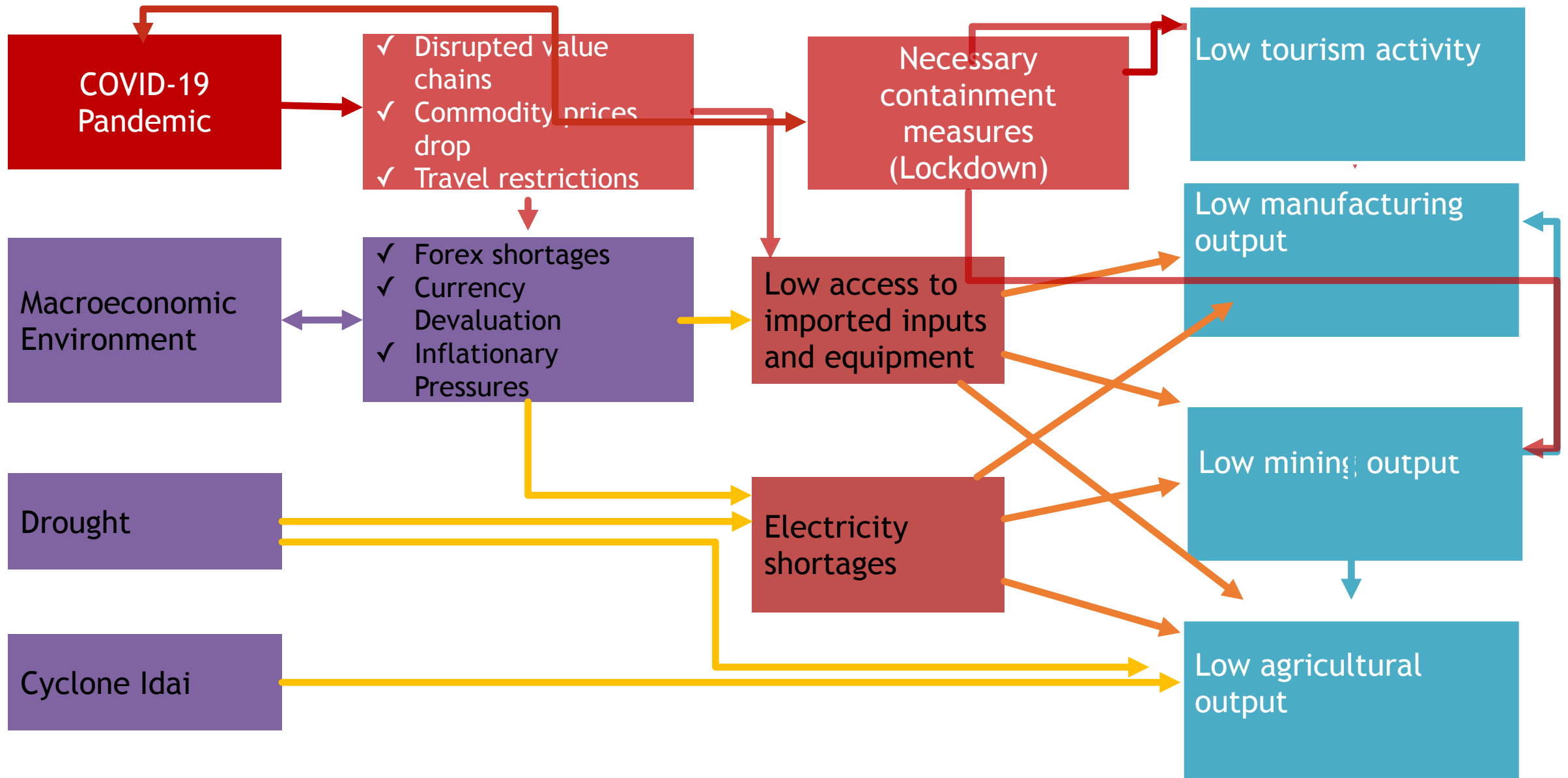
- u Zimbabwe **ranked third** in Africa on budget transparency by the Open Budget Survey (OBS) of 2019, with a Budget **Index Score of 49, up from 23** recorded in 2017.



