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ZIMBABWE

THE 2022 MID-TERM BUDGET AND ECONOMIC REVIEW & SUPPLEMENTARY BUDGET

Presented to the Parliament of Zimbabwe

By

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INTRODUCTION

1. The 2022 National Budget was presented for approval to Parliament on 25 November 2021 with the objective of consolidating gains made thus far under the Transitional Stabilisation Programme (TSP) and the inaugural National Development Strategy 1 (NDS1).

2. Specifically, the 2022 National Budget, whose theme is: *'Reinforcing Sustainable Economic Recovery and Resilience'*, seeks to achieve the following:

   - Strengthening macro-fiscal stability;
   - Consolidating the Agriculture Food Systems Transformation Strategy that seeks to guarantee food security;
   - Advancing the policy on value chains and value addition for purposes of sustainable jobs creation and growth;
   - Enhancing public services delivery including social protection and infrastructure development;
   - Strengthening governance and anti-corruption measures;
   - Accelerating the re-engagement process; and
   - Enhancing climate change mitigation and energy security.

3. During the first half of the year, positive developments have been recorded in the areas of economic growth, increase in

foreign currency receipts, near balanced budget, as well as increasing capacity utilisation of the manufacturing sector.

4. Furthermore, the Financial Action Task Force (FATF) removed Zimbabwe from the International Cooperation Review Group (ICRG) monitoring in March 2022, following successful implementation of policies and measures on the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT/PF) framework.

5. On budget transparency, the country improved and is now ranked third in Africa, after South Africa and Benin, and 41 out of 120 countries globally, according to the International Budget Partnership (IBP) latest Report.

6. However, exchange rate and price instability emerged, especially during the second quarter of the year, emanating from global and domestic shocks, which have all impacted on the achievement of the 2022 National Budget objectives and targets.

7. The instability is notwithstanding relatively sound economic fundamentals supportive of a stable domestic currency such as increased foreign currency being generated by the economy, near balanced budget, suppressed reserve money growth and current account surplus.

8. This Mid Term Budget and Economic Review and Supplementary Budget documents are responding to these developments and being submitted to Parliament in compliance with the Constitution as read together with section 7(2)(a) of the Public Finance Management (General) Regulations of 2019 and Statutory Instrument 135 of 2019 and Public Finance Management (General) (Amendment) Regulations.

FIRST HALF ECONOMIC DEVELOPMENTS AND OUTLOOK

9. The domestic economic situation continues to be impacted by the COVID-19 pandemic, compounded by the recent global tensions, with spill overs being felt through fuel, food and fertilizers price increases and shortages globally. The attendant spill over effects have changed the economic outlook, both globally and domestically.

10. The rising international energy prices and supply disruptions, are all adding to higher and more broad-based inflation globally including in developed countries, many emerging markets, and developing economies.

Global Developments and Outlook

11. The International Monetary Fund (IMF) projects global economic growth at 3.6% in 2022, down from their initial

estimate of 4.9% in January 2022, on account of the anticipated adverse impact of the ongoing Russia/Ukraine crisis, as well as the re-surgency of the COVID-19 omicron variant, particularly in China. Weakening growth in China's economy has wider implications for the Emerging Market and Developing Economies, as well as for commodity exporters.

Table 1: Global and Regional GDP growth (%)

	2021	2022	2023
	Est	**Proj**	
World Output	**6.1**	**3.6**	**3.6**
Advanced Economies	5.2	3.3	2.4
o/w: United States	5.7	3.7	2.3
Euro-Area	5.3	2.8	2.3
Emerging Market & Developing Economies	**6.8**	**3.8**	**4.4**
o/w: China	8.1	4.4	5.1
India	8.9	8.2	6.9
Sub Saharan Africa	**4.5**	**3.8**	**4.0**
o/w: Nigeria	3.6	3.4	3.1
South Africa	4.9	1.9	1.4
***Zimbabwe**	**7.8**	**4.6**	**5.2**

Sources: *IMF World Economic Outlook Update (April 2022) *ZIMSTAT and MoFED*

12. Economic growth in advanced economies is expected to decline from 5.2% in 2021 to 3.3% in 2022, whilst growth in the United States is projected to slow down to 3.7% during 2022. The Euro zone is projected to grow at a slower rate of 2.8% in 2022 from 5.8% in 2021, with the biggest downgrades being economies such as Germany and Italy which have relatively large manufacturing sectors and greater dependence on energy imports.

13. Emerging and developing countries will see GDP contracting by approximately 2.9% in 2022, weighed down by the impact of higher energy prices and trade disruptions.

Sub-Saharan Africa

14. In the Sub-Saharan Africa region, overall economic activity is projected to grow by 3.8% in 2022, with the recovery being supported by higher commodity prices and gradual recovery in tourism, as vaccinations in some tourism-reliant economies is progressing at a much faster pace to reach herd immunity than in the rest of the region.

Table 2: Sub-Sahara African Economies GDP Growth (%)

	2021	2022	2023
Sub-Saharan	**4.5**	**3.8**	**4.0**
Fuel Exporters	**2.9**	**3.4**	**3.1**
Nigeria	3.6	3.4	3.1
Emerging Market & Middle-Income Economies	**6.8**	**3.8**	**4.4**
South Africa	4.9	1.9	1.4
Low Income Countries	**5.6**	**4.8**	**5.6**
Ethiopia	6.3	3.8	5.7
Zambia	4.3	3.1	3.6

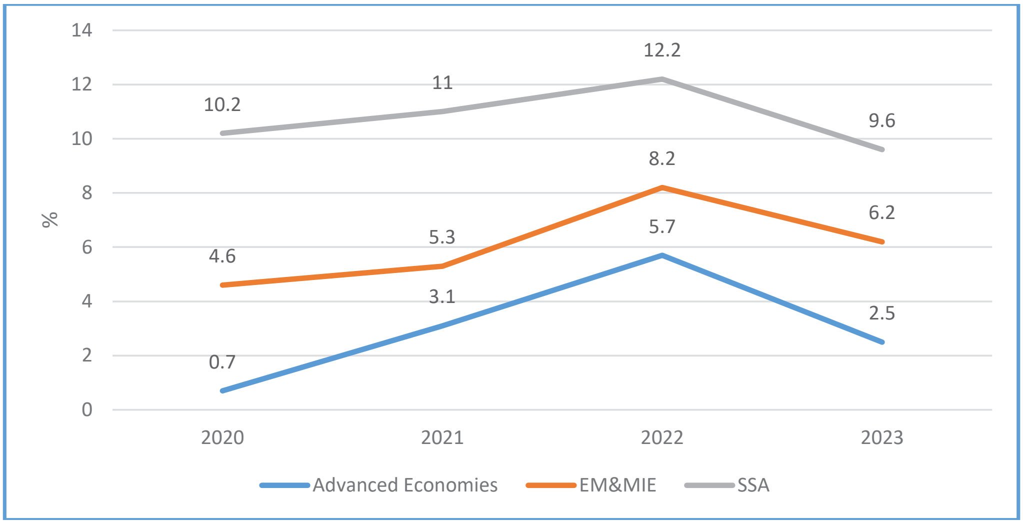
Source: WEO April 2022

15. If the geo-political tensions persist, they are likely to dampen the region's growth prospects through food price increases and shortages, which will reduce consumers' purchasing power, particularly among low-income households, hence weighing in on domestic demand.

Global Inflation

16. Global inflation is expected to remain high, largely driven by commodity price increases. In 2022, global inflation is now projected at 5.7% in advanced economies and 8.7% in Emerging Market and Developing Economies, 1.8% and 2.8%, higher than initial projected in January 2022.

Figure 1: Global Inflation (%)



Source: WEO April 2022

17. Supply-demand imbalances currently being experienced globally could lead to persistently high inflation that will continue to impact economies worldwide. Already, inflation has reached the highest levels for some advanced economies in more than 40 years, particularly for the United States and some European countries.

Commodity Prices

18. For most commodities, prices are expected to be significantly higher in 2022 than in 2021 and to remain high in the medium term. The price of brent crude oil is projected to average $100/bbl in 2022, a 42% increase from 2021, and its highest level since 2013.

Table 3: International Commodity Price Indices

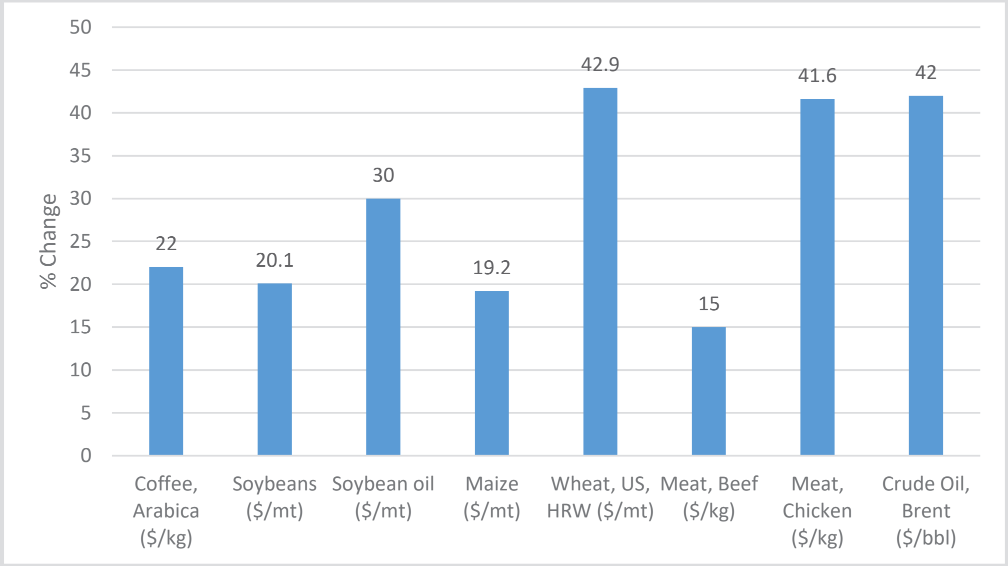
	2020	2021 Est.	2022 Proj.	2023 Proj.
Energy	**52.7**	**95.4**	**143.6**	**125.6**
Non-energy commodities	**84.4**	**112**	**133.5**	**121.7**
Agriculture	87.5	108.7	127.9	118
Beverages	80.4	93.5	103.5	99.7
Food	93.1	121.8	149.7	134.2
Oils and Meals	89.8	127.1	164.9	141.9
Grains	95.3	123.8	149	133.6
Other food	95.5	113.1	130.3	124.8
Raw materials	**77.6**	**84.5**	**87.2**	**87.9**
Fertilizers	73.2	132.2	223.7	198.3
Metals and minerals	**79.1**	**116.4**	**134.8**	**120.6**
Base Metals	80.2	117.7	143.9	131.9
Precious Metals	133.5	140.2	144.4	131.5

Source: World Bank Commodity Markets Outlook; April 2022 Pink Sheet Data

19. Non-energy prices are expected to rise by about 20% in 2022, with the large increases expected on commodities where Russia and Ukraine are key exporters. Wheat prices, in particular, are forecasted to increase by more than 40% this year, reaching an all-time high in nominal terms.

20. While prices are generally expected to peak in 2022, the duration of the crisis and the severity of disruptions to commodity flows provides a risk of higher commodity prices over a longer period.

Figure 2: International Commodity Price Changes (%)



Source: World Bank Commodity Markets Outlook; April 2022 Pink Sheet Data

21. In the outlook, the international mineral commodity prices will continue to be favourable for commodity driven economies like Zimbabwe. On the downside, however, higher crude oil and food prices have the potential to jeopardise growth prospects and present inflation and food security risks.

Domestic Economic Developments and Outlook

22. Economic performance during the first half of 2022 reaffirms the positive growth trajectory as projected in the 2022 National Budget. GDP growth in 2022 is, however, now projected to slow down to 4.6% from the 5.5% initially projected.

23. The downward revision is mainly arising from reduced output from the 2021/22 agricultural season, compounded by continued depreciation of the local currency and rising inflation. The impact of geo-political developments is also weighing down on the growth potential of the economy.

Table 4: GDP Growth (%)

	2021 Est	2022 Budget	2022 Revised
Agriculture, Hunting and Fishing and forestry	33.6	5.1	-5.0
Mining and quarrying	5.5	8.0	9.5
Manufacturing	5.5	5.5	3.6
Electricity, gas, steam and air conditioning supply	34.3	5.4	12.2
Water supply; sewerage, waste management and remediation activities	7.8	4.8	4.7
Construction	7.2	17.4	10.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.6	4.3	5.9
Transportation and storage	0.5	3.0	2.9
Accommodation and food service activities	6.7	18.8	50
Information and communication	5.7	2.4	5.3
Financial and insurance activities	2.2	5.3	5.2
Real estate activities	3.3	1.7	6.1
Professional, scientific and technical activities	1.0	2.8	4.2
Administrative and support service activities	0.0	2.0	2.0
Public administration and defence; compulsory social security	1.3	3.3	4.0
Education	1.7	2.9	4.8
Gross Domestic Product	**7.8**	**5.5**	**4.6**

24. Notwithstanding the numerous global and domestic downside risks, the domestic economy is still projected to record increased activity in the sectors of mining (9.5%), construction (10.5%), accommodation and food services sectors (50%), among others, underpinned by the following assumptions:

- Maintenance of the multiple currency regime;
- Continued fiscal consolidation;
- Tight monetary policy stance;
- Moderate agricultural output on account of increase in prices of key inputs and variable rainfall pattern;
- Mitigation of the adverse expectations on both inflation and exchange rate;
- Continued geo-political tensions with spill over effects on:
    - ➢ Favourable commodity prices that will support mining production and export receipts;
    - ➢ Global Supply bottlenecks;
    - ➢ High import prices.
- Slow-down in global economy; and
- Continued impact of COVID-19 pandemic.

Sectoral Developments

25. Almost all sectors of the economy are expected to record positive growth except agriculture which was affected by the uneven rainfall distribution, bottlenecks in inputs distribution and high cost of inputs, among other challenges. These developments led to substantial write-offs in hectarage planted of more than 23%. As a result, the **agriculture** sector is now projected to contract by -5%, from the initially projected expansion of 5.1%.

26. On the contrary, the **mining** sector is now expected to grow faster at 9.5% in 2022, largely driven by increased output in gold, Platinum Group Metals (PGMs), chrome, nickel, diamonds and coal, as well as record high international commodity prices and increased investments in the sector.

27. Despite the increase in **manufacturing** capacity utilisation to 56.5% from 47% in 2021 and increased availability of domestically produced goods in the supermarkets, growth of the sector is now expected to slow-down to 3.6% in 2022 compared to an initial projection of 5.5%. The downgrade is mainly due to the high cost of production, attributable to rise in prices of imported raw materials and poor agricultural season.

28. Meanwhile, in response to the global supply chain disruptions affecting availability and prices of fertilizer on the domestic market, Government is supporting local production of fertilizer through prioritising access to foreign currency and working capital requirements for local fertilizer manufacturers.

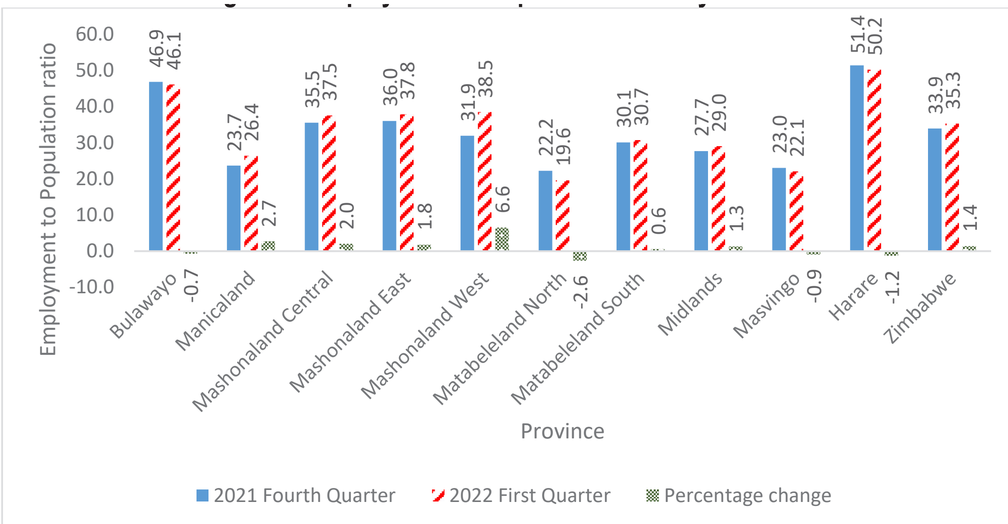
29. The accommodation and food services sector is expected to continue to grow in 2022, with bed occupancy rate projected at 20.6%, benefiting from recovery in international tourism and lifting of mandatory quarantine requirements worldwide.

30. The information and communication sector, on the other hand, is projected to grow by 5.3%, driven by demand for mobile voice traffic and internet data.

Employment

31. The 2022 First Quarter Labour Force Survey by ZIMSTAT indicates a 1.4% increase in employment levels when compared to the 2021 fourth quarter level.

Figure 3: Employment to Population Ratio by Province



Source: ZIMSTAT

32. Similarly, the 2021 CZI Manufacturing Capacity Utilisation Report shows that 19% of the total employment in the sector was created during 2021.

33. Furthermore, active employment data from NSSA indicates growth from 1.3 million in October 2021 to 1.4 million in June 2022.

Table 5: NSSA Active Employees Data

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Bulawayo	105,434	106,041	106,305	114,157	115,381	116,224	117,636	117,923	118,798
Chitungwiza	53,309	53,331	53,394	57,252	57,820	58,338	58,596	58,838	58,961
Gweru	45,722	45,966	46,177	51,131	51,656	52,191	52,566	52,803	53,010
Harare	962,539	966,486	969,219	1,016,907	1,018,437	1,023,262	1,027,359	1,030,179	1,031,370
Masvingo	48,309	48,650	48,564	51,236	51,306	51,415	51,077	51,157	51,219
Mutare	62,218	62,631	62,644	71,029	71,797	72,962	73,598	73,593	73,742
TOTAL	**1,277,531**	**1,283,105**	**1,286,303**	**1,361,712**	**1,366,399**	**1,374,394**	**1,380,834**	**1,384,495**	**1,387,102**

34. Various Government empowerment initiatives through extension of credit facilities, training through vocational institutions, provision of work spaces and trade promotion, among others are creating employment opportunities.

35. The positive growth in employment levels is in line with NDS1 target of increasing formal employment from 24% in 2020 to 30% by 2025 and reflects the impact of economic recovery and transformation underway, especially from the effects of the COVID-19 pandemic.

