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ZIMBABWE

**THE 2019 MID-YEAR BUDGET REVIEW &
SUPPLEMENTARY BUDGET**

“Building a Strong Foundation for Future Prosperity”

Speech to the Parliament of Zimbabwe

By

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Minister of Finance & Economic Development

1 August 2019

INTRODUCTION

1. Mr Speaker Sir, I rise to present this year's *Mid-Year Budget Review*, complying with section 7(2)(a) of the Public Finance Management Act.
2. The Review seeks to update this august House and the nation at large on macroeconomic developments during the first half of the year. On the basis of developments to date, the Review further outlines an updated Macro-Fiscal Framework, which underpins the proposed 2019 Supplementary Budget.
3. To the extent possible, contributions received from various stakeholders in Government, private sector and civic organisations, including critics, are acknowledged and appreciated in the crafting of this Review. Mr Speaker Sir, there is a saying by Michael Bassegy Johnson (a writer) that "a bitter critic is the sweetest corrector". It is, therefore, incumbent upon all of us to be tolerant of different views and freely participate in the reconstruction of this economy.
4. What is important is to remain steadfast in implementing key reforms, hence the theme for this Review: '*Building a Strong Foundation for Future Prosperity*'.

5. Allow me, Mr Speaker Sir, to contextualise this Review by recapping the key tenets of and progress on the Transitional Stabilisation Programme (TSP), which continue to guide our interventions as we move towards Vision 2030.

TRANSITIONAL STABILISATION PROGRAMME IMPLEMENTATION PROGRESS

6. Mr Speaker Sir, the first half of 2019 was marked by a major shift in policy management by breaking from the past and focusing on action in line with our thrust on Results Based Management. As a result, the period witnessed implementation of bold and fundamental fiscal and monetary policy measures (what has become to be known as austerity measures), which were supported by structural and governance reforms.
7. Relentless commitment to full implementation of these reforms, void of policy reversals and inconsistencies has, as intended, set a solid stabilisation base for triple “S” growth—strong, sustained and shared growth.
8. Mr Speaker Sir, allow me to briefly highlight some of the progress made under the TSP before turning to the Supplementary Budget.

Stabilisation

9. During the first half of the year, TSP reforms first and foremost continued to focus primarily on containing the twin fiscal and current account deficits, which over the years instigated instability in the economy.
10. To Government's credit, we have put in motion an irreversible process for rebuilding a stable, strong and democratic macro-economic environment. The fiscal and current accounts are now balanced and under control, while the tools of monetary policy have also been activated—thus representing an essential and complete toolkit for dealing with various macro-economic challenges facing the economy.
11. In support of the achievements scored under stabilisation, suffice to give the following fiscal, monetary and current account results.

Fiscal Outturn

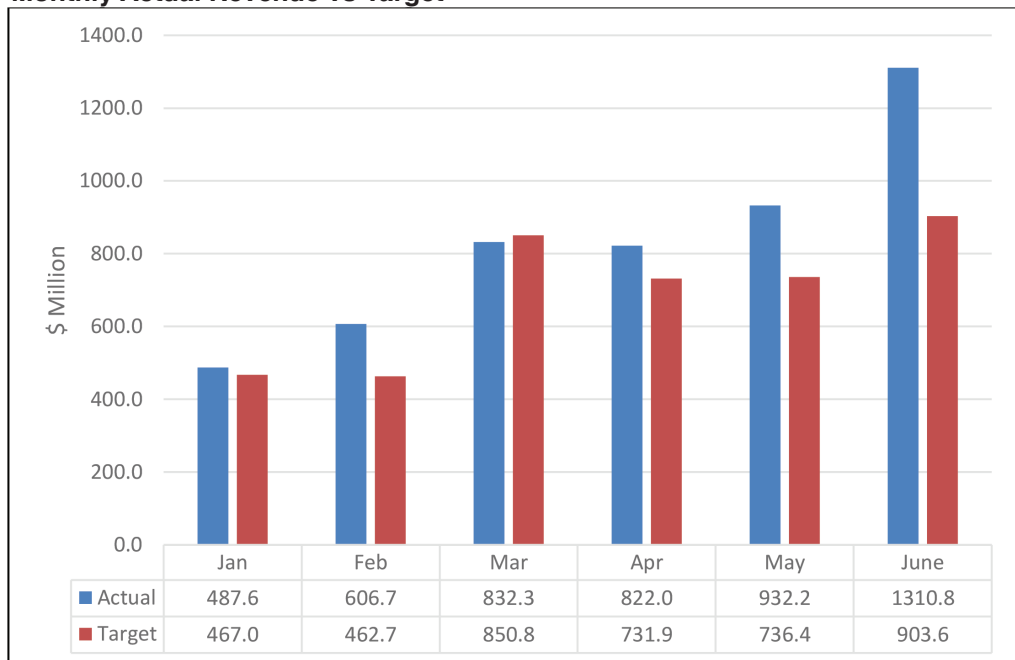
12. During the first half of the year, the Budget remained on track in line with the fiscal consolidation objectives and targets.

Revenues

13. Monthly revenue collections for the first six months generally

performed above targets by an average of ZWL\$139.9 million to give cumulative revenues of ZWL\$4.99 billion, against a target of ZWL\$4.15 billion, giving a positive variance 20.2% **[Refer to slide 1].**

Monthly Actual Revenue vs Target

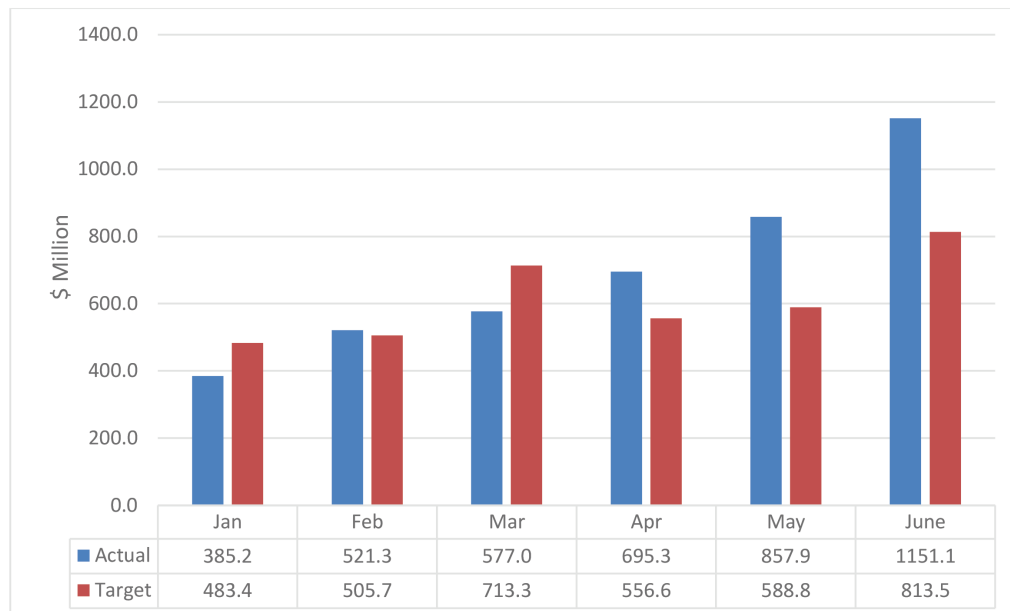


Source: MOFED

Expenditures

14. On the other hand, total Government spending for the period January to June 2019 was ZWL\$4.2 billion against a target of ZWL\$3.7 billion, which is ZWL\$532 million over-expenditure (15%) **[Refer to slide 2].**

Monthly Actual Expenditure vs Target



Source: MOFED

15. The negative variance is a result of inescapable and unforeseen expenditures on both current and capital heads, arising from higher than anticipated inflation, exchange rate fluctuations, drought and the devastating Cyclone Idai. Accommodated critical inescapable expenditures were related to the following: **[Refer to slide 3].**

- Cushioning allowance of ZWL\$63 million to civil servants that was paid from January to March;
- Cost of living adjustment allowance (COLA) amounting to ZWL\$400 million implemented starting from April;
- Implied Pension Review of ZWL\$62.1 million;
- Implied NSSA Review of ZWL\$3.6 million;

- Filling of critical posts requiring ZWL\$58 million;
- Cyclone Idai mitigation, with ZWL\$61.8 million;
- Subsidised mass public transport of ZWL\$30.9 million up to June;
- Social protection and infrastructural programmes.

Budget Balance

16. For the half year period, a budget surplus (savings) of ZWL\$803.6 million was realised [**Refer to slide 4**].

Budget Outturn: ZWL\$m

	Jan	Feb	Mar	Apr	May	June	Total
Total Revenues	487.6	606.7	832.3	822.0	932.2	1,310.8	4,991.7
Total Expenditures & Net Lending	385.2	521.3	577.0	695.3	857.9	1,151.1	4,188.0
Budget Balance	102.4	85.4	255.3	126.7	74.3	159.8	803.6

Source: MOFED

17. The above surplus/savings clearly reflect entrenchment of fiscal discipline in line Ministries and Government Departments.

Domestic Debt

18. Mr Speaker Sir, in 2018, we witnessed a dramatic increase in domestic debt, fed by fiscal deficits of above ZWL\$2 billion primarily financed by the issuance of Treasury Bills and Central Bank overdraft.
19. However, over the period January–June 2019, significant fiscal adjustments culminated in domestic debt containment.