EMERGING CHALLENGES & MITIGATORY MEASURES

- u KEY CHALLENGES/SHOCKS:
 - u Climatic Shocks such as Drought and Cyclone Idai
 - u Energy Challenges
 - u Currency Volatilities and other Macro-economic Risks
 - u COVID 19 Pandemic

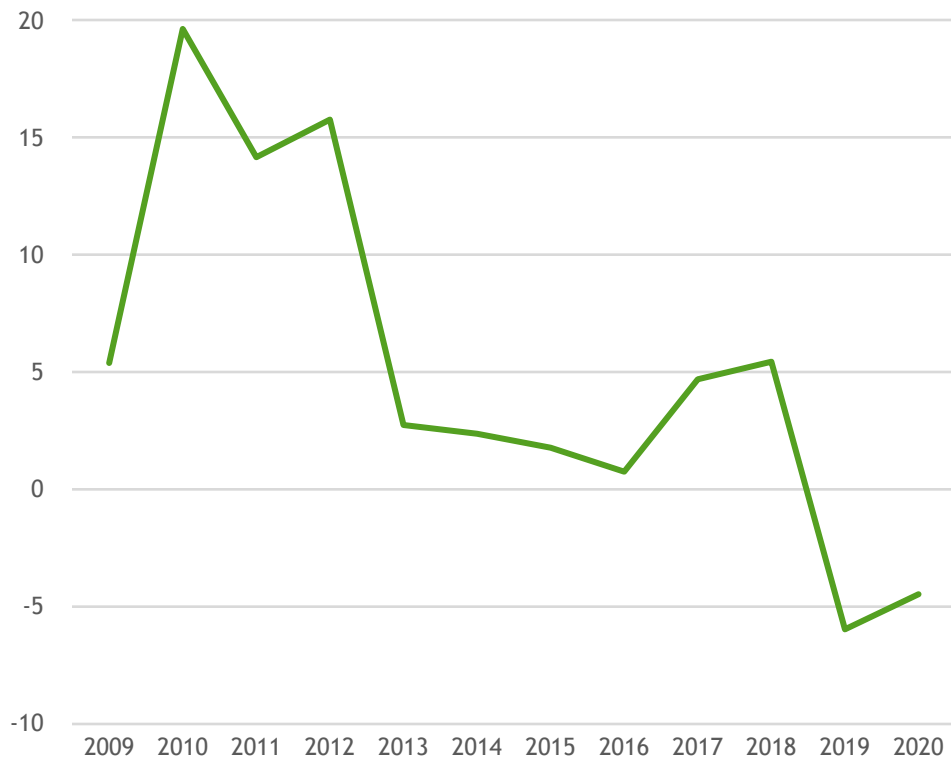
Transmission of Shocks



Impact of Shocks on Economic Growth

In 2020, anticipated growth below expectation.

GDP Growth (%)



Climate shocks are having significant impact on economy and human welfare

Drought

- u Impact on agricultural production, electricity generation and food security.
- u More than 50% of the total population are projected to be food insecure by year of 2020.
- u Government already started importing of grain to close the gap.