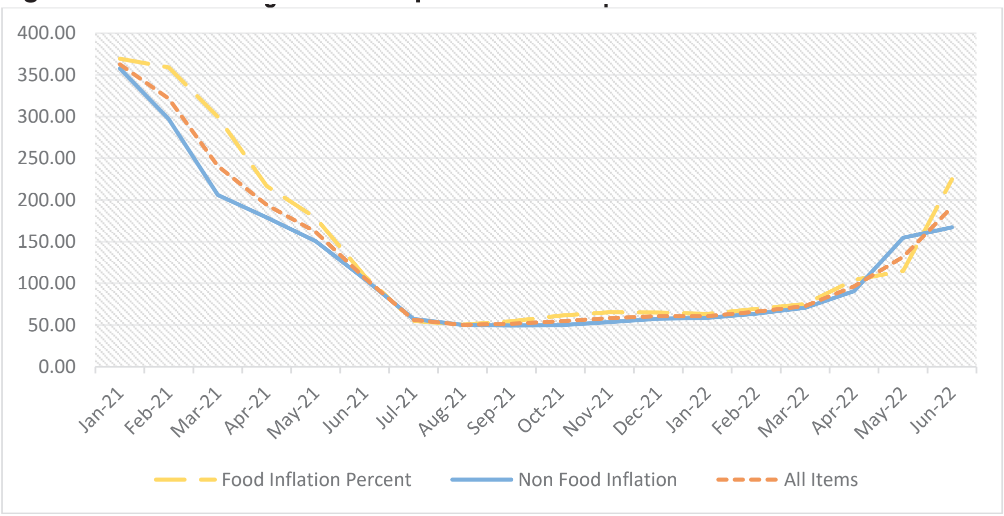
Inflation

36. The adverse global developments have impacted negatively on all economies globally through increased import prices of raw materials, food and liquid fuels.

37. Inflationary pressures experienced during the first half of 2022 saw headline inflation steadily accelerating from 60.7% in January to 191.6% in June 2022. This has been driven partly by external factors which impacted negatively on import prices of raw materials, food and liquid fuels.

38. Imported inflation contributed significantly to domestic inflation through cost push factors, whilst domestically, adverse inflationary pressures and sharp decline in the exchange rate were the main drivers of inflation.

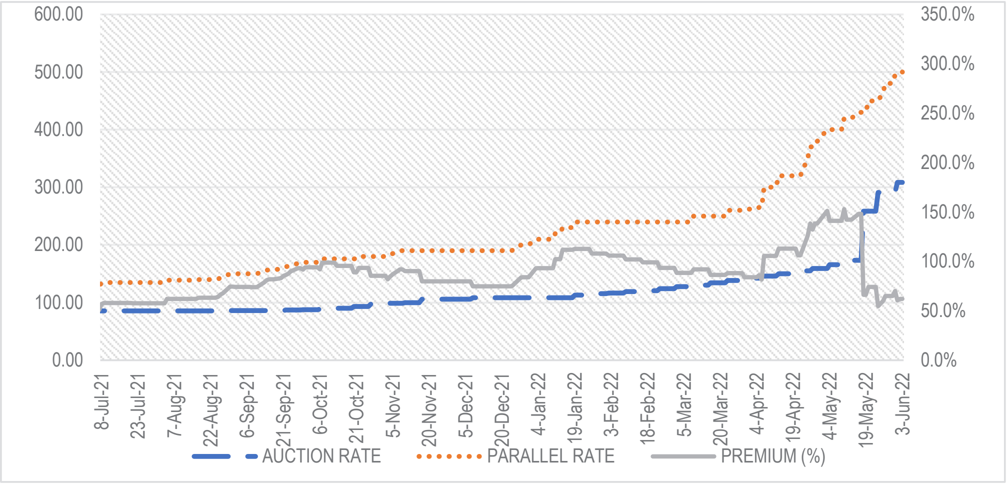
Figure 4: Annual Inflation Developments



Source RBZ

39. On a monthly basis, headline inflation increased from 15.5% in April 2022 to 30% in June 2022.

Figure 5: Exchange Rates and Parallel Market Premiums (%)



Source RBZ

40. Downside risks to inflation and exchange rate stability going forward include:

- Continued geo-political tensions that are driving the surge in international food and oil prices (imported inflation);
- Growth in broad money driven by excessive liquidity held by banks despite reserve money being targeted at 0%;
- Adverse inflation expectations;
- Speculative tendencies; and
- Continued arbitrage in the economy.

Measures to Stabilise the Economy

41. In response to the emerging macro-economic imbalances, Government announced a raft of measures in May and June 2022 meant to instil confidence, strengthen demand for local currency and foster market discipline as follows:

- Re-affirmation on the restoration of lost value by compensating depositors who were affected by currency reforms implemented in 2019;
- Commitment to clear the foreign auction backlog and ensure that all new foreign currency allotments are settled within two weeks and that the auction system only allots foreign currency available;

- Continuation of partial dollarisation (multi-currency system), while working towards managed de-dollarisation process, informed by economic fundamentals;
- Improvement in the exchange rate management system through orderly unification of the auction system and the interbank market rate in order to facilitate market price discovery;
- Allowing Retail/Wholesale Pricing to use the interbank foreign exchange rate with a maximum allowable variance of 10%.
- Foreign currency tax obligations to be settled at interbank exchange rate;
- Review of capital markets regulations to curb speculative tendencies, as well as foster market discipline;
- Entrenching the multi-currency system and inter-bank market exchange rate through legislation for the NDS1 period;
- Minimise the impact of international fuel and grain price increases on the domestic economy;
- Review of the remuneration framework for civil servants to cushion them against increasing cost of living in a sustainable manner;
- Upwards review of the policy rate to discourage speculative borrowing;

- Introduction of a limit on the number of days for holding foreign currency by exporters to enhance circulation in the economy;
- Introduction of Gold Coins as an alternative store of value; and
- Started work on the formalisation of forward market of foreign currency.

42. Going forward, Government will continue to monitor price and exchange rate developments with a view to introducing additional response measures aimed at restoring stability.

43. Furthermore, Government will facilitate the development of primary and secondary markets for debt instruments, in order to improve monetary policy transmission and further create demand for local currency denominated financial assets.

Introduction of Gold Coins as a Store of Value

44. Government has introduced an instrument that enables investors to store value in both local and foreign currency, in the form of gold coins minted by Fidelity Gold Refineries.

45. The gold coins are tradable, highly liquid and could be used as collateral security.

46. Members of the public have been given an option to physically own them or to keep them in safe custody with their bankers. The price of the gold coins will be determined by the prevailing international price of gold plus the costs of production.

Value for Money

47. Distortions in the domestic market and weaknesses in the current public procurement processes are compromising optimal use of public resources, giving rise to '*tenderpreneurship'* and corruption.

48. To address this challenge, Government is setting up a Value for Money Unit to scale up interventions towards greater due diligence before awarding contracts to ensure fair pricing and payment for goods and services. The operations of the Unit will be such that it does not result in additional delays to the current procurement process.

Financial Sector Developments and Outlook

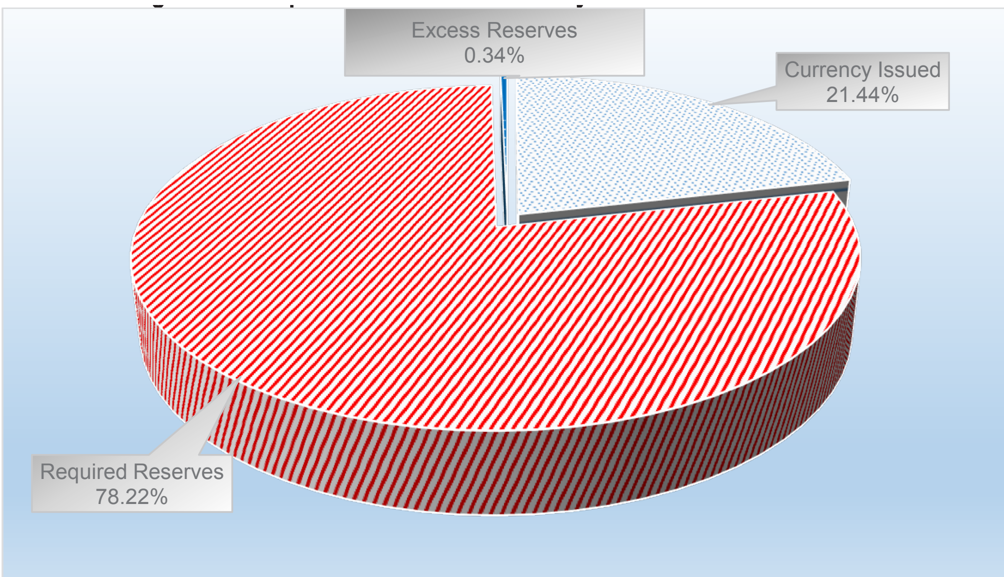
49. The banking sector remains safe and sound with demonstrable capacity for increased support towards recovery of the economy. As at 31 March, 2022, the banking sector comprised 13 commercial banks, five building societies, and one savings bank. There are 179 credit-only microfinance institutions,

eight deposit-taking microfinance institutions (DTMFI) and four development financial institutions.

Monetary Developments

50. The Central Bank has maintained a tight monetary stance to control inflation and exchange rate pressures. Reserve money stock had increased to ZWL$33.6 billion as at 30 June, 2022, largely due to growth in statutory reserves in line with the thrust of tightening monetary policy. More than 80% of the stock of reserve money was in the form of statutory reserves, while currency issued by the Bank and banks' liquidity at the RBZ (RTGS balances) constituted the balance, as shown below.

Figure 6: Components of Reserve money as at end June 2022



Source: RBZ

51. Excess reserves declined to 0.35% from 55.1% in June 2021, largely reflecting tighter liquidity conditions, maintained through mopping up operations through issuances of Non-Negotiable Certificates of Deposits (NNCDs).

Broad Money Developments

52. On an annual basis, broad money registered a growth of 245% in May 2022, largely driven by exchange rate depreciation, accounting for over 50% of the increase. The auction rate moved from ZWL$84.7 per US$1 in May 2021 to ZWL$290.9 per US$1 in May 2022, resulting in growth of the ZWL$ equivalent of FCA deposits, from ZW$127.6 billion in May 2021 to ZW$559.1 billion in May 2022. The local currency component of broad money also grew by 167.7% over the same period, reflecting credit creation in the banking system.

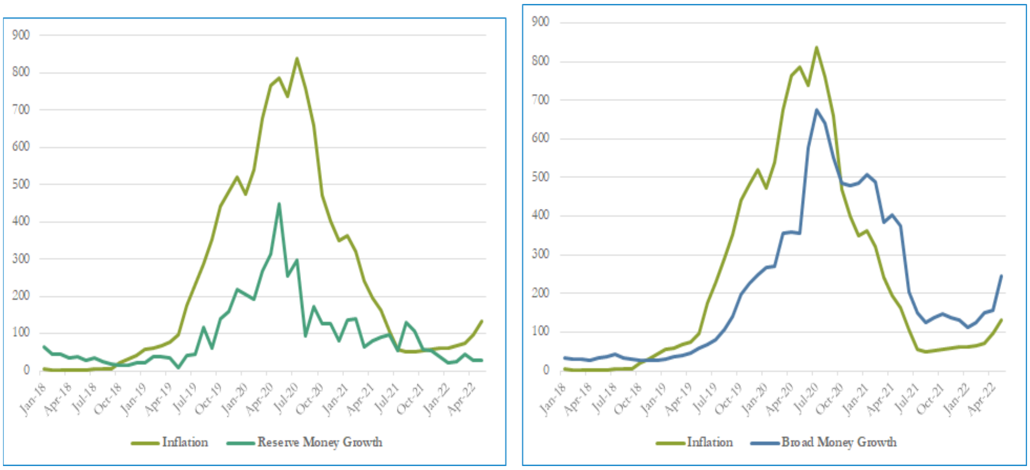
53. The annual growth in broad money was largely driven by increases of 316.9% and 286% in credit to the private sector and net claims on Government, respectively. Credit to Government also reflects the accounting treatment of the drawdowns on the Special Drawing Rights (SDR) reserves by Government, and does not represent actual lending to the Government.

54. Indications show a breakdown in the causal relationship between reserve money and inflation, as well as instability of

the money multiplier which is the relationship between reserve money and broad money. As a result, broad money supply growth and inflation have trended upwards, more notably in the first quarter of 2022, despite the Central Bank's firm control on reserve money.

55. In addition to external geo-political factors, domestic inflation is now responding more to broad money changes than to the relatively stable monetary base, as shown below.

Figure 7: Reserve Money-Broad Money-Inflation Dynamics



Source: Reserve Bank of Zimbabwe, 2022

56. The recent hike in the Bank policy rate from 80% to 200% is meant to curtail speculative demand for credit in the economy, which has been the main driver of broad money expansion.

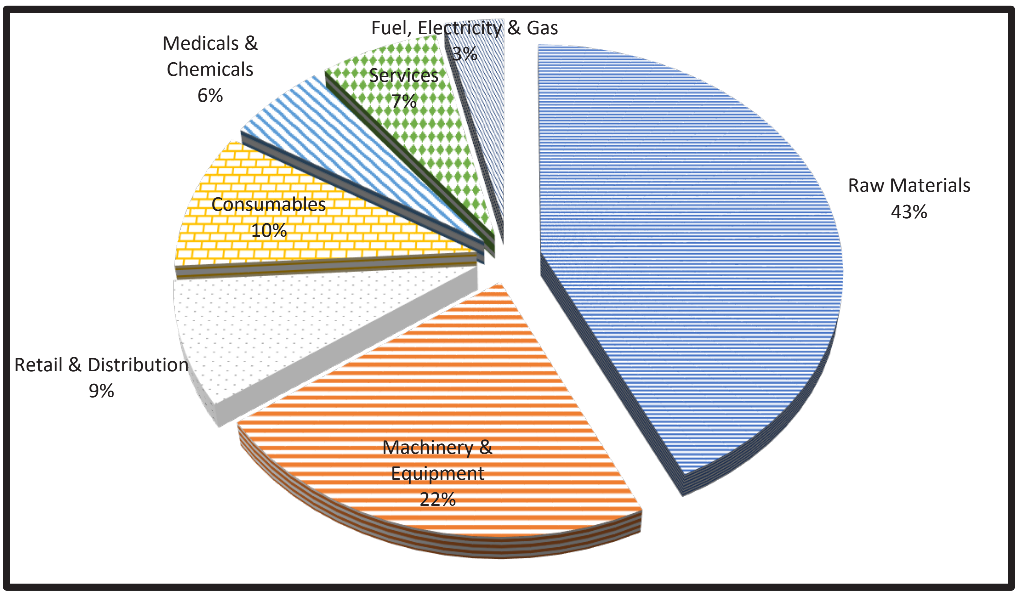
Foreign Currency Allotments at the Auction

57. Amounts allocated since the introduction of the auction system increased significantly for both the main and small medium enterprises auctions, bringing the total allotments to US$3.36 billion, as at 8 July, 2022.

58. The productive sectors of the economy continue to receive the bulk of the foreign currency auction support, with more than 70% of the allotments going towards the critical productive sectors. As at 8 July 2022, 43% of the total allotments financed raw materials, whilst 22% funded capital goods such as machinery and equipment, with 3% going into fuel, electricity and gas.

59. The Figure below shows the distribution of foreign currency through the foreign currency auction system as at 8 July, 2022.

Figure 8: Distribution of Foreign Currency in the Auction of 8 July 2022



Source: Reserve Bank of Zimbabwe, 2022

60. Commendable progress has been made towards the clearing of foreign exchange auction backlog. The Bank has ring-fenced all the backlog before auction 94, under the main auction and is current on all auctions thereafter.

Banking Sector

61. The performance of the banking sector during the period ended 31 March, 2022 was considered satisfactory, as reflected by the key financial soundness indicators.

Banking Sector Capitalisation

62. The banking sector was adequately capitalised as at 31 March 2022, as reflected by the average capital adequacy and tier 1 ratios of 35.2% and 27%, which were above the regulatory minima of 12% and 8%, respectively.

63. As at 31 March, 2022, 14 out of the total 18 banking institutions (excluding POSB with no statutory minimum capital requirement), complied with the new minimum capital requirements that became effective from 31 December, 2021. The non-compliant institutions are pursuing various recapitalisation initiatives to ensure compliance by 31 December, 2022, including mergers, organic growth of capital and capital injection by shareholders.

64. Aggregate banking sector core capital increased by 37% from ZWL$100.8 billion as at 31 December, 2021, to ZWL$138.2 billion as at 31 March, 2022, mainly attributed to capitalisation of retained earnings.

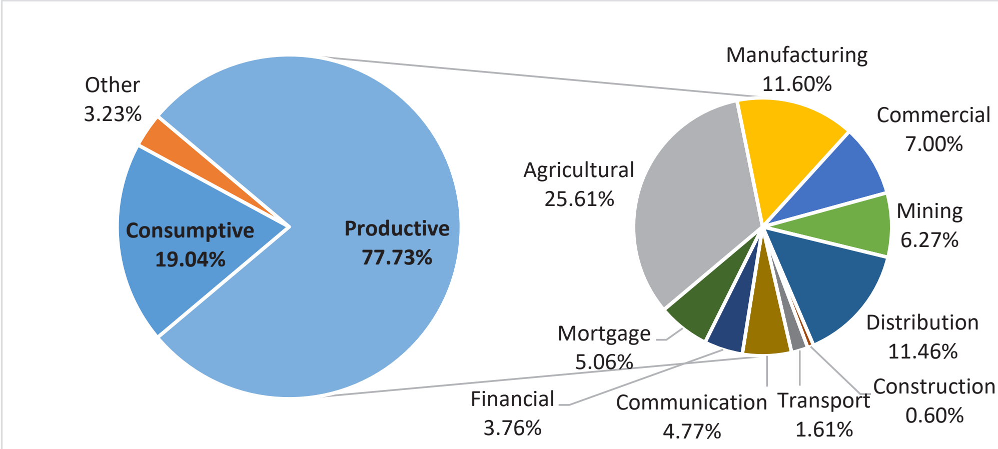
Banking Sector Loans and Advances

65. The banking sector loans and advances increased from ZWL$229.9 billion as at 31 December, 2021 to ZWL$320.4 billion as at 31 March 2022. The growth was largely attributed to the conversion of foreign currency denominated loans equivalent to ZWL$142.3 billion, constituting 44.4% of total banking sector loans. As at 27 May, 2022, the total loans and advances had significantly increased to ZWL$513.1 billion.

66. The level of banking sector financial intermediation improved as reflected by the average loans to deposits ratio of 55% as at 31 March 2022 compared to 48.3% as at 31 December 2021. The improvement in the level of intermediation is largely attributed to the increase in foreign currency denominated loans.

67. The banking sector continued to support the productive sectors of the economy, as reflected by the ratio of loans to productive sectors to total loans of 77.7% as at 31 March 2022, as shown below.

Figure 9: Sectoral Distribution of Loans as at 31 March 2022

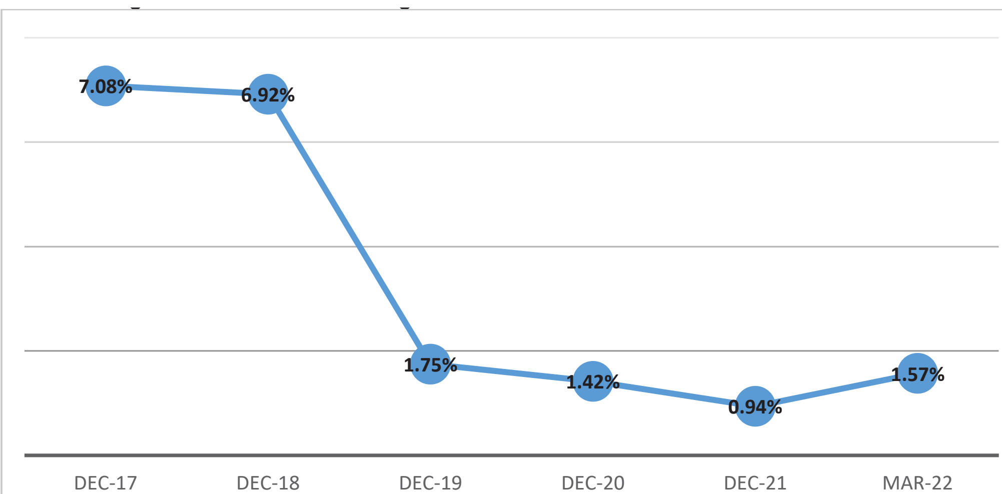


Source: Reserve Bank of Zimbabwe

Asset Quality

68. The quality of loans remained satisfactory as reflected by the non-performing loans to total loans ratio of 1.8% as at 31 March, 2022, against the generally acceptable international threshold of 5%.