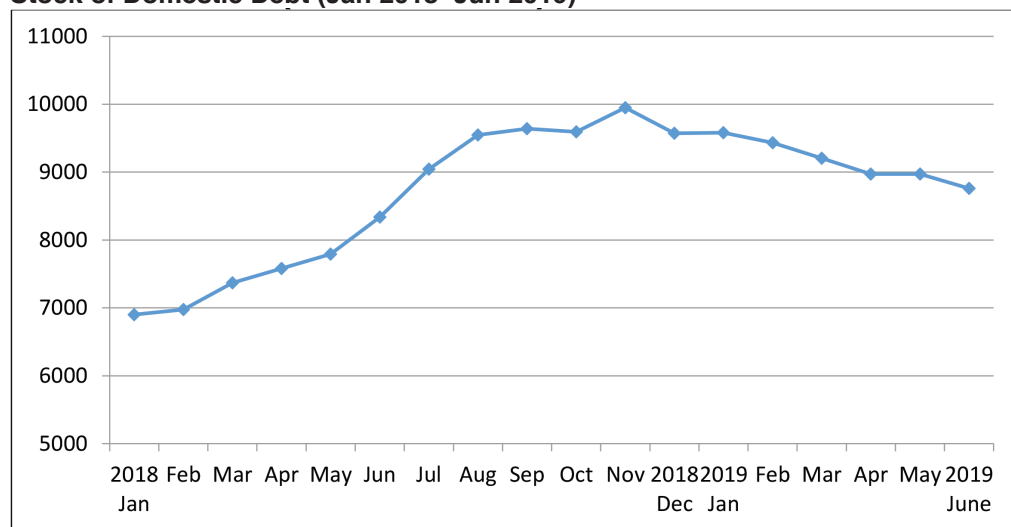
The high impact measures included:

- Zero recourse to Central Bank financing, including the overdraft;
- Restructuring of overdraft facility, cash advances and Treasury Bills held by RBZ into long-term marketable instruments;
- A stop to any Treasury bills issuances for ZAMCO;
- Issuance of Treasury bills only for budgeted expenditures; and
- Honouring of TBs maturities.

20. The total Treasury bills issued amounted to ZWL\$230 million, solely for budget support and cash-flow management.

21. Consequently, Mr Speaker Sir, adherence to sound fiscal and monetary policy reforms allowed containment of domestic debt stock which stood at ZWL\$8.8 billion as at end June 2019 down from ZWL\$9.5 billion as at 31 December 2018 [**Refer to slide 5**].

Stock of Domestic Debt (Jan 2018–Jun 2019)



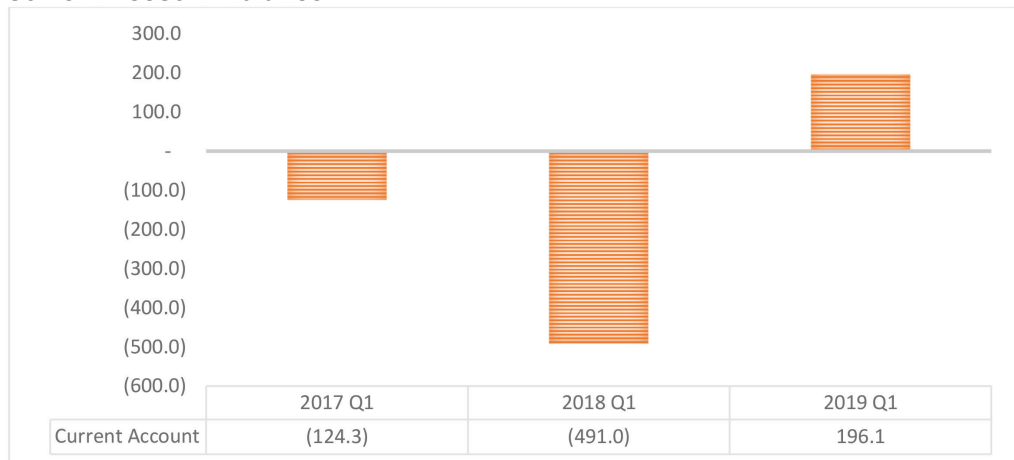
22. Mr Speaker Sir, going forward, Government borrowings for Budget purposes will observe the new TBs Auction Framework in order to promote transparency and the rebuilding of market confidence.
23. Furthermore, while a firm base for economic stabilisation has been set, it requires further and continuous refinement, which becomes a priority during the second half of the year and beyond.

Current Account Balance

24. The current account, for the first time since the adoption of the multi-currency regime in 2009, registered a surplus in the first quarter of 2019.
25. A surplus of US\$196 million¹ was registered in the first quarter of 2019 compared to a deficit of US\$491 million for the same period in 2018, constituting a major improvement in the current account.
26. This reflects a sharp contraction in imports through import management, against a moderate increase in exports in line with export promotion measures under implementation [**Refer to slide 6**].

¹ Current Account numbers are in US dollars.

Current Account Balance



Source: RBZ

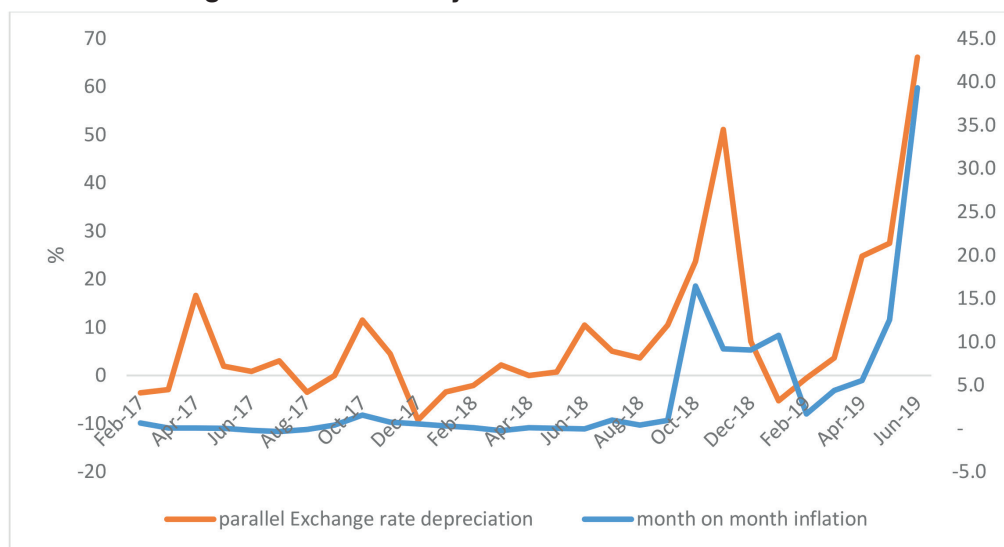
27. Mr Speaker Sir, attainment of a fiscal surplus, combined with a current account balance during the first half of the year constitutes a firm roadmap to confidence building much required by this economy.
28. Furthermore, now that we have introduced our own local currency, this has not only restored monetary policy but also created scope for enhanced competitiveness of our exports.

Prices

29. Mr Speaker Sir, as the famous Economist Milton Friedman said: "Inflation is taxation without legislation". The story of Zimbabwe's inflation has visible scars in our lives and deserves proactive and appropriate attention.

30. On the other hand, we are aware that inflation is caused by running of huge budget deficits, financed through monetisation which creates high money supply growth—Simple!
31. Hence, elimination of fiscal deficits will curb money supply growth and therefore, inflation.
32. In our case, for a prolonged period of time, Government was running high fiscal deficits, which were monetised through issuance of TBs and overdraft at the Central Bank. These deficits translated into a significant and uncontrolled expansion of money supply which ended up chasing foreign currency in both the formal and parallel markets **[Refer to slide 7]**.

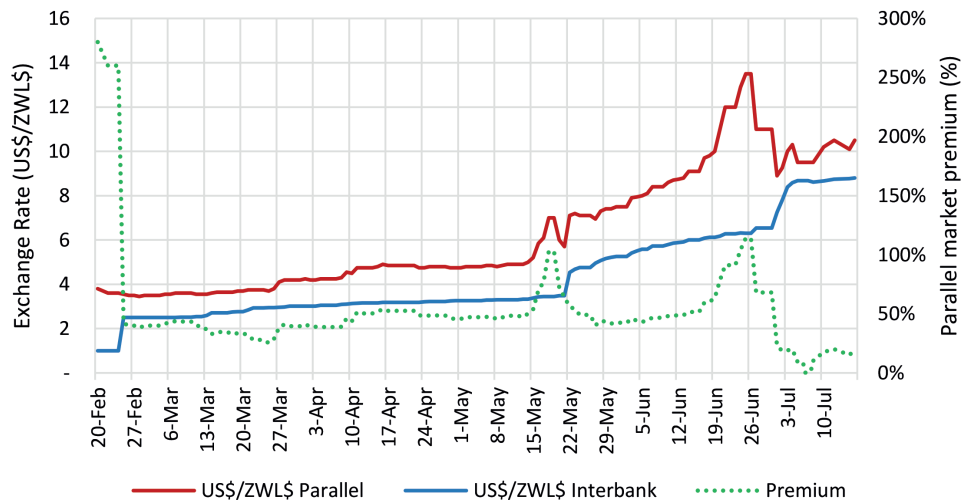
Parallel Exchange Rate and Monthly Inflation



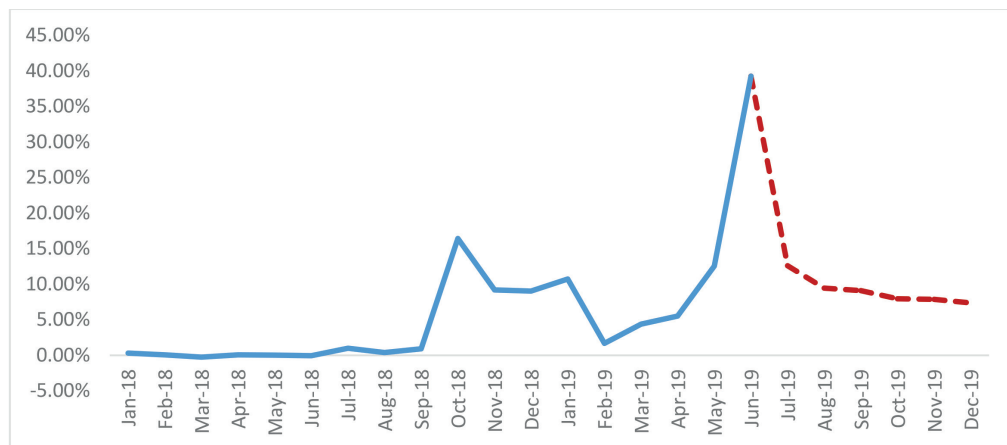
Source: ZIMSTAT

33. The unbridled demand for foreign currency, especially at 1:1 exchange rate between the bond note and the US Dollar, quickly became unsustainable. This prompted the decision to liberalise the exchange rate in February 2019.
34. The liberalisation of the exchange rate, combined with ongoing fiscal consolidation reforms rolled out since October 2018 and a complementary tight monetary policy, have managed to contain excessive money supply growth, which had been the main driver of inflation.
35. Government measures to contain fiscal deficits by capping borrowing from the Central Bank, non-issuance of TBs, as well as stringent expenditure control measures, have significantly restrained money supply growth.
36. As a result, the exchange rate fluctuation has largely dissipated with movement towards convergence between parallel market and interbank rates. This is critical in our fight against speculative practises and inflation [**Refer to slide 8**]. .