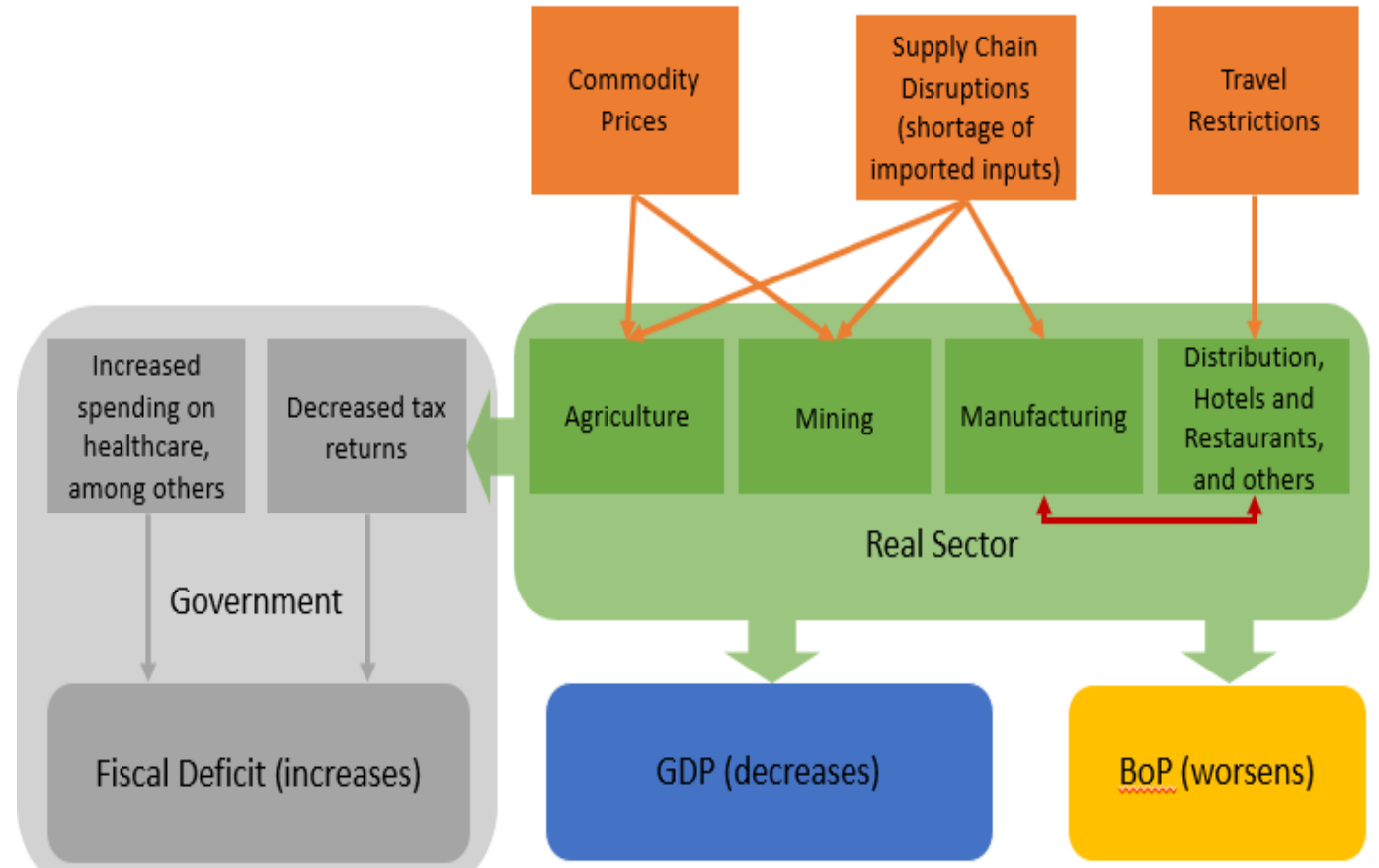
COVID-19

- u The pandemic has affected almost all sectors of the economy, especially tourism industry.