Figure 10: Non- Performing Loans: December 2017 to March 2022



Source: RBZ

69. The banking sector loan quality was not adversely affected by credit stress associated with the COVID-19 pandemic, as initially envisaged and credit risk is expected to remain moderate in the outlook period.

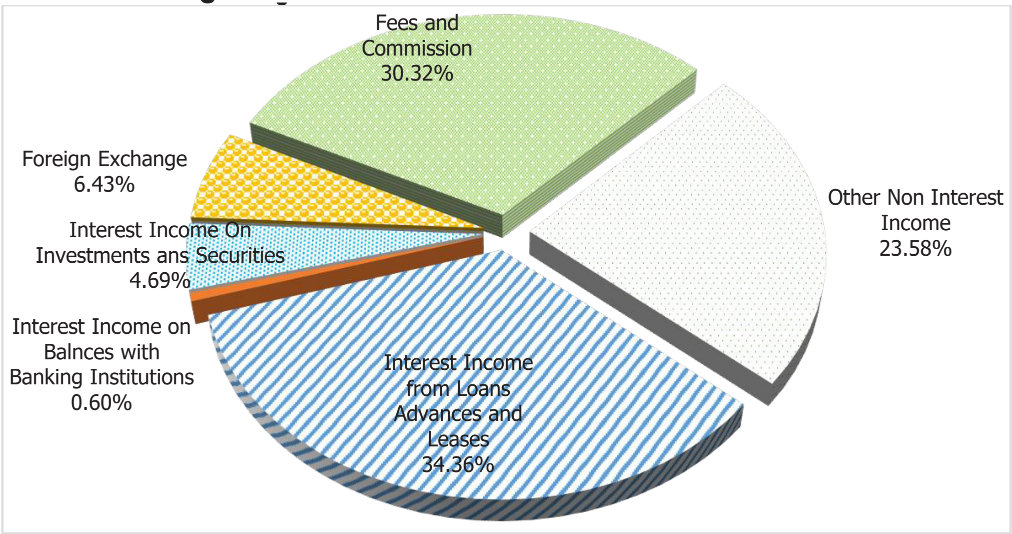
70. Meanwhile, the Central Bank continues to monitor asset quality on an ongoing basis, to ensure healthy balance sheets of banking institutions.

Earnings Performance

71. The banking sector registered aggregate profits of ZWL$27.1 billion during the period ended 31 March, 2022, an increase from ZW$6.6 billion reported in the corresponding period in 2021.

72. Growth in banking sector income was largely spurred by non-interest income, which constituted 60.3% of total income [2021: 56.9%]. Non-interest income mainly comprised fees and commissions, translation gains on foreign currency denominated assets, as well as revaluation gains from investment properties. The income mix for the sector is depicted in the figure below.

Figure 11: Income Mix – 31 March 2022



Source: RBZ

Banking Sector Deposits and Liquidity

73. Total deposits continued on an upward trajectory, recording a 22.2% increase from ZW$476.4 billion as at 31 December, 2021 to ZW$582.3 billion as at 31 March, 2022, dominated by commercial banking sub-sector deposits constituting 90.1%.

74. Foreign currency deposits accounted for 46.6% of total deposits as at 31 March 2022, whilst the balance of 53.4% was local currency denominated deposits.

75. The average prudential liquidity ratio was 61.4% as at 31 March 2022, against the minimum regulatory requirement of 30%, largely reflecting high stock of liquid assets in the sector.

Performance of the Microfinance Sector

76. The microfinance sector continues to play a pivotal role in promoting financial inclusion and sustainable economic development at grassroots and community level, by providing financial services to the vulnerable groups and small businesses.

77. The microfinance sector remained profitable and sound during the period under review, showing signs of recovery from the effects of the COVID-19 pandemic. As at 31 March, 2022, the sector recorded an improvement in financial performance as reflected by the selected key performance indicators.

78. As at 31 March, 2022, aggregate loan portfolio of the microfinance industry was ZWL$9 billion during the quarter under review, up from ZWL$7.2 billion as at 31 December, 2021.

79. The portfolio quality over the quarter marginally deteriorated as reflected by the portfolio at risk (PaR>30 days) ratio of 10.7%, up from 10.2%, which compared unfavourably against the international benchmark of 5%.

Enhancement of Credit Infrastructure

80. The Credit Registry continues to play a critical role in facilitating credit history checks. As at 31 March, 2022, the Credit Registry held over 1.7 million records of which 537,520 were active loan contracts, with individuals' records accounting for 98.1% of the records. Cumulative Credit Registry inquiries were 2.1 million as at 31 March, 2022 from 1.1 million as at 31 March, 2021, indicating an increase of 87.4%.

81. With regards to the Collateral Registry, operationalisation is at an advanced stage, with the system vendor, Systems Limited, having conducted a survey in May 2022 of the major payment gateway providers in Zimbabwe, focusing on ascertaining availability of potential payment providers and their feasibility to integrate with the Collateral Registry System.

82. The Collateral Registry will improve access to credit in the economy.

Securities Market

ZSE Performance

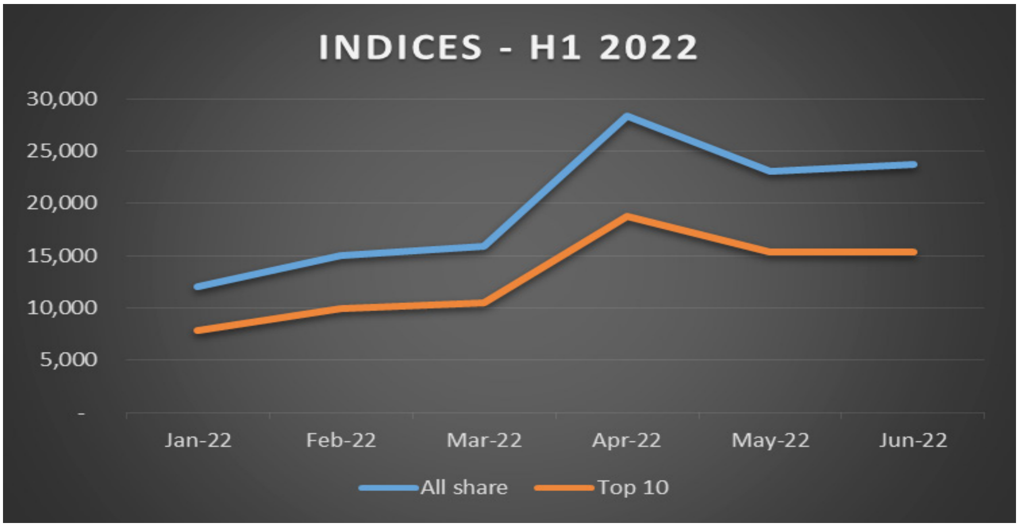
83. The ZSE All Share Index gained 120% during the first half of 2022, due to gains in the top 10 heavyweight counters which were up by 125%.

Table 6: ZSE Indices

INDEX	15 June 2022	31 December 2021	Change
All Share	23,790.71	10,822.36	120%
Top 10	15,328.84	6,811.43	125%

Source: ZSE

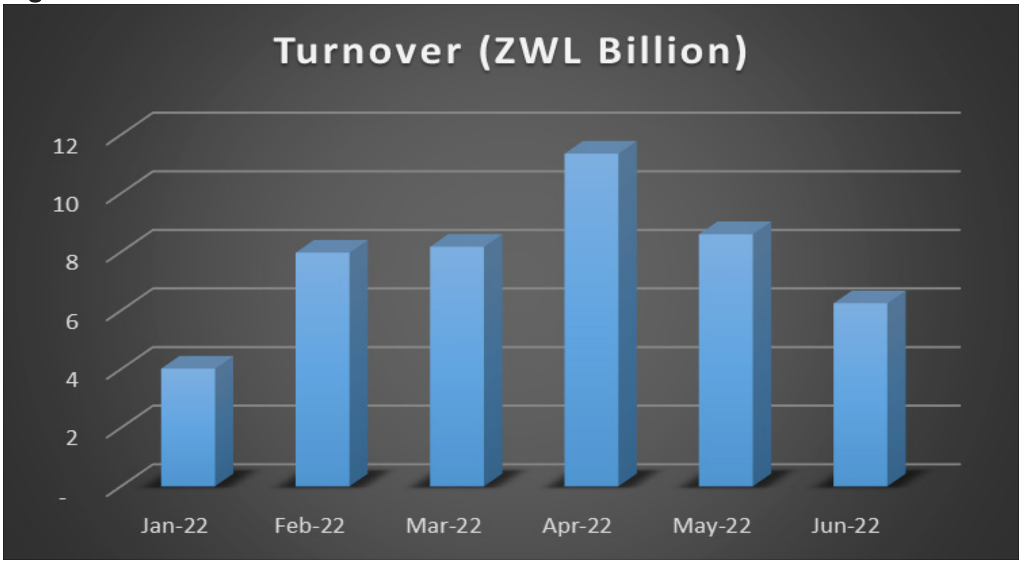
Figure 12: ZSE Indices



Source: ZSE

84. Turnover from January to mid-June 2022 increased to $46.4 billion, a 126.7% increase from $20.5 billion, during the same period in 2021.

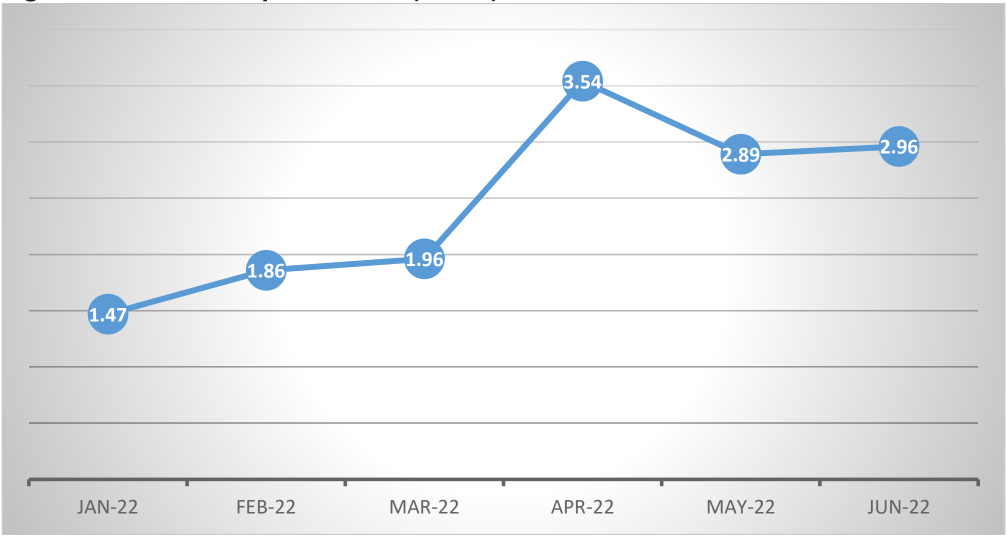
Figure 13: Turnover



Source: ZSE

85. The ZSE market capitalisation stood at ZWL$3 trillion as at 15 June, 2022, which was 127.7% higher than the ZWL$1.3 trillion market capitalisation as at 31 December, 2021.

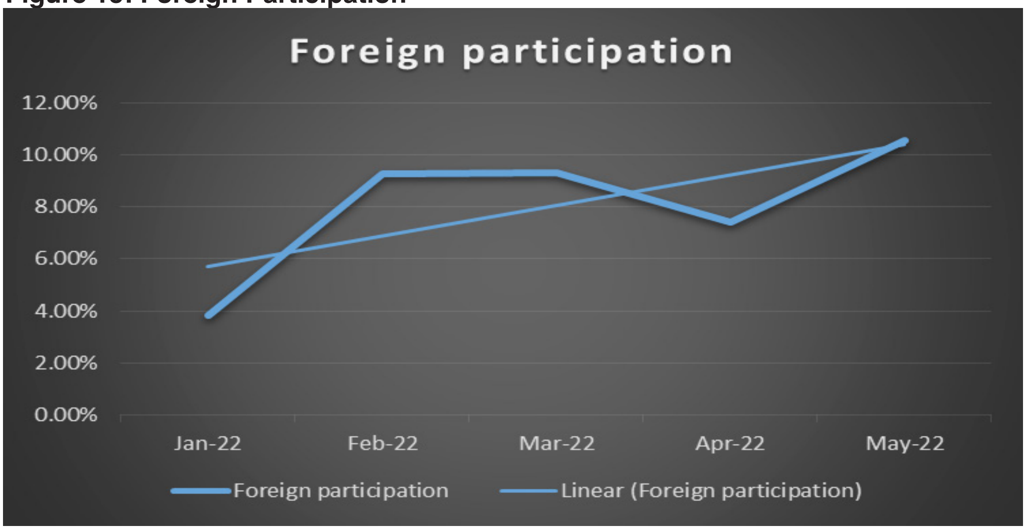
Figure 14: Market Capitalisation (ZWL$)



Source: ZSE

86. The highest foreign participation during the period under review was recorded in May 2022 at 10.6% of total market turnover, whilst the average foreign participation was 8.1%.

Figure 15: Foreign Participation



Source: ZSE

87. In line with the recently announced measures to restore confidence, preserve value and restore macro-economic stability, the ZSE is acquiring a robust surveillance system which will enable it to curb manipulation of the stock market.

Insurance Industry

88. The insurance industry recorded 94% growth in premium income at ZW$14.9 billion, as at 31 March, 2022, up from ZW$7.7 billion recorded over the corresponding period in 2021.

Table 7: Premiums

	Gross Premium Income (ZW$ b)		
Class of Business	31 March 2021	31 March 2022	Growth
Short term Insurers	3.99	7.49	88%
Short term Reinsurers	2.17	4.19	93%
Micro-insurers	0.09	0.23	148%
Life Assurers	3.42	6.47	89%
Life Re-assurers	0.06	0.27	350%
Funeral Assurers	0.19	0.70	262%
Total Gross Premiums	7.69	14.89	94%

89. The insurance industry assets and liabilities stood at ZW$176 billion and ZW$79 billion, respectively, as at 31 March, 2022.

Pension Industry

90. The number of registered occupational pension funds as at 31 March, 2022 stood at 985, a marginal increase compared to 974 funds reported as at 31 March, 2021. The industry's membership including beneficiaries, slightly increased by 2.1% to 954,395 as at 31 March, 2022 from 935 053 reported as at 31 March, 2021.

91. The industry's asset base grew by 175.6% during the first quarter of 2022 to reach ZWL$488.1 billion, compared to ZWL$177.12 billion recorded over the same period in 2021. The increase in the asset base was mainly driven by quoted equities and investment properties, which had a combined share of 84% of the industry's total assets. Average asset share per member (including beneficiaries) was ZWL$511 444.4 as

at 31 March, 2022, up from ZWL$189 425.5 recorded as at 31 March, 2021.

92. Meanwhile, compensation for insurance and pensions loss due to currency reform is currently underway. As at 29 June, 2022, pension pay outs of US$100 per person had been disbursed to over 2 059 pensioners, translating to US$205 950.

Prescribed Asset Status

93. The persistent low level of compliance with the prescribed assets threshold by the insurance and pension industry remains a cause of concern.

Table 8: Compliance with Prescribed Assets Thresholds

Type of Business	31 Dec 2020	31 Dec 2021	31 March 2022	Thresholds
Pension Funds	6.41%	4.01%	3.71%	20%
Life Assurance	2.23%	3.56%	3.60%	15%
Non-life Insurance	3.69%	2.02%	2.23%	10%

Source: IPEC

94. Going forward, the industry will need to invest in bankable projects that can be accorded prescribed asset status or subscribe to Government paper in order to comply with the law.

Update on the Insurance and Pensions Bills

95. The Pensions and Provident Funds Bill was passed by the Senate on 7 April, 2022 and now awaits Presidential assent, whilst the Insurance and Pensions Commission Bill and the Insurance Bill are at the 2nd reading stage in the National Assembly.

96. The enactment of the above legislation will address deficiencies in the current regulatory framework and empower the Insurance and Pension Commission to effectively deliver its mandate.

Agriculture Insurance

97. The agriculture sector plays a significant role in the development of our economy. Despite the numerous risks and shocks affecting performance of the sector, insurance cover for agricultural activities has remained very low with insurance premiums at less than 3% of the total gross premiums generated by the insurance industry.

98. In this regard, development of agricultural index insurance in the country which commenced in early 2022, is expected to be launched during the 3rd quarter of 2022.

99. This initiative will lead to development of a regulatory framework for agricultural index insurance, setting up of

knowledge exchange forums, as well as developing capacity in agriculture index insurance including innovative insurance solutions for smallholder farmers.

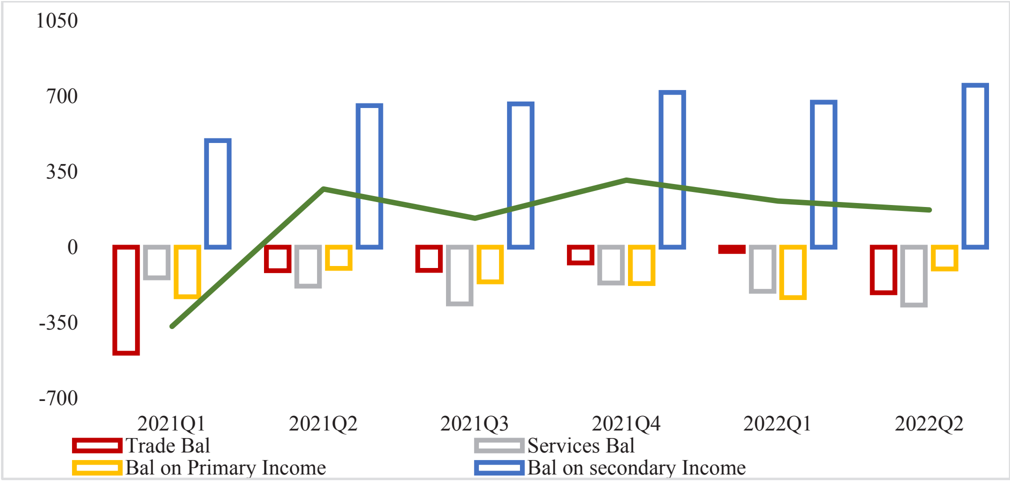
Review of Maximum Allowable Deduction for Pension Contributions

100. In order to promote long term savings in the insurance and pensions sector, Government will continue to review the maximum allowable deduction for pension contributions in order to align the allowable deduction to market developments.

Balance of Payments Developments and Outlook

101. The country's balance of payments remains favourable with a current surplus of US$387.1 million having been registered during the first half of 2022. The positive current account performance is envisaged to continue for the remainder of the year on the back of strong export performance and resilient remittance inflows.

Figure 16: Current Account Developments (US$ millions)



Source: RBZ and ZIMSTAT estimates

102. The current account surplus is envisaged to close the year 2022 at US$366.3 million, which favourably compares to US$348.2 million that the country registered in 2021, largely driven by secondary income.