Parallel and Interbank Exchange Rate



Month on Month Inflation Outlook to Dec 2019 [Refer to slide 9].



Source: Macroeconomic Working Group (MOFED, Zimstat & RBZ)

37. Therefore, going forward, it is imperative that we pursue and further strengthen our fiscal and monetary policies and also remain responsible enough to ensure that factors such as wage increases and money supply remain under check.

Inflation Rebasing

38. The change in currency regime from multicurrency to Zimbabwe Dollar has definitely impacted on the base for calculation of CPI indices and hence inflation. Given this transition Zimstat will defer publication of year on year inflation while building up data of prices in mono-currency for a period of 12 months to February 2020. This will ensure that we compare like with like in terms of currency regimes.
39. This is in line with what was done in 2009 after the change of currency regime, whereby Zimstat resorted to only gazetting month on month inflation. Year on year inflation publication will therefore resume after February 2020, alongside with month on month inflation publication.
40. In the interim, stakeholders are encouraged to focus more on month on month inflation as barometer for price developments.

GDP Growth

41. Owing to negative natural conditions, which badly affected a number of sectors particularly agriculture and power generation, coupled with inflationary pressures, foreign currency shortages prevailing and limited external financial support, have been major drawbacks to growth stimulation in the first half of 2019.

42. In view of these headwinds, the revised 2019 GDP growth is expected to be negative. Treasury will, therefore, keep tracking key developments in the economy with a view of making appropriate adjustments to sectoral growth profiles.

FISCAL FRAMEWORK & SUPPLEMENTARY BUDGET

43. Mr Speaker Sir, in view of recent economic developments, it has become necessary to update and align the Macro-Fiscal Framework with fiscal and monetary policy pronouncements made by Government between January and June 2019.
44. Resultantly, the Mid-Year Review provides an updated 2019 Fiscal Framework with projected total expenditures of ZWL\$18.62 billion, against anticipated revenue collections of ZWL\$14.1 billion.
45. The projected expenditures are, inclusive of a proposed Supplementary Budget of ZWL\$10.85 billion **[Refer to slide 10]**.

Supplementary Budget Framework (ZWL\$m)

	2019		
	Original Budget	Supplementary Budget	Revised Budget
Revenue and grants	6,199	7,861	14,060
Expenditure and net lending	7,765	10,854	18,620
Current expenditure	5,728	5,824	11,552
Employment costs	4,050	1,506	5,556
Interest payments	351	160	511
Foreign	24	206	230
Domestic	327	- 46	281
Goods & services	719	3,740	4,459
Current transfers	608	418	1,026
Capital expenditure and net lending	2,037	5,030	7,068
Overall balance (commitment basis)	-1,566	- 2,993	-4,560

Source: Treasury

Supplementary Budget

46. The 2019 Supplementary Budget proposes additional provisions and reforms mainly related to the following areas **[Refer to slide 11]:**

- Stimulation of production, targeting agriculture, industry and other productive sectors;
- Food security including;
 - Grain procurement to mitigate the effect of drought conditions;
 - Funding for the 2019/20 Summer Cropping Programme;
- Welfare of civil servants and pensioners;
- Social services delivery and social protection;
- Infrastructure and utilities;
- Constitutional requirements including transfers to provincial councils and local authorities and support for governance institutions;
- Supporting structural and governance reforms;
- Support for Government operations; and
- Respective revenue measures including tax thresholds adjustment.

47. The supplementary expenditures being proposed are, however, designed in a way that they are in line with increased

revenues, and will be implemented without compromising fiscal discipline and upsetting set fiscal targets.

Welfare of Civil Servants & Pensioners

48. The 2019 Budget provided for ZWL\$4.05 billion for compensation of employees consistent with the objective of containing the wage bill to sustainable levels and capacity of the budget.
49. However, developments during the first quarter led to interim cushioning allowance of ZWL\$63 million being awarded to employees with a COLA of ZWL\$400 million effective April 2019. The cost of living adjustment also implied a review of pension and related benefits costing ZWL\$133 million.
50. Over and above the reviews in the first half, the continued inflationary pressures led Government to award a once off cushioning allowance in July of ZWL\$143 million.
51. The supplementary Budget proposes to accommodate all the above commitments, moving employment cost Budget allocation from ZWL\$4.1 billion to ZWL\$5.9 billion.

Cushioning of Pensioners

52. The prevailing inflationary environment is also imposing great hardships on vulnerable pensioners. Therefore, proposed adjustments in compensation of employees will also be cascaded to pensioners.

Government Operations

53. The 2019 Budget provided for ZWL\$1.017 billion for goods and services. Taking into account inflation and exchange rate developments in the economy, a supplementary budget of ZWL\$2.8 billion is being proposed, covering requirements for all ministries through their respective Votes.

Stimulating Production

54. During the last half of 2019 and beyond, production and productivity enhancement in all sectors will receive due attention to complete the transformative framework of the TSP. This will entail deepened focus on improving competitiveness, investment mobilisation underpinned by the current re-engagement efforts that are aimed at resolving the external debt overhang and improving relations with other nations.

Agriculture and Food Security

Preparations for the 2019/20 Farming Season

55. Cognisant of the prevailing severe drought and the need to revive the agriculture sector, Government will extend support towards the agriculture sector during the 2019/20 agriculture season, while nurturing the private sector to play a greater role in subsequent years.
56. As a result, the 2019 Mid-Term Review is setting aside ZWL\$1.67 billion towards support of strategic crops of grain, soya beans and cotton under the following programmes.

Vulnerable Households Input Support Scheme

Grain Inputs

57. Government policy commits support to vulnerable households through an appropriate inputs scheme. For the 2019/20 agriculture season, the Supplementary Budget is proposing an additional ZWL\$437 million for grain inputs (maize, sorghum and pearl millet). The Scheme will also include sugar and soya beans seed.
58. The inputs will comprise of seed, compound D and top dressing, all for a targeted area of 640 000 hectares.

Cotton Inputs

59. A number of households in dry areas make a living out of cotton production. To sustain recovery in cotton production, ZWL\$213 million is being set aside towards inputs for cotton for a targeted area of 200 000 hectares.
60. Beneficiaries of the Programme will be selected based on their repayment track record and their delivery record to Cottco.

Special Maize and Soya Bean Programmes

61. Ordinarily, agricultural programmes outside the Vulnerable Inputs Support Scheme are best supported by private financing given budgetary constraints. However, given last year's drought, the capacity of our "infant" farmers has been compromised, necessitating further Government support through loan financing arrangements, which include private sector players.
62. As a result, Government is extending the Programme for another year to restore food security. The Programme targets 210 000 hectares under maize and 30 000 hectares under soya beans at a cost of ZWL\$2.8 billion. Accordingly, the Supplementary Budget is making an additional provision of ZWL\$1.03 billion to kick-start the programme.

63. However, to close the loopholes during the forthcoming agriculture season, Government is adopting a targeted approach, which select **exclusively** farmers with a track record of honouring their loan obligations from previous Programmes and have a history of producing high yields.
64. The selection of farmers will be done in a transparent way and measures will be put in place to recover all the loans.

Domestic Grain Mobilisation

65. For the 2018/19 season, maize and other small grains output is expected at 852 000 tons, significantly below the annual national requirements of approximately 1.8 million tons required for human consumption.
66. It is, therefore, prudent that Government prioritise local grain purchases in order to replenish stocks at GMB. However, in order to incentivise farmers to deliver, Government has reviewed maize producer prices upwards from ZWL\$726 per ton set earlier. GMB has also opened additional collection points in various provinces of the country to enhance grain mobilisation and reduce transport costs to the farmer.
67. This Supplementary Budget, therefore, provides ZWL\$630 million for local grain purchases and logistics.

68. To complement this, Government gazetted Statutory Instrument 145 of 2019 which bars any other person or institution other than GMB from buying maize from farmers.

Grain Importation

69. Mr Speaker Sir, with a large grain deficit, Government has established necessary arrangements for grain importation and effective distribution.
70. Towards this, the Supplementary Budget proposes to set aside ZWL\$624 million, enough to cater for requirements up to December 2019.

Mining

71. Mining remains our major source for export earnings, GDP and employment. During the first half of the year, the sector contributed US\$1.3 billion, which is 68% of the total exports of US\$1.9 billion.
72. The sector accommodates 45 000 formal employees. Furthermore, the sector provides a source of livelihood to over a million small scale and artisanal miners involved in gold and chrome mining.