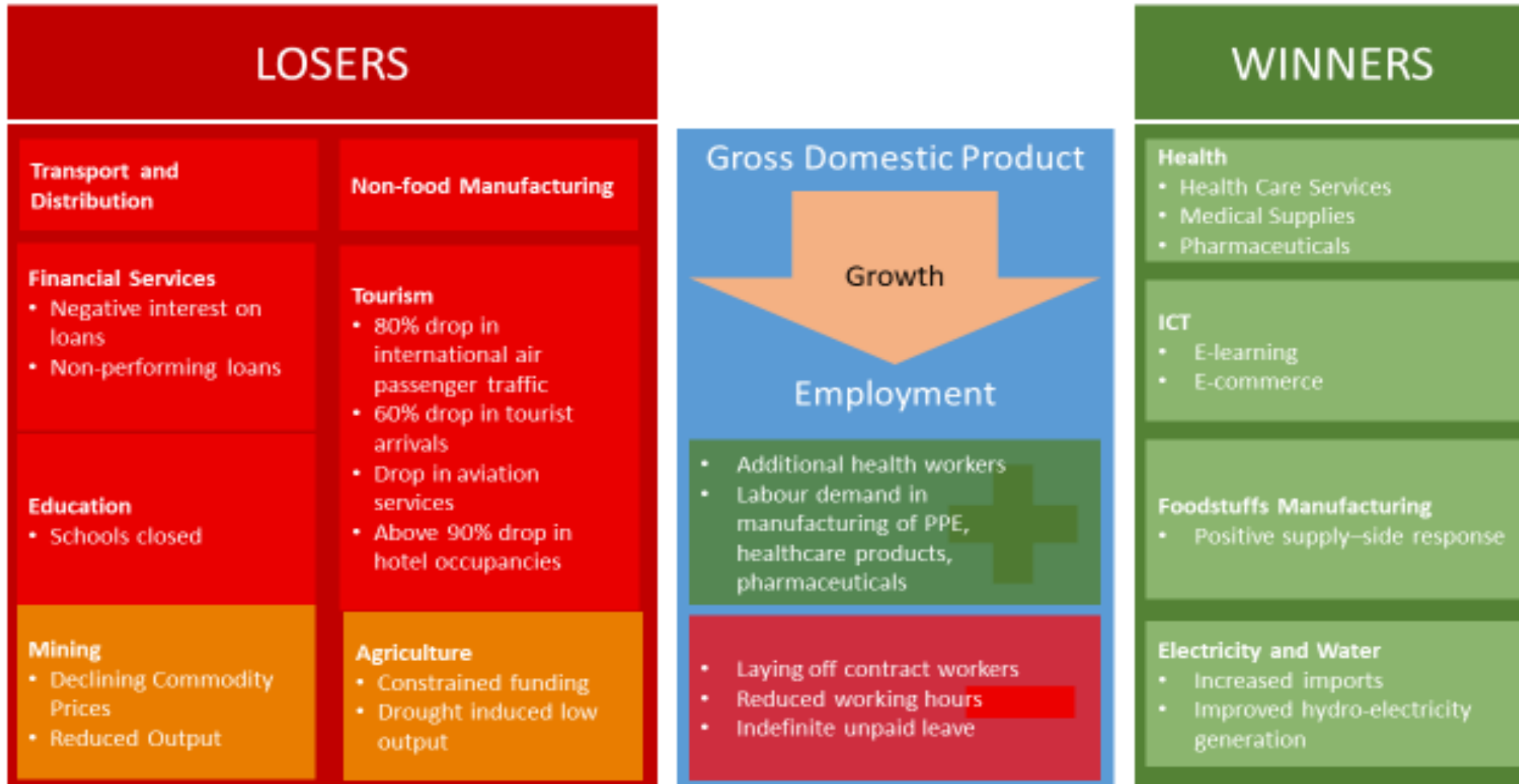
Impact of COVID-19 on the Economy

The impact of the pandemic is being transmitted through the following channels:

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



Impact of COVID-19 on Sectors of the Economy



Government Interventions in Mitigating Impact COVID-19

Government Interventions in Mitigating Impact COVID-19

- u Stimulus Package for productive sectors
- u Unfreezing of medical staff posts
- u Budget reallocation
- u Expenditure Cuts from less priority areas
- u Support to Line Ministries
- u Social protection

