



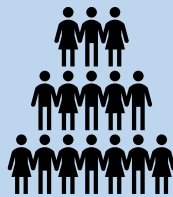
# 2021 NATIONAL BUDGET HIGHLIGHTS

## 'CITIZEN'S BUDGET'

### 2021 BUDGET THEME

So, what is this year's National Budget Theme?

Oh! Coming from a 2-year slow-down & COVID-19-induced down-swing, we are riding on milestones of TSP and looking ahead to National Development Strategy 1, so our Theme is.....



## "Building Resilience and Sustainable Economic Recovery"

### BUDGET THRUST

<b>Inclusive Growth &amp; Macro-stability</b>	<b>Developing and Supporting Productive Value Chains</b>	<b>Optimising Value in our Natural Resources</b>	<b>Infrastructure, ICT and Digital Economy</b>	<b>Social Protection, Human Capital Development &amp; Well-being</b>	<b>Effective Institution Building &amp; Governance</b>	<b>Engagement and Re-engagement</b>
Fiscal Policy Monetary Policy Promoting Inclusive Growth Devolution	Strengthen value chains in agriculture and manufacturing  Exploit knowledge from tertiary institutions	Increase and add value to improve livelihoods  Get optimum value from the mining and tourism sectors	Growth enhancing investment projects  Address emerging infrastructure gaps  Projects with potential to generate own cash flows	Migrate to knowledge based economy  Harness demographic dividend  Improve physical and emotional health	Peace and Security  Alignment of Laws to the Constitution  Property Rights  Social Contract  State Owned Enterprises  Fight Corruption	Clearance of external arrears with IFI and other creditors  Diaspora engagement  Political re-engagement



# 2021 NATIONAL BUDGET HIGHLIGHTS

## 2020 ECONOMIC PERFORMANCE

...but how was the journey in 2020?



We faced adverse shocks, but we managed to mitigate some of the negative impact and pulled through.



- ➔ Economy estimated to contract by -4.1% in 2020, reflecting weak demand due to necessary lockdown. This suppressed output, productivity and capacity utilisation.
- ➔ COVID-19 pandemic hit an economy already dealing with devastating impacts of climatic shocks of drought, Cyclone Idai and Cyclone Kenneth.
- ➔ Mining, manufacturing, tourism, construction, distribution and other service sectors faced the full negative impact of containment measures.
- ➔ Agriculture was less affected as the summer cropping season was almost over when pandemic hit.
- ➔ Government reprioritised budget allocations and announced \$18.2 billion Stimulus Package to save lives and livelihoods.

### Sectoral GDP Growth Rates (%): 2019-2023

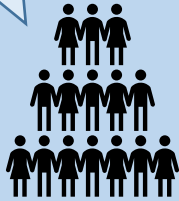
	2019	2020	2021	2022	2023
<b>Overall GDP</b>	<b>-6.0</b>	<b>-4.1</b>	<b>7.4</b>	<b>5.5</b>	<b>5.2</b>
Agriculture and forestry	-17.8	-0.2	11.3	8.9	7.6
Mining and quarrying	-12.4	-4.7	11.0	7.4	8.8
Manufacturing	-8.7	-9.6	6.5	6.5	7.7
Electricity and water	-19.2	-7.9	18.8	14.4	5.9
Construction	-13.9	-11.4	7.2	5.0	4.0
Distribution	-8.2	-7.5	5.7	6.6	5.1
Transport and Communication	12.9	3.2	7.1	4.5	4.4
Finance and Insurance	-6.1	-7.1	7.2	3.8	5.3
Government Services	1.4	-2.1	6.2	1.7	2.2
Other Services	-2.6	-2.1	4.3	3.1	2.5



# 2021 NATIONAL BUDGET HIGHLIGHTS

## THE DOMESTIC ECONOMY IN 2021

Do you think 2021 will be a better year?



Oh! Yes, yes and certainly we will recover from past shocks. We are benefitting from the foundations we've created under the TSP.