Merchandise Exports

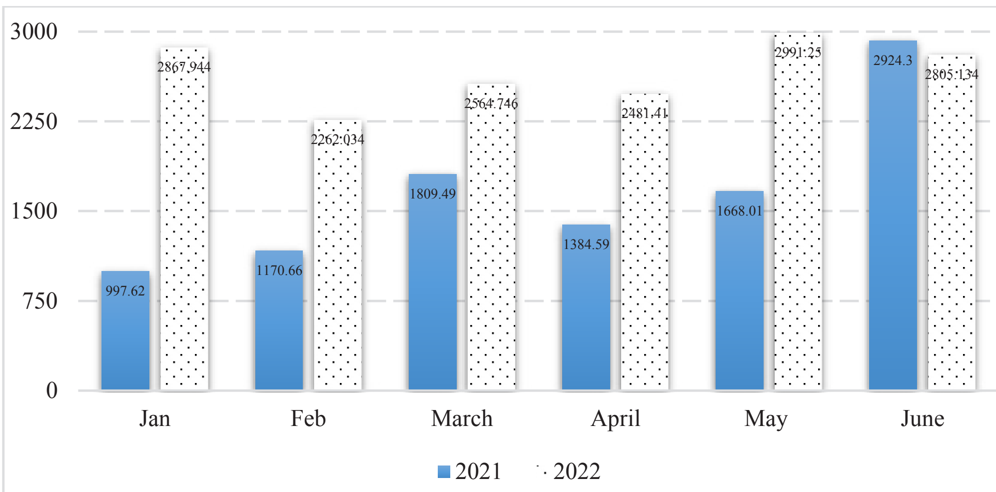
103. Merchandise exports increased by 33% to US$3 516.5 million in the first half of 2022, from US$2 649.7 million in 2021, spurred by increases in agriculture, mineral and manufactured exports.

104. Minerals underpinned merchandise exports performance in the first half of 2022, growing by 32% from US$2 193.8 million in 2021, to US$2 899.0 million on account of higher production,

coupled with a commodity price boom for key commodities amid heightened geo-political tensions.

105. Gold exports benefitted from higher global prices amid safe haven demand, coupled with higher production as incentives to producers continue to bear fruit. To that end, Fidelity Gold Refiners purchased 15 972.52kgs of gold in the first half of 2022, compared to 9 954.67kgs for the same period in 2021.

Figure 17: Gold Purchases by FGR (kgs)



Source: Fidelity Gold Refiners

106. Agricultural exports increased from US$303.2 million in the first half of 2021 to US$434.5 million in 2022, on account of higher tobacco export volumes and firmer prices.

107. Manufactured exports increased, albeit from a lower base, from US$152.8 million in 2021 first half to US$183.1 million

in 2022 driven by rising exports of cigarettes, refined sugar and electrical products. Low competitiveness and high market development costs, however, continue to hamper manufactured exports.

108. Merchandise exports are envisaged to close the year at US$7 346.5 million, a 15.5% increase from US$6 359.1 million in 2021.

Merchandise Imports

109. Merchandise imports increased by 15% to US$3 746.8 million in the first half of 2022, up from US$3 249.2 million in 2021, driven by increases in fuel, machinery, and raw material imports. As the economy expands, so does its capacity to absorb imports that feed into the production process. Increasing fuel, edible oils, grains and fertilizer prices on the international market also increased the import bill.

110. Merchandise imports are projected to close the year at US$8 082.3 million, 13.2 % up from US$7 138.4 million in 2022, driven by increases in grain, fuel, machinery and raw material imports.

Services

111. Trade in services is recovering from COVID-19 shock with travel, passenger transport and other key services beginning to trend upwards. Services exports increased from US$102.5 million in the first half of 2021, to US$175.9 million in 2022.

112. Services imports, similarly rose from US$424.5 million in 2021 to US$674.8 million in 2022. Travel services have picked up following the relaxation of the COVID-19 containment measures with people now moving freely across borders. Freight services (transport) have increased in line with increasing merchandise exports and imports.

Remittances

113. Remittances to the country improved significantly, with a positive impact on the current account balance. The remittances have been increasing since 2020, after the Government closed borders to curb the spread of the COVID-19 pandemic. The closure of the country's borders encouraged people to send money through formal channels. In addition, reduced charges on remittances encouraged the use of formal channels, thus resulting in an increase in foreign currency receipts.

Public Finance Developments

114. The 2022 National Budget was premised on total revenue collections of ZWL$850.8 billion (16.8% of GDP), expenditures of ZWL$968.3 billion and a target budget deficit of ZWL$76.5 billion (1.5% of GDP).

115. Preliminary outturn indicates revenue collections during the first half of ZWL$506.6 billion, against expenditures of ZWL$534.5 billion, resulting in a budget deficit of ZWL$27.9 billion[1], against a target deficit of ZWL$45 billion.

Table 9: Public Finance Performance Jan – Jun 2022 (ZWL$ Millions)

	Budget Est	Cum Outturn	Targets to 30 June	Budget Performance
Total Revenues	850,770.7	506,600.0	367,763.7	60%
Tax Revenues	809,388.7	472,351.8	359,162.2	58%
Non-Tax Revenues	41,382.0	34,248.2	8,601.5	83%
Total Expenditures & Net Lending	968,268.5	534,506.6	431,166.5	55%
Recurrent Expenditure	*643,291.8*	*393,104.1*	*286,516.2*	61%
Transfers to Provincial Councils and Local Authorities	42,539.0	7,143.3	18,388.2	17%
Capital	292,161.0	134,259.2	126,262.1	46%
Deficit	76,497.3	27,905.6		

Source: MoFED

1˜See Annex 1 for comprehensive unaudited outturn for the period January to June 2022

116. Depreciation of the local currency and the inflationary environment experienced during the first half of the year resulted in both revenues and expenditures performing above the original targets.

Revenue Performance

117. The 2022 National Budget had projected revenues of ZW$850.8 billion, comprising of tax revenue of ZW$809.4 billion and non-tax revenue of ZW$41.4 billion.

118. Cumulative preliminary revenue collections for the period January to June 2022 amounted to ZW$506.6 billion, against a target of ZW$367.7 billion, resulting in a positive variance of ZW$139 billion or 37.8% of estimated revenue.

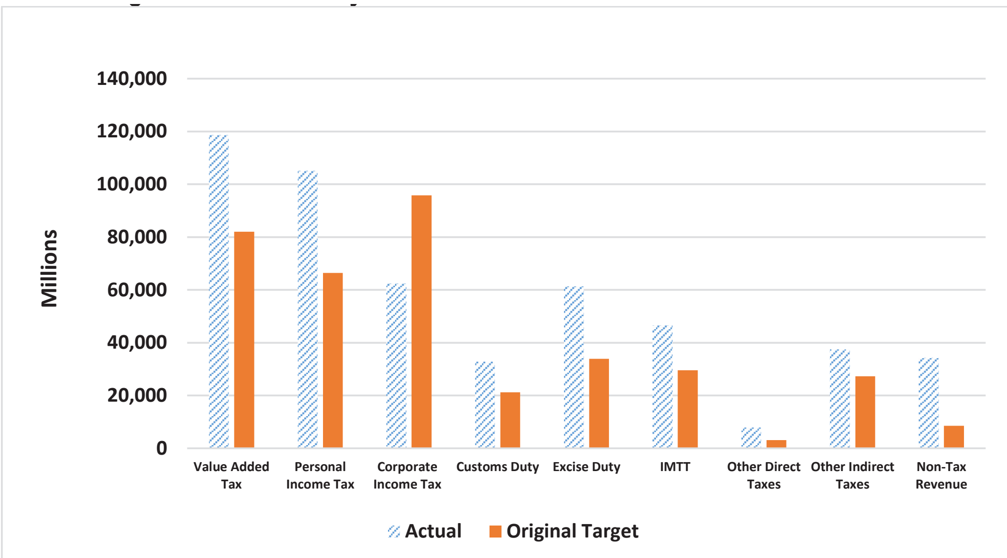
119. The table below summarises revenue performance for the period January to June 2022.

Table 10: Preliminary Revenue Performance: Jan – Jun 2022

	Actual (ZW$ B)	Target (ZW$ B)	Variance (ZW$ B)	% Variance
Tax Revenue	472.4	359.22	113.2	31.5
Non-Tax Revenue	34.2	8.6	25.6	298.2
Prelim. Total Revenue	**506.6**	**367.6**	**139**	**37.8**

120. The positive performance was largely attributed to Value Added Tax (VAT), Personal Income Tax (PIT), Excise and Customs Duty, and Intermediated Money Transfer Tax (IMTT).

Figure 18: Preliminary Revenue Heads Performance: Jan to Jun 2022



Source: MoFED

121. Non-Tax Revenue was driven by continued review of fees and charges by Government Ministries and Departments, in some instances to cost recovery levels, in order to ensure sustainability in service delivery.

Expenditure Performance

122. The 2022 National Budget was premised on expenditures of ZWL$968.3 billion, comprising recurrent spending of ZWL$633.6 billion and capital budget of ZWL$334.7 billion.

During the course of implementation of the Budget, a number of challenges emerged including the following:

- Requirements to date, to review salaries in order to improve the welfare of civil servants;
- Increase in requests for funding, including for unbudgeted expenditures;
- Depreciation of the local currency and erosion of budget provisions;
- Increases in international prices of fuel and other critical raw materials, among other key services that have rendered most budget allocations inadequate; and
- Rescoping of critical components in some projects due to unforeseen circumstances.

123. As a result, cumulative expenditures for the first six months of the year amounted to ZWL$534.5 billion, against a target of ZWL$431.2 billion, resulting in a 19% overrun. Of this amount, recurrent expenditures amounted to ZWL$393.1 billion, against a target of ZWL$286.5 billion.

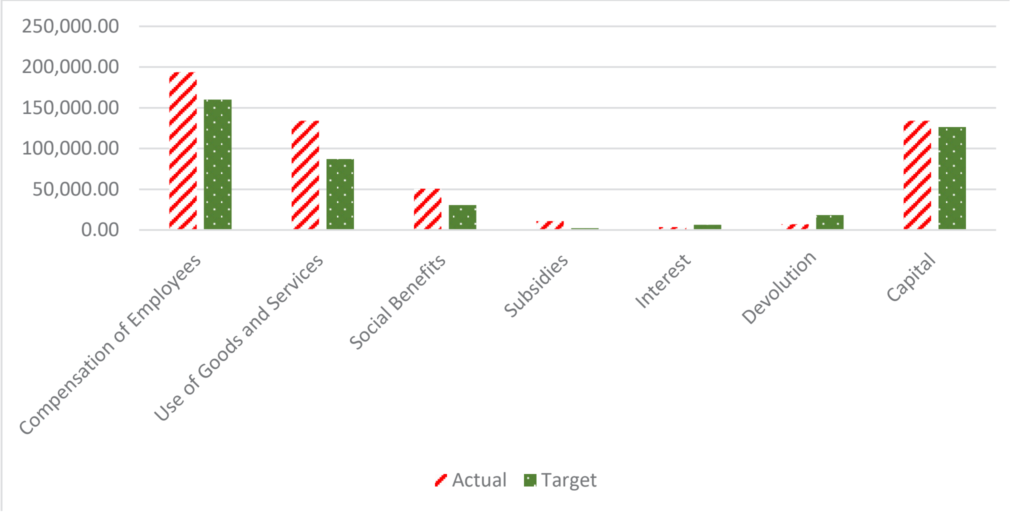
Table 11: Expenditure Performance Jan – Jun 2022 (ZWL$ Millions)

	Budget Est	Cum Exp	Targets to June	Budget Perf
Total Expenditures & Net Lending	**968,268.5**	**534,506.6**	**431,166.5**	**55%**
Recurrent Expenditure	**643,291.8**	**393,104.1**	**286,516.2**	**61%**
Compensation of Employees	340,000.0	193,821.8	160,167.8	57%
Use of Goods and Services	238,191.1	134,224.2	87,222.0	56%
Social Benefits	43,006.0	50,739.2	30,675.2	118%
Subsidies	7,727.6	10,831.6	2,102.9	140%
Interest	14,367.0	3,487.4	6,348.5	24%
Transfers to Provincial Councils and Local Authorities	42,539.0	7,143.3	18,388.2	17%
Capital	**292,161.0**	**134,259.2**	**126,262.1**	**46%**
Development Budget	*161,259.5*	*65,861.3*	*70,629.8*	41%
Strategic Grain Reserve	*29,000.0*	*7,549.6*	*14,500.0*	26%
Other Capital Items	*101,901.5*	*60,848.3*	*41,132.4*	60%

Source: MoFED

124. Higher recurrent expenditures have compromised performance of the capital budget.

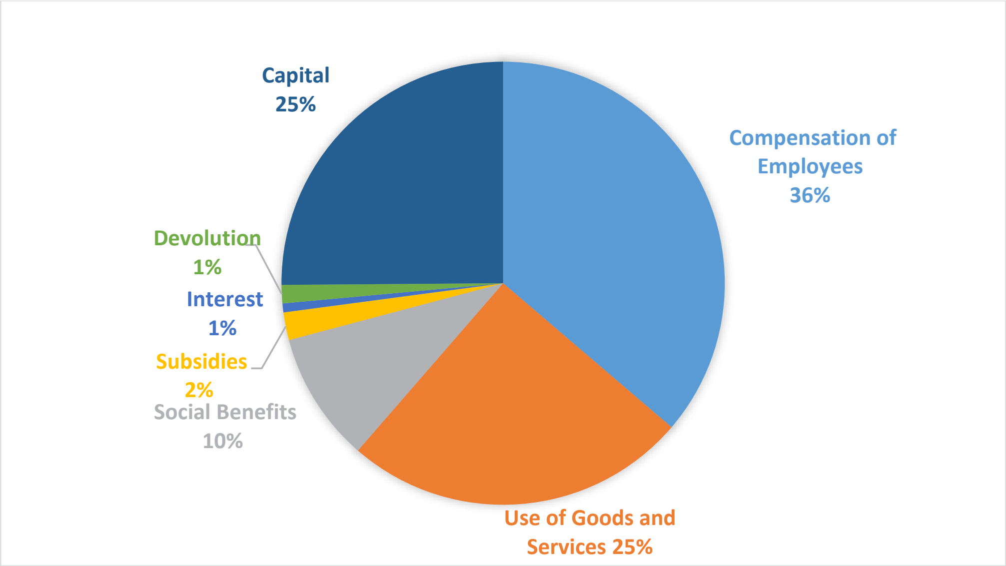
Figure 19: Performance of Expenditure Heads: Outturn *vs* Target



Source: MoFED

125. In terms of composition, compensation of employees comprising the wage bill, salaries of staff at extra-budgetary institutions and pensions dominated the expenditures at 36% of total expenditures, followed by use of goods and services at 25% with capital expenditures at 25%.

Figure 20: Composition of Expenditure



Source: MoFED

Financing

126. The 2022 National Budget had a financing gap of ZWL$76.5 billion, to be financed through domestic borrowing and SDR drawdowns. To date, an amount of ZWL$20.6 billion had been mobilised from the domestic market to close the financing gap, complemented by cash brought forward from the previous year.

127. From the targeted US$145 million drawdown from the SDR during 2022, no amount has been drawn to date and this amount is now targeted to be drawn down during the second half of the year.

Public Debt

128. As at end of June 2022, public and publicly guaranteed debt was comprised of ZWL$1.3 trillion and US$13.2 billion of domestic and external debt, respectively.

Domestic Debt

129. During the first half of 2022, Government issued Treasury bills amounting to ZWL$20.6 billion, against a target of ZWL$41.5 billion, through the auction system and private placements, with maturities ranging from 90 days to 2 years and interest rates of between 26% to 90% per annum.

130. Maturing Treasury bills amounting to ZW$19.1 billion were also paid during the same period.

131. As a result, domestic debt as at end June 2022 stood at ZWL$1.3 trillion, composed of 97.6% for compensation of former farm owners, 1% both Treasury bills & bonds and 0.3% for domestic arrears.

Table 12: Stock of Domestic Debt end June 2022 (ZWL$ million) (Preliminary figures)

	June 2022
Treasury bills	14,007
Treasury bonds	13,551
Compensation-Former Farm Owners (US$3.5 billion)	1,298,376
Domestic arrears	3,822
Total	**1,329,755**

Exchange rate as at 30 June 2022- US$1: ZWL$371, used to convert compensation to ZWL$

132. Going forward, all issuances will continue to be done through the auction system for competitive price discovery and enhanced transparency.

External Debt

133. Preliminary Public and Publicly Guaranteed (PPG) external debt stock as at end June 2022 amounted US$13.2 billion, of which US$5.5 billion is owed to bilateral creditors, US$2.6 billion to multilateral creditors and US$4.9 billion is RBZ external debt (including blocked funds).

Table 13: PPG External Debt end June 2022 (Including RBZ External Debt) (US$ m)

	Non-Guaranteed			Guaranteed			Grand Total
	DOD	Arrears	Total	DOD	Arrears	Total	
External Debt	**1,770**	**5,075**	**6,846**	**4,974**	**1,334**	**6,308**	**13,153**
a. Bilateral Creditors	**1,427**	**3,253**	**4,680**	**19**	**789**	**809**	**5,489**
Paris Club	103	2,849	2,952	16	789	805	3,758
Non-Paris Club	1,324	404	1,728	3	0	3	1,731
b. Multilateral Creditors	**232**	**1,822**	**2,054**	**0**	**545**	**545**	**2,599**
World Bank	147	1,055	1,203	0	291	291	1,494
African Development Bank	28	578	606	0	79	79	*686*
European Investment Bank	12	163	175	0	175	175	350
Others	44	26	70	0	0	0	70
c. RBZ Assumed Debt (2015)	**111**	**0**	**111**	**0**	**0**	**0**	**111**
d. RBZ External Debt				**4,954**		**4,954**	**4,954**
RBZ External Debt				1,421	-	1,421	1,421
Afreximbank				1,240	-	1,240	1,240
Bank- to- Bank				26	-	26	26
Other Commercial Creditors				155	-	155	155
Blocked Funds				3,533	-	3,533	*3,533*

134. Through the Finance Act of 2021, Government assumed outstanding external obligations that could not be remitted due to shortage of foreign currency (blocked funds) amounting to US$3.5 billion.

135. Settlement of this debt will be through cash payments for claims below US$1 million, over a period of five years and the issuance of zero-coupon Treasury bonds with maturities of 3 to 20 years for claims above the US$1 million threshold.

Arrears Clearance and Re-engagement

136. The country's external debt continues to burden the economy by restricting access to low cost, long-term financing required to support the desired medium to long term growth trajectory. To address this challenge, Government has developed the Arrears Clearance, Debt Relief and Restructuring (ACDRR) Strategy aimed at restoring debt sustainability.

137. In line with the ACDRR Strategy roadmap, Government will soon host a High-Level Debt Resolution Forum with Development Partners and other stakeholders aimed at building consensus among all stakeholders on the process and procedures of resolving the country's external debt overhang and arrears clearance.

138. The African Development Bank's President, Dr. A. Adesina has agreed to be the country's Champion for the Debt Resolution and Re-engagement process. In his capacity as Champion, he will coordinate and chair the forthcoming High-Level Debt Resolution Forum.

DEVELOPMENT PARTNER SUPPORT

139. Development partners continue to complement Government efforts in the implementation of NDS1 various projects and

programmes, having disbursed US$190 million during the first quarter of 2022. Of this amount, bilateral partners contributed US$164 million, whilst the remainder came from the multilateral partners.