73. The sector, which experienced recovery during the first quarter of 2019, apparently faced headwinds during the second quarter, as evidenced by output losses in most major minerals such as gold, platinum, palladium, diamonds, nickel, chrome and coal. The major constraints are being imposed by foreign currency shortages and the intermittent electricity supply.
74. However, given the resilience and potential of the mining sector, current setbacks are temporary with expected recovery in the short term on the back of firm international prices and envisaged improvements in power and forex supply.
75. Furthermore, Government, in line with the thrust of opening up the economy to private investment, has concluded a number of investment agreements with investors.
76. These investments, will, however, take some time (up to 10 years of production) to give visible net benefits in view of long gestation periods for mining projects.
77. Government will, therefore, in the second half of the year unveil a comprehensive strategy and roadmap towards a US\$12 billion mining industry by 2023. The attainment of this milestone is not an event but a process, which is well underway with concrete start-ups and expansion of projects in a number

of minerals, which include platinum, gold, ferrochrome, coal and hydrocarbons, lithium, diamonds, iron ore, among others.

Gold Mobilisation Facility

78. Government is putting in place a Gold Finance Facility to capacitate Fidelity Printers and Refiners to be able to buy gold from all gold producers. Government shall ensure that there is only one system to be used by Fidelity Printers and Refiners for purchasing gold.
79. The current system is that 55% of gold sales proceeds are retained by the gold producers in their Nostro accounts and 45% is paid in Zimbabwean dollars.

Manufacturing

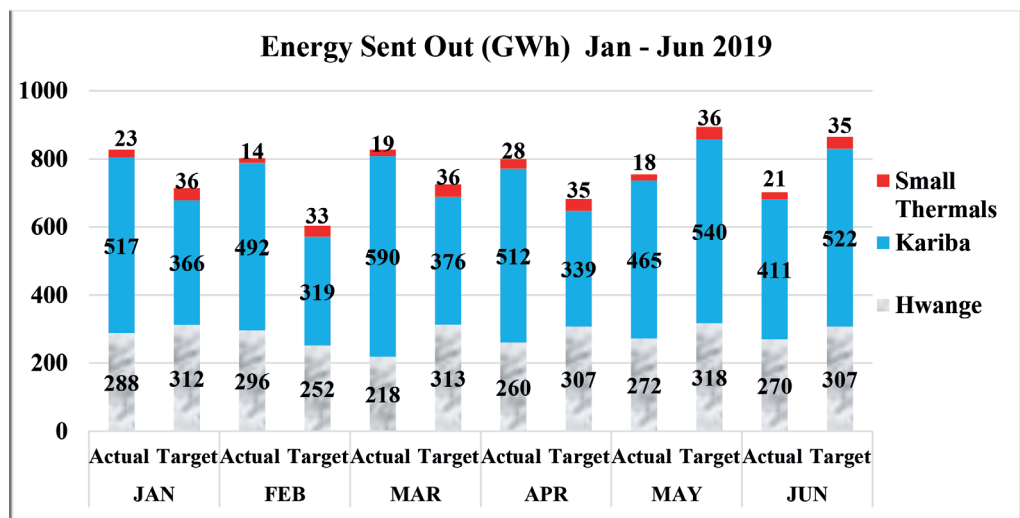
80. Resuscitation of the manufacturing sector is imperative as production and productivity is the cornerstone for growth. To facilitate the revival of the local industry, Government has developed a new National Industrial Development Policy supported by a Local Content Strategy to develop the manufacturing industry into a modern and diversified sector in the region.

Infrastructure and Utilities

81. With regards to infrastructure and utilities, an additional ZWL\$1.3 billion is being proposed to cater for various projects in the energy, transport, water, public amenities, social services, irrigation and other infrastructural projects.
82. This gives a total infrastructure budget of ZWL\$2.5 billion, constituting 35.4% of total capital development budget [**Refer to slide 12**].
83. Mindful of the budgetary constraints, Treasury will be issuing a Vaka/Yaka Zimbabwe Infrastructure Bond during the second half of the year, to mobilise private sector funding for some of our budgeted ongoing priority projects.

Energy

84. Drought has reduced hydro-electric generation at Kariba Dam, reducing power supply to unsustainable levels as reflected through severe load shedding [**Refer to slide 13**].



85. The current electricity supply situation retards all our stabilisation gains and require urgent interventions to improve power supply to our productive sectors.

Power Supply Strategy

86. In the short term, power supply deficit can only be met through power imports and hence it is urgent that Government capacitates ZESA to mobilise requisite resources through appropriate and cost recovery tariffs implemented through a differentiated scale.
87. Therefore, Government has approved the following electricity tariff measures for immediate implementation:
- The electricity tariff for Non-Exporting businesses be increased from an average of ZWL9.86c/kWh to an average of ZWL45c/kWh (approximately USc5/kWh);
 - The electricity tariff for domestic consumers be increased from an average of ZWL9.86c/kWh to an average of ZWL27c/kWh (approximately USc3/kWh), which is subsidised;
 - The electricity tariff for Agriculture consumers be increased from an average of ZWL9.86c/kWh to an average of ZWL27c/kWh (approximately USc3/kWh), which is subsidised;

- Maintain the tariff for ferrochrome smelters and other miners at US\$0.067/kWh and US\$0.0986/kWh, respectively, and ensure that the resources are ring-fenced in a Special Account solely for purposes of importing electricity; and
 - ZESA be allowed to bill all other exporters and foreign currency earners in foreign currency and ensure that the resources are ring-fenced in a Special Account solely for purposes of importing electricity.
88. The responsible Ministry and the Zimbabwe Energy Regulatory Authority (ZERA) will give the necessary implementation details.
89. In addition, other urgent measures for sustainable power supply evolve around the following areas:
- Demand management through rapid roll out of pre-paid and smart meters and embracing energy saving technology;
 - Speeding up ongoing reforms including restructuring of ZESA to improve efficiency and management of the parastatal; and
 - Implementation of planned medium to long term projects.

Power Generation Projects

90. Government is prioritising implementation of major energy generation infrastructure projects in the country such as

the Hwange units 7 & 8 Expansion Project, Kariba Dam Rehabilitation and Batoka Gorge Hydro-Electric Project **[Refer to slides 14-15]**.

91. To support ongoing works at these projects, an additional provision of ZWL\$42 million is being proposed, targeting counterpart funding and equity for ZPC for the project.
92. In addition, Government will soon launch the Renewable Energy Policy and Biofuels Policy which seeks to create a well-balanced energy mix as a strategy to climate-proofing of energy infrastructure in the country, taking advantage of our resource endowments in solar, coal, gas and hydro.

Rural Electrification

93. Eight institutions were electrified during the period under review, against a target of 14, with most projects having stalled due to shortage of materials, particularly transformers, conductors and auto reclosers. Overall progress on schools and clinics electrified now stand at 65% **[Refer to slide 16]**.
94. With regard to solar mini grid systems, a number of rural institutions were electrified, bringing the total to 422 **[Refer to slide 17]**.

Water & Sanitation

95. Through the Budget, Government is up-scaling interventions in the sector by addressing identified deficiencies in existing water infrastructure, as well as expanding availability of water sources through construction of new dams and boreholes **[Refer to slide 18]**.

Dams

96. Substantial progress relates to Marovanyati, Causeway, Gwayi-Shangani, Chivhu, Bindura, Tuli Manyange and Silverstroom dams.
97. To support all ongoing works on all dam projects, it is proposed that an amount of ZWL\$140 million be set aside. Proposed allocation for other water projects amounts to ZWL\$27.6 million.

Transport & Communications

Roads

98. The strategic choice we made to upgrade our trunk roads from gravel to bituminous surfacing, as well as rehabilitation of feeder roads under the Road Development Programme continues to offer benefits and relief to road users and communities across the country **[Refer to slides 19-20]**.

99. To cater for increased costs under the Road Development Programme, an additional amount of ZWL\$284.2 million is being proposed to year end.

Social Services Infrastructure

Schools Infrastructure

100. Construction of seventeen rural schools under the First Education Project started in 2013 with co-financing from the OPEC Fund for International Development (OFID) covering construction of buildings, equipping the schools with furniture, computers and associated equipment [**Refer to slide 21**].
101. The construction works are now expected to complete during the third quarter of the year.
102. The process of procurement of furniture, computers and associated equipment is already under way. For the electrification of the schools, discussions with the Rural Electrification Agency indicate a requirement of ZWL\$13 million to connect all the schools to the National Grid.
103. In this regard, we propose an additional allocation of ZWL\$26.6 million for the project, covering electrification costs for the targeted schools as well as Government's counterpart funding for the project.

Innovation Hubs

104. Construction works on the innovation hubs at five institutions are now expected to be complete for commissioning during the second half of the year.
105. The institutions have already started the tendering process for procurement of laboratory equipment, which will ensure proper interface between industry and universities research, essential for the economic development of the country.

Health Infrastructure

106. In order to strengthen the referral health system, critical in the delivery of health services, Government is rehabilitating and upgrading health infrastructure as well as constructing rural health posts [**Refer to slide 22**].
107. To date four posts, namely Dundwe, Minda, Kairezi and Gumbochuma are now in the final stages of completion and expected to be open to communities in the third quarter of 2019.
108. Furthermore, construction of Dongamuzi, Munemo, Chiromo and Mbuyamaswa Rural Health Centres is on-going and expected to be completed before year-end.

109. With regards to district hospitals, progress has been noted in the refurbishment of Mvurwi, Kadoma and Ndanga District hospitals where waste management and laundry facilities were upgraded whilst the wards received a facelift.
110. Works on the construction of Lupane Provincial Hospital will soon commence, following approvals from the Procurement Authority of Zimbabwe (PRAZ), with the contractor expected on site in August 2019.
111. Refurbishment of Mutare, Gweru, Masvingo and Gwanda Provincial Hospitals, targeting upgrading theatres, general and maternity wards was completed during the first half of the year.
112. With regards to central hospitals, refurbishment works for the medical gas reticulation system, theatres and incinerators at Mpilo and United Bulawayo Hospitals have been completed.
113. Following a fire outbreak which affected Mbuya Nehanda Maternity Hospital at Parirenyatwa Group of Hospitals in February 2019, refurbishment of wards and installation of new theatre equipment has been completed and the hospital is now fully operational.