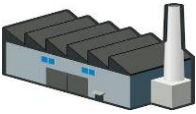








- ⊙ Economy expected to rebound by 7.4% in 2021 from consecutive 2-year downturn.
- ⊙ Government's response aimed at ensuring strong economic recovery building on the milestones from the Transitional Stabilisation Programme (TSP) and targeting additional support measures to cushion vulnerable households.
- ⊙ 150 000 formal jobs are expected to be recovered after having been lost due to COVID-19 pandemic.



# 2021 NATIONAL BUDGET HIGHLIGHTS

## 2021 Growth by Sector

	<b>Overall GDP Growth</b>	<b>7.4%</b>	
	Agriculture and forestry	<b>11.3%</b>	<ul style="list-style-type: none"> <li>• Normal to above-normal rainfall season.</li> <li>• Improved access and timely financing of agriculture.</li> <li>• Timely provision of farming inputs to vulnerable households under Pfumvudza/Intwasa model.</li> <li>• Enhanced irrigation support.</li> <li>• Support towards mechanisation of agricultural activities.</li> </ul>
	Mining and quarrying	<b>11.0%</b>	<ul style="list-style-type: none"> <li>• Planned expansion programmes aimed at increasing production by miners.</li> <li>• Increase in capacity utilisation from current 61% to about 80% in 2021 from expected improvement in power supply and foreign currency availability.</li> <li>• Favourable international commodity prices.</li> </ul>
	Manufacturing	<b>6.5%</b>	<ul style="list-style-type: none"> <li>• Gradual re-opening of economy.</li> <li>• Improved availability of foreign currency from the foreign exchange Auction system.</li> <li>• Increased access to affordable financing to enable recapitalization of the industry especially SMEs and emerging new competitive industries.</li> </ul>
	Electricity and water	<b>18.8%</b>	<ul style="list-style-type: none"> <li>• Increased water allocation to Kariba Hydro power station;</li> <li>• Continued rehabilitation and maintenance of thermal power stations;</li> <li>• Additional power from solar power stations;</li> <li>• Completion of 2 additional dams, Causeway and Marovanyati.</li> <li>• Increased exploitation of existing water bodies.</li> </ul>
	Construction	<b>7.2%</b>	<ul style="list-style-type: none"> <li>• Enhanced infrastructure development for transport, water, sanitation &amp; hygiene (WASH).</li> <li>• Housing development in line with growing demand for accommodation.</li> </ul>
	Distribution, Hotels and Restaurants	<b>5.7%</b>	<ul style="list-style-type: none"> <li>• Increase in domestic demand as incomes improve.</li> <li>• Improved performance of domestic tourism as economy gradually re-opens and prioritises domestic tourism and later regional and international tourism.</li> </ul>
	Transport and Communication	<b>7.1%</b>	<ul style="list-style-type: none"> <li>• Improved transport network to facilitate commerce.</li> <li>• Upgrading of road and civil aviation facilities to cater for smooth movement of goods and passengers.</li> <li>• Increased demand for communication services as social distancing is observed and working from home encouraged.</li> </ul>
	Finance and Insurance	<b>7.2%</b>	<ul style="list-style-type: none"> <li>• Increased demand for financial services as financial inclusion deepens and financial intermediation role of industry is enhanced.</li> <li>• Macroeconomic stability that will instil certainty and confidence</li> <li>• Increased uptake of insurance services as more people and businesses become aware of the need to adequately mitigate against risk.</li> </ul>
	Government Services	<b>6.2%</b>	<ul style="list-style-type: none"> <li>• Filling of approved critical posts to ensure efficient service delivery</li> <li>• Improved service delivery</li> </ul>

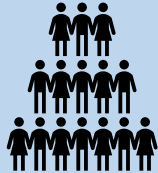
Source: Ministry of Finance and Economic Development