140. The Table below presents sectoral breakdown of the received development assistance:

Table 14: Development Partner Support by Sector (Grants)

Sector	Commitment (US$)	Disbursement (US$)
	2022	2022 Q1
Agriculture	35,044,224	5,435,242
Transport	1,081,840	11,000
Power and Energy	29,992,390	1,853,477
Water and Sanitation	2,601,927	2,875,094
Health	499,254,257	101,168,456
Education	20,996,350	3,477,587
Governance	21,502,883	5,615,838
Multi-sector	35,250,959	12,854,078
Humanitarian	111,477,696	54,486,040
Capacity Building	11,955,458	2,123,552
Basic Social Services	1,216,444	311,400
Total	789,999,004	190,211,764

STATE OWNED ENTERPRISE REFORMS

141. The parastatal reform programme, undertaken since 2018, is meant to improve public service delivery, enhance their contribution to the overall economy and employment creation.

142. Government will follow through to completion, the reform framework so as to transform the under-performing public entities into vibrant entities that meaningfully contribute to the national developmental agenda.

143. The Table below summarises progress to date on SOEs reforms:

Table 15: Progress on State Owned Enterprise Reforms

SOE	Progress
Petrotrade	In April 2021, a Transactional Advisor was engaged and has since completed the due diligence on Petrotrade and Genesis Energy companies in March 2022 that will inform the merging of the companies. The execution of the envisaged merger of Petrotrade and Genesis Energy is now awaiting necessary approvals (for the two Boards of Directors and the approval of Line Ministry level).
Tel One and Net One	Discussions are at an advanced stage with the International Finance Corporation (IFC), under the World Bank Group, with a view of engaging them as the transactional adviser. To date, the International Finance Corporation has concluded the market assessment study for the privatization of NetOne & TelOne which will identify and describe in detail some of the critical success factors which would lead to the realisation of a successful partial-privatisation transaction.
Silo Foods	After successful de-merger from GMB, Silo Foods Industries is now seeking financial injection for procurement of new plant and equipment for milling and processing, rehabilitation of existing equipment, refurbishment of factory buildings, purchase of distribution fleet. The recapitalisation of Silo Foods Industries will proceed by way of equity participation by the private sector through the disposal of 26% stake. A greater stake of the remaining 74% is earmarked for acquisition by a local Government owned strategic investor which was identified as an anchor investor given the national strategic importance of Silo Foods Industries.

SOE	Progress
NRZ	Given the huge capital requirements to fully capitalise the entity, the turnaround of the NRZ would be undertaken in two Phases, namely, the Short-Term Recapitalisation Phase and the Medium to Long Term Recapitalisation Phase. In the Short Term, resource mobilization strategies will target acquisition of 9 new locomotives, 315 wagons and 5 Diesel Multiple Units (DMU) at a total cost of USD115m. These short-term interventions would enable the NRZ to immediately uplift an additional 2 million tonnes per annum and an additional 5.4m passengers per annum, which would have an immediate impact on ameliorating challenges faced by the ordinary commuters. To enable this project to function, infrastructure rehabilitation would be undertaken in order to remove all the cautions affecting the smooth operations.
Allied Timbers	Government is in the process of coming up with optimal capital raising strategies for Allied Timbers and has engaged IOS Partners, an international transactional advisory firm to advise on the proposed capital raising strategies. The review by IOS has been completed, and Government is considering the capital raising options. Once approved, the recommended options would start to be implemented in the next half of 2022 and beyond. Meanwhile, Allied Timbers is implementing various initiatives that are targeted at reducing operational cost; and enhance efficiency, effectiveness, capacity utilisation and organisational-wide enterprise management systems.
POSB	KPMG Advisory Services (Pvt) has been appointed as the Transactional Advisor and the findings by the Transactional Adviser will inform the privatisation strategy for the Bank. Government is currently reviewing the submitted proposed privatisation strategy by the Advisor.
Infrastructure Development Bank (IDBZ)	Government is working on strategies to recapitalise the Bank to enable it to underwrite significant infrastructure projects which are the bedrock for the realisation of Vision 2030. The Bank is pursuing balance sheet strengthening activities that would culminate in the partial privatization of the entity including ceding land to the Bank for the proposed of property development, agricultural production and tourism facilities.
ZESA	Government is in the process of re-bundling the ZESA group into a single, vertically integrated entity. Government is in the process of reviewing the proposed new structure, to pave way for its implementation.

SOE	Progress
Traffic Safety Council	Government is considering the feasibility of transforming the Traffic Safety Council into a Traffic Authority that has the legal basis of enforcing traffic related issues, as opposed to being a traffic advocacy organization. Once approved, the transformation would be implemented.
ZIMPOST	ZIMPOST is in the process of implementing some performance enhancement strategies anchored on consolidation of operations that has led to a new Business Model with all subsidiary operations brought back to ZIMPOST, and this process has since been completed.
ZUPCO	Government has continued to recapitalise ZUPCO through the procurement of buses since 2018 to help ZUPCO to consolidate its position as the leader in the revival of Mass Public Transport System. In addition, ZUPCO has partnered Deven Engineering and AVM Africa for the refurbishment of shells and in-house fitting of engines. This import substitution initiative is expected to bring back 100 buses to operations. The company is developing a strategy for private sector participation in the entire value chain of ZUPCO operations in spheres of ICT and E-ticketing, Infrastructure Development, Engineering Services and Recapitalisation of operations.
Merging of Powertel, Zarnet and Africom	Consultations on the merger of the three entities is still under way between the responsible line Ministries.

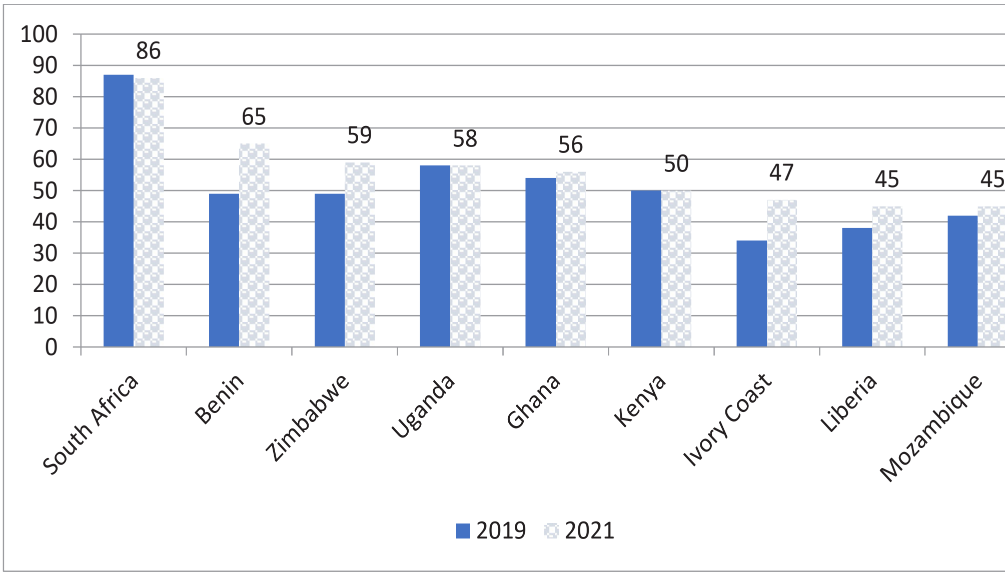
144. In undertaking this task, Government appreciates assistance that has been received from developmental partners including the World Bank (WB), the African Development Bank (AfDB), the French Development Bank (AFD), the European Union (EU), among others and looks forward to such continued support.

BUDGET TRANSPARENCY PERFORMANCE

145. The country is now ranked number three in Africa after South Africa and Benin, an improvement from the 6th position in 2019, according to the International Budget Partnership (IBP) latest report.

146. Globally, Zimbabwe is ranked number 41 out of 120 countries, up from number 52 out of 117 countries in 2019. In terms of the index, the country score of 59 out of 100 in 2021, up from 49 out of 100 in 2019.

Figure 21: Zimbabwe's Budget Transparency



Source: 2021 Open Budget Survey, International Budget Partnership

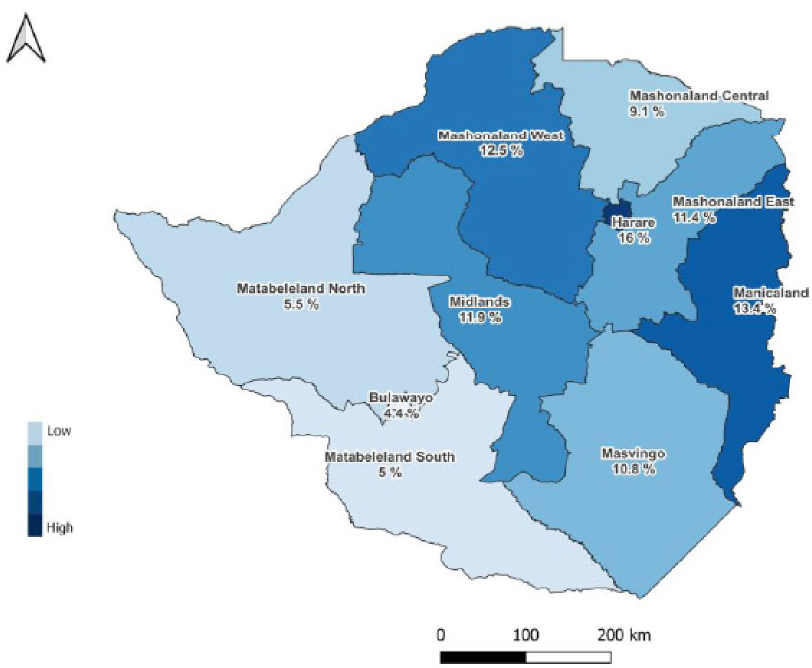
147. The improvement is attributable to the comprehensiveness and timely publication of the key budget documents.

148. Going forward, Government will continue to improve in all the three pillars of transparency, accountability and stakeholder participation in line with the commitment of *'leaving no one and no place behind'*.

2022 POPULATION AND HOUSING CENSUS PRELIMINARY RESULTS

149. The country undertook the Population and Housing Census during the period 21 to 30 April 2022. Preliminary results indicate that the country's population as at 20th April 2022 is estimated at 15.2 million, of which 7.3 million (48%) were male and 7.9 million (52%) were female, giving a sex ratio of 92 males for every 100 females.

Population Distribution by Province



150. The population grew by 16.2% from 2012 population size of 13.1 million, giving an annual average growth rate of 1.5%.

Composition of male to female ratio remain unchanged at 48/52%, respectively. However, rural urban distribution has changed from 67/32% to 61/39%.

THE 2022 SUPPLEMENTARY BUDGET

151. Fiscal developments during the first half of the year, characterised by increasing revenues and expenditure pressures, have necessitated revision of the approved 2022 National Budget.

152. In view of the revised projected GDP growth of 4.6% and on account of higher inflation and exchange rate depreciation, revenue collections to year end are now projected at ZWL$1.7 trillion.

Table 16: Revised Revenue Projections to Year End (ZWL$m)

	2021	2022 Original	Revised 2022
Revenue Including Grants	489,592.2	850,770.7	1,740,000.0
Taxes	441,572.8	803,978.32	1,644,300.0
Taxes on production and imports	253,073.3	417,071.0	947,709.2
Other taxes on products	111,848.9	169,432.9	380,032.4
Taxes on income and wealth	188,499.5	385,039.9	654,158.0
Non Tax	41,382.0	46,792.38	95,700

153. To meet the increasing operational cost of Government, expenditures to year end are now projected at ZWL$1.9 trillion, against the approved budget of ZWL$968.3 billion, entailing additional spending of ZWL$929 billion[2].

2˜See annex 1 for Classification of the Functions of Government

Table 17: 2022 Revised Macro-Fiscal Framework

	2021	2022 Original	2022 Revised
National Accounts (Real Sector)			
Real GDP at market prices (ZWL$m)	191,381.17	201,821.43	200,191.91
Nominal GDP at market prices (ZWL$m)	3,273,365.38	5,058,075.91	10,501,448.78
Real GDP Growth (%)	7.8	5.5	4.6
Government Accounts			
Revenues (excluding Retained Revenue) (ZWL$m)	489,592.20	850,770.66	1,740,000.00
% of GDP	15	16.8	16.6
Of which: Tax Revenue (ZWL$m)	455,326.90	803,978.27	1,644,300.00
Non-Tax Revenue (ZWL$m)	34,265.30	46,792.39	95,700.00
Expenditures & Net Lending including Financial Assets (ZWL$m)	562,029.35	968,268.00	1,897,522.00
% of GDP	17.22	19.12	18.1
Expenditures & Net Lending (ZWL$m)	545,029.15	927,268.00	1,871,007.34
% of GDP	16.7	18.3	17.8
Recurrent Expenditures (ZWL$m)	357,849.54	633,568.00	1,390,265.0
% of GDP	11.1	13.4	14
Employment Costs including Pension (ZWL$m)	193,261.03	340,000.10	832,794.0
% of GDP	5.9	6.7	8.0
% Total Expenditure	35.5	36.7	45.69
% of Revenue	39.5	40	55
Capital Expenditure (ZWL$m)	187,179.61	293,700.00	480,742.0
% of GDP	5.5	5	5
Acquisition of Financial Assets (ZWL$m)	17,000.20	41,000.00	26,515.0
% of GDP	0.52	0.81	0.0
Overall Balance (ZWL$m)	-55,436.95	-76,497.34	-157,521.76
% of GDP	-1.7	-1.5	-1.5

Source MoFED

154. Consistent with Section 305(5) of the Constitution, the additional revenues and expenditures will need approval of Parliament through a Supplementary Budget.

155. The revision is necessary to allow spending agencies meet increasing costs of undertaking originally budgeted programmes and projects that will ensure the 2022 objectives are met. Specifically, the additional spending will allow Government to meet increased spending on the wage bill and social protection programmes, prop up operations of Ministries, as well as sustain ongoing works on projects, among other priority areas.

Table 18: Revised Projected Expenditures to Year End (ZWL$M)

	2022 Approved Budget	Additional Required Resources	Projection to Year End
Total Expenditure & Net Lending	968,268.50	929,253.50	1,897,522.00
Compensation of Employees	340,000.00	492,795.00	832,795.00
Use of goods and services	237,565.80	163,072.20	400,638.00
o/w Delimitation Exercise	4,000.00	28,000.00	32,000.00
Census	-	12,907.00	12,907.00
Mobile Registration	-	5,000.00	5,000.00
Security Sector Support	33,000.00	50,000.00	83,000.00
Other support to MDAs	200,565.80	67,165.20	267,731.00
Interest on debt	14,367.00	3,000.00	17,367.00
Social Benefits	35,908.10	61,804.40	97,712.50
o/w Vulnerable Input Support Scheme	18,000.00	22,533.00	40,533.00
Drought Mitigation Scheme	2,800.00	7,400.00	10,200.00
BEAM	5,600.00	14,900.00	20,500.00
Subsidies	5,727.60	36,025.90	41,753.50
o/w Urban Mass Transport System	3,727.60	9,000.00	12,727.60
Financial and Non-Financial Assets	334,700.00	172,556.00	507,256.00
Development Budget	161,259.50	81,520.00	242,779.50
Strategic Grain Reserve	29,000.00	38,126.00	67,126.00
Transfers to Provincial Councils	42,539.00	10,000.00	52,539.00
Other Capital Items	101,901.50	42,910.00	144,811.50
Memorandum			

Constitutional and Statutory Obligations			
Debt Service: Interest Bill	14,367.00	3,000.00	17,367.00
Pension	47,641.50	62,628.91	110,270.41
Transfers to Provincial Councils and Local Authorities	42,539.00	10,000.00	52,539.00
Constitutional & Statutory Salaries	4,960.29	2,149.79	7,110.08

156. The proposed Supplementary Budget has a financing gap of ZWL$157.5 billion (1.5% of GDP) which will be met through issuances of TBs and domestic loans. The issuances include the impending US$ denominated bond of US$100 million to be issued through the Victoria Falls Securities Exchange (VFEX) for infrastructure development (roads rehabilitation, health and irrigation infrastructure). This will also be complemented by SDR drawdown equivalent to ZWL$60.6 billion.

157. The table below indicates the borrowing plan to year end to cover the deficit.

Table 19: 2022 Revised Annual Borrowing Plan (ZWL$ millions)

	Jan-Mar		Apr-Jun	Apr-Jun	Jul-Sep	Oct-Dec	Total
	Target	Actual	Target	Actual	Proj	Proj	
270 days	9,100		7,700		14,000	10,000	
365 days	9,200		11,800		26,000	19,846	
Total Treasury Bills	18,300	15,678	19,500	4,482	40,000	29,846	90,006
Treasury Bonds (2–7 years)						41,800	41,800
Total Government Securities	18,300		19,500		40,000	71,646	131,806

158. The fiscal policy stance of the Budget remains unchanged with the proposed additional spending being limited to increased revenue inflows and within the desired budget deficit target of 1.5% of GDP.

VOTE PERFORMANCE AND SUPPLEMENTARY BUDGET

159. Budget disbursements to line Ministries and Departments to June 2022, were designed and prioritised along planned and budgeted programmes and projects, save for unforeseen but essential developments also in line with revenue inflows.

160. As is evident from the Table below, a significant number of Votes have attained expenditures way above this average pointing to a need for additional Budgetary provisions for MDAs. On average, line Ministries and Departments spent 58% of their allocation. This level of utilisation only reflects cash disbursements while some Votes have commitments way above this level.

