Key Messages and Recommendations

- **At around 36% of the national budget, social expenditure is low compared to other SADC countries (45%, on average).** Given the constrained fiscal environment, the government needs to give greater priority to social sector investments, which could be achieved by a gradual reduction in administrative outlays (employment costs) and weaning off non-performing state owned enterprises, towards increased social spending.

- **Wage costs are extremely high.** At 80.5% of total revenues in 2017, employment costs are the highest single expenditure item crowding out the budget for critical long-term capital and social investments. The government should develop a medium-term plan to reduce the overall wage bill.

- **Early Childhood Development (ECD) human resources gap to remain.** Government will not be recruiting the required additional teachers for ECD, effectively transferring the burden of providing ECD schooling services to parents and communities, hence further excluding children from the vulnerable families, who may not afford the cost of ECD.

- **Access to information on public expenditures remains limited, which prevents more comprehensive assessment of the composition and quality of spending as well as its alignment with national priorities.** It is important that the government adopts practices to ensure that the budgeting process is open and transparent and that there are meaningful opportunities for citizens to contribute to public financial decision-making processes.

- **To achieve the desired budgetary results, there is need to improve technical and allocative efficiency, thereby ensuring value for money from the available resources.** Enhancing efficiency of expenditures, whilst at the same time ensuring timeous disbursements are made to facilitate implementation of programs, particularly the non-wage component, can help achievement of better budget outcomes that benefits all, including children.

- **In addition, commitment to the proposed fiscal and expenditure management strategies is needed.** This will help reign in on fiscal deficits that have given rise to an unsustainable domestic debt burden, which has been the source of the current liquidity shortages, inflationary pressures, and undermined the viability of the financial sector and the exchange rate regime. The net effect of which is constrained economic growth and social progress.

- **Zimbabwe’s economy is on the recovery path.** This calls for the need for strong commitment to the implementation of the proposed economy-wide reforms and sustained policy consistency, predictability and credibility, which has been lacking during the recent past.

- **Rising inflation is another key concern for vulnerable children and their families, which negatively affects their access to basic services and deepens exclusion.** The government needs to prioritize strategies to deal with the rising costs of food and healthcare, in particular, including through ensuring affordable access and supplies as well as indexing prices, where possible.
1. Introduction

The National Budget is one of the most important policy tools at the disposal of the government to influence economic growth, poverty reduction and facilitate social inclusion, among other key macroeconomic and social goals. This means that how and where the country spends its budgetary resources has a huge bearing on economic growth, and social inclusion, and determines whether the marginalized members of the society, including children are truly reached.

This Brief is, therefore, one of five briefs that explore the extent to which the 2018 National Budget addresses the needs of children in Zimbabwe. The Brief analyze the size and composition of budget allocations for 2018 as well as offer insights into the efficiency, effectiveness, equity and adequacy of government spending. The main objectives is to synthesize complex budget information so that it is easily understood by stakeholders in order to inform financial decision-making processes.

2. Key Economic Growth and Inflation Developments

Economic Growth Trends and Forecast

The 2018 Budget has identified a number of ambitious reform targets, which are outlined above, however in past years, implementation against commitments has been weak. Therefore, there is need to strengthen the government’s monitoring and evaluation framework linked to the annual budget and to the medium-term expenditure framework to ensure policy implementation and that policy implementers are held to account.

- Correcting Fiscal Imbalances and Financial Sector Vulnerabilities.
- Creating a Conducive Investment Environment.
- Stimulating Production and Exports.
- Creation of Jobs.
- Re-engagement with the International Community.
- Public Enterprises and Local Authorities Reforms.
- Dealing with Corruption.

The government’s economic forecasts remain optimistic. The 2018 National Budget projects the economy to grow by 4.5% in 2018, some 0.8 percentage points higher than the 3.7% recorded in 2017, (Figure 1). This growth projection is anchored on the assumption of a successful implementation of the above-mentioned economy wide reforms, coupled with strong sectoral growth in agriculture (10.7%), mining (6.1%), electricity (28.5%), distribution, hotels and restaurants (7.3%).