# 2021 NATIONAL BUDGET HIGHLIGHTS

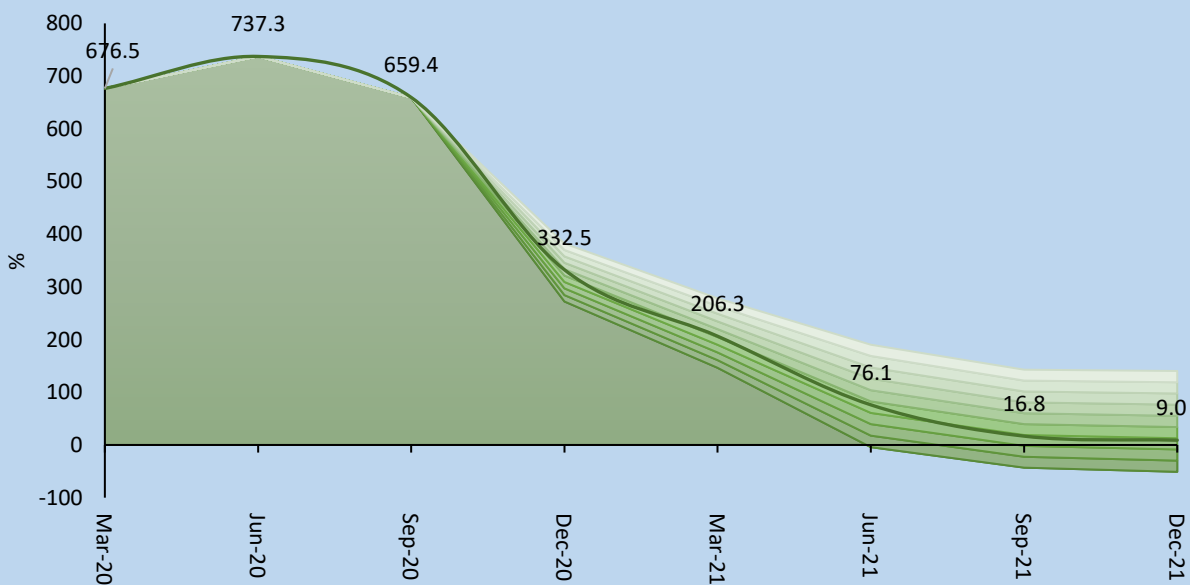
## Inflation

What should we expect in terms of general pricing in the economy?



- ⊙ Prices are expected to remain stable as fiscal and monetary measures complement in containing inflation.
- ⊙ Foreign Currency Auction market system is central in bringing stability to foreign exchange market.
- ⊙ Year on year inflation is projected to reach 9% by the end of 2021.

**Projected Inflation (Year-on-Year) Path: Oct 2020 - Dec 2021**



Source: RBZ



# 2021 NATIONAL BUDGET HIGHLIGHTS

## 2021 Macro-Fiscal Framework

What is the general Macroeconomic outlook like?



Very positive and stable indeed! It is underpinned by sound policies and strategies.

### Macro-Fiscal Framework: 2021-2022

	2019	2020*	2021*	2022*
<b>National Accounts (Real Sector)</b>				
Nominal GDP at market prices (ZWL\$M)	161,977.15	1,070,640.29	2,399,087.71	3,045,739.99
Real GDP Growth (%)	-6.0	-4.1	7.4	5.5
Inflation (Annual Average) %	173.3	654.9	134.8	23.7
Formal employment ('000)	829.3	812.1	963.2	1094.7
% of People in Extreme Poverty	42.5	38.9	24.5	19.2
<b>Government Accounts</b>				
Revenues (excluding Retained Revenue)	22,970.66	173,496.33	390,803.50	512,434.20
Expenditures & Net Lending (ZWL\$ M)	22,533.66	178,495.98	421,616.26	559,451.83
Recurrent Expenditures	13,823.00	120,753.98	290,019.97	387,305.38
Employment Costs including Pension	7,118.72	70,499.00	172,635.01	220,359.97
Capital Expenditure & Net lending	8,710.65	57,742.00	131,596.29	172,146.45
Overall Balance	437.00	-4,999.65	-30,812.76	-47,017.63
Public Debt	142,743.20	1,547,195.29	1,972,848.34	2,297,791.09
Debt as % of GDP	88.1	78.4	64.5	64.8
<b>Balance of Payments Accounts</b>				
Exports (ZWL\$ M)	58,568.34	283,518.67	420,475.23	433,344.45
Imports (Million ZWL\$)	60,029.84	280,371.28	430,184.92	469,116.75
Current Account Balance (ZWL\$ M)	10,235.65	67,560.85	73837.3	41646.7
International Reserves (Months of Import Cover)	0.9	1.0	2.0	3.5