Table 20: Supplementary Vote Appropriations (ZWL$m): Jan – Jun 2022

	Budget	Expenditures to 30 June	Additional Estimates	2022 Revised Budget
Vote Appropriations	ZWL$	ZWL$	ZWL$	ZWL$
Office of the President and Cabinet	32,391.2	35,823.0	47,155.6	79,765.0
Parliament of Zimbabwe	14,615.1	4,877.9	2,800.7	17,415.8
Public Service, Labour and Social Welfare	19,477.3	9,654.1	34,897.4	54,374.8
Defence and War Veterans	61,553.3	46,345.7	71,515.6	133,068.9
Finance and Economic Development	64,573.6	48,192.2	127,673.7	176,617.5

Auditor General	3,014.1	534.5	1,059.6	4,073.7
Industry and Commerce	3,879.5	1,768.7	1,662.5	5,542.1
Lands, Agriculture, Fisheries, Water and Rural Development	124,049.1	98,997.3	100,672.0	231,819.0
Mines & Mining Development	3,020.9	1,725.2	1,582.5	4,603.5
Environment, Tourism and Hospitality Industry	3,711.4	1,711.7	3,624.6	7,335.9
Transport and Infrastructural Development	60,802.5	29,881.3	46,507.4	107,309.9
Foreign Affairs and International Trade	14,877.3	3,193.0	3,848.0	18,725.3
Local Government and Public Works	24,315.3	13,069.9	12,743.4	37,058.7
Health and Child Care	117,714.2	31,819.1	62,210.5	179,924.7
Primary and Secondary Education	124,070.0	54,808.8	103,924.5	228,994.5
Higher & Tertiary Education, Innovation, Science and Technology Development	35,774.2	16,144.1	35,036.1	70,810.4
Women Affairs, Community, Small and Medium Enterprises Development	4,734.5	2,374.1	3,139.0	7,873.5
Home Affairs and Cultural Heritage	49,417.6	32,159.2	61,077.1	115,493.7
Justice, Legal and Parliamentary Affairs	22,705.1	11,118.7	18,187.1	40,892.2
Information, Publicity and Broadcasting Services	2,652.7	738.9	1,012.8	3,665.5
Youth, Sport, Arts and Recreation	7,844.1	3,689.9	3,788.6	11,632.6
Energy and Power Development	3,553.9	2,823.7	2,369.7	8,183.6
Information Communication Technology and Courier Services	3,294.6	1,274.9	4,793.7	8,088.2
National Housing and Social Amenities	10,061.5	2,392.6	6,894.7	16,956.2
Judicial Services Commission	5,445.8	4,177.6	3,083.0	8,583.6
Public Service Commission	22,572.1	18,103.4	48,800.0	71,552.1
National Council of Chiefs	671.0	281.9	500.0	1,171.0
Zimbabwe Human Rights Commission	403.9	330.6	527.4	931.3
National Peace and Reconciliation Commission	441.3	247.8	390.4	831.7
National Prosecuting Authority	1,629.3	938.1	1,518.3	3,147.5
Zimbabwe Anti-Corruption Commission	913.7	517.4	351.4	1,265.1
Zimbabwe Electoral Commission	11,632.8	9,547.8	32,693.5	44,326.3
Zimbabwe Gender Commission	497.6	172.9	507.3	1,004.9
Zimbabwe Land Commission	1,759.3	1,175.8	4,688.4	6,447.7
Zimbabwe Media Commission	511.0	181.1	238.2	749.2
Sub-TOTAL	**852,032.6**	**490,793.1**	**851,474.8**	**1,703,507.4**
Constitutional and Statutory Budget				
Debt Service: Interest Bill	14,367.0	3,487.4	3,000.0	17,367.0
Pension	47,641.5	31,572.7	62,628.9	110,270.4

Transfers to Provincial Councils and Local Authorities	42,539.0	7,143.3	10,000.0	52,539.0
Other Constitutional & Statutory Appropriations	4,960.3	1,510.2	2,149.8	7,110.1
Total Expenditure & Net Lending	968,268.5	534,506.6	929,253.5	1,897,522.0

161. The additional expenditures will allow Government meet increased cost of operations whilst also allowing liquidation of current commitments including arrears to service providers.

RECURRENT EXPENDITURE

162. To sustain Government operations to year end, an additional amount of ZWL$756.7 billion is being proposed to bring the total recurrent expenditure to ZWL$1.4 trillion for the year 2022.

163. The proposed additional expenditures will enable Government to meet increasing employment costs, Government operations and social benefits interventions.

Employment Costs

164. The 2022 National Budget had set aside ZWL$340 billion for compensation of public servants, of which outlays for the period to June 2022 stood at ZWL$193.8 billion, against a target of ZWL$160.2 billion, giving a negative variance of ZWL$33.6 billion.

165. The Budget provision now needs to be supplemented, taking account of reviews in employment costs implemented over the period January 2022 to July 2022 as follows:

- 20% remuneration effective 1 January 2022
- Payment of Covid-19 allowance of US$75 and US$30 monthly to Civil Servants and Government Pensioners, respectively, in hard currency effective 1 January 2022
- Introduction of a flat cushioning allowance of US$100 and US$50 to Civil Servants and Government Pensioners, respectively, payable in hard currency effective 1 March 2022
- Review of sector specific allowances in health, education and uniformed sectors
- 100% remuneration review effective 1 July 2022

166. The reviews were necessitated by the increase in cost of living that has led to erosion of incomes. Furthermore, Government recruited personnel in the education and security sectors, as well as the Judicial Service which impacted on the wage bill.

167. In view of the above developments, the allocation for employment costs to year end has been revised by ZWL$492.8 billion to ZWL$832.8 billion.

Social Protection Benefits for the Vulnerable

168. The original Budget had set aside an amount of ZWL$35.9 billion for social protection, covering Productive Social Protection Scheme, Drought Mitigation Scheme and BEAM, among others, with ZWL$5.7 billion having been allocated for the Urban Mass Transport System.

169. Outlays on social benefits during the period under review amounted to ZWL$50.7 billion against a target of ZWL$30.6 billion, resulting in a 118% over-expenditure.

170. Development partners also supported social protection programmes during the first quarter with resources amounting to US$159.2 million in areas of health, education and humanitarian support.

171. However, the increasing cost of living and the poor agriculture season has added the demand for social protection services across all categories. Hence, the Supplementary Budget is proposing an additional ZWL$97.8 billion to support all social protection programmes to cushion the vulnerable households.

172. This allocation also provides for capacitation of the Government Specialised Unit and interventions towards curbing drug and substance abuse, especially among our youth, targeting drug

supply and demand reduction, treatment, reintegration and rehabilitation.

Food Deficit Mitigation Strategy

173. Under the Food Deficit Mitigation Strategy, Government spent ZWL$1.4 billion on grain support to rural areas and cash for cereals to urban areas. To mitigate the growing demand, the Supplementary Budget proposes to allocate additional ZWL$7.4 billion towards the programmes.

Harmonised Social Cash Transfers

174. The 2022 National Budget allocated ZWL$2.2 billion for cash transfers, of which expenditures amounted to ZWL$$1.4 billion, benefitting more than 28 000 vulnerable households.

175. A further ZWL$6.3 billion has been allocated to sustain and expand the Programme to year end.

Urban Mass Transportation System Subsidy

176. Government has liberalised the public transport system to allow private players to complement Government, while efforts are under way to adequately capitalise ZUPCO.

177. The Urban Mass Transportation System, had an approved budget of ZWL$3.7 billion, and half year expenditure of

ZWL$5.9 billion, resulting in an over expenditure of ZWL$2.2 billion attributed to the increase in fuel prices and increase demand of the service.

178. To sustain the programme and meet demand, an additional amount of ZWL$9 billion is being allocated to the Programme.

Public Examinations

179. The 2022 Budget had set aside ZWL$1 billion to support public examinations. However, the half year outlay on grade seven and O' level examinations amounted to ZWL$2.8 billion.

180. To sustain the programme and meet demand, an amount of ZWL$6.5 billion has been set aside in support of the Programme.

Productive Social Protection Programme

181. Expenditures towards the Programme amounted to ZWL$40.2 billion for the period up to June against a Budget provision of ZWL$18 billion. The support went towards provision of seed, fertilizer and chemicals for maize, other small grains and cotton to over 3 million households during the previous agriculture season.

182. The focus of the Supplementary Budget amount ZWL$21.5 billion is to unlock early delivery of the inputs to vulnerable households in preparation for the forthcoming farming season.

Strategic Grain Reserve (SGR)

183. The Strategic Grain Reserve allows the country to cope with food emergencies, as well as stabilise food prices. Notwithstanding the low level of grain output from the 2021/22 summer cropping season, deliveries to GMB are estimated at around 500 000 MT over the marketing season to March 2023.

184. The original Budget provision of ZWL$29 billion for procurement of strategic grain reserve and operational support for GMB is now inadequate considering estimated deliveries between now and December 2022, as well as GMB operational support.

185. The revised provision takes into account the current producer price of ZWL$75 000 plus USD$90 per metric ton at the prevailing exchange rate.

186. Therefore, a total of ZWL$32.1 billion is being allocated to meet farmer payments on grain deliveries to GMB, with an additional ZWL$6 billion being proposed to cover operational expenses under the Strategic Grain Reserve.

Development Budget and Public Sector Investments

187. The 2022 Capital Budget provided for ZWL$334.7 billion for infrastructure development, capitalisation of public entities, devolution and general capacitation of Government Departments.

188. Out of this, an amount of ZWL$141.4 billion was expended for the period to June mainly towards road and dam construction projects and housing. The summary of the expenditures is as indicated in the Table below.

Table 21: Capital Budget (ZWL$m)

SECTOR	2022 ORIG BUDGET	EXP TO JUNE	ADD AMOUNT	2022 REV BUDGET
Development Expenditure				
Energy	2,404.6	138.6	2,100.0	4,504.6
Transport	53,513.1	26,229.1	41,700.0	95,213.1
Water and Sanitation	27,285.0	17,332.5	20,800.0	48,085.0
ICT	5,413.0	2,299.0	4,670.0	10,083.0
Health	14,660.0	1,600.2	-	14,660.0
Education	15,368.0	2,547.0	-	15,368.0
Housing and Social Amenities	30,313.8	5,305.5	8,000.0	38,313.8
Irrigation Development	6,140.0	9,353.0	3,000.0	9,140.0
Other Infrastructure Related Outlays	6,162.0	1,056.1	1,250.0	7,412.0
Other Capital Expenditures				
Agricultural related Expenditures	32,056.0	11,274.1	38,126.0	70,182.0
Capitalisation of SOEs	10,915.0	6,210.9	4,100.0	15,015.0
Other Capital	87,930.5	50,913.0	38,810.0	126,740.5
Devolution	42,539.0	7,143.3	10,000.0	52,539,0
GRAND TOTAL	**334,700**	**141,402,5**	**172,556.0**	**507,256.0**

189. Owing to developments during the first half and emerging priorities, a number of priority areas on the capital budget require additional provisions to cater for increased costs. Therefore, an amount of ZWL$172.6 billion has been set aside to bring the revised capital budget to ZWL$507.3 billion.

Energy

190. In the energy sector, focus is on the completion of the 600MW Hwange 7 & 8 Expansion Project. Works are now estimated at 88.3% with key activities including installation of boilers, turbines, transformers and construction of a 400Kv transmission line having been undertaken. Unit 7 is expected to be completed by November 2022 and Unit 8 during the first quarter of 2023.

191. Against the loan Facility of US$998 million, cumulative disbursements to May amounted to US$443 million, with a further US$334 million expected to be spent up to year end.

Hwange 7 and 8 Expansion Project: Generator Number 7

Hwange 7 and 8 Expansion Project: Cooling Tower

192. In line with the loan agreement disbursements of ZWL$138.6 million from the fiscus went towards payment of local costs and an additional amount of ZWL$1 billion is being proposed to meet the same.

193. This was complemented by development partner support amounting to US$2.2 million in support of programmes and projects under the energy sector during the first quarter. The resources were channelled towards Alaska Karoi Power Transmission Project, Kariba Dam Project and the Emergency Power Infrastructure Rehabilitation Project Phase II.

Transport

194. Under the Road Development Programme, resources amounting to ZWL$25.7 billion were availed during the period under review targeting mainly Harare-Masvingo-Beitbridge road which received ZWL$12.7 billion, with the balance being deployed towards rehabilitation and upgrading of the country's road network under the Emergency Roads Rehabilitation Programme (ERRPII).

Harare-Masvingo-Beitbridge Road

195. Remarkable progress has been realised on the Harare-Masvingo-Beitbridge Road with a total of 326.9km out of the

target of 520km having been completed and now open to traffic, with 51.9km having been completed during the period January to June 2022.

196. Going forward, an additional amount of ZWL$33.2 billion has been set aside to enable meeting of the target of completing 100km during the year 2022.

Some Sections of Harare-Masvingo-Beitbridge Road Rehabilitation

197. To compliment to the Harare-Beitbridge Road construction project, the construction of the Mbudzi Interchange Project has gained momentum with the construction of detour routes completed, while civil works on the 12 bridge structures being in progress. During the year, the target is to achieve 60% completion for the bridge structures.

Bridge number 2 (Mbudzi Roundabout to Glen Norah Suburb)

Steel works for bridge number 10 underway

Emergency Road Rehabilitation Programme II

198. An amount of ZWL$13 billion was disbursed through the Budget towards emergency road works under the Emergency Road Rehabilitation Programme II (ERRPII). A further ZWL$3.7 billion was financed from the Road Fund as indicated in the table below:

Table 22: Disbursements by Road Authority

	Amount (ZWL$)
Department of Roads	1.1 billion
District Development Fund (DDF)	651 million
Urban Local Authorities	1.1 billion
Rural Local Authorities	828.4 million
Total	**3.7 billion**

199. The above interventions have ensured achievement of the following, among others—

- Completion of restoration works on Cyclone Idai damaged roads;
- Completion of Masvingo Urban dualization (4 lanes);
- Surfacing of Granges Road in Belvedere, Harare;
- Construction of Delport road which is in progress in Epworth, Harare; and
- Rehabilitation of the following road networks—
    - ➢ Norton Road (3km), Galloway Road (2.6km) and Shukrun Road (2.8km);
    - ➢ Gudza-Tumba Way in Chitungwiza (7.8km);
    - ➢ Knightsbridge and Glencary roads in Harare; and
    - ➢ Amaveni Road 5.5km in Kwekwe – surfacing with Asphalt concrete is in progress;

Masvingo Urban Dualisation (4 Way)

Glencary Road

St Patrick's Road, Hatfield.

Amaveni road 5.5km in Kwekwe.

200. To sustain works to year end, an additional amount of ZWL$8.5 billion has been provided under this Supplementary Budget.

R.G. Mugabe International Airport Expansion Project

201. The R.G. Mugabe International Airport Expansion Project remains on course with overall progress now estimated at 69%. Major outstanding works include refurbishment of the existing building and procurement of the required equipment.

202. Out of the US$153 million loan facility from China Exim Bank, a total of US$131.2 million has been disbursed up to May 2022, with a further US$10.2 million expected to be expended to year end.

Outside of Terminal Building (72% Complete)

Inside of Terminal Building

203. Through the Budget, an additional amount of ZWL$514 million was channelled towards Air Traffic Control Communications

System, whilst an amount of ZWL$411 million was spent on legacy debts for Air Zimbabwe.

204. Furthermore, the procurement of Radar Equipment has commenced following the payment of US$5.7 million under the US$6.1 million, contract with 3 radars having been delivered during the period under review and installation currently underway. The outstanding 2 radars are in transit from the suppliers, with installation expected to be complete during the last half of the year.

205. With regards to the Early Warning Systems Programme, Government has also approved procurement of Automated Weather Equipment worth US$3.3 million to be installed this year.

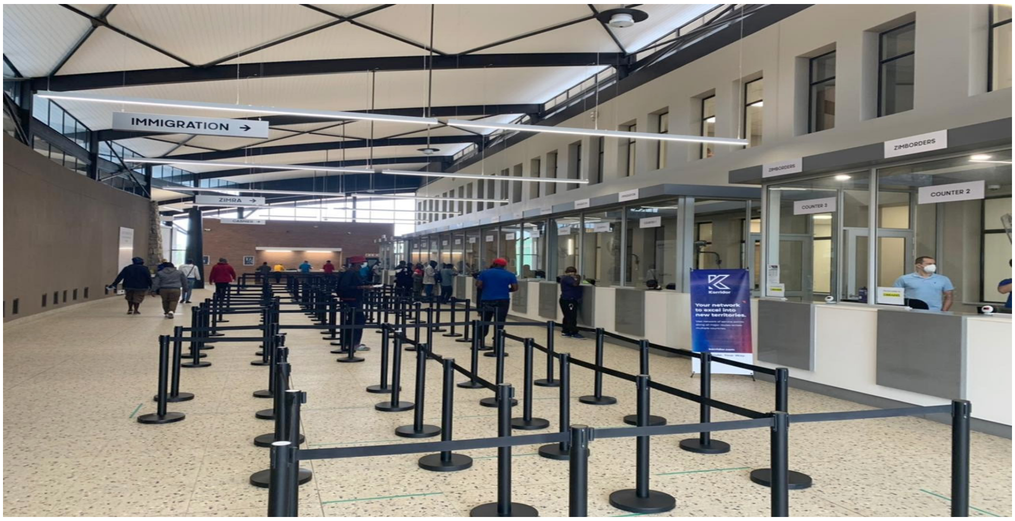
206. To fully consolidate implementation of this programme, an additional amount of ZWL$1.8 billion has been allocated.

Delivered Radar Equipment

Installation of Radar Equipment in Progress

Ports

207. Works on the Beitbridge Border Post Modernisation Project are progressing in earnest with Phase 1 now complete and operational. Current works relate to Phase II activities which comprise construction of bus terminal, bus guardhouse and bus ablution, whilst Phase III works are expected to commence during the second half of the year.



Freight Terminal Building – Immigration Side

Freight Terminal Building – ZIMRA Side

Arial View of Phase 1 Facility

Arial View of Phase 1 Facility

Beitbridge Road Dualisation – Urban Section

Water and Sanitation

208. Resources amounting to ZWL$16.8 billion were availed towards the water and sanitation projects targeting dam construction, procurement of drilling rigs and borehole drilling. Priority was on sustaining on-going works on key projects such as Gwayi-Shangani and Chivhu dams.

209. Disbursement towards Gwayi-Shangani dam amounted to ZWL$6.7 billion, with the project now at 67.5% completion. Construction of the pipe line has also commenced with the contractors now on site.

Gwayi-Shangani Dam

210. Overall progress at Chivhu dam is at 98% with the project now earmarked for commissioning during the third quarter of 2022.

Chivhu Water Supply Scheme

Water Supply Works Ongoing

211. Government also availed resources in support of establishment costs for Kunzvi, Vungu and Ziminya dam projects with contractors now on site.

Kunzvi Dam

212. To carter for ongoing and outstanding works on dam construction projects, an amount of ZWL$18.5 billion is being provided under this Supplementary Budget.

213. Government is also implementing the Presidential Rural Development Programme which seeks to drill a borehole in each of the country's 35 000 villages integrated within a one-hectare solar powered village horticulture garden.

214. Already, a total of ZWL$766 million has been availed targeting procurement of drilling rigs and borehole drilling.

215. Furthermore, the sector received US$2.9 million from development partners in the first quarter of 2022 in support of improving access to portable water in urban areas and Cyclone Idai affected areas.

Digital Economy

216. Under the Zimbabwe Digital Migration Project, ZWL$306 million was spent on procurement of High-End Upgrade and 1 000 set-top boxes critical for ensuring that citizens who have analogue televisions are able to receive the digital signals from transmitters.

217. Resources were also availed under the Lab Per School Programme enabling establishment of 90 laboratories in 90 schools, as well as towards full operationalisation of 63 PFMS Kiosks across the country.

218. A further ZWL$1.6 billion was availed towards maintenance and upgrading of Government systems.

219. Through the Supplementary Budget, Government will provide additional resources amounting to ZWL$4.7 billion targeting procurement of transmitters, digitalisation of ZBC, capacitation of Lab Per School Programme and upgrading of national systems.

Infrastructure for Social Sector

220. Support under the social sectors amounted to ZWL$4.1 billion, with ZWL$1.6 billion going towards health interventions, whilst ZWL$2.5 billion, was spent towards education related projects and programmes.

221. Key projects under health that received support include upgrading of infrastructure at Provincial and District health centres, construction of Manyame Hospital and procurement of medical equipment.

222. Work is also underway on the 800 bedded new Lupane Provincial Hospital with focus being on the outpatient department (OPD), pharmacy section, administration building and doctors' accommodation. The project is expected to be completed in 2023.

