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WHAT IS A NATIONAL BUDGET?

1. A government budget is a yearly financial plan presenting the sources of money and spending for a financial year. It is approved by the parliamentarians and is presented by the Minister of Finance to the nation.

2. It is a way which governments provide for basic necessities like health, education, roads, water and sanitation, and social services.

3. A government can either have a balanced budget, budget deficit or a surplus. A budget surplus occurs when you have more money than what to spend it on. Whilst a budget deficit occurs when you have less money than what to spend it on. A balanced budget occurs when money collected is the same as money spent.
WANT TO KNOW NATIONAL BUDGET FORMULATION PROCESS?

HOW ABOUT WE PLAY A GAME OF THE NATIONAL BUDGET. LETS START.

Follow the arrows

At this stage Citizens participate in shaping the National Budget

Section 141 of the Zimbabwe Constitution which compels that Parliament:
1) Facilitate public involvement in its legislative and other processes and in the processes of its committees.
2) Ensure that interested parties are consulted about Bills being considered by Parliament, unless such consultation is inappropriate or impracticable.

The National Budget is produced by the Minister of Finance in terms of Section 305 of the Constitution and Section 28(1) read together with Section 7(2)(a) of the Public Finance Management Act (PFMA). It covers the period 1st January to 31st December.

At this Stage, Parliament has the authority to approve the national budget only after the demands and views of the people are effected into the Bill and by doing so it will be executing its people’s representative role.

Budgetary Stage

<table>
<thead>
<tr>
<th>BUDGETARY STAGE</th>
<th>KEY DOCUMENT</th>
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</thead>
<tbody>
<tr>
<td>Drafting Stage</td>
<td>Budget proposal</td>
</tr>
<tr>
<td>Approval stage</td>
<td>Enacted Budget</td>
</tr>
<tr>
<td>Execution</td>
<td>Statutory reports</td>
</tr>
<tr>
<td>Audit</td>
<td>OAG Reports</td>
</tr>
</tbody>
</table>

1) Implementing expenditure according to plan.
2) Accounting for and reporting on actual expenditure and service delivery.

Section 305 of the Constitution and Section 28(1) of the PFMA requires the Minister of Finance to present the National Budget to Parliament not later than thirty days after the start of the Financial Year.
The 2019 Budget is the first step towards implementing the Transitional Stabilisation Programme (TSP) (Oct 2018 – Dec 2020) whose main objective is to restore economic stability, which is critical for the attainment of the country’s Vision.

The primary objective of the 2019 Budget is to ensure fiscal consolidation which relates to matching of government expenditures to revenues with a view to reduce fiscal deficits and accumulation of debt.

It focuses on projects and programmes with immediate benefits of creating jobs and improving public service delivery. Priorities are in healthcare, education, water and sanitation.

To improve confidence by removing price distortions and strengthening anti-corruption institutions.

The 2019 Budget further seeks to close the exports and imports gap through promoting exports and restricting unproductive imports.

GOVERNMENT OBJECTIVES AND ECONOMIC OUTLOOK

PER CAPITA INCOME
MACROECONOMIC FORECASTS AND ASSUMPTIONS

GDP GROWTH AND INFLATION

- **2019 Projected Growth 3.1%**
- **Prices of goods and services in 2019 are expected to remain relatively high than observed in 2018**
- **Prices will, however, stabilise in 2020 and beyond**
- **2019 Total revenues projected at US$6.6 billion**

This growth takes into account the impact of unfavourable weather on agriculture and negative impact that may come through stabilizing Government finances.

- **Tax revenue US$6.04 billion**
- **Non-tax revenues US$162 million**
- **Retentions US$400 million**

- **Growth to be driven by Mining (7.5%), Distribution, Hotels and Restaurants at(5%), Transport and Communication(4%) and Agriculture (3%)**
- **Employment Costs US$4.05 billion**
- **Capex US$2.02 billion (6.4% GDP)**
- **Budget deficit: US$1.57 billion (5% of GDP)**
- **2019 Total expenditures projected at US$8.16 billion**
WHERE WILL THE MONEY COME FROM?