Source: Ministry of Finance and Economic Development & Reserve Bank of Zimbabwe

\* Forecasts/projections.

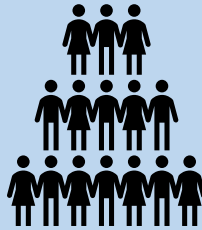


# 2021 NATIONAL BUDGET HIGHLIGHTS

## Fiscal Policy

*Inclusive growth strategy will be anchored on the devolution policy thrust while macro-stability will be consolidated through strengthening fiscal and monetary positions.*

What is the focus of Fiscal Policy in 2021?



The 2021 Budget targets a fiscal deficit of -1.3% of GDP in line with the National Development Strategy 1. This will be attained through:

- ⊙ Strict observance of the Budget and Public Finance Management Act rules;
- ⊙ Borrowing only for the budgeted expenditures and through market-based operations;
- ⊙ No more recourse to Central Bank overdraft and other windows;
- ⊙ Gradual reduction of the wage bill;
- ⊙ Continuous review and rationalisation of public service posts;
- ⊙ Rolling out of PFMS controls to all departments and local levels;
- ⊙ Adherence to new Procurement Act rules;
- ⊙ Limit subsidies to those that are targeted and accommodated in the Budget;
- ⊙ Complete migration of the Public Service Pension scheme from Pay-As-You-Go- pension to funded Pension Scheme; and
- ⊙ Continue strengthening taxation systems.

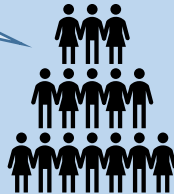
Public debt management will be guided by the Medium-Term Debt Strategy (MTDS), which will focus on maximising access to concessional financing, leaving non-concessional borrowing for commercially viable projects.



# 2021 NATIONAL BUDGET HIGHLIGHTS

## Monetary Policy

Can we rely on our currency in 2021?