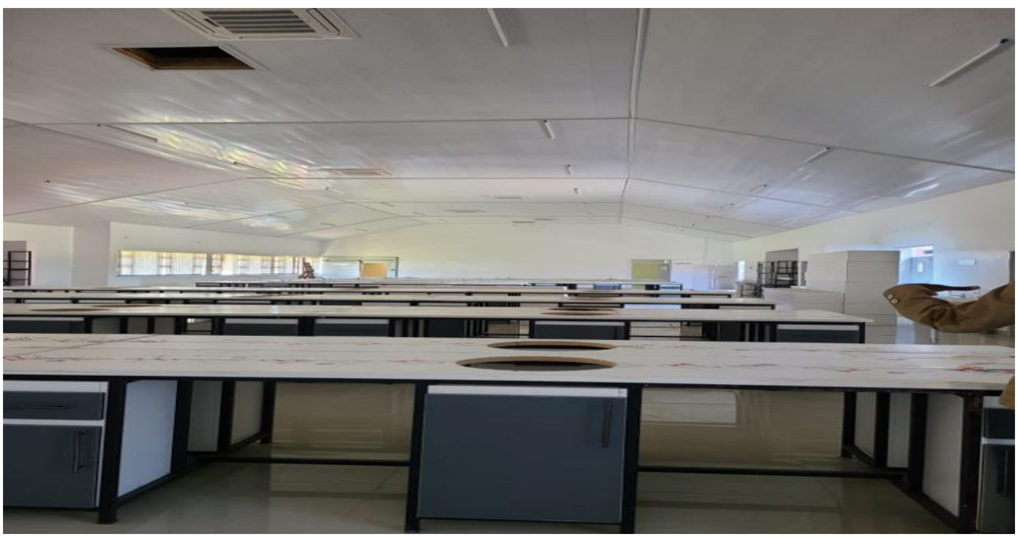
223. The period under review also saw the commissioning of the first clinic under the NMS Facility in Stoneridge Harare South, on the 13th of May, 2022, by His Excellency, President E. D. Mnangagwa, whilst works on the other three sites in Cowdray Park (Bulawayo), Mberengwa (Mataga) and Chimanimani (Runyararo) are ongoing and expected to be completed by year end. Preparatory works on the other additional four sites are currently underway.

224. The same occasion also witnessed the commissioning of the first 32 Ambulances under the current contract for delivery of 100 Ambulances.

225. With regards to interventions in the education sector, support was extended towards the construction of female halls of residence at Bindura University of Science Education, Great Zimbabwe Medical School, including the procurement of equipment and Pathology Laboratory at Midlands State University, as well as construction of primary and secondary schools.

226. Overall progress at Bindura University halls of residents is now at 98% completion with outstanding works related to installation of a transformer and associated electrical works. An estimated 94% and 99% completion levels have been achieved at Great Zimbabwe Medical School and the Pathology Laboratory at Midlands State University, respectively.

Bindura Halls of Residence



MSU Pathology Laboratory

Housing Delivery

227. The Housing Delivery Programme, benefiting from both public and private sector investments has seen a number of

projects being implemented and now at various stages. During the period under review, a total of ZWL$5.3 billion in fiscal resources was channelled towards various housing projects targeting construction, upgrading and rehabilitation works.

228. Some of the high-impactful projects being implemented include residential stands at Empumalanga (Hwange), Crownlands (Chinhoyi) and Kasese (Kariba), residential flats in Dzivarasekwa, Marondera and Senga, composite offices at Lupane and Siakobvu, and construction of housing units in cantonment areas covering Manyame, Dzivarasekwa, Imbizo and Chikurubi, as well as districts registries.

229. In order to ensure sustained implementation of targeted housing delivery projects, a total of ZWL$8 billion in additional funding has been provided for rehabilitation and construction of both institutional and residential accommodation.

Dzivarasekwa Flats

Chimoio Flats

230. To accelerate housing delivery, Government is crowding in the private sector through Public Private Partnerships (PPPs) arrangements. Furthermore, financing structures are being

developed, targeting other institutional investors such as Pension and Insurance industry to invest in the sector.

Irrigation Development

231. To facilitate implementation of the National Accelerated Irrigation Development and Rehabilitation Programme, a total of ZWL$2.1 billion was availed towards irrigation rehabilitation and development, maintenance of communal irrigation schemes and capacitation of A2 farmers.

Chabwino Irrigation Scheme, Goromonzi District

232. To complement Government efforts, development partners disbursed US$2 million under the Smallholder Irrigation Revitalisation Programme to support interventions towards irrigation development.

233. Furthermore, Government is spearheading the V30 Accelerator Model, a business model meant to promote production, enhances productivity and profitability for communal irrigation schemes countrywide and implemented through ARDA in partnership with communal farmers. ARDA will provide the technical expertise in the form of a competent Scheme Business Manager with Agri-technical expertise who will transform the schemes into viable commercial enterprises.

234. During this year's winter wheat season, 292 schemes have been onboarded with a total of 10,468 hectares having been put under wheat production.

235. Going forward, Government seeks to upscale this business model to all communal irrigation schemes in order to make them commercially viable and reduce dependency on the fiscus.

236. To enhance coverage of the programme to year end, a further ZWL$3 billion is being allocated.

Devolution

237. The Devolution programme has created a positive impact within communities nationwide through provision of social infrastructure among other key deliverables. To date, ZWL$7.1

billion had been disbursed out of an allocation of ZWL$42.5 billion under the 2022 Devolution Budget.

238. The general low utilisation of devolution funds reflects the need to speed up the development of a regulatory framework and clearly defined structures, including capacitation of personnel responsible for management of the funds and implementation of the projects.

239. Notwithstanding these challenges, Government remains committed to disburse the resources as provided for in the Constitution.

Capitalisations Public Entities

240. The allocations for capitalisation of some of the strategic public entities have also been rendered inadequate on account of the inflationary environment.

241. In this regard, an additional amount of ZWL$3.1 billion has been set aside for capacitation of Empower Bank, SMEDCO, Women's Bank and AFC Holdings to ensure they effectively execute their mandates.

Capacitation of Government Departments

242. The 2022 Budget has provision for capacitation of Government Departments with tools of trade such as vehicles and furniture, among others. This includes capacitation of the security sector through construction of houses, acquisition of equipment and vehicles to enhance their mobility.

243. Accordingly, an additional amount of ZWL$7.9 billion has been set aside targeting procurement of vehicles, furniture and equipment for Government Ministries, Departments and Agencies. An additional ZWL$1.3 billion is being proposed for procurement of public service buses.

244. Furthermore, consistent with the thrust of improving conditions of service for Senior Government Officials, additional resources amounting to ZWL$3 billion are being proposed to procure personal issue vehicles.

REVENUE MEASURES

245. Mr Speaker Sir, the revenue measures that I am proposing seek to enhance revenue to the *Fiscus*, provide relief to taxpayers, as well as strengthen tax administration.

Revenue Enhancing Measures

Special Economic Zones (SEZs)

Qualifying Criteria

246. Mr. Speaker Sir, Special Economic Zones were introduced with a view to promote and facilitate domestic and foreign direct investment in export-oriented companies, as well as attracting foreign capital.

247. Success of the Special Economic Zones concept hinges on a number of interventions by Government that include a supportive tax regime. Companies licensed to operate in Special Economic Zones are, thus, entitled to the following tax incentives:

- exemption from income tax for the first years from commencement of operations;
- exemption from non-residents tax on fees, dividends and royalties; and
- rebate of duty on raw materials and capital equipment, among others.

248. These benefits are, however, available to licensed investors *that export all their goods and services* under the "qualifying degree of export orientation" criterion.

249. It has, however, been observed that a number of companies licensed to operate in Special Economic Zones are claiming these tax benefits, notwithstanding their failure to attain the key criterion of "qualifying degree of export orientation".

250. I, therefore, re-affirm the current legislative position that *only companies that export all of their goods and services* are entitled to the specified tax incentives.

251. The Zimbabwe Revenue Authority will, thus, collaborate with the Zimbabwe Investment Development Agency (ZIDA) in screening of corporates who should benefit from the tax concessions.

Platinum Royalty Rate

252. Mr. Speaker Sir, despite the significant contribution to output and export receipts, the mining sector contributed about 1.2% of GDP in direct taxes to the Fiscus in 2021. This is a significant contrast to countries in sub-Saharan Africa which averaged 2% during the same period.

253. Low fiscal receipts are attributed in part to a generous royalty regime on some major minerals. A case in point is the royalty rate on platinum, which was reduced from 10 percent in 2015 to 2.5 percent, in conformity with a court judgement. The

reduced rate was subsequently aligned across all platinum producers.

254. Compared to revenues accruing from mining activities and rates charged on other precious minerals and metals such as gold, the royalty rate on platinum is sub-optimum. For example, royalty rates on gold range from 3 to 5 percent, depending on the international commodity price.

255. Mindful of the fact that the tax regime is the main instrument for sharing benefits from finite minerals and also provides an important source of Government revenue, it is necessary to maximise revenue to the Fiscus.

256. A royalty rate of 5%, which is in line with other platinum producing countries in Africa, is, therefore, proposed with effect from 1 January 2023.

257. The royalty rate of 5% will also apply on lithium with effect from 1 January 2023.

Review of Tax Incentives

258. Honourable Members would be aware that Government has, over the years, provided tax incentives to the productive sector, with a view to lower production costs, create and

enhance local value chains, augment local supply of inputs into production, create employment and promote exports, among other developmental objectives.

259. As a *quid pro quo* to loss of revenue to the Fiscus, Government has a legitimate expectation that consumers should benefit from responsible pricing of products.

260. Treasury will, thus, not hesitate to withdraw tax incentives where beneficiaries fail to embrace the above principles.

Illicit Cigarette Trade

261. Mr. Speaker Sir, the growth of illicit cigarette market, compounded with the fact that contraband cigarettes are produced in legally registered factories under registered brands, is an urgent issue that calls for Government intervention.

262. Illicit tobacco trade, which is an anti-competitive practice, results in evasion of corporate income tax, value added tax and excise duty, among other taxes.

Monitoring of Cigarettes Production

263. In view of the threats posed to revenue, I propose sealing of the production counters of individual production machines.

264. This will enhance the monitoring and enforcement mechanism, whereby the Zimbabwe Revenue Authority tallies production to specific duties.

Destruction Policy

265. Locally produced cigarettes are smuggled mainly into neighbouring countries, hence, the majority of seizures of illicit cigarettes are local brands.

266. I, therefore, propose to introduce a destruction policy, whereby all confiscated illicit cigarettes are destroyed in a closely monitored process, with effect from 1 August 2022.

Intermediated Money Transfer Tax (IMTT)

Taxable Transactions

267. Mr. Speaker Sir, Intermediated Money Transfer Tax (IMTT) is payable whenever a financial institution mediates the transfer of money between individuals, companies or any other institution.

268. Financial institutions required to withhold IMTT include providers of mobile banking services and any banking institution registered or required to be registered in terms of the Banking Act [*Chapter 24:20*].

269. The definition of financial services, however, excludes *Authorised Dealers with Limited Authority* (money transfer agents) registered in terms of the Exchange Control Act, hence, are not required to withhold IMTT.

270. As a consequence, these institutions have an unfair competitive advantage over mobile banking services and other banking institutions registered in terms of the Banking Act in the money transfer business.

271. I, therefore, propose to extend IMTT to the internal transfer of money by *Authorised Dealers with Limited Authority* registered in terms of the Exchange Control Act.

272. For the avoidance of doubt, IMTT will not apply to inbound foreign currency remittances.

Value of Non-Taxable Transactions

273. Macroeconomic developments have necessitated a review of the IMTT *Tax-Free Threshold* to cushion low-income earners and high-volume businesses.

274. I, therefore, propose to review the value of the tax-exempt transactions from ZW$1,000 to ZW$2,500.

275. In the case of corporates, I propose the review the maximum tax payable per transaction from the current ZWL$1,320,000 to ZWL$3,300,000 on transactions with values exceeding ZWL$165 million.

276. In the case of foreign currency denominated transfers, I propose to review the maximum tax payable per transaction from US$10,000 to US$20,000 on transactions with values exceeding US$500,000.

277. These measures take effect from 1 August 2022.

Cessation of Business for Purposes of Debt Management

278. Mr. Speaker Sir, tax debts to ZIMRA continue to increase substantially. As at 30 June 2022, ZIMRA was owed ZW$23.05 billion.

279. Efforts to recover the outstanding tax debts have been hindered by the diversion of funds from company accounts that can be garnished by ZIMRA to other accounts not linked to the business or the proprietor.

280. The alternative expedited procedure to attach immovable property in settlement of debts due requires a court order which can be a lengthy process. In some cases, the order is secured after the immovable property has already been disposed.

281. In order to address mounting tax debts, I propose a temporary closure of operations for business that owe ZIMRA. This process will only be initiated after issuance of the required statutory notices by ZIMRA.

Capital Gains Tax

Shares Traded on the Stock Exchange

282. In order to curtail speculative tendencies on the stock exchange that partially contributed to the rapid movement of the exchange rate, thereby destabilizing the economy, His Excellency, the President, announced a raft of measures, some of which have since been implemented.

283. I, therefore, propose to impose a capital gains tax of 40 percent on shares disposed-off less than 270 days from the date of purchase, with effect from 1 May 2022.

Excess Expenditure

284. Current legislation provides that any amount paid by a taxpayer in excess of the allowable deduction shall be deemed as payment of a dividend upon which residents shareholder's tax is charged.

285. I, therefore, propose to deem as dividends, expenditure in excess of the allowable threshold paid by a local company or a subsidiary to a local company.

Presumptive Tax: Informal Cross Border Traders

286. Where cross border traders do not produce a *Tax Clearance Certificate*, they are liable to a withholding tax of 10 percent of the value of commercial goods imported.

287. The penalty is no longer effective to induce compliance, hence, I propose to increase the withholding tax to 30 percent of the value of imported commercial goods, with effect from 1 August 2022.

288. This measure will align the withholding tax rate to what is chargeable to other unregistered business trading with compliant taxpayers.

Tax Relief Measures

Pay As You Earn

289. Mr. Speaker Sir, the *Tax-Free Threshold* was increased to ZW$300,000 or USD1,200 per annum for remuneration earned in local and foreign currency, respectively, with effect from 1 January 2022.

290. Adjustments to wages and salaries in response to macroeconomic developments have resulted in bracket creep on local currency denominated remuneration.

291. I, therefore, propose to review the *Tax-Free Threshold* on local currency remuneration from ZW$300,000 to ZW$600,000 per annum and also adjust the tax bands to end at ZW$12 million from the current ZW$6,000,000 per annum, above which tax will be levied at a rate of 40 percent, with effect from 1 August 2022.

292. This measure is envisaged to increase disposable income, spur consumption spending and income for corporates.

Bonus Tax Free Threshold

293. I also propose to review the local currency tax-free bonus threshold from ZW$100,000 to ZW$500,000 with effect from 1 November 2022.

Tax Administration

Proliferation of Unauthorised Agents at the Border Posts

294. In an effort to rationalise the number of Government Departments that operate at the *Border Posts*, thereby reducing corruption and revenue leakages, the Zimbabwe Revenue Authority

(ZIMRA) launched an *Electronic Single Window* implemented through the ASYCUDA system.

295. Whereas the electronic *One-Stop-Shop* makes it easier for traders importing and exporting goods to comply with ZIMRA requirements and also to access the necessary customs clearances from other Government Agencies, the problem of unauthorized persons operating at the border has been increasing. This poses a threat to revenue collection due to corruption through collusion with the agents that operate at *Border Posts*.

296. Whilst steps to establish a *Ports Authority* to manage affairs at the *Border Posts* and also ensure that only registered agents work inside the border area are underway, I propose to designate ZIMRA, in the interim, as the controller of *Border Posts.*

297. The Zimbabwe Revenue Authority will, thus, be mandated with the coordination of entry and exit of cargo and also ensure orderly, efficient and reliable Port services.

298. In the interest of reducing the cost of doing business, inspection of cargo will be conducted concurrently with other *Border Agencies*, where necessary.

Sharing of Information Between Government Departments

299. Mr. Speaker Sir, non-resident Zimbabweans issued with work permits are required to comply with a number of domestic legislative requirements that include payment of taxes.

300. Compliance is partly dependent on whether the non-resident employee is registered for tax.

301. A number of employers are, however, opting not to register the non-resident employees in order to evade payment of tax.

302. In order to facilitate registration of all non-resident employees for tax, I propose mandatory sharing of data on non-resident work permits between ZIMRA and Department of Immigration.

Definition of Assessment

303. Whereas the *Income Tax Act* provides for collection of income and other taxes, the definition of assessment is, however, limited to assessments issued for corporate tax and self-assessments of income.

304. For purposes of clarity in the administration of tax, I propose that the definition of the term "assessment" be widened to cover other taxes such as *Pay As You Earn* collected under the *Income Tax Act,* with effect from 1 January 2023.

Adjustments of Monetary Amounts in Tax Statutes

305. Mr. Speaker Sir, current legislation provides for monetary values for purposes of levying tax on various incomes.

306. The monetary values were last reviewed in December 2021, hence, no longer reflect the current macroeconomic environment, thus, prejudicing revenue to the *Fiscus*.

307. I, therefore, propose to review monetary values in various tax statutes.

Non-Payment of Tax

308. Whereas the *Value Added Tax* Act provides for penalties and interest for non-payment of tax, failure to remit tax is, however, not an offense.

309. I, therefore, propose to criminalize non-payment of tax and also to provide a penalty thereof.

Value Added Tax Registration Threshold

310. The *Value Added Tax* threshold is currently pegged at USD60,000 or the local currency equivalent.

311. Consequent to the current macroeconomic environment, the active number of registered operators has reduced since they now trade below the Value Added Tax Threshold.

312. It is, thus, necessary, in the interest of revenue, to maintain a stable tax base, hence, I propose to reduce the Value Added Tax registration threshold to USD40,000, with effect from 1 September 2022.

313. Traders that record a turnover of USD40,000 or the local currency equivalent during any year of assessment will, thus, be compelled to register for VAT.

Deferment of Value Added Tax

314. Mr. Speaker Sir, current legislation provides the productive sector with the opportunity to defer payment of Value Added Tax for a period not exceeding 180 days, in order to ease cashflow challenges associated with importation of capital equipment.

315. In order to safeguard Fiscal revenues, as well as for ease of administration, I propose that the value of qualifying imported capital equipment be pegged at a minimum of US$500,000, with effect from 1 September 2022.

Legislative Amendments

Tax Exemption for POSB

316. Mr. Speaker Sir, Honorable Members will recall that the *Post Office Savings Bank* was granted income tax exemption status in 1997, in view of its role to include the unbanked communities and also encourage savings.

317. I, therefore, propose to extend the tax exemption to the *People's Own Savings Bank*, which is a successor to the Post Office Savings Bank.

Export Tax on Un-Beneficiated Platinum

318. In consideration of the work in progress to establish a platinum beneficiation plant, Government suspended export tax on exports of matte.

319. I, therefore, propose to align this policy decision to the Value Added Tax Act, with effect from 1 January 2022.

Definition of Electronic Services and Electronic Service Operator

320. Government extended tax on income generated from trade in electronic services. However, there is no clarity on what constitutes trade in electronic services.

321. I, therefore, propose to include the definition of electronic service provider and operator for ease of administration.

Claiming of Input Tax

322. Taxpayers are allowed to claim input tax on a valid tax invoice or a debit note for a period of up to twelve months.

323. The Commissioner also has discretional power to allow tax invoices claimed after expiry of twelve months, to the extent that the registered operator shows good cause.

324. The benevolence is, however, being abused with some registered operators claiming Value Added Tax backdated to as far back as three years.

325. In the interest of safeguarding revenue to the *Fiscus*, I propose that the discretional power of the Commissioner be removed, with effect from 1 August 2022.

Mining Royalties

326. Despite the provision for tax payment in the currency of trade, Government, in the interest of promoting use of the local currency, decided that royalties should be paid in both local and foreign currency in the ratio of 50:50.

327. I, therefore, propose to avail the necessary legislation, with effect from 1 February 2022.

Payment of Value Added Tax in Foreign Currency

328. Notwithstanding provisions of the Reserve Bank Act, whereby bank notes, coins and electronic currency issued by the Central Bank are solely defined as legal tender, there is an obligation to remit Value Added Tax in the currency of trade.