ZWL\$18 Billion Stimulus Package

	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

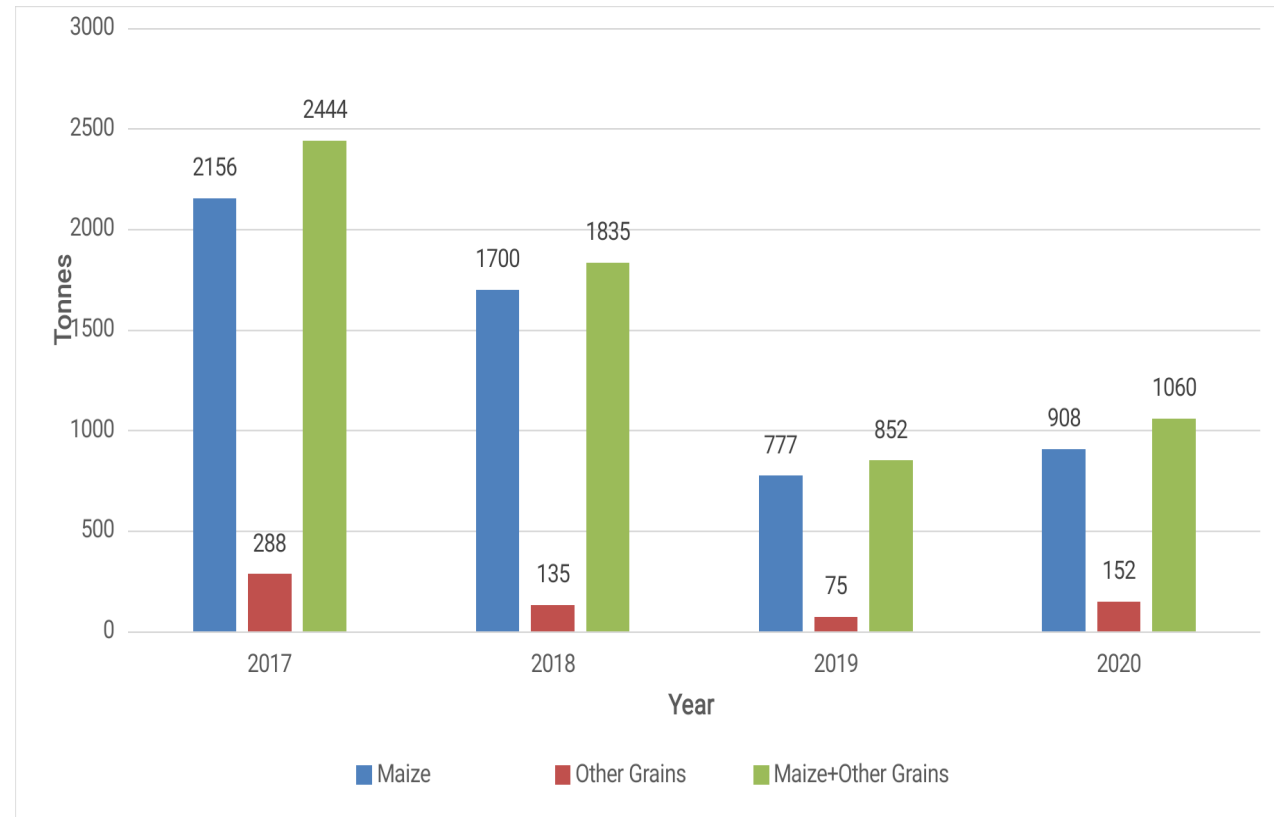
Agriculture

Prioritised Agriculture Programmes

Guided by the Agriculture Recovery Plan, priority is on productivity through the following:

- u Mechanisation,
- u Livestock production,
- u Irrigation,
- u Soil conditioning,
- u Extension services and
- u Appropriate and timely financing.

Grain Production



Progress on Reforms in Agriculture

- u Replaced Command Agriculture with private sector funded Smart Agriculture.
- u Land Audit completed.
- u Farm downsizing in progress.
- u Signed Global Compensation Deed.
- u 1.8 million farmers trained for Pfumvudza.
- u Established Youth Desk.
- u Irrigation Schemes revival.

MINING

Targeting a US\$12 Billion Mining Industry

Mineral	Value (US\$ Billion)
Gold	4
Platinum	3
Chrome/Iron Ore/Steel	1
Diamonds	1
Coal/Hydro Carbons	1
Lithium	0.5
Other	1.5
Total	12

- u Sector currently contributing about 8% of GDP.
- u Targeting a USD12 billion mining industry by 2023, which represents a 344% increase from the USD2.7 billion achieved in 2017.
- u Gold production is targeted at 100 tons ounces by 2023 from a combination of small scale miners and large scale producers.
- u Platinum output is targeted to reach 69 350 tons ounces driven by expansion of existing capacities and new investments.
- u Diamond output is expected to reach 12 million carats.
- u Opening new coal and other mines.

Progress in Mining Industry

Priority policy areas:

- u Reviewing and updating mining legislation,
- u Enhancing exploration and investment in mining,
- u Modernisation and computerisation of the mining title administration system (mining cadastre),
- u Improving transparency in the mining sector and establishing a viable fiscal regime.
- u Beneficiation and value addition of minerals to create more jobs and earn more foreign currency are priorities for the sector.

Examples of Progress to date

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

Manufacturing

- u **The Zimbabwe National Industrial Development Policy (2019-2023) launched.**
- u It pursues an export-led industrialisation agenda
- u Require about US\$2 billion to retool industry.
- u **Targets:**
 - u Attaining growth rate of at least 2 percent per annum and manufacturing value-added growth of 16 percent per year
 - u Increasing merchandise export growth rate of 10 percent per year.
 - u Increasing capacity utilisation in prioritised sectors from current levels of approximately 40 percent to at least 75 percent by 2023.
- u **Key pillars.**
 - u Development and strengthening of industrial value chains and Import Substitution,
 - u Agro-based industrialisation,
 - u Mineral beneficiation,
 - u Export-led industrialisation,
 - u Commercialising of intellectual property, heritage/natural advantage based industrialisation,
 - u ICT-led industrialisation,
 - u Emerging industries and start-ups, backward linkages with SMES, anchor and cluster industries, industrial parks and innovation hubs,
 - u Services-driven industrialisation.
- u
- u **Strategic thrust,**
 - u labour market regulations.
 - u Skills upgrading.
 - u Productivity, driven under the Tripartite Negotiating Forum (TNF)

Manufacturing (Cont)

Jobs Creation esp through SMEs

Industry value chains



Support for SMEs

2020 National Budget	Amount (ZWL\$Billion)
Women and Development Fund	0.2
Community Development Fund	0.15
Zimbabwe Women Microfinance Bank	0.1
SMEDCO	0.9
Empowerment bank	0.5
Stimulus Package	0.5