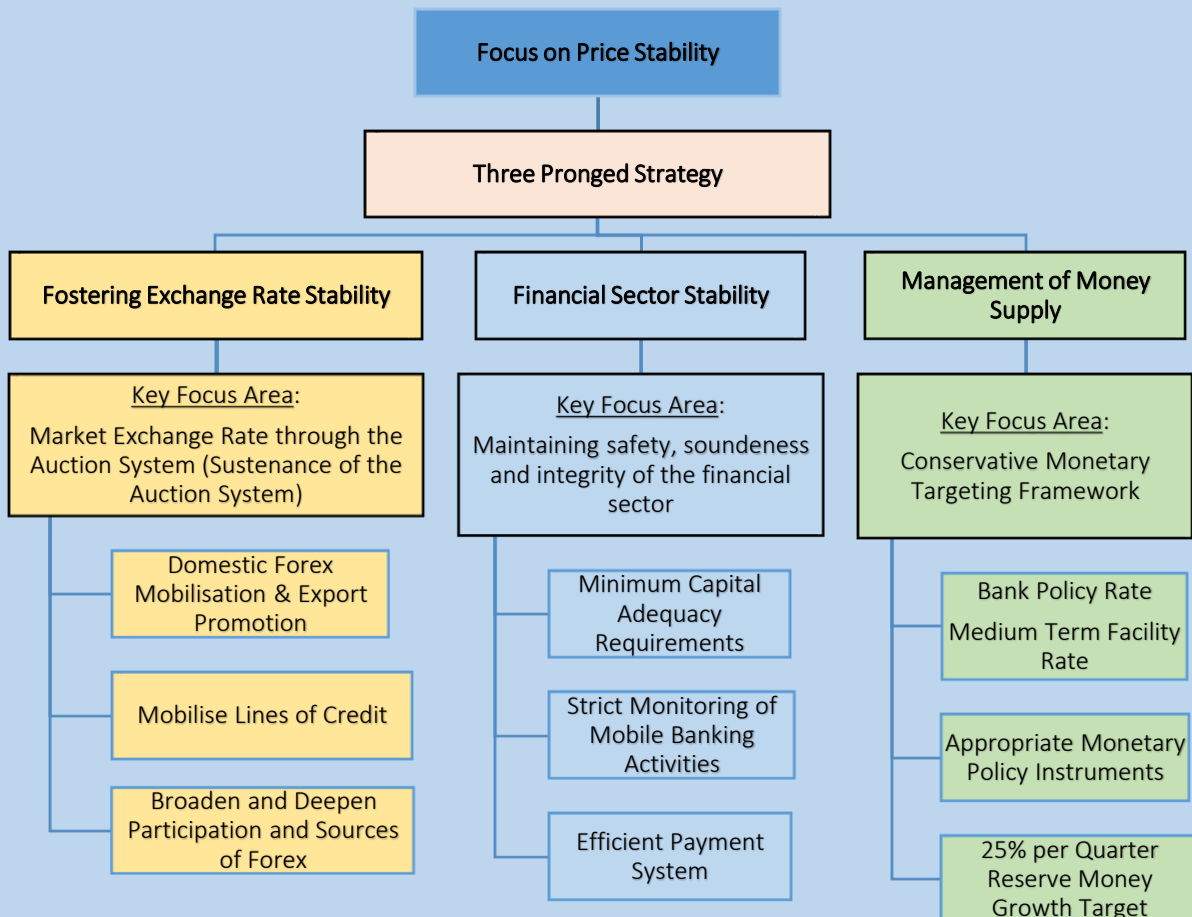


Oh! Yes! Our Monetary Policy is ensuring continued stability of the domestic currency, and we are determined to make it even better!



*Complementary to the fiscal policy, will be tight monetary policy that will be pursued through a three-pronged approach to achieving price and exchange rate stability.*

### Monetary Strategic Policy Framework



Source: RBZ





# 2021 NATIONAL BUDGET HIGHLIGHTS

## VOTE APPROPRIATIONS

How are we sharing what is in the coming year's national purse?



We will be as equitable as possible with the available resources. Here's a summary.



### Summary of Vote Allocations

Having presented the various measures and allocations under seven priority areas, in summary the 2021 Budget proposes the following Votes:

	2020 BUDGET	2021 Proposed Estimates	2022 Indicative Estimates	2023 Indicative Estimates
	ZWL\$ million	ZWL\$ million	ZWL\$ million	ZWL\$ million
Office of the President and Cabinet	2,614	14,260	18,223	21,264
Parliament of Zimbabwe	1,869	7,186	9,075	10,392
Public Service, Labour and Social Welfare	2,371	6,929	8,624	11,684
Defence and War Veterans	3,142	23,754	30,007	34,321
Finance and Economic Development	3,254	21,327	23,933	27,965
Audit Office	172	1,199	1,532	1,782
Industry and Commerce	368	2,345	3,449	4,131
Lands, Agriculture, Water, Climate and Rural Resettlement	11,358	46,259	62,836	74,297
Mines & Mining Development	354	1,399	1,789	2,085
Environment, Tourism and Hospitality Industry	615	1,787	2,304	2,718
Transport and Infrastructural Development	3,224	30,064	39,859	47,786
Foreign Affairs and International Trade	1,385	8,640	11,292	12,920
Local Government and Public Works	1,780	10,070	13,107	17,019
Health and Child Care	6,644	54,705	70,675	86,167
Primary and Secondary Education	8,676	55,221	71,038	81,990
Higher & Tertiary Education, Science and Technology Development	2,891	14,368	18,422	22,518



