

2020 Mid-Term Budget Review Highlights



Zimbabwe

AT A GLANCE

Recap of 2020 National Budget Thrust

The 2020 Mid-Term Budget Review pursues the key areas outlined in the 2020 National Budget under the theme “Gearing for Higher Productivity, Growth and Job Creation” with the following priority areas:

Continued Macro-Fiscal Consolidation

Growth and Productivity

Job Creation

Competitiveness

Strong, Sustainable and Shared Development

Macro-Fiscal Framework

Revised Growth Projections

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

	Initial	Reviewed
Real GDP growth	+3.0%	-4.5%
Agriculture	+5%	-0.2%
Mining	+4.7%	-4.1%
Manufacturing	+1.9%	-10.8%
Construction	+2.3%	-11.4%
Dist., Hotels, Restaurants	+3.3%	-7.4%

Budget Balance

Revenues and Expenditures largely remained within target. During the first half of 2020, 46% of the original Budget have been utilised, and Revenues slightly surpassed their target to date.

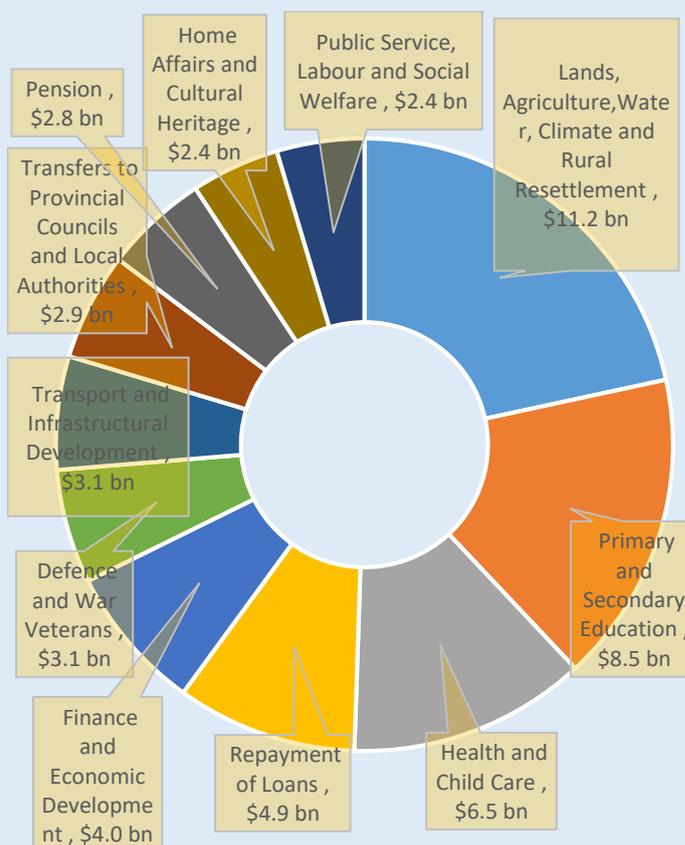
	2020 Target	June Actual
Revenue	\$58.6 bn	\$34.2 bn
Expenditure	\$63.6 bn	\$28.9 bn*

Recurrent Expenditures	\$38.9 bn	\$19.7 bn*
Employment Costs	\$17.8 bn	\$8.8 bn*
Capital Expenditure	\$24.8 bn	\$9.3 bn*
Overall Balance	(\$5.0 bn)	

* Expenditure as disbursed. Taking into account outstanding payments, the Budget Balance is a surplus of about \$800 million.

Main Budget Allocations

The largest share of the 2020 Budget is allocated towards the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement (\$11.2 billion), followed by the Ministry of Primary and Secondary Education (\$8.5 billion). During the first half of 2020, 46% of the Budget have been spent, leaving 54% for the remainder of the year; a supplementary Budget is therefore not necessary.



Measures to Mitigate COVID-19 Impact

- ✓ Unfreezing of 4,713 healthcare posts
- ✓ Ringfenced resources from 2% tax towards COVID-19 response
- ✓ One million vulnerable individuals supported through Social Welfare Department
- ✓ Support to Ministries involved in COVID-19 response
- ✓ \$18.2 bn stimulus package

DOMESTIC ECONOMIC DEVELOPMENTS

Real Sector Developments

Agriculture

- ⊙ Some reduction in planted area for grains and cash crops in response to declining prices and late onset of rainfall.
- ⊙ Grain production increased by 24%, traditional grain production by 103%.
- ⊙ Preparations for the 2020/21 farming season guided by the Agriculture Recovery Plan are underway.
- ⊙ Overall, a moderate contraction of the sector by -0.2% is expected.