At the projected 4.5% growth in 2018, the country compares favorably to its regional competitors such as Mozambique (5.3%), Malawi (5.0%) and Botswana (4.8%), (Figure 1), and 1.2 percentage points higher than the Sub Saharan average growth of 3.3%. Growth in many Sub-Saharan Africa (SSA) countries remain constrained by growing vulnerabilities in the region, notably, rising public debt, financial sector strains and low external buffers.

The government’s growth projection for 2018 of 4.5% is somewhat ambitious. There are a number of risks that could potentially undermine growth this year. These include:

- foreign exchange shortages to support domestic production;
- a twin deficit (fiscal and current account) both financed mostly by unsustainable debt creating flows;
- unsustainable external debt arrears which make it impossible for the country to access new credit lines
- cash shortages, and
- the impending election which may divert resources and shift attention from the economic development towards electioneering activities.

The 2018 Budget has identified a number of ambitious reform targets, as already alluded to, however in past years, implementation against commitments has been weak. Therefore, there is need to strengthen the government’s monitoring and evaluation framework linked to the annual budget and to the medium-term expenditure framework to ensure policy implementation and that policy implementers are held to account.
Inflation Developments

Zimbabwe’s Year-on-Year (YoY) inflation has been rising steadily. For the first time since 2014, annual inflation breaching into positive territory in 2017. The country’s annual average inflation rose from -1.5% in 2016 to 1.1% in 2017 and is expected to average 3.0% in 2018, (Figure 2a). The prevailing inflationary trend means that general prices in the economy are much higher in 2017 and expected to further rise in 2018 compared to 2016. The major driver of this inflation, among others, has been food inflation, (Figures 2a&b), which has been trending upwards on account from rising importation costs, as most food items are imported.

More worrying for the country has been the sharp rise in health inflation driven by hospital and pharmaceutical services. Monthly health inflation has been trending upwards, reaching 1.6% in December 2017 (Figure 2b). The rising health inflation can be a major deterrent to access as it increases the cost of accessing care, which disproportionately affects the poor and vulnerable families and their children. Whilst children under 5 years may be excluded from user fees, shortages of drugs in public hospitals mean they have to fork out more to access drugs from private pharmacies. On a positive note though, education inflation has been trending downwards both on an annual basis and monthly basis, (Figures 2a and 2b), a welcome development for access to education, as the cost of education materials was on the decline compared to 2016.

The government forecast inflation of 3.0% in 2018 may be a bit lower as compared to the IMF projection of 5.2%. The main drivers of inflation in 2018 includes the worsening liquidity constraints and high parallel market premiums on US$ cash against bond notes at parallel makes trading, where most economic agencies get their US$ to import goods and services, as the country is predominantly import driven. Food and pharmaceutical inflation is also expected to remain high, impacting overall inflation, as most food items and drugs are imported, and prices are indexed to the parallel market foreign currency exchange rates.

Social Development Trends

Poverty remains a big development challenge in Zimbabwe – with 6 in every 10 households living in poverty. In addition to income poverty, the majority of the population, including children, face extreme vulnerabilities due to a combination of food insecurity and unemployment, resulting in weak social indicators in health, education, WASH and social protection.

Zimbabwe’s overall social progress is among the lowest in the world as shown by the country’s Human Development Index (HDI) ranking. With a HDI of 0.522 in 2017, Zimbabwe is classified as having a low human development, this is despite an 18% improvement during the period 2000 to 2015. Theoretically, a higher HDI points to a higher level of socioeconomic development. Hence, the important role of efficient public spending in social development cannot be overemphasized. Table 1 shows the status of the key social indicators in Zimbabwe.

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1 For instance, in November/December 2017 US$ was trading at an average 70% to transfers and 35% for Bond Notes
Key Takeaways

- The economy is on a recovery growth path, however, sustaining the momentum requires government commitment to fully implement the proposed reforms and improved policy consistency and credibility.