# 2021 NATIONAL BUDGET HIGHLIGHTS

	2020 BUDGET	2021 Proposed Estimates	2022 Indicative Estimates	2023 Indicative Estimates
	ZWL\$ million	ZWL\$ million	ZWL\$ million	ZWL\$ million
Women Affairs, Community, Small and Medium Enterprises Development	504	2,157	2,787	3,291
Home Affairs and Cultural Heritage	2,834	23,557	30,032	34,763
Justice, Legal and Parliamentary Affairs	846	7,340	9,073	10,458
Information, Publicity and Broadcasting Services	410	1,479	1,916	2,274
Youth, Sport, Arts and Recreation	330	3,447	4,403	5,116
Energy and Power Development	526	1,641	2,136	2,552
Information Communication Technology and Courier Services	121	1,972	2,570	3,076
National Housing and Social Amenities	263	2,801	2,993	3,575
Judicial Services Commission	328	2,487	3,170	3,673
Public Service Commission	1,531	9,004	11,500	13,331
Council of Chiefs	25	317	404	469
Human Rights Commission	27	148	192	225
National Peace and Reconciliation Commission	31	133	171	200
National Prosecuting Authority	207	610	781	913
Zimbabwe Anti-Corruption Commission	72	317	407	476
Zimbabwe Electoral Commission	91	2,321	3,886	9,353
Zimbabwe Gender Commission	26	153	197	232
Zimbabwe Land Commission	163	934	1,165	917
Zimbabwe Media Commission	14	175	228	270
<b>TOTAL</b>	<b>59,067</b>	<b>360,505</b>	<b>464,176</b>	<b>554,203</b>
Debt Service: Interest Bill	704	1,462	1,282	1,080
Pension	2,815	30,624	40,675	47,089
Transfers to Provincial Councils and Local Authorities	2,932	19,540	25,758	31,800
Other Constitutional & Statutory Appropriations	138	1,477	1,888	2,188
Unallocated Reserve		8,009	26,301	57,607
<b>Total Expenditure &amp; Net Lending</b>	<b>65,655</b>	<b>421,617</b>	<b>560,080</b>	<b>693,967</b>



# 2021 NATIONAL BUDGET HIGHLIGHTS

Okay, but how exactly does this contribute to achieving our goals as a country?



Excellent question! Let me break down our budget by the goals of the NDS1:



Functional classification	2020 Revised Budget ZWL\$ million	2021 Proposed Estimates ZWL\$ million	2022 Indicative Estimates ZWL\$ million	2023 Indicative Estimates ZWL\$ million
Image building, International Engagement and Re-engagement	1,794	10,070	13,144	15,115
Health and wellbeing	6,662	52,933	70,841	86,364
Governance	25,528	146,196	188,566	224,739
Housing Delivery	2,380	14,338	18,435	23,491
Economic Growth and Stability	8,791	39,588	57,890	92,582
Food and Nutrition Security	3,852	30,409	39,982	45,468
Moving the economy up the value chain and structural transformation	519	3,340	4,309	5,095
Social Protection	3,821	9,790	12,175	15,651
Human Capital Development and Innovation	9,507	63,895	82,013	95,837
Digital Economy	86	1,721	2,206	2,647
Environmental Protection, Climate Resilience and Natural Resource Management	619	1,852	2,389	2,821
Devolution	2,932	19,540	25,758	31,800
Economic Growth and Stability	504	2,157	2,787	3,291
Youth, Sport and Culture	330	3,447	4,403	5,116
Infrastructure and Utilities	3,224	30,064	39,859	47,786
<b><sup>1</sup>Grand Total</b>	<b>70,548</b>	<b>429,341</b>	<b>564,758</b>	<b>697,803</b>

<sup>1</sup> Minor differences between vote allocations and the functional classification emerge as these latter include loan repayments.