114. Other interventions made to date include rehabilitation and equipping of Chitungwiza School of Nursing and Dental Training School as well as procurement of diagnostic and therapeutic equipment from India.
115. The Ministry of Health and Child Care has also completed the tendering process for procurement of ambulances. In this regard, an amount of ZWL\$68 million in additional funding is proposed to complete the procurement process that targets acquisition of 100 fully equipped ambulances.

Transfers to Provincial Councils and Local Authorities

116. It is a Constitutional requirement to set aside 5% of revenues for allocation to Provincial and District Councils. Against the ZWL\$310 million allocated in the 2019 Budget disbursements to date stand at ZWL\$120 million. These are to local authorities implementation of basic infrastructure projects at community level.
117. Following the review in the revenue projections to year end, and consistent with the Constitution, the original allocation for Inter-Governmental fiscal transfers is being reviewed upwards to ZWL\$703 million which will be distributed to the benefiting institutions in line with the current formula.

118. The increased funding should provide impetus to our devolution agenda as well as facilitate implementation of priority and impactful projects at the local level.

Cyclone Idai

119. Cyclone Idai is the latest natural disaster in a succession of climatic shocks to affect the country and caused severe flooding in Chimanimani and Chipinge Districts whilst other districts affected include Buhera, Makoni, Masvingo and Mutare Rural **[Refer to slide 23]**.

120. Mr Speaker Sir, I wish at this juncture, to commend Zimbabweans from all walks of life, including development partners for the tremendous support towards our recovery efforts.

121. To sustain ongoing efforts in restoring damaged infrastructure and livelihoods for affected communities, an amount of ZWL\$414.3 million in additional funding has been set aside in the Budget.

Support to Utilities

122. In line with the thrust of non-accumulation of arrears and taking into account market developments, a supplementary budget

of ZWL\$120 million is being proposed towards utilities such as telephone, water and rates, electricity and vehicle hire as well as office accommodation.

123. Settlement of Government arrears to these utilities is also a way of capacitating and capitalising them.

124. Mr Speaker Sir, it is also disconcerting to note accumulation of arrears to ZESA by corporates, households and other entities, irrespective of sub-optimal tariff levels obtaining, and therefore urge all users to be responsible and pay up for services received. This also refers to various outstanding consumer obligations to local authorities.

Social Safety Nets for Vulnerable Groups

125. The adverse macro-economic environment caused by drought and cyclone requires Government to support vulnerable groups with support mechanisms that allow them to withstand the negative shocks to their livelihoods.

126. According to the 2019 Zimbabwe Vulnerability Assessment, 59% (about 5.5 million people) of the rural population will be food insecure during the peak hunger period.

127. In terms of support to these groups, Government has so far distributed 189 000 tons of grain in support of 757 000 households. The beneficiaries are in both rural and urban areas. The following table gives cumulative grain distribution by province for the period January to June 2019 [Refer to slide 24].

Cumulative Grain Distribution by Province Jan–Jun. 2019

National	Number of Households	Cumulative Distributions
Manicaland	80,285	24,558.53
Mashonaland Central	70,080	21,209.00
Mashonaland East	65,627	19,755.89
Mashonaland West	84,552	19,756.71
Masvingo	134,719	37,016.06
Matabeleland North	51,810	11,807.05
Matabeleland South	68,380	16,202.65
Midlands	176,290	34,766.75
Bulawayo	12,968	990.05
Harare	12,269	2,979.83
Total	756,980	189,042.52

128. Government has identified and scaled up social safety net programmes under health, education and social protection, which will see the initial budget increasing from ZWL\$267.6 million to ZWL\$1.135 billion, broken down as follows—

- Social Protection: ZWL\$811.9 million;
- Health Care: ZWL\$250.4 million; and
- Education: ZWL\$72.9 million.

Urban Mass Public Transportation System

129. Government introduced an Urban Mass Public Transportation System as a safety net to cushion the public from increases in transport costs resulting from fuel price corrections after the introduction of the interbank foreign exchange market. This was also partly triggered by extortionate and exploitative behaviour by some public Transport Operators.
130. In order to increase access and coverage, resources amounting to ZWL\$104 million have been provided in the context of this supplementary budget.
131. Going forward, Government is pursuing the establishment of a Mass Rapid Transit System, which is a coordinated public transport network facilitated through railways and road transport for both urban and rural commuters. In that regard, appropriate investigations and studies are under way.

DEVELOPMENT PARTNER SUPPORT

132. Development Partners continue to complement Government efforts towards the implementation of development programmes and projects across various sectors of our economy. Government acknowledges the immense support from the international community during the aftermath of

the devastating Cyclone Idai, which led to loss of lives and livelihoods as well as destruction of infrastructure, especially in Manicaland Province.

133. During the first quarter of 2019, a total of US\$117.8 million was disbursed by Development Partners, of which US\$71.2 million was from Bilateral Partners and US\$46.6 million was from Multilateral Partners.
134. A total of US\$641.2 million is projected to be disbursed by Development Partners in 2019, of which US\$490.7 million is from Bilateral Partners and US\$150.5 million is from Multilateral Partners.
135. The development assistance sectoral breakdown for 2018 and projections to 2019 year-end are as follows: **[Refer to slide 25]**.

Sectoral Disbursements

Sector	2018 Actual (US\$)	2019 Projections (US\$)
Health	359,736,560	347,985,764
Humanitarian	69,932,139	52,274,240
Agriculture	27,279,476	33,655,275
Capacity Building	21,532,659	28,965,258
Governance	59,793,297	68,670,362
Water Supply & Sanitation	9,733,549	15,779,105
Education	29,867,898	27,988,276
Basic Social Services	37,558,456	35,478,171
Transport	9,855,864	7,399,182
Multi-Sector	8,735,541	9,683,142
Power/Energy	10,386,840	13,287,358
TOTAL	644,412,279	641,166,133

Source: Ministry of Finance, Development Partners

Support for Governance Reforms

136. The 2019 Budget recognised the importance of transforming all governance systems which include, Rule of Law, Freedoms of Expression and Association, Respect for Human and Property Rights, and Zero Tolerance to Corruption, among others.
137. Accordingly, the 2019 Budget allocated ZWL\$76.7 million to institutions mandated to promoting good governance targeting capacitation of those Constitutional institutions mandated to promote democratic principles. These include the—
- Zimbabwe Electoral Commission;
 - Zimbabwe Gender Commission;
 - Zimbabwe Human Rights Commission;
 - Zimbabwe Anti-Corruption Commission;
 - Zimbabwe Judiciary Service Commission; and
 - National Peace and Reconciliation Commission.
138. The Supplementary Budget, therefore, proposes to make additional allocations of ZWL\$125.5 million to the above institutions for purposes of enhancing their capacity in promoting good governance practices.

Structural Reforms

139. Mr Speaker Sir, in support of the demand side objectives, structural reforms remain a key pillar of our reforms. Details on progress made under various public enterprises, ease of doing business and labour market flexibility, among others are in the main Statement.

Governance, Controls' Compliance

140. Mr Speaker Sir, earlier this year, the Secretary for Finance and Economic Development appeared before a Parliamentary Public Accounts Committee oral evidence session to respond to concerns around public finance management matters raised by the Auditor General's Office.

141. At that hearing, my Ministry committed to undertake a review of the systems, people and processes involved in public resources management and accountability arrangements with a view to enhancing the Ministry's effectiveness.

142. In that respect, I am pleased to report that we now have in place a structure and processes that we are confident will, to a large extent, address the legislative and the public's concerns going forward.

143. Members will be aware that the Public Finance Management Act provides for the appointment of internal auditors to Ministries and reporting units of such Ministries, to assist the Treasury in carrying out the public resources management mandate assigned to it in section 6 of the Act.

144. To further strengthen these internal control arrangements, we are also proposing the establishment, within the Treasury, of a central coordinating unit for the internal audit and compliance function. The proposed unit, in addition to providing oversight over disposal of audit issues, provides a formal dedicated structure for ensuring the internal audit function effectively discharges its mandate and adds value to Government operations by;

- supervising and co-coordinating the internal audit and compliance function across all government institutions;
- formulating and disseminating internal audit regulations, uniform standards, policies, guidelines and audit methodology;
- providing leadership in the annual planning process for internal audit and compliance activities throughout the Government;
- arranging appropriate continuous professional development of Internal Auditors;

- enhancing compliance with public finance management procedures and regulations across the board;
- providing quality assurance and producing a consolidated annual internal audit report;
- performing ad hoc investigative assignments in Government entities; and
- providing capacity development for, and monitoring the effectiveness of Audit Committees.

145. Mr. Speaker Sir, we believe that these measures will enable us to put into place an effective compliance and control system and will start to address weaknesses observed in our management of the public resources across Government.

Indigenisation and Economic Empowerment Act

146. Mr Speaker Sir, Government, through the 2018 Finance Amendment Bill amended the Indigenisation and Empowerment Act and platinum and diamonds are now removed from the reserve list and shareholding will depend on negotiations with investors.

147. Subsequently, the Indigenisation and Economic Empowerment Act will be repealed and replaced by the Economic Empowerment Act, which will be consistent with the current thrust “*Zimbabwe is Open for Business*”.