- Rising inflation particularly food and health care inflation poses great risk on marginalized and vulnerable households and their families, calling on the need by the government to prioritize investments in local production to counter the effects of high import prices.

- High levels of poverty and deprivation call for a restructuring of spending towards social sectors and the need for a compressive medium-to-long-term poverty reduction strategy.

3. Fiscal Framework for 2018

The 2018 National Budget projects to raise total revenues amounting to US$5.07 billion, 31.0% nominally higher than the 2017 outturn of US$3.87 billion. However, the growth in revenue remains short of the projected total expenditures of US$5.74 billion, giving a deficit of US$671.8 million, (Figure 3).

This is still a continuation of developments in the past few years where there has always been growing mismatch between government revenues and expenditures. As shown in Figure 3, the Government has been implementing an expansionary fiscal policy stance, that has seen total expenditures growing at a much faster rate than revenue growth, resulting in rising fiscal deficits. For instance, in 2017 government experienced expenditure overruns of US$1.93 billion, 76.8% higher than the US$1.09 billion incurred in 2016. The US$1.93 billion fiscal deficit is still an underestimate as it does not capture

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Table 1: Key Social Development Indicators in Zimbabwe

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>13,061,239</td>
<td>Census 2013</td>
</tr>
<tr>
<td>Population under 18 (as share of Total Population)</td>
<td>48.0</td>
<td>Census 2013</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>62.6%</td>
<td>PICES 2012</td>
</tr>
<tr>
<td>Extreme Poverty</td>
<td>16.2%</td>
<td>PICES 2012</td>
</tr>
<tr>
<td>Multidimensional Poverty (at least 2 deprivations)</td>
<td>56.7%</td>
<td>MODA# 2016</td>
</tr>
<tr>
<td>Human Development Index (HDI)</td>
<td>0.522</td>
<td>HDR (2017)</td>
</tr>
<tr>
<td>Under-five mortality rate (deaths per 1,000 live births)</td>
<td>7.5 per 1000 live birth</td>
<td>MICS 2014</td>
</tr>
<tr>
<td>Proportion of out-of-school children of primary school age</td>
<td>6.6%</td>
<td>MICS 2014</td>
</tr>
<tr>
<td>School Readiness</td>
<td>86.2%</td>
<td>MICS 2014</td>
</tr>
<tr>
<td>Pri-school completion rate</td>
<td>98.9%</td>
<td>MICS 2014</td>
</tr>
<tr>
<td>Secondary School completion rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of population practicing open defecation</td>
<td>31.7%</td>
<td>MICS 2014</td>
</tr>
<tr>
<td>Proportion of children under age 5 whose birth is registered</td>
<td>32.3%</td>
<td>MICS 2014</td>
</tr>
<tr>
<td>Proportion of women first married or in union before 18</td>
<td>32.8%</td>
<td>MICS 2014</td>
</tr>
<tr>
<td>Use of improved drinking water</td>
<td>61.7%</td>
<td>MICS 2014</td>
</tr>
<tr>
<td>Access to improved sanitation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Multiple Overlapping Deprivation Analysis
civil servants’ bonuses, estimated at US$180 million, that will be paid in 2018. Ideally, this expenditure was incurred in 2017 and should be paid and accounted for in the year it was incurred.

The expansionary fiscal stance has given rise to an unsustainable fiscal deficit. As a share of Gross Domestic Product (GDP), the deficit has grown from below 2.2% prior to 2015 to 8.2% in 2016, rising to 9.4% in 2017, (Figure 4). The unsustainable fiscal deficit has led to severe liquidity shortages, created inflationary pressures, and threatened the viability of the financial sector and the exchange rate regime. Equally concerning is that the deficits have been financed mainly from costly domestic borrowings, giving rise to domestic debt and a potential ‘crowding out’ effect on private investment, to the detriment of economic growth.