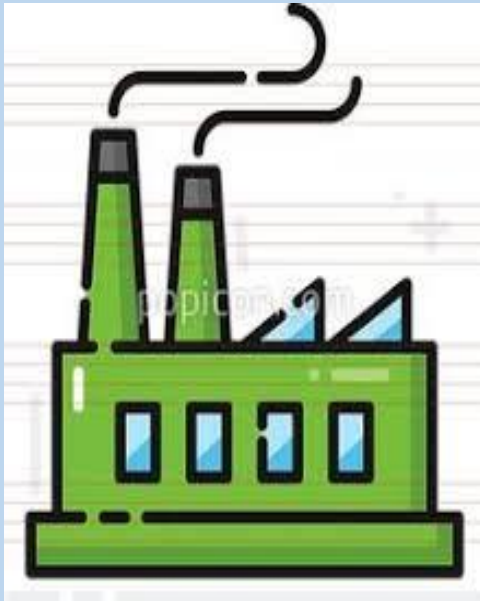
# 2021 NATIONAL BUDGET HIGHLIGHTS

## REVENUE MEASURES

I am a manufacturer. Are there any support measures for industry?



Indeed, there are. We want to support you at improving productivity, value addition and creating employment opportunities.



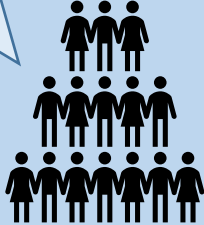
### Support to Industry

- ⊙ Rebate of Duty on Fertiliser Manufacturers
- ⊙ Extension of Duty Suspension on Powdered Milk & Ring-fenced quantities of raw Cheese for the Dairy Industry
- ⊙ Suspension of duty on motor vehicles imported by Safari Operators and buses for Tour Operators
- ⊙ Rebate of Duty on raw materials imported under the Shoe Manufacturers Rebate
- ⊙ Extension of the Suspension of Duty on Cross-Border Luxury Coaches
- ⊙ Tax Incentives for Real Estate Investment Trusts (REITs)



# 2021 NATIONAL BUDGET HIGHLIGHTS

Will we have to pay more taxes?



Don't worry, you will have more money in your pockets!



## Tax Relief Measures

- ⊙ Upward review of the PAYE tax free threshold from ZW\$5000 to ZW\$10 000
- ⊙ Upward Review of the IMTT tax free threshold from ZW\$300 to ZW\$500
- ⊙ Upward Review of the Youth Employment Tax Credit from ZW\$500 to ZW\$1500
- ⊙ Forex Corporate Tax payments to take into account RBZ prescribed retention or liquidation thresholds.
- ⊙ Upward review of the bonus Tax-Free Threshold from ZWL\$5 000 to ZWL\$25 000 effective 1 November 2020.

## Other Tax Policy Measures

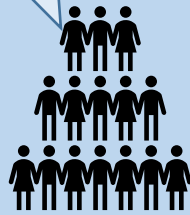
- ⊙ Introduction of a simplified tax regime for self-employed professionals
- ⊙ Upward review of the presumptive tax to reflect market fundamentals
- ⊙ Introduction of a Cannabis Levy, chargeable on the value of exports, at varied rates ranging from 10 to 20% in line with the level of processing.
- ⊙ Upward review of Excise Duty on Tobacco and Alcoholic Beverages
- ⊙ Alignment of taxes on fuel (Petrol & Diesel)



# 2021 NATIONAL BUDGET HIGHLIGHTS

## CONCLUSION

What is the Hon. Minister's concluding statement?



Together, we will develop this nation by leaving no-one and no place behind.



Out there, confidence is beginning to improve, and Government is committed to cement that hope, of course addressing various expectations.

In fact, people of all backgrounds want to be assured that we, in Government, are doing all we can to make sure that expectations are met.

Precisely, this is what this Budget and the NDS1 are seeking to achieve.

Hon. Prof. Mthuli Ncube  
**Minister of Finance and Economic Development**  
26 November 2020