Offshore Financial Services Centre (OFSC)

148. It will be recalled that in my 2019 National Budget Statement, I advised that Government will consider exploring the possibility of setting up an Offshore Financial Services Centre (OFSC) as part of efforts to develop the financial service sector, through provision of opportunities for global investment.
149. A lot of research has to date been carried out, which reveal that offshore financial service centres promote foreign direct investment, domestic investment, export development and promotion and national branding, among others.
150. Other economies that have successfully embraced offshore financial service centres regionally and internationally include, Mauritius, the Cape Verde, Kazakhstan and Switzerland, among others. These countries have grown to become financial hubs attracting a lot of investment.
151. The financial services centres in the countries cited above have been set up over periods ranging from three to fifteen years.
152. Zimbabwe is strategically located to host a regional and international financial hub, given its accessibility and good connectivity, which are some of the attributes necessary for

successful setting up of an OFSC. The adoption of our local currency is also a positive step towards attaining a stable currency, to attract investors.

153. In order to nurture confidence in the financial services sector, thereby attracting the much needed investment, establishing an OFSC is a guaranteed milestone towards achieving this.
154. However, implementation of an OFSC should be preceded by introduction of a number of economic reforms to promote efficient functioning of the financial system.
155. Mr Speaker Sir, I undertake to provide periodic updates to stakeholders on the progress towards setting up Zimbabwe's Offshore Financial Service Centre.

Dry Ports

156. In addition, Government is also considering establishment of dry ports within Zimbabwe borders. These ports maximise Zimbabwe's potential as a transit regional economy and also facilitate efficient and cost effective supply of essential imports into the economy.

REVENUE MEASURES

157. Mr Speaker Sir, the revenue measures that I am proposing

seek to review the incentives that have already been put in place in support of the local industry and the productive sectors, enhance revenue generation capacity and avail relief to taxpayers through adjustments of tax rates, taking into account the recent economic developments.

158. The measures also seek to align existing legislation to policy pronouncements.

Support to Industry

Clothing Manufacturers Rebate

159. In order to close loopholes observed in the utilisation of the *Clothing Manufacturers Rebate*, I urge ZIMRA to undertake a comprehensive *Post Clearance Audit* of the *Facility*, so as to inform Government on appropriate measures to address the malpractices.

Suspension of Duty on Commercial Tyres

160. In view of the gap in local production and also in the interest of ensuring safety of road users, I propose to ring-fence importation of 100 000 commercial tyres at a lower duty rate of 15% for a period of twelve months.

Electrical Manufacturers Rebate

161. I propose to provide for additional inputs to the list of

components that can be imported duty free under the *Electrical Manufacturers Rebate*.

Customs Duty on Motor Vehicle Filters

162. The country's motor vehicle population has increased over the past couple of years. This presents an opportunity for companies to localise the manufacture of spare parts, thereby enhancing linkages within the motor industry value chain.
163. I, therefore, propose to reduce the customs duty on selected raw materials used in the manufacture of motor vehicle filters.

Revenue Enhancing Measures

Taxation of E-Commerce Transactions

164. Mr Speaker Sir, income earned in Zimbabwe by foreign domiciled satellite broadcasting services and electronic commerce platforms is deemed to be from a source in Zimbabwe for tax purposes.
165. I, therefore, propose to extend the scope of revenues deemed to be from a source in Zimbabwe for tax purposes to include amounts received by or on behalf of a radio, television broadcaster or an electronic commerce operator domiciled outside Zimbabwe.

Excise Tax

166. Mr Speaker Sir, in response to inflationary pressure and currency adjustment, I propose adoption of an optimal policy mix between specific and *ad valorem* excise taxes as follows:

Fuel

- *Ad Valorem* excise duty of 45% and 40% per litre of petrol and diesel, respectively.

Alcoholic Beverages

- Optimal mix of *Specific* and *Ad Valorem* excise duty structure as follows:
 - Spirits-40% of ex-factory cost plus ZWL\$20/LAA;
 - Fortified Wines-ZWL\$4/L;
 - Unfortified Wines-15% of ex-factory cost plus ZWL\$3.5/L;
 - Other Fermented Beverages- ZWL\$3/L; and
 - Opaque Beer Powder-ZWL\$0.50/kg.

Tobacco

- A combination Excise Duty of ZWL\$50 per 1 000 cigarettes plus 20% *Ad valorem* on the ex-factory price.

Destruction of Seized Tobacco Products

- Destroy all seized tobacco products, in line with the practice in other countries.

Taxation of Direct Fuel Imports

167. Honourable Members would be aware that Government has approved the *Direct Fuel Imports Facility*, in order to minimise disruptions to the production cycle due to the fuel supply gaps.
168. I, therefore, propose to levy excise duty on *Direct Fuel Imports* in foreign currency at rate of US\$0.45 and US\$0.40 per litre of petrol and diesel, respectively.

Tax Relief Measures

Employees' Tax

169. In order to cushion taxpayers against bracket creep and also stimulate aggregate demand for goods and services, I propose to review the tax-free threshold from the current ZW\$350 to ZW\$700, further widen the tax bands to a maximum of ZW\$30 000, above which income is taxed at the marginal tax rate of 40%, with effect from 1 August, 2019.
170. Employees that earn in foreign currency shall, however, continue to settle their tax liability in foreign currency.

Intermediated Money Transfer Tax

171. In view of the changes in the macroeconomic conditions, I propose to review the tax-free threshold from the current ZWL\$10 to ZW\$20 and the maximum tax payable per transaction by corporates from the current ZWL\$10 000 to ZW\$15 000 for transactions with value exceeding ZWL\$750 000.
172. Furthermore, I propose to exempt additional transactions from IMTT in order to eliminate double taxation.

Intermediated Money Transfer Tax on Mobile Money Transactions

173. The current legislation obliges financial institutions to deduct intermediated money transfer tax on the transfer of money by any means other than by cheque in the following circumstances:
- Between two persons; or
 - From one person to two or more persons; or
 - From two or more persons to one person.
174. However, cash-in and cash-out transactions conducted through mobile money transfer platforms do not fall within the above criterion, hence the tax is not deductible.
175. Consequently, the majority of illegal foreign currency transactions are being conducted through this platform,

thereby evading payment of tax and sustaining parallel market activities.

176. I, therefore, propose to levy tax on the transfer of money between *Mobile Money Transfer Agents* and *Recipients*.

Mining Fiscal Regime

177. Mr Speaker Sir, I propose the following key measures in support of the mining industry:

Deductibility of Mineral Royalties

178. In line with practices in other countries, I propose to allow mining royalties as a deductible expense in the determination of taxable income.

Mining Levies and Charges

179. In order to support investment and production in mining, I call upon the Mining Sector Cluster on the Ease of Doing Business Initiative to finalise and implement agreed positions relating to streamlining fees and charges levied on mining operations.

Mineral Royalties: Gold

180. In order to support gold production as well as maximise revenue flows to the fiscus, I propose to review the royalty

regime for primary gold producers from a two tier system to a sliding scale royalty regime that is based on gold prices as follows:

- Below US\$1 200 per ounce—3%; and
- Above US\$1 200 per ounce—5%.

181. I further propose to review the royalty rate on gold produced by small scale miners from the current rate of 1% to 2% of the gross fair market value, in order to minimise arbitrage opportunities.

Alignment of the Definition of Mineral

182. The Mines and Minerals Act recognises dimensional stones extracted from quarries as a mineral. In this regard, quarry mining operations and licensing are governed in terms of the Mines and Minerals Act.

183. I, therefore, propose to align the definition of mineral in the Income Tax Act to that in the Mines and Minerals Act.

Removal of Duty on Solar Batteries

184. Honourable Members would be aware that Government, in 2010, provided for duty free importation of solar panels and other solar related products, in support of the energy policy

thrust on use of alternative, clean and renewable energy sources.

185. In order to promote investment in solar energy, thereby reducing power demand on the already constrained national grid, I propose to remove duty on lithium-ion solar batteries.

Suspension of Duty on Motor Vehicles Imported for use by Physically Handicapped Persons

186. Mr Speaker Sir, in the unfortunate event of death of the beneficiary before expiry of the *Suspension of Duty on Motor Vehicles Imported for use by Physically Handicapped Persons*, the suspended residual duty becomes due and payable by the Executor of the Estate.

187. In order to relieve the burden for payment of duty by beneficiaries of the estate, I propose to waive payment of duty on such circumstances.

FEES AND CHARGES

Review of Fees, Levies and Charges

188. Honourable Members will be aware that upon adoption of the *Real Time Gross Settlement Dollar* as part of the multicurrency system through Statutory Instrument 33 of 2019, all amounts

expressed in United States Dollars were converted to local currency on a one-to-one basis. Consequently, all Statutory fees, levies and charges are now quoted in local currency.

189. However, depreciation of the local unit against major currencies has increased the cost of goods and services, hence the current level of fees, levies and charges is no longer reflective of the cost of providing Government services.
190. In view of the foregoing, and in line with section 78(1)(r) of the Public Finance Management Act [*Chapter 22:19*], which empowers Treasury to prescribe the level of fees and charges for revenues accruing to the Consolidated Revenue Fund, I propose to review fees, levies and charges on Government services, in line with economic developments.

Tax Administration

Review of Monetary Amounts in Tax Statutes

191. Mr Speaker Sir, I have already alluded to the fact that monetary amounts in various Statutes, including tax related legislation, were converted from the United States Dollar to the *Real Time Gross Settlement Dollar* on a one to one basis through promulgation of Statutory Instrument 33 of 2019, hence no longer serve the intended purpose.

192. I, therefore propose an upward review of monetary amounts in tax legislation.

Rate of Interest on Outstanding Tax Debts

193. Mr Speaker Sir, non-compliance with tax legislation continues to deprive Government of funding to support critical areas such as infrastructure and social services. A number of taxpayers deliberately delay remittance of tax to Government in order to fund their operations.

194. In order to discourage taxpayers from such practices, I propose to review the interest rate paid on outstanding debts from the current 5% plus Libor, to 25%.

Capital Gains Tax Computation: Specified Assets

195. In order to ease the burden of compliance and also enhance revenue assurance for tax administration, I propose to charge a flat capital gains tax rate of 5% on the gross capital amount, being the deemed gain accruing on specified assets acquired after 24 June 2019.