Infrastructure Development

- u Notwithstanding pressures from Covid-19 pandemic, Government remain prioritising ongoing critical infrastructure projects in roads, energy and water and sanitation.
- u Treasury has ring fenced resources towards these projects, critical for enabling the doing business environment.
- u The 2020 Budget targeted to raise Z\$25 billion for Infrastructure development. As at end July 2020, Z\$6.6 billion had been invested and the remainder of Z\$18 billion would be raised and injected during the last half of 2020.
- u **Priority Projects:**
- u Energy: continuing the construction Hwange 7 & 8 expansion project together with rehabilitation of other thermal power stations.
- u Roads: Harare-Beitbridge Highway Rehabilitation and Expansion as well as other roads
- u Expansion of RGM Airport.
- u Construction of New Parliament Building.

Infrastructure Rehabilitation and Development Projects

Power

• **Energy infrastructure projects**

- Hwange 7&8 expansion (600MW) 45% complete
- Hwange Life extension
- Bulawayo and Harare Power stations
- Upgrading the transmission and distribution infrastructure
- Promoting use of alternative energy sources such as solar and gas. At least 300 MW for solar projects.
- Private sector energy projects underway:
 - Zambezi and Gas and Coal - 750 MW;
 - Western Areas - 600MW;
 - Jinan - 600 MW;
 - Tsingshan - 100 MW;
 - Zimbabwe Zhonxin Electrical Energy - 430MW

Water and Sanitation

- **Dam projects-** Causeway, Gwayi-Shangani and Marovanyati
- Other urban water projects - Chivhu, Semwa, Bindura and Tuli-Manyange dams, Victoria Falls Municipality Water and Sanitation Project and the Chiredzi Town Council Water and Waste Water Augmentation.
- **Various Boreholes**

Roads

• **Massive Roadworks Ongoing**

- Pushing on the following priority projects:
- Beitbridge-Harare-Chirundu Dualisation
 - Mutare-Harare-Gweru-Bulawayo Dualisation
 - Rehabilitation of urban roads funded by ZINARA.
 - DDF rehabilitating rural roads in all districts.
 - Karoi-Binga Road under construction.

Improved energy supply, road and rail network and WASH.

Roads

Part of the Completed section 5km from Chivhu to Masvingo



Harare-Beitbridge is one of the priority roads projects underway.

- u There are five contractors on the ground each widening and resurfacing 20 km.
- u The target is to complete 200 km this year.
- u To date, over ZWL\$600 million has been disbursed to the project.

Dams



Marovanyati Dam. Completed Dam section



Chivhu Dam

- u Five dams are now being prioritised this year due to financial constraints. These are:
 - u Marovanyati.
 - u Causeway.
 - u Chivhu.
 - u Gwai-Shangani.
 - u Semwa.
- u Additionally, various boreholes were drilled to improve water supply.

Other Major Infrastructure Projects

- u RGM Airport Expansion
- u New Parliament Building
- u Beitbridge Border Post Expansion and Modernization;
- u Construction of District Hospitals;
- u Renovation of various health infrastructure and facilities across the country.

Social Protection

Strengthened social protection

- u Increased allocations for cash transfers and in-kind distributions to reduce food poverty.
- u Repaid arrears on school fee waivers that have been accumulated since 2016.
- u Subsidized public transport to mitigate the impact on urban poor.
- u Subsidized agricultural inputs for vulnerable households.
- u Identified financing gap and mapped out improvements in social service delivery.



Social Protection

Total social protection expenditure: January to June 2020, amounted to ZWL\$902.2 million.

Areas:

u Drought Mitigation	\$412.2 million
u Basic Education Assistance Module	\$150 million
u Sustainable Livelihoods	\$67.3 million
u Support to disabled persons	\$7.1 million
u Harmonised Social Cash transfers	\$158.1 million
u Support to elderly persons	\$3 million
u Children in difficult circumstances	\$5.1 million
u Health assistance	\$11.9 million
u Covid-response	\$85.5 million
u Presidential Input Scheme	\$3 billion (for July-Dec 2020)

Education

- u Progress to date:
 - u Implementation of new school curricula - Education 5.0.
 - u Student accommodation being built at universities.
 - u Innovation hubs being constructed at universities.
 - u Construction of new schools (2000 planned)

Upcoming National Development Strategy



National Development Strategy: 2021-2025

NDS Thematic 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	

ZIMBABWE IS OPEN FOR BUSINESS!