External debt is also a major challenge to growth. The country’s total external debt amounted to US$7.567 billion (41.6% of GDP) in 2017 and is expected to rise to US$7.755 billion in 2018. Of this, 55% is in arrears, making it difficult for the country to access new lines of credit for its public-sector investment program, including social investments. The country’s total debt stock, therefore, stood at US$13.579 billion in 2017 (74.9% of GDP) and projected at US$14.454 billion (74.4% of GDP) in 2018.

Allocation of the 2018 Budget

As has been the trend over the years, the 2018 Budget allocated the largest share of the budget towards primary and secondary education. The Ministry of Primary and Secondary Education (MoPSE) was allocated US$905.6 million, accounting for 6.2% of the overall change in the total budget. The biggest movers in the 2018 Budget included Lands, Agriculture and Rural Resettlement (12.0%), Health (7.7%), Higher and Tertiary Education (7.1%), whilst Home Affairs (4.3%), completes the top five movers, (Figure 5).
The key social services sector (Health, Education and Social Protection) were allocated a combined total of US$1.62 billion, about 36.7% of the total budget. Whilst this represents a 5.5 percentage point gain on the 2017 allocation of 31.2%, it still falls below the average share of social sector spending in the SADC region of 45%.

Notably, there were significant improvements in the allocation to non-wage social sector expenditures, (Figure 6). These improved allocations are welcome as they seek to bolster real programme spending in social sectors, which have over the years relied on donor support, which however, is on the decline. It is, therefore important for the government to show commitment through timeous disbursement of these commitments to achieve better outcomes, including for children. Detailed sectoral analysis of the Budget allocation to these social sectors is provided in separate briefs.

Major Concerns about the 2018 Budget

Whilst the Budget Statement has laid the tone for economic reforms and growth, there remains some areas of concern, chief among them being:

- **An election budget** – there are question marks on the ability of the economy to mobilize US$5.07 billion in revenues. The growth projection seems amplified to suit the election agenda of the new administration. The IMF projects the economy to have grown by 2.8% in 2017 and 0.8% in 2018, compared to the government estimate of 3.7% in 2017 and a projection of 4.5% in 2018.

- **Failure to address the human resources gaps in ECD.** The 2018 National Budget indicated that government will not be recruiting the required additional 5,907 teachers for ECD. Whilst this would-be a saving of US$36 million, for the government, the burden of providing ECD schooling services will be borne by parents and communities, hence further excluding children from the vulnerable families, who may not afford the cost of ECD. This is discussed more in the Education Budget Brief.

- **Continuation with the culture of entitlement** – having struggled to pay bonuses in the year they are due, the 2018 Budget presented an opportunity for a complete break from the past. The government purse remains constrained and 2017 bonuses will only be paid starting March 2018. Government could in the long run consider making the bonus a performance based reward to limit its implication on the fiscus particularly in times of fiscal austerity.

- **Lack of commitment to reign in government spending to within the available revenues.** Without such commitment, the government will continue to incur unsustainable fiscal deficits that hinder growth.

- **No concrete measures to address the cash situation.** Therefore, the cash crisis is unlikely to go away in the near term – impacting negatively on economic activity, given the 3-tier pricing systems (Bond note, Cash USD and RTGS), whose impact is disproportionally felt by the poor children and their families.

**Key Takeaways**

- Achieving fiscal sustainability should be the key policy priority for the government given its negative effects on the economy through: inflation pressures, and rising domestic debt borrowing, crowding-out private sector borrowing.

- Improved non-wage allocation to social sectors is a significant positive step by the government, which needs to be matched by actual and timely disbursements to achieve improved results.
4. Financing the National Budget

Revenue Trends and Projections for 2018

Government revenues have been on a recovery path, following a dip in 2016. The 2018 National Budget projects total revenues, including grants, of US$5.07 billion, ~31.0% higher from the US$3.87 billion in 2017, (Figure 7). The higher revenue growth is premised on the expected economic growth and measures to enhance both tax administration and collection at the Zimbabwe Revenue Authority (Zimra). In addition, to improve revenue transparency and accountability, the 2018 Budget proposes that all revenues collected and previously retained by government departments will be accounted for through the Consolidated Revenue Fund (CRF). To that effect, an amount of US$434 million is projected to be mobilized from retained funds in 2018 through to 2020, whilst an amount of US$100 million is expected to be mobilized from grants.