Legislative Amendments

Income Tax

Relaxation of Thin Capitalisation Rules

196. Mr Speaker Sir, Government has availed loan funding to recapitalise strategic State Owned Enterprises. This support has, however, resulted in some of these companies exceeding the prescribed debt to equity ratio of three to one for tax purposes.
197. In order to facilitate implementation of strategic Government projects, I propose to exempt from tax, deemed dividends accrued on account of debt contracted through Government facilities by State Owned Enterprises where such debt exceeds the debt to equity ratio of three to one.

Capital Gains

198. In order to reduce the cost of capitalisation, I propose to exempt gains accruing from the transfer or disposal of shares to the Sovereign Wealth Fund from capital gains tax.

Tax Incentives for Special Economic Zones

199. Government in 2017, availed a number of tax incentives for the benefit of companies engaged in export oriented industrial activities.

200. Government notes with concern that some non-exporting companies have been designated as Special Economic Zones in order to benefit from the existing preferential tax regime.
201. Notwithstanding operating in a Special Economic Zone, companies are, however, not automatically entitled to benefit from the existing tax incentives, unless they meet the conditions prescribed in the Finance or Income Tax Act.
202. From the foregoing, mining houses and other companies that produce for the domestic market cannot benefit from tax incentives under Special Economic Zones.
203. Furthermore, in order to ensure that there is conformity to the constitutionally enshrined principles of fair taxation and for purposes of transparency and accountability, tax incentives shall be solely promulgated through the relevant tax legislation.

Value Added Tax

Provision of Back-Up Services on Fiscalised Devices by Approved Suppliers

204. In order to enhance the effectiveness of the *Fiscalisation Programme*, I propose to allow existing licenced vendors to provide back-up service to devices supplied by operators that would have ceased operations.

Zero-Rating of Exports of Exempt Supplies

205. In order to facilitate competitiveness of exports, I propose to zero-rate exports of exempt fruits, vegetables and unmanufactured tobacco.

Exemption from VAT: Tobacco Not Sold on the Auction Floors

206. Currently, tobacco not sold on auction floors is exempt from VAT. A number of taxpayers are, however, experiencing challenges in identifying the type of tobacco that is exempt from VAT since it is not specified in the VAT Regulations.
207. I, therefore, propose to specify the types of tobacco that are exempt from VAT and are also not sold on the auction floors.

Interest on Delayed VAT Refunds

208. I propose to align to the prescribed period within which interest is payable to the 30-day limit.

Customs Duty

Manufacturers Rebate

Food, Soap and Cosmetic

209. In order to reduce the cost of production, thereby enhancing competitiveness of locally manufactured soaps, Government,

in 2018, increased the list of additional raw materials under the Food, Soap and Cosmetic Manufacturers Rebate, where materials used in the production process are imported duty free.

210. The legislation, however, provides for a suspension of duty of 5% on such materials, contrary to the intended result.
211. I, therefore, propose to provide for a *Rebate of Duty*, where duty is entirely suspended.

Payment of Levies by Foreign Visitors

212. Prior to de-dollarisation, foreign visitors were paying Carbon Tax, Third Party Insurance and Road Access Fees in foreign currency.
213. I propose continuation of payment of the above levies in foreign currency, in order to ensure convenience for such travellers.

Payment of Tax, Fees and Charges in Foreign Currency

214. Mr Speaker Sir, for the avoidance of doubt, the only legal tender in the country is the Zimbabwean Dollar as pronounced through Statutory Instrument 142 of 2019, unless exemptions were specified therein.

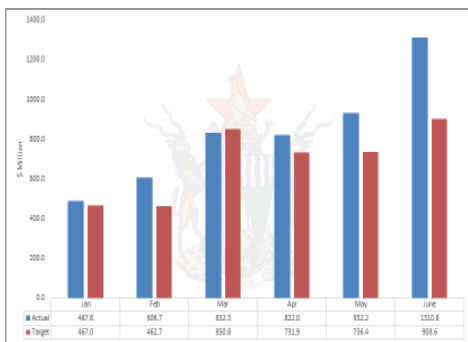
215. Therefore, in cases where exemptions have been issued, taxes shall also be payable in foreign currency.
216. Fees and charges on services provided to foreign registered businesses such as airlines flying into Zimbabwe and haulage trucks transiting through Zimbabwe and services that include passports provided by the country's foreign missions will also be collected in foreign currency.

CONCLUSION

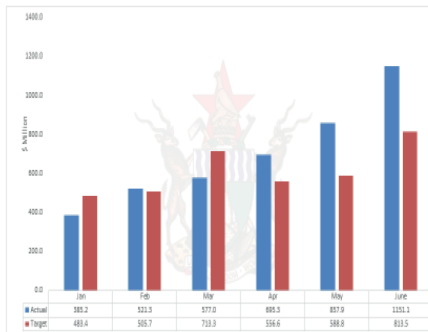
217. Mr Speaker Sir, it is said "History has demonstrated that the most notable winners usually encountered heart-breaking obstacles before they triumphed. They won because they refused to become discouraged by their defeats" (B. C. Forbes, Journalist, author, publisher).
218. And indeed, during the first half of 2019, tremendous progress was made under the TSP notwithstanding the difficult environment.
219. Milestones on the stabilisation front are so far very positive and now constitutes a strong base for the advancement of other reforms, particularly regarding supply stimulation, re-engagement and governance and other structural interventions.

Annexure 2: Slides 1–25

Slide 1: Monthly Actual Revenue vs Target



Slide 2: Monthly Actual Expenditure vs Target



Slide 3: Accommodated Essential and Inescapable Expenditures

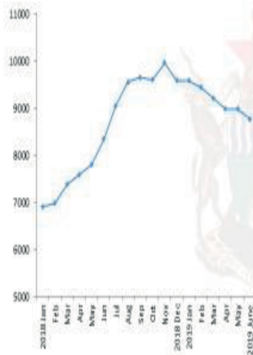
Expenditure Line Item	ZWL\$ million
Cushioning allowance to civil servants for the period January to March	78.5
Cost of living adjustment (COLA) implemented over the period April to December	400
Implied Pension Review	62.1
Implied NSSA Review	3.6
Filling of Critical Posts	58
Cyclone Idai mitigation	61.8
Subsidised mass public transport up to June	30.9

Slide 4: Budget Outturn: ZWL\$ m

	Jan	Feb	Mar	Apr	May	June	Total
Total Revenues	487.6	606.7	832.3	822.0	932.2	1,310.8	4,991.7
Total Expenditures & Net Lending	385.2	521.3	577.0	695.3	857.9	1,151.1	4,188.0
Budget Balance	102.4	85.4	255.3	126.7	74.3	159.8	803.6

Slide 5: Stock of Domestic Debt (Jan 2018 - Jun 2019)

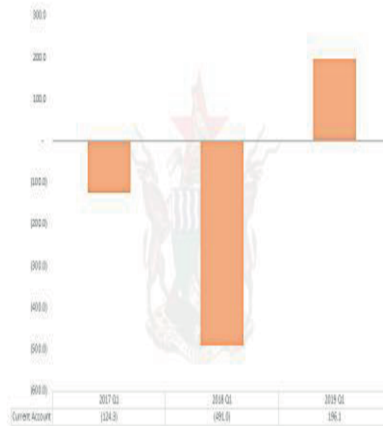
Domestic Debt Profile



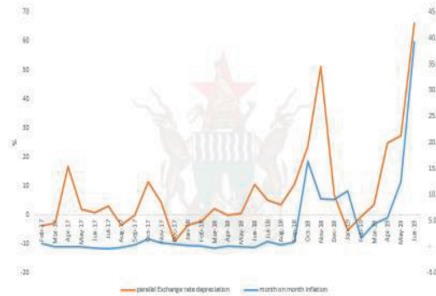
TB Auction System

	Maturity (Days)	Bid Qty (ZWLm)	Weighted Avg TB Rate (%)
1	91	10	16.5
2	182	6.5	19.6
3	365	1.5	17
Total Amount Raised		18	

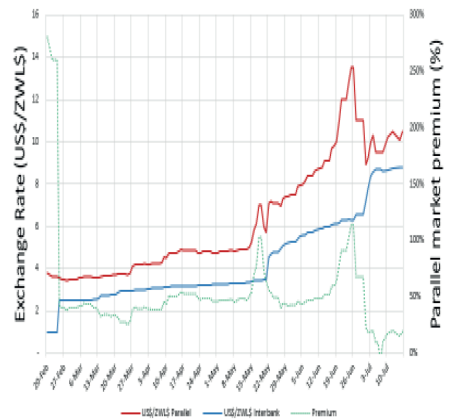
Slide 6: Current Account Balance



Slide 7: Parallel Exchange Rate and Monthly Inflation



Slide 8: Parallel and Interbank Exchange Rate, Convergence Trend



Slide 9: Month on Month Inflation Outlook to Dec 2019



Slide 10: Supplementary Budget Framework (ZWL\$M)

	Original Budget	Supplementary Budget	Revised Budget
Revenue and grants	6199	7861	14060
Expenditure and net lending	7765	10854	18620
Current expenditure	5728	5824	11552
Employment costs	4050	1506	5556
Interest payments	351	160	511
Foreign	24	257	281
Domestic	327	-97	230
Goods & services	719	3,740	4,459
Current transfers	608	418	1026
Capital expenditure and net lending	2037	5031	7068
Overall balance (commitment basis)	-1566	-2993	-4560

Slide 11: Supplementary Budget Cont"

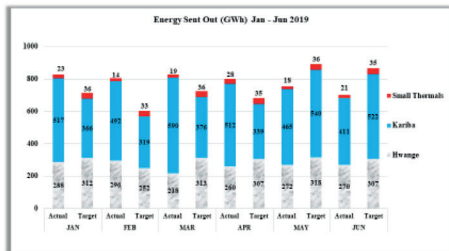
The 2019 Supplementary Budget additional provisions and reform areas:

- Stimulation of production, targeting agriculture, industry and other productive sectors;
- Food security including;
 - Grain procurement to mitigate the effect of drought conditions;
 - Funding for the 2019/20 Summer Cropping Programme
- Welfare of civil servants and pensioners;
- Social services delivery and social protection;
- Infrastructure and utilities;
- Constitutional requirements including transfers to provincial councils and local authorities and support for governance institutions;
- Supporting structural and governance reforms;
- Support for Government operations; and
- Respective revenue measures including tax thresholds adjustment.