329. The Value Added Tax Act, however, does not recognise electronic currency as legal tender.

330. I, therefore, propose to align the Value Added Tax to the provisions of the Reserve Bank Act, with effect from 1 February 2019.

Returning Residents

331. Whereas in the interests of safeguarding revenue to the Fiscus, Value Added Tax should be paid on motor vehicles imported by immigrants, this has to be provided for in the Value Added Tax.

332. I, therefore, propose to align the policy intention with the provisions of the Value Added Tax Act, with effect from 1 January, 2022.

Value Added Tax: Input Tax

333. Mr. Speaker Sir, current legislation permits businesses to trade in either local or foreign currency. Consistent with this legislative provision, VAT registered operators are compelled to account for tax in the currency of trade.

334. In order to assess the amount of VAT payable or refundable, output tax should be offset against input tax incurred in the same currency. This, however, creates an administrative burden for some VAT registered operators whose sales and purchases are transacted in different currencies. This is particularly common on foreign currency sales of imported goods and services that are liable to import VAT in local currency.

335. I, therefore, propose to provide VAT registered operators with the option to pay duty in foreign currency to facilitate offsetting of output and input tax in the same currency, with effect from 1 September 2022.

Computation of Income Tax

336. Mr. Speaker Sir, corporates are compelled to convert their income and expenditure qualifying for deduction to local currency when assessing their tax liability. Thereafter, the tax liability is split into local and foreign currency on the basis of the ratio of revenue generated in either currency.

337. The requirement to submit a single income tax return has created uncertainty in determining the local and foreign currency tax liability.

338. In order to mitigate against the risk of over or understating tax, I propose that taxpayers prepare two separate tax returns in the currency of trade. The expenditure qualifying for deduction under each tax return will be determined by the ratio of local to foreign currency income.

339. For purposes of conversion to foreign currency, where necessary, the average auction exchange rate during the year of assessment will be used.

340. This measure takes effect from 1 October 2022.

Exemption of Clay Bricks from VAT

341. Mr. Speaker Sir, in order to stimulate construction and housing development, it is necessary to reduce the cost of building materials such as bricks.

342. In order to eliminate variable treatment, I, propose to exempt all bricks from VAT, with effect from 1 August 2022.

343. Zero rating of bricks prior to 1 August 2022 will be regularised accordingly.

Rebate of Duty on Equipment for Scientific Research

344. Mr. Speaker Sir, innovation and research are pillars towards sustainable development and industrialisation. The education and training system in Zimbabwe is now geared towards this initiative.

345. In that regard, it is important that local research institutions be capacitated through infrastructure that promotes knowledge, which is adaptive and resilient to common and emerging threats such as climate change, infectious diseases and drug resistance, among others.

346. I, therefore, propose to introduce a *Rebate of Duty* on equipment for use in scientific research imported by institutions approved by Ministries responsible for Health, Mining, Agriculture and Higher and Tertiary Education.

Ratification of Regulations Made through the Finance Act

347. Mr Speaker Sir, current legislation empowers the Minister responsible for Finance to make regulations amending or replacing any rate of tax, duty or levy as he or she deems necessary or expedient for the administration of the Charging Act.

348. In view of the dynamic nature of the economic environment, as well as cushioning the general public from the effects of fuel prices emanating from global disturbances, Government made necessary adjustments to the strategic reserve levy, automated financial transactions tax, intermediated money transfer tax and mineral royalty rates.

349. Mr. Speaker Sir, I ,therefore, seek confirmation of the regulations made in terms of section 3 of the *Finance Act*.

ZIMRA Board

350. Current legislation vests control and management of ZIMRA operations in a Board that is comprised of the Ministry responsible for Finance, the Commissioner General of ZIMRA, and not more than eight other members appointed by the Minister after consultation with the His Excellency, the President.

351. The Board members are appointed for their knowledge of and experience in finance, commerce, economics, taxation, human resource management or law.

352. In order to facilitate the administrative reforms which are high on the agenda to improve efficiency, I propose to increase the number of other Board members from the current eight to ten, with effect from 1 July 2022.

CONCLUSION

353. The economy continues to show evidence of resilience, anchored on strong economic fundamentals such as enhanced capacity to generate adequate foreign currency, decent economic growth, sustainable budget deficits and current account surplus.

354. The resilience is also as a result of sustained economic transformation ushered in by the New Dispensation in the form of sound fiscal and monetary policies, increased investment in infrastructure and other productive sectors, governance reforms, ease of doing business reforms and the engagement and re-engagement drive.

355. Exchange rate and price stability remain a challenge for the economy requiring an inclusive approach by all stakeholders. Government's immediate priority is to restore macro-economic stability, critical for sustainable economic growth.

356. Beyond economic stability, Government will also implement economic transformative policies necessary for job creation and better incomes as we move towards Vision 2030 of an Upper Middle-Income Society.

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

28 July 2022

ANNEXURE

Annex 1: Fiscal Outturn (ZWL$m): Jan to Jun 2022

Item	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Target
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Cum Total	Cum Total
	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$
Total Revenue	**55324.0**	**50439.8**	**77010.2**	**73120.7**	**94197.3**	**156508.0**	**506600.0**	**367649.3**
Tax Revenue	49849.3	45629.3	71893.8	63036.9	89337.3	152605.2	472351.8	359162.2
Tax on Income and Profits	16311.7	15195.6	30789.7	20710.7	25832.7	67629.8	176470.1	165766.6
Individuals	16061.5	14772.4	11358.4	12281.5	19564.7	31117.6	105156.1	66467.5
Companies	250.2	423.1	18568.7	2950.3	4534.9	35701.7	62428.9	95759.6
Domestic dividend and interest	0.0	0.0	462.8	849.7	1030.1	0.0	2342.6	2002.6
Other income taxes	0.0	0.0	342.5	4566.0	605.8	0.0	5514.2	1098.7
Presumptive tax	0.0	0.0	57.4	63.2	97.2	810.5	1028.3	438.3
Customs duties	2922.1	3396.1	4298.7	4570.3	7218.2	10447.3	32852.7	21168.9
Oil products	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other(Prime &Surtax)	2926.6	3408.5	4323.2	4590.1	7274.2	10525.8	33048.5	21168.9
Refunds Duty	4.6	12.4	24.5	19.9	56.0	78.4	195.7	-
Excise duties	4517.1	4954.6	6760.9	7860.6	11824.7	17196.1	53114.0	26867.0
Beer	781.2	262.2	1288.1	793.3	974.5	1433.5	5532.9	2573.9
Wines and Spirits	289.1	220.8	95.2	289.7	355.1	460.3	1710.1	473.9
Tobacco	250.4	98.4	515.8	333.7	493.9	550.4	2242.7	41.6
Second Hand Motors Vehicles	12.6	23.5	30.7	26.6	48.6	70.8	212.8	59.8
Fuels	3183.8	4348.4	4831.0	6401.6	9942.3	14680.9	43388.0	23717.7
Electric lamp	0.0	1.3	0.1	15.7	10.3	0.1	27.5	-
Taxes on Specific Services	2046.0	1123.9	1041.3	1414.0	3625.4	3062.6	12313.2	6690.3
Business Licences	348.0	493.4	350.5	307.5	460.8	945.0	2905.3	71.5
Energy Taxes -Carbon Tax	468.7	630.5	690.8	955.3	1404.6	2117.6	6267.5	3281.6
Fuel levy (4 cents diesel levy)	1229.3	0.0	0.0	151.2	1760.0	0.0	3140.5	3337.2
Value Added Tax (VAT)	14834.2	12152.2	18334.9	16283.5	22747.6	34348.9	118701.4	81988.0
VAT on Domestic Goods	9721.7	8604.1	12325.8	10630.1	16827.0	22149.0	80257.7	47977.1
VAT on Withholding Tax	770.3	438.6	1022.9	1167.4	1266.4	1089.0	5754.6	4096.6
Imported Goods & Services	4520.6	5678.5	7018.4	7311.6	11809.8	16416.7	52755.6	29914.3
Refunds	178.4	2569.0	2032.1	2825.6	7155.6	5305.8	20066.5	-
tax on gross Revenue	2579.8	3572.5	4609.5	4434.2	8692.8	7384.6	31273.4	26604.7
Tobacco Levy	3.6	2.5	0.1	307.4	915.9	909.2	2138.7	913.4
Royalties-mining	522.3	1400.1	2149.8	1474.7	4590.8	3304.6	13442.3	12913.1

Airtime(including Health levy)	1283.9	1079.6	1401.4	1153.2	1631.1	1655.0	8204.3	6980.2
withholding tax on Tenders	770.0	1090.3	1058.3	1498.8	1555.0	1515.7	7488.1	5798.0
Taxes on financial and capital transactions	6563.1	5124.5	5952.5	7668.8	9153.8	12178.2	46640.9	29593.4
IMTT	6563.1	5120.4	5949.7	7666.8	9150.0	12112.2	46562.2	29587.5
ATM Levy	0.0	4.0	2.8	2.0	3.8	66.0	78.7	5.9
Other Indirect taxes	75.2	110.0	106.3	94.8	242.2	357.7	986.1	483.3
Stamp duty	75.2	106.2	102.6	93.6	207.5	316.2	901.2	483.3
Other indirect taxes	0.0	3.8	3.7	1.2	34.8	41.5	85.0	-
Non-tax Revenue	5474.7	4810.5	5116.3	10083.9	4860.0	3902.8	34248.2	8487.0
Property income	519.5	168.5	114.4	4297.0	345.9	474.7	5920.0	273.3
Interest	85.7	78.8	49.9	27.9	105.3	74.9	422.5	1.4
Dividends	0.0	0.0	0.0	15.0	0.0	18.3	33.3	161.4
Withdrawals quasi -corporations	433.8	77.9	64.3	4170.3	240.3	381.5	5368.2	11.3
Pension Contribution	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Rent	0.0	11.8	0.2	83.8	0.3	0.0	96.1	99.0
Reinvested earnings on FDI	0.0	0.0	0.0	0.0	0.0	0.0	-	-
	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Sales of Goods and Services	4859.9	4565.0	4858.0	5662.6	4329.2	3085.0	27359.6	8040.5
sales of market Establishments	4062.0	3538.4	3670.8	4660.0	3895.0	500.0	20326.3	2698.5
Administrative fees	604.9	783.7	942.4	887.7	318.7	2192.0	5729.4	3752.5
Incidental sale By Non market Establishments	162.7	203.9	216.2	70.6	81.2	361.6	1096.2	215.7
Imputed sales of goods and services	0.0	0.0	0.0	0.0	0.0	0.0	-	47.4
Rentals	30.3	38.9	28.6	44.2	34.3	31.3	207.7	1326.3
Fines ,penalties and forfeits	95.3	77.0	143.9	124.3	185.0	343.1	968.6	173.3
Judicial fines	0.0	0.0	19.0	20.6	12.9	13.7	66.1	114.8
ZIMRA penalties	94.2	75.5	121.0	100.9	167.3	329.4	888.4	58.5
Employment related penalties	1.0	1.5	4.0	2.8	4.7	0.0	14.1	-
Total Expenditure	**46798.9**	**65931.5**	**79691.9**	**84803.3**	**114037.5**	**143242.4**	**534505.6**	**431316.5**
Expenses	31843.6	54193.1	66678.2	74626.6	90289.3	105978.5	423609.4	304904.4
Compensation of Employees	13723.9	18265.2	20714.3	22675.4	25272.8	32281.0	132932.7	111631.2
Wages in cash & in kind	12471.2	16174.8	19003.6	20710.6	23155.9	29770.1	121286.2	111631.2
Medical Insurance (PSMAS)	632.5	638.7	654.5	872.7	999.4	1359.4	5157.2	-
Social Contribution (NSSA)	0.5	587.4	298.9	317.0	322.9	323.7	1850.4	-
Employer pension contribution	615.6	853.1	738.8	765.5	765.3	765.0	4503.3	-
Funeral Expenses	4.2	11.3	18.5	9.6	29.3	62.8	135.7	-
Use of Goods and Services	2690.7	9987.1	18757.9	16606.8	22021.2	25711.4	95775.0	78747.3
Domestic Travel Expenses	183.0	932.5	4071.8	3212.9	4834.5	5496.9	18731.6	78747.3
Foreign Travel Expenses	523.6	530.8	747.6	856.2	1997.7	1934.7	6590.5	-
Communication, Supplies and Services	85.7	645.7	1253.6	1031.6	1011.9	1369.4	5398.0	-
Education supplies and Services	0.0	19.8	214.8	1042.7	132.6	171.1	1581.0	-
Medical Supplies and services	1173.0	319.7	1668.0	1090.4	549.5	1737.8	6538.4	-

Office supplies and services	0.0	821.1	892.3	362.9	1473.5	810.4	4360.3	-
Training expenses	9.1	127.5	405.2	595.1	969.4	265.6	2371.9	-
Rental and other service charges	273.2	1841.9	3552.5	2489.2	4148.9	3852.2	16157.8	-
Institutional provisions	43.5	946.4	1756.1	1690.5	2105.6	2487.8	9030.0	-
Other Good and Services	178.0	843.0	1379.3	932.2	1161.4	2052.5	6546.4	-
Maintenance	221.6	2958.7	2816.7	3303.1	3636.1	5532.9	18469.1	-
Interest on debt	543.4	286.5	504.1	696.5	991.3	465.7	3487.4	6348.5
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	-	1820.0
Domestic	543.4	286.5	504.1	696.5	991.3	465.7	3487.4	4528.4
Subsidies	1550.0	1630.0	1151.6	2400.0	2300.0	1800.0	10831.6	2102.9
Subsidy	1550.0	1630.0	1151.6	2400.0	2300.0	1800.0	10831.6	2102.9
Grants	5556.3	9577.9	12274.3	19125.4	28997.2	20591.9	96123.0	51578.6
o/w extra budgetary units -salaries	1547.5	3115.2	3117.5	3299.3	13118.1	4461.0	28658.6	24715.8
- operations	1821.6	2412.2	6662.7	10301.3	10830.0	5219.5	37247.3	8474.6
Capital transfers	0.0	0.0	0.0	923.5	2500.0	2970.0	6393.5	-
Social Benefits	7760.0	13896.8	13119.5	12931.4	10696.2	24469.0	82872.9	54495.9
Social Benefits	4871.6	10077.6	8276.5	7873.2	4457.9	16321.0	51877.6	30675.2
Pensions	2888.4	3819.3	4843.1	5058.2	6238.3	8148.0	30995.3	23820.8
Other Expenses	19.3	549.6	156.6	191.2	10.6	659.5	1586.8	-
Subscriptions: Local	0.3	509.0	20.1	0.7	0.3	6.5	536.9	-
subscriptions: Foreign	19.0	40.6	136.5	190.5	10.3	653.0	1049.9	-
Non Financial & Financial Assets	14955.3	11738.4	13013.7	10176.7	23748.2	37263.9	110896.2	126412.1
Building and Structures	2566.3	5909.7	7177.6	5149.7	6731.9	13111.0	40646.4	43284.2
Machinery and Equipment	1280.9	1553.5	2403.5	1578.8	6000.4	5367.3	18184.5	12147.9
Other fixed assets	543.8	327.7	0.0	544.9	18.5	1970.0	3404.9	7454.2
Inventories (Fuel)	1130.0	1130.0	0.0	0.0	0.0	0.0	2260.0	-
Non produced Assets	0.0	0.0	0.0	0.0	0.0	0.0	-	2456.0
Capital Grants to other General Gvt units	2283.4	1217.6	2104.4	2903.3	9947.1	4959.8	23415.5	53040.4
Loans	0.0	59.7	469.8	0.0	694.2	1218.3	2442.0	4635.5
Equity and Investments Fund Shares	7150.9	1540.2	858.4	0.0	355.9	10637.5	20542.9	3393.8
Surplus/Deficit	8525.1	-15491.6	-2681.8	-11682.6	-19840.2	13265.6	-27905.6	-45905.3
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Financing	-8525.1	15491.6	2681.8	11682.6	19840.2	-13265.6	27905.6	-
	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Domestic Financing (net)	-11982.3	11134.2	-5361.0	14192.8	18780.6	-22767.6	3996.7	-
	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Banks (net)	-11982.3	11134.2	-5361.0	14192.8	18780.6	-22767.6	3996.7	-
Mobilisation	-8921.1	13775.1	-1322.3	18940.3	24521.7	-20353.4	26640.3	-
Exchange rate gain/loss	6389.6	9533.3	20259.1	14697.9	164266.7	65978.3	281124.8	-
Changes in Government Deposits (current accounts)	-25127.4	8382.3	-2501.4	5000.7	-32745.8	-48133.4	-95125.0	-
Changes in SDR balance	-4035.4	-5914.9	-11530.6	-7893.0	-92453.5	-41948.7	-163776.1	0.0

Changes in Government Deposits (fixed deposits)	145.5	-1401.1	-6234.6	3179.2	-16710.7	-8745.4	-29767.1	-
Changes in ZIMRA Bank Accounts	2761.4	-1024.5	-2967.3	2005.6	832.9	-7664.1	-6056.0	-
Treasury Bills	10945.3	4200.0	1652.5	1950.0	1332.0	20159.8	40239.6	-
Issuances (TBs)	10945.3	4200.0	1652.5	1950.0	1332.0	20159.8	40239.6	-
Repayments	3061.2	2641.0	4038.6	4747.5	5741.1	2414.1	22643.6	-
Loans	-	-	-	-	-	-	-	-
Treasury Bills	3061.2	2641.0	4038.6	4747.5	5741.1	2414.1	22643.6	-
Maturities (TBs)	3061.2	2641.0	4038.6	4747.5	5741.1	2414.1	22643.6	-
	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Foreign Financing (net)	-971.4	-811.7	-2252.1	-157.3	-1376.4	-2996.3	-8565.2	-
Repayments	971.4	811.7	2252.1	157.3	1376.4	2996.3	8565.2	-
Other Financing (net)	4428.6	5169.1	10294.9	-2352.9	2436.0	12498.3	32474.1	-
Mobilisation	4428.6	5169.1	10294.9	-2352.9	2436.0	12498.3	32474.1	-
Zimra prepayments & unreceipted funds	-197.6	2155.8	4931.9	2030.3	4600.0	5279.1	18799.5	-
Outstanding Zimra transfers	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Out standing payments	4626.3	3013.4	5363.0	-4383.2	-2164.0	7219.2	13674.6	0.0

Annex 2: Classification of the Functions of Government (ZWL$m)

Functional Areas	2022	2022		2022
	ORIG ESTIMATES	UNAUDITED OUTTURN TO JUNE	REVISED ESTIMATES	ADDITIONAL AMOUNT TO BE VOTED
Defense	60237.7	44700.4	130755.6	70517.9
Economic affairs	177191.2	92860.8	316939.0	139747.8
Education	164587.6	71843.6	305004.7	140417.1
Environmental protection	1118.7	538.6	1480.7	362.0
General public services	273299.8	169204.2	608737.2	335437.3
Health	117714.2	31819.1	179924.7	62210.5
Housing and community amenities	43136.8	21940.8	70143.3	27006.5
Public order and safety	80135.6	46738.6	173292.9	93157.3
Recreation,culture,and religion	6769.0	2730.6	10090.8	3321.7
Social protection	44077.9	52130.0	101153.2	57075.3
Grand Total	968268.5	534506.6	1897522.0	929253.5