As a share of GDP, Zimbabwe is one the countries with the highest Tax-to-GDP ratios in Sub-Saharan Africa. In 2018, total revenues accounts for 22.1% of GDP from 20.2% of GDP in 2017. It is imperative, therefore, that the proposed revenue enhancing strategies do yield the desired outcomes as any short-fall or shocks to revenues will further worsen the already precarious fiscal space, undermining the implementation of the planned projects.

Whilst development partner support has been a major source of off-budget financing, it has mainly been channeled direct to programs. The 2018 Budget projects US$100 million in development aid, approximately 2.0% of total revenues and 1.7% of total expenditures. However, this grossly understate the role of donor support in financing the budget. Zimbabwe has over the years relied on donor support, particularly for social sector financing. However, the support has continued to preclude formal government systems, given concern over weakness in the country’s public financial management system. Data from the Ministry of Finance and Economic Development (MoFED) show that donor support accounted for as high as 27.0% of total expenditures in 2012 at US$944.9 million, (Figure 8). However, this is on the decline, reaching an estimated US$445.9 million in 2017 ~7.7% of expenditures. Going forward, the key policy challenge for the government is how to make the best use of the available donor support, and improving accountability of such resources.
Composition of Total Revenues

Total resources for the government budget remain predominantly from tax and non-tax revenues. The 2018 Budget projects to raise total revenues (tax and non-tax) amounting to US$4.54 billion, constituting 89.5% of gross revenues in 2018, whilst retained funds (US$434 million) will account for 8.6%, with the remainder being grants (2%), (Figure 9a).

Key Takeaways

- Government revenues are on a recovery path. However, continued improvements in tax collection efficiency and administration remains important to sustain the momentum.
- Donor support remains critical for Zimbabwe, albeit the declining trend, hence, the need for government to efficiently utilize the available support and improving public accountability of all resources.

5. Expenditure Trends and Projections for 2018

The government plans to reduce total expenditure in 2018. Total expenditure for 2018 of US$5.74 billion are 1.0% lower than the US$5.8 billion in 2017. However, having experienced policy slippages and reversals, over the recent past this may remain a difficult task to achieve. For instance, in 2017, the government expenditure target was US$4.1 billion, but the actual out-turn was US$5.8 billion. With the impending general elections, due in July/August 2018, risks are high that the government may resort to populist spending, thereby the exceeding expenditure ceiling.

As has been the trend, Value Added Tax (VAT) remains the biggest source of tax revenues. VAT is projected to contribute 30% of total tax revenues, and reflects a highly consumptive economy. The other major tax heads are Pay as You Earn (PAYE) (19%) and Excise Duties (18%), (Figure 9b). On account of the expected growth, corporate tax is expected to contribute 11.0%, compared to 9.1% in 2017.
Composition of Expenditures

Wage expenditure typically is the largest cost driver within the government budget. Of the US$5.74 billion expenditure target, wage costs amount to US$3.27 billion accounting for 57.9% of total budget, (Figure 10a). Despite the fall as a share of total expenditures and revenue from 83.2% and 91.1%, respectively, to the projected 57.9% (of total expenditures) and 64% (of revenues), actual employment costs remain high at US$3.3 billion, (Figure 10b). Zimbabwe’s employment cost at 17% of GDP, remain some 10 percentage points higher than regional and sustainable thresholds of 7%.