Mining

- ⊙ Largest foreign currency earner with around 60% of total forex.
- ⊙ Currently, mining contributes 8% of total GDP, poised to surpass Agriculture as largest sector.
- ⊙ PGMs and diamond registered strong performance, while gold, chrome and nickel performed below expectation.
- ⊙ Growth for mining sector projected to slow-down to -4.1% in 2020, reflecting the impact of COVID-19 and other challenges evolving around retentions.

Manufacturing

- ⊙ COVID-19 pandemic depressed the performance of the manufacturing industry by restricting production, distribution and consumption of goods, as well as input supply disruptions in source markets.
- ⊙ Stimulus Package facilitated a \$3.5 billion facility to cater for industry working capital and SMEs support.
- ⊙ Sector expected to contract by -10.8% in 2020 against 1.9% originally projected.

Distribution, Hotels and Tourism

- ⊙ Tourism most affected by the COVID-19 pandemic through travel restrictions, and subsector is expected to contract by -7.4%.

- ⊙ Average hotel occupancy rates dipped to a low of 3% in March 2020.
- ⊙ Implementation of the domestic lockdown further complicated the position of the local tourism hospitality industry.

Transport and Communication

Transport

- ⊙ Transportation affected by reduced economic activity on account of reduced cargo from mining, manufacturing, agriculture, among others.
- ⊙ Airline business has been virtually grounded during the lockdown period.
- ⊙ In the road passenger transport, capacity was reduced to less than 50% in April 2020, before increasing to 70%.
- ⊙ Government continued to prioritise road rehabilitation programme, aiming for 200km of Beitbridge-Harare road by year end.

Communication

- ⊙ Increased demand for data as internet services replaced most of physical interaction, including shift towards telecommuting and e-learning.
- ⊙ 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.
- ⊙ Sector projected to grow by 3.2% in 2020, driven by enhanced communication activities that are offsetting the dampening effect of the transport sub-sector.

Electricity

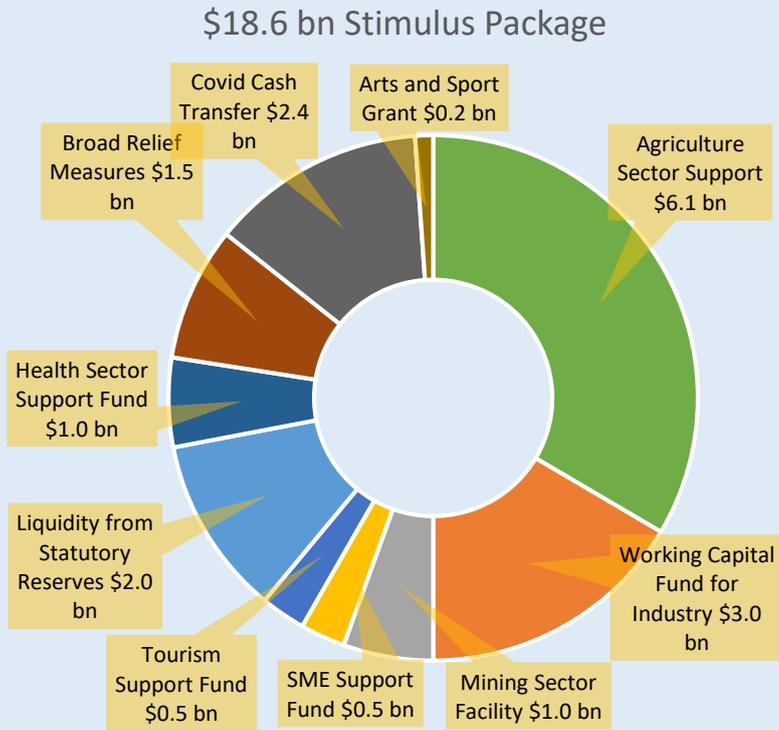
- ⊙ Relative improvement in electricity generation compared 2019, which in combination imports resulted in reduced load shedding.
- ⊙ Lake Kariba level has continued to rise steadily, reaching levels of around 40%.

Government Response to COVID-19 Pandemic

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

In order to save lives, Government managed unfroze 4,713 posts in the health care sector with a view to scaling up the response to the COVID-19 pandemic.