Slide 12: Reviewed Capital Budget

	2019 Original Budget	Supplementary Budget	2019 Revised Budget
INFRASTRUCTURE	1,127,825,000	1,344,787,000	2,472,612,000
Energy and Power Supply	12,000,000	42,000,000	54,000,000
Transport	349,200,000	323,912,000	673,112,000
Water Supply and Sanitation	254,550,000	167,550,000	422,100,000
ICT	97,285,000	79,000,000	176,285,000
Public Amenities	180,030,000	224,700,000	404,730,000
Social Services	173,000,000	186,550,000	359,550,000
Irrigation Development	35,700,000	141,000,000	176,700,000
Other Infrastructure Related Outlays	25,700,000	9,000,000	34,700,000
AGRICULTURE EXPENDITURES	613,000,000	2,950,000,000	3,563,000,000
CAPITALISATION OF SOCS	92,000,000	120,300,000	212,300,000
OTHER CAPITAL ITEMS	262,500,000	628,131,000	890,631,000
GRAND TOTAL	2,059,822,000	5,034,268,000	7,074,000,000

Slide 13: Electricity Output; Jan-June 2019 Target VS Actual



Slide 14: Power Generation Projects Hwange 7 & 8 Expansion Project



Slide 15: Kariba Dam Rehabilitation



Slide 16: Electrification Status of Rural Schools and Health Centres as at 30 June 2019

Province	Municipal Electrification				Rural Electrification				Unincorporated Electrification				RETOTAL	
	Policy	Service	Clear	Not	Policy	Service	Clear	Not	Policy	Service	Clear	Not	Policy	Service
Western	53	32	274	105	33	20	32	152	23	15	12	37	57	78
Man	407	278	145	88	34	16	11	68	11	2	28	26	77	72
North West	66	269	181	105	421	212	121	162	23	16	55	38	64	89
North East	82	33	113	119	414	172	34	478	24	15	24	48	51	52
Free State	80	349	118	138	285	231	137	162	142	138	31	52	43	88
North East	35	132	117	104	207	114	16	198	24	48	11	26	51	70
North West	63	149	128	207	137	133	124	148	17	18	1	16	61	86
Midwest	72	217	254	100	322	223	191	178	421	31	13	59	44	75
Total	1324	2263	1341	873	2780	1546	1764	2026	446	178	264	54	78	78

Slide 17 : Commissioned Solar Micro Grid Systems as at 30 June 2019

Province	Secondary School	Primary Schools	RHC/ Clinics	Chiefs	Other	Total
Manicaland	16	1	23	0	0	40
Mashonaland Central	20	6	12	2	0	40
Mashonaland East	22	0	31	2	0	55
Mashonaland West	22	5	23	4	0	54
Masvingo	15	11	32	1	0	59
Matabeleland North	30	7	24	8	1	70
Matabeleland South	18	11	18	0	0	47
Midlands	21	3	27	6	0	57
Total	164	44	190	23	1	422

Slide 18: Water & Sanitation

Upstream View of Marovanyati Dam



Works on the main Dam Wall at Gwayi Shangani Dam



Slide 19: Transport & Communications

Completed section of the Bindura-Matepatepa Road



Ongoing works on the Norton Road Over Rail Bridge



Slide 20: Aviation

Expansion of Harare International Airport



Slide 21: Schools Infrastructure

Tavoy Secondary School in Hurungwe – Mashonaland West



Final touches to the Innovation Hub at the University of Zimbabwe



Slide 22: Health Infrastructure

Rehabilitated theatre at Mbuya Nehanda Maternity Hospital that was destroyed by fire



Slide 23: Cyclone Idai

Mhakwe Causeway reconstruction in progress. (Chimanimani District)



Slide 24: Cumulative Grain Distribution by Province Jan- Jun. 2019

National	Number of Households	Cumulative Distributions
Manicaland	80,285	24,558.53
Mashonaland Central	70,080	21,209.00
Mashonaland East	65,627	19,755.89
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Matabeleland North	51,810	11,807.05
Matabeleland South	68,380	16,202.65
Midlands	176,290	34,766.75
Bulawayo	12,968	990.05
Harare	12,269	2,979.83
Total	756,980	189,042.52

Slide 25: Development Partner Support

Sector	2018	2019
	Actual	Projections
	(US\$)	(US\$)
Health	359,736,560	347,985,764
Humanitarian	69,932,139	52,274,240
Agriculture	27,279,476	33,655,275
Capacity Building	21,532,659	28,965,258
Governance	59,793,297	68,670,362
Water Supply & Sanitation	9,733,549	15,779,105
Education	29,867,898	27,988,276
Basic Social Services	37,558,456	35,478,171
Transport	9,855,864	7,399,182
Multi-Sector	8,735,541	9,683,142
Power/Energy	10,386,840	13,287,358
TOTAL	644,412,279	641,166,133

220. It is, therefore, now time to really focus on production, productivity, growth, poverty reduction and development, given that the fiscal and monetary policy issues are under control. The prospective investments in mining of US\$12 billion, combined with tourism potential, industry reboot from a new position of a competitive domestic currency, infrastructure investments, all point to a bright future for economic growth, job creation and development. The devolution agenda will galvanize the

development thrust at the local level.

221. These issues, therefore, constitute the reform agenda for the last half of the year and beyond.

222. I, therefore, table the appropriate 2019 Supplementary Estimates of Expenditure and propose their adoption [**Refer to Annex. 1**].

223. Mr Speaker Sir, following observations and guidance by the Parliamentary Budget and Finance Portfolio Committee and the Public Accounts Committee, it is my intention to later table relevant and pending financial adjustment bills for condonation.

Hon. Prof. M. Ncube

Minister of Finance & Economic Development

1 August, 2019

ANNEXURES

Annexure 1: 2019 Supplementary Estimates of Expenditure

Vote Appropriations	2019 Estimates		
	Original Estimates	Additional Estimates	Revised Estimates
	ZWL\$	ZWL\$	ZWL\$
Office of the President and Cabinet	294,700,000	499,565,000	794,265,000
Parliament of Zimbabwe	145,000,000	98,937,000	243,937,000
Labour and Social Welfare	81,201,000	1,083,995,000	1,165,196,000
Defence, Security and War Veterans	546,939,000	551,201,000	1,098,140,000
Finance and Economic Development	273,593,000	1,204,884,000	1,478,477,000
Audit Office	7,763,000	7,140,000	14,903,000
Industry and Commerce	47,055,000	47,093,000	94,148,000
Lands, Agriculture and Rural Resettlement	989,298,000	3,392,970,000	4,382,268,000
Mines & Mining Development	15,445,000	9,600,000	25,045,000
Environment, Tourism and Hospitality Industry	38,136,000	81,270,000	119,406,000
Transport and Infrastructural Development	399,182,000	761,295,000	1,160,477,000
Foreign Affairs	56,090,000	260,075,000	316,165,000
Local Government, Rural Development and National Housing	179,886,000	278,749,000	458,635,000
Health and Child Care	694,467,000	507,061,000	1,201,528,000
Primary and Secondary Education	1,132,322,000	362,205,000	1,494,527,000
Higher & Tertiary Education, Science and Technology Development	380,842,000	107,346,000	488,188,000
Women Affairs, Community, Small and Medium Enterprises Development	44,771,000	29,036,000	73,807,000
Home Affairs and Cultural Heritage	517,822,000	356,541,000	874,363,000
Justice, Legal & Parliamentary Affairs	155,608,000	129,380,000	284,988,000
Information, Publicity and Broadcasting Services	45,192,000	13,442,000	58,634,000
Youth, Sport, Arts and Recreation	53,495,000	31,806,000	85,301,000
Energy & Power Development	16,011,000	78,887,000	94,898,000
Information Communication Technology and Courier Services	17,912,000	18,100,000	36,012,000
Judicial Services Commission	27,638,000	32,911,000	60,549,000
Public Service Commission	279,278,000	34,244,000	313,522,000
Council of Chiefs	5,202,000	6,470,000	11,672,000
Human Rights Commission	3,335,000	2,565,000	5,900,000
National Peace and Reconciliation Commission	2,463,000	4,370,000	6,833,000
National Prosecuting Authority	8,089,000	14,959,000	23,048,000
Zimbabwe Anti-Corruption Commission	6,403,000	36,752,000	43,155,000
Zimbabwe Electoral Commission	14,321,000	10,833,000	25,154,000
Zimbabwe Gender Commission	2,000,000	2,533,000	4,533,000
Zimbabwe Land Commission	10,488,000	19,004,000	29,492,000
Zimbabwe Media Commission	2,000,000	1,616,000	3,616,000
TOTAL	6,493,947,000	10,076,835,000	16,570,782,000
Debt Service: Interest Bill	351,114,000	159,886,000	511,000,000
Pension	594,100,000	223,486,000	817,586,000
Other Constitutional & Statutory Appropriations	326,200,000	394,432,000	720,632,000
Total Expenditure & Net Lending	7,765,361,000	10,854,639,000	18,620,000,000
Repayment of Loans	2,550,300,000	0	2,550,300,000
Total Expenditure & Net Lending including Loan Repayment	10,315,661,000	10,854,639,000	21,170,300,000