As such, capital expenditure continue to be crowded out by employment costs. Targeted capital expenditure of US$1.16 billion, are estimated to account for 20.2% of total expenditure (Figures 10a & 10b), representing a significant increase from the US$876.4 million spent in 2016. If this can be achieved, the government would need to sustain this levels of capital spending to keep it within 20-25% of total expenditures to stimulate growth and improve social outcomes. The proposals by the government to implement wage reforms to reduce employment costs to below 40% of total expenditure, is welcome as it is one way of creating fiscal space for development and social spending that benefit children. Commitment is needed towards the implementation of the proposed reforms, which include: a freeze hiring, continuous monitoring and audits for flushing out “ghost workers” as well as the restructuring of the Public Service to improve efficiency.

**Key Takeaways**

- Greater government commitment is needed to achieve the set target of reducing total expenditure by 1.0%, as a key first step towards reducing the unsustainable fiscal deficit.
- Government expenditure mix remains skewed towards recurrent expenditures, particularly wage costs. Sustainability requires a re-balancing of the expenditure mix towards capital/program support for infrastructure and social development.

6. Budget Execution and Credibility

**Budget Execution**

Budget execution in Zimbabwe has been weak, characterized by some policy slippages, particularly on the expenditure management side. The most notable positive for 2017 was the total revenue collection which exceeded target by 4.6% to US$3.87 billion. Much of the gains in total revenue collection were realized from tax revenue, which surpassed the target by 6.8%, whilst non-tax revenue under performed by 19.7%, (Table 1). However, given that non-tax revenue contributes only 5% of total revenue, the under-performance of the non-tax revenue had little impact on total revenue outturn.
As has been the trend, in 2017, the government experienced significant expenditure overruns across all the expenditure categories. Total expenditure overruns amounted to US$1.7 billion, ~ 41.5% of the Budget target of US$4.1 billion, (Table 1). The largest overrun was on account of capital expenditures, where US$1.6 billion was spent against an initial target of US$520 million. Whilst this is a positive development on the capital budget, the net effect was a total deficit of US$1.9 billion, against the target of US$400 million. The deficit, which is 9.4% of GDP, need to be contained to below sustainable threshold of 3% of GDP of 5% as per the SADC macroeconomic convergence target. The fiscal deficit has had negative effects on the economy including the prevailing liquidity crisis, inflationary pressures and increase in the domestic debt stock.

## Budget Transparency

Zimbabwe is one of the countries whose budgeting process is considered to be less transparent, with limited opportunities for citizens’ participation. According to the International Budget Partnership (IBP)'s Open Budget Survey (OBS) Zimbabwe’s score of 23 in 2017 is substantially lower than its score of 35 out of 100 in 2015, (Figure 11). The decline in ranking is attributed to the decrease in the availability of budget information such as failing to publish the In-Year Reports online in a timely manner, reducing the information provided in the Executive’s Budget Proposal, failing to produce a Citizens Budget or a Year-End Report and publishing a Pre-Budget Statement that only contains minimal budget information.
UNICEF has been working with the Government of Zimbabwe and a civil society partner—National Association for Non-Governmental Organisations (NANGO) to strengthen budget transparency. Various initiatives have been employed including supporting an awareness raising workshop and supporting the government review process, both in 2017 and a planned strategic moment of reflection in 2018, to come up with implementable actions before the 2019 Survey, scheduled to start during the last quarter of 2018. These initiatives have resulted in the improvement in the availability of budget information, though these were implemented after the 2017 survey had been completed. Such measures include: publishing online and in a timely manner an Enacted Budget and In-Year Reports and the Citizens Budget. However, more actions are still required. These include:

- Ensuring that the Executive’s Budget Proposal and the Enacted Budget that is posted online matches the printed version.
- Pilot mechanisms led by the Ministry of Finance and Economic Development for members of the public and executive branch officials to exchange views on national budget matters during both the formulation of the national budget and the monitoring of its implementation.
- Hold legislative hearings on the Audit Report, during which members of the public or civil society organizations can testify.
- Ensure legislative committees publish reports on their analysis of the Executive’s Budget Proposal online.
- Ensure audit processes are reviewed by an independent agency.
- Publish the reports of the independent fiscal institution on macroeconomic and fiscal forecasts and on cost estimates of new policy proposals online.