At the core of mitigating the economic impact of the pandemic stands an \$18.6 billion stimulus package. The distribution of these funds is outlined below, and measures in support of production continue to be reviewed.



The stimulus package amounts to 28.6% of the 2020 National Budget or about 9% of GDP, and provides vital and substantial support to sectors affected by the pandemic.

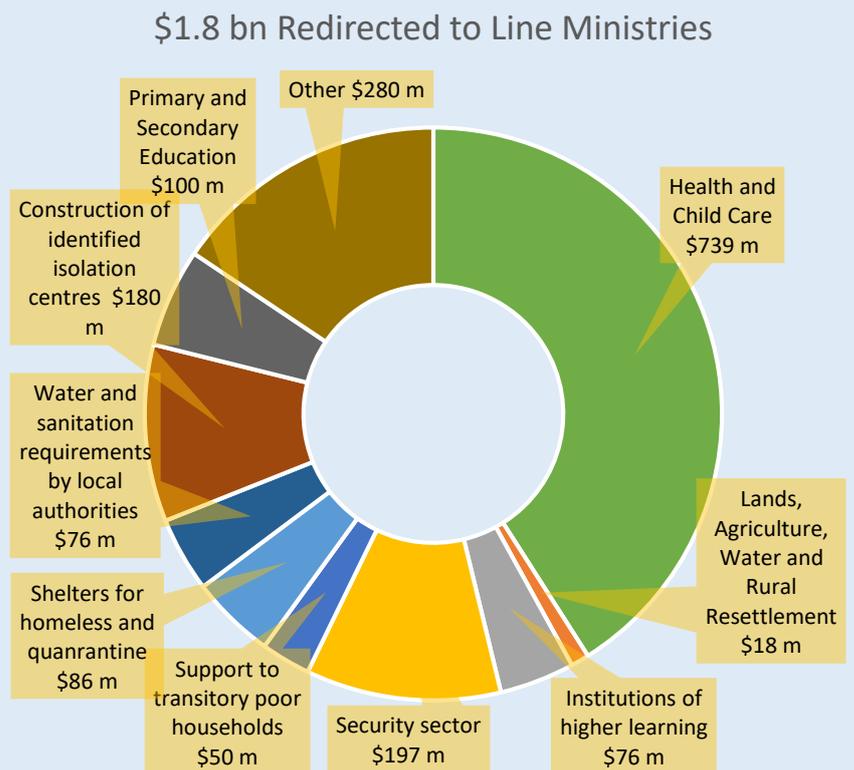
The aim is to scale up production levels across all sectors of the economy, to address the constraints faced by a large section of small-scale industries, to improve health facilities, and to reduce poverty and hardships to assist vulnerable groups in our society.

Additionally, Government has put in place other Fiscal and Monetary Policy Relief Measures, such as relaxing the import duty on selected raw materials, lower interest rates for productive sector lending, tax relief especially on Personnel Protective Equipment (PPE) and medical supplies.

As line Ministries, Agencies and Departments face substantial additional costs in addressing different aspects of the pandemic, Treasury redirected \$1.8 billion from the 2020 National Budget towards such expenditures.

The bulk of these funds are directed to the Ministry of Health and Child Care in order to finance risk allowances, additional employment costs from recruitment of additional staff, capacity building of health staff, procurement of health and laboratory equipment, procurement of PPE, and rehabilitation and construction of isolation units.

Further, the security sector received additional resources in order to enforce lockdown restrictions, and local authorities received support to provide adequate water and sanitation facilities as well as shelter for the homeless and quarantine centres, among others.



Development Partner Support

Development partners reallocated and pledged new commitments of US\$202.2 million, of which US\$26.9 million have already been disbursed.

Development Partner Commitments Toward COVID-19 Response*



The support is targeted towards the eight pillars of the Response Plan:

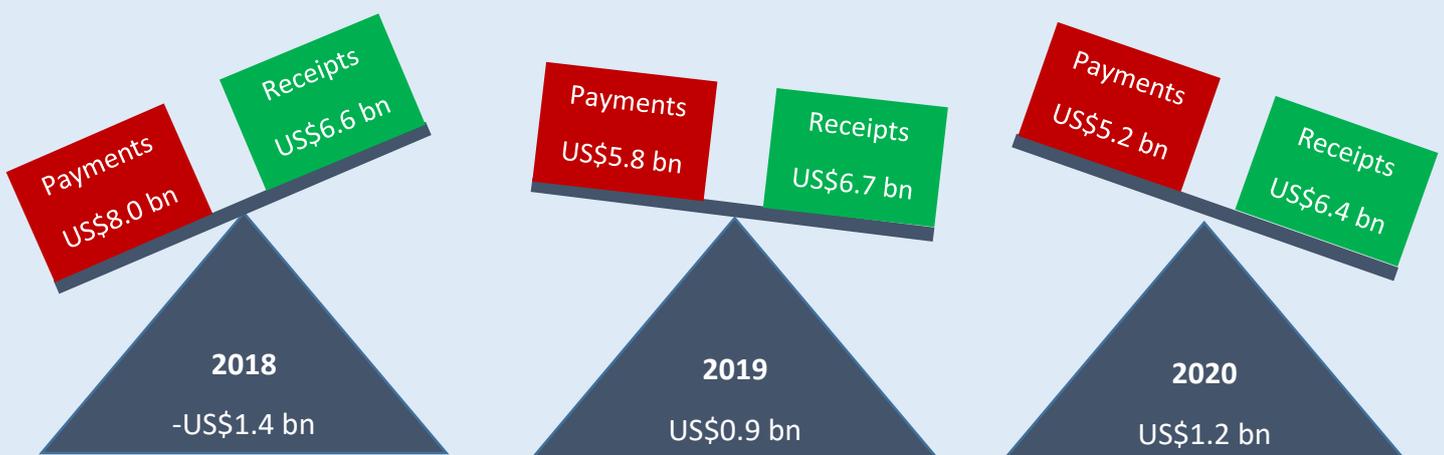
- ✓ Coordination, planning & monitoring;
- ✓ Risk communication & community engagement;
- ✓ Surveillance, rapid response teams & case investigation;
- ✓ Points of entry;
- ✓ National laboratories;
- ✓ Infection prevention & control;
- ✓ Case management; and
- ✓ Procurement, operational support and logistics.

*Besides monetary commitments, the People's Republic of China and Jack Ma foundation have donated a considerable amount of PPEs and medical advisory services.

Current Account

The Current Account is the main measure of a country's trade, and a Current Account deficit means that the country is paying more to the rest of the world than it is receiving. This can be the case because the country imports more than it exports, or because foreigners receive more incomes from the country than residents receive from abroad.

Compared to projections in the original 2020 National Budget, the Current Account position has improved: Instead of a projected marginal deficit, Zimbabwe managed to obtain a surplus of US\$0.9 bn 2019, and this surplus is projected to increase to US\$1.2 bn in 2020.



Revised Growth Projections by Sector



GDP Growth - 4.5%



Agriculture - 0.2%

- Below average and below expectations rainfall season
- Below expectation planted area for cash crops
- Supply chain disruptions due to COVID-19
- + Higher tobacco price



Mining - 10.8%

- Production disruptions due to COVID-19
- Disruptions in international trade due to COVID-19
- Leakages especially in gold deliveries
- + Improved electricity supply



Manufacturing - 10.8%

- Production and distribution disruptions due to COVID-19
- Depressed demand due to COVID-19
- + Increased import substitution
- + Improved electricity supply



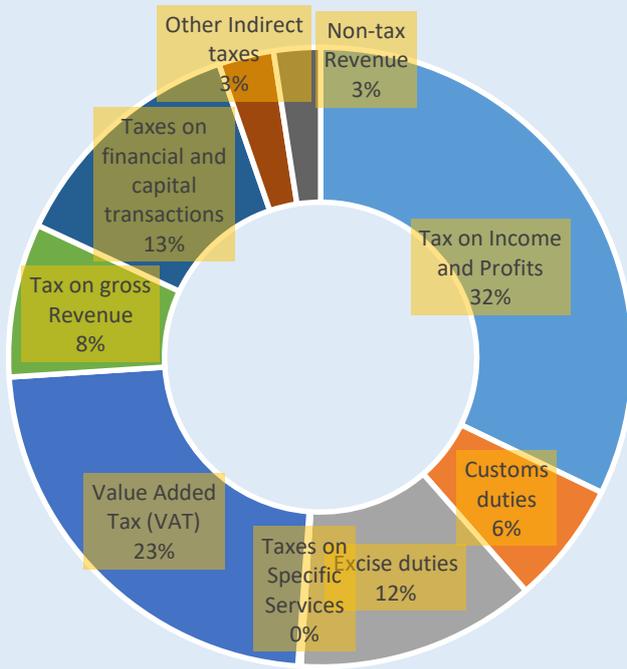
Distribution, Hotels and Restaurants - 7.4%

- Quasi-complete stop of tourism due to domestic and international travel restrictions due to COVID-19
- + Distribution sector relatively robust

BUDGET PERFORMANCE

Revenues

Contribution of revenue Heads



Revenue collections for the period January to June 2020 are estimated at \$34.2 billion, exceeding the target of \$32.1 billion by 6.7%.

The vast majority of revenues (\$33.4 billion or 98%) is from Taxes, of which Taxes on Income and Profits contributed the largest share (32%), followed by VAT (23%).

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.

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

Monthly Expenditures



Expenditures were largely contained within target, with the exception of March, where more expenditures were directed towards mitigating the COVID-19 pandemic.

As can be seen in the table below, Ministries, Agencies and Departments have consumed an average of 46% of their vote allocations from the 2020 National Budget, leaving 54% for the remainder of the year.

The resources availed by the original National Budget are therefore sufficient to cover the needs for the second half of 2020, and no Supplementary Budget is required.

Taking into consideration outstanding payments, Government generated a surplus of approximately \$800 million during the first half of 2020.

Vote Appropriations	Original Estimate	Expenditures to 30 June	Budget Utilisation
Lands, Agriculture, Water, Climate and Rural Resettlement	11,163,481,000	5,216,205,495	47%
Primary and Secondary Education	8,495,794,000	3,103,407,659	37%
Health and Child Care	6,459,100,000	2,488,785,718	39%
Finance and Economic Development	3,967,042,000	2,484,826,100	63%
Defence and War Veterans	3,112,708,000	2,246,967,455	72%
Transport and Infrastructural Development	3,089,800,000	1,764,196,879	57%
Office of the President and Cabinet	2,353,887,000	1,637,640,633	70%
Home Affairs and Cultural Heritage	2,397,160,000	1,556,698,386	65%
Local Government, Public Works and National Housing	1,760,278,000	1,331,975,903	76%
Public Service, Labour and Social Welfare	2,370,562,000	1,209,070,551	51%
Higher & Tertiary Education, Science and Technology Development	2,213,900,000	978,622,895	44%
Justice, Legal and Parliamentary Affairs	815,799,000	532,305,840	65%
Parliament of Zimbabwe	1,869,495,000	323,359,218	17%
Foreign Affairs and International Trade	1,385,435,000	300,720,699	22%
National Prosecuting Authority	72,167,000	257,140,125	356%
Public Service Commission	1,220,100,000	184,752,090	15%
Youth, Sport, Arts and Recreation	323,900,000	169,326,786	52%
Women Affairs, Community, Small and Medium Enterprises Development	503,820,000	126,743,408	25%
Judicial Services Commission	292,533,000	100,144,193	34%
Industry and Commerce	367,260,000	84,931,278	23%
Information, Publicity and Broadcasting Services	409,799,000	53,796,085	13%
Energy and Power Development	419,200,000	36,154,440	9%
Environment, Tourism and Hospitality Industry	425,100,000	34,773,215	8%
Mines & Mining Development	293,197,000	32,736,409	11%
Information Communication Technology and Courier Services	114,560,000	29,193,494	25%
Zimbabwe Electoral Commission	91,200,000	23,276,929	26%
Audit Office	171,930,000	20,896,685	12%
National Housing	246,403,000	16,617,100	7%
Zimbabwe Anti-Corruption Commission	71,550,000	13,133,221	18%
National Peace and Reconciliation Commission	31,200,000	7,181,594	23%
Zimbabwe Land Commission	163,100,000	6,803,382	4%
Council of Chiefs	25,200,000	4,870,319	19%
Zimbabwe Gender Commission	25,900,000	4,357,168	17%
Human Rights Commission	26,680,000	4,239,727	16%
Zimbabwe Media Commission	13,900,000	3,436,999	25%
TOTAL	56,763,140,000	26,389,288,078	46%
Debt Service: Interest Bill	704,320,000	408,497,562	58%
Pension	2,814,500,000	1,545,095,972	55%
Public Service Pension Scheme	289,560,000	0	0%
Transfers to Provincial Councils and Local Authorities	2,932,000,000	453,182,000	15%
Other Constitutional & Statutory Appropriations	157,680,000	95,423,646	61%
Total Expenditure & Net Lending	63,661,200,000	28,891,487,258	45%
Repayment of Loans	4,893,122,000	1,069,351,743	22%
Total Expenditure & Net Lending Including Loan Repayments	68,554,322,000	29,960,839,002	46%