**Key Takeaways**

- Budget execution in Zimbabwe has been weak. The government would therefore need to show great commitments towards the proposed expenditure management strategies and ensure timely actual disbursements, particularly non-wage program support to achieve better development outcomes.
- Low budget transparency hampers social sector spending: Ensuring budget transparency through improving citizen participation, timeous availing of budget information to stakeholders and strengthening oversight, are key imperators for enhancing resource mobilisation from development partners and more importantly, budget outcomes.

**List of Acronyms**

<table>
<thead>
<tr>
<th>CRF</th>
<th>Consolidated Revenue Fund</th>
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</thead>
<tbody>
<tr>
<td>ECD</td>
<td>Early Childhood Development</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IBP</td>
<td>International Budget Partnership</td>
</tr>
<tr>
<td>MoFED</td>
<td>Ministry of Finance and Economic Development</td>
</tr>
<tr>
<td>MoPSE</td>
<td>Ministry of Primary and Secondary Education</td>
</tr>
<tr>
<td>NANGO</td>
<td>National Association for Non-Governmental Organisations</td>
</tr>
<tr>
<td>OBS</td>
<td>Open Budget Survey</td>
</tr>
<tr>
<td>PAYE</td>
<td>Pay as You Earn</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance Management Act</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern Africa Development Community</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>YOY</td>
<td>Year-on-Year</td>
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<tr>
<td>ZIMRA</td>
<td>Zimbabwe Revenue Authority</td>
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ANNEXURE 1:
Key Policy Reforms Proposed in the 2018 National Budget

Fiscal Reform Strategies

- Fiscal Deficit Targeting, to below 4% of GDP in 2018, and subsequently below 3%;
- Sustainable level of Public Debt to GDP, to below 70% of GDP at the end of any fiscal year;
- Ceiling of Government Borrowing from the Central Bank, to below 20% of the previous year’s Government revenues;
- Achieve minimum Spending on Infrastructure, from current 11% to 15% in 2018 and 25% by 2020;
- Progressive reduction of the share of Employment Costs to initially 70% in 2018, and below 60% of total revenue by 2020, and
- Consolidation of all revenues through the Consolidated Revenue Fund (CRF).

Expenditure Management

- Freeze on recruitment of non-critical posts
- Retirements of staff above the age of 65, including voluntary retirement
- Dealing with duplication of functions by merging and abolishment of some post/ functions – 3,739 youth Officers to be laid off hence savings of US$19.3 million per annum
- Size of Executive – trimmed government from 27 to 21 Ministries
- Fuel Benefit Levels – reviewed and standardized fuel benefit levels
- Personal Issue Vehicles – Permanent Secretaries and Commissioners, one personal issue vehicle, Principal Directors, Directors and Deputy Directors and their equivalents, – vehicle loan scheme
- Foreign Business Travel – Reduction in size of delegations, who will fly economy except the Presidium
- Reduction in Foreign Service Missions as current arrears amounts to US$65 million
- Reduction in the number of Commissions
- Amendments to Indigenization and Economic Empowerment Act – 51/49 will apply to only platinum and diamond

Other cross-cutting Reforms

- Ease of Doing Business Reforms One Stop Investment Centre, SEZs, export promotion, etc
- Curbing Border Delays, including through the deployment of the military at Beitbridge
- Commitment to respect for BIPPAs, Security of land tenure, and introduction of bankable land leases and Compensation for BIPPA violations and Acquired Land
- Enhancing foreign exchange generation, including tapping into the diaspora
- Re-Engagement with International Financial Institutions
- Pursuing an anti-Corruption and Indiscipline – including lifestyle audits and capacitating the Judiciary to swiftly deal with corruption cases
- Restructuring of non-performing and non-strategic SOEs