**2019 BUDGET**

$6.598B

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>VAT</td>
<td>$1.697B</td>
</tr>
<tr>
<td>PAYE</td>
<td>$971M</td>
</tr>
<tr>
<td>Excise Duty</td>
<td>$943.8M</td>
</tr>
<tr>
<td>Other Indirect Taxes</td>
<td>$862.2M</td>
</tr>
<tr>
<td>Corporate Tax</td>
<td>$783.8M</td>
</tr>
<tr>
<td>Customs Duty</td>
<td>$484.7M</td>
</tr>
<tr>
<td>Other Direct Taxes</td>
<td>$294.7M</td>
</tr>
<tr>
<td>Non Tax Revenue</td>
<td>$162M</td>
</tr>
<tr>
<td>Donations</td>
<td></td>
</tr>
<tr>
<td>Social Security Contributions</td>
<td></td>
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</table>
REVENUE OUTTURN DEVELOPMENTS AND OUTLOOK

PROFILE OF BUDGET REVENUES
REVENUE HEADS CONTRIBUTION TO THE 2019 BUDGET

- VAT 20%
- Excise Duties 15%
- Customs Duty 15%
- Other Income Taxes 14%
- Corporate Income 13%
- Other Direct Taxes 5%
- Non-Tax Revenue 2%
- Personal Tax 16%
REVENUE OUTTURN DEVELOPMENTS & OUTLOOK {EXCL. GRANTS & RETAINED REVENUES}

PROFILE OF BUDGET REVENUES
WHAT IS THE TOTAL ESTIMATE BUDGET FOR 2019?

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Vote Appropriations (excluding retentions)</td>
<td>$6.49B</td>
</tr>
<tr>
<td>Constitutional and Statutory Appropriations</td>
<td>$1.27B</td>
</tr>
<tr>
<td>Debt Repayments</td>
<td>$2.55B</td>
</tr>
<tr>
<td><strong>2019 Total Estimated Expenditure</strong></td>
<td><strong>$10.3B</strong></td>
</tr>
</tbody>
</table>

**Note:**
- Retentions
- $400 Million
HOW WILL THE MONEY BE SPENT
### 2019 BUDGET ALLOCATIONS (RANK)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Ministry/Programme</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Auditor General</td>
<td>7,763,000</td>
</tr>
<tr>
<td>2</td>
<td>ICT</td>
<td>19,542,000</td>
</tr>
<tr>
<td>3</td>
<td>Mines &amp; Mining Development</td>
<td>22,292,000</td>
</tr>
<tr>
<td>4</td>
<td>Environment, Tourism &amp; Hospitality Industry</td>
<td>38,398,000</td>
</tr>
<tr>
<td>5</td>
<td>Information Publicity &amp; Broadcasting</td>
<td>45,192,000</td>
</tr>
<tr>
<td>6</td>
<td>Industry and Commerce</td>
<td>47,299,000</td>
</tr>
<tr>
<td>7</td>
<td>Woman Affairs, Community, SME Development</td>
<td>51,044,000</td>
</tr>
<tr>
<td>8</td>
<td>Foreign Affairs &amp; International Trade</td>
<td>56,090,000</td>
</tr>
<tr>
<td>9</td>
<td>Youth, Sport, Arts and Recreation</td>
<td>56,663,000</td>
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<tr>
<td>10</td>
<td>Public Service, Labour &amp; Social Welfare</td>
<td>81,385,000</td>
</tr>
<tr>
<td>11</td>
<td>Energy &amp; Power Development</td>
<td>85,262,000</td>
</tr>
<tr>
<td>12</td>
<td>Parliament of Zimbabwe</td>
<td>101,013,000</td>
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<tr>
<td>13</td>
<td>Justice, Legal &amp; Parliamentary Affairs</td>
<td>158,191,000</td>
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<tr>
<td>14</td>
<td>Local Government, Public Works &amp; National Housing</td>
<td>190,038,000</td>
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<tr>
<td>15</td>
<td>Office of the President</td>
<td>294,700,000</td>
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<tr>
<td>16</td>
<td>Finance and Economic Development</td>
<td>318,988,000</td>
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<tr>
<td>17</td>
<td>Commissions</td>
<td>390,150,000</td>
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<tr>
<td>18</td>
<td>Higher and Tertiary Education</td>
<td>424,580,000</td>
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<tr>
<td>19</td>
<td>Transport &amp; Infrastructure Development</td>
<td>437,159,000</td>
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<tr>
<td>20</td>
<td>Defence and War Veterans</td>
<td>546,939,000</td>
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<tr>
<td>21</td>
<td>Home Affairs &amp; Cultural Heritage</td>
<td>553,161,000</td>
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<tr>
<td>22</td>
<td>Health and Child Care</td>
<td>755,837,000</td>
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<td>23</td>
<td>Lands &amp; Agriculture, Water, Climate &amp; Rural Resettlement</td>
<td>1,020,552,000</td>
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<tr>
<td>24</td>
<td>Primary and Secondary Education</td>
<td>1,162,681,000</td>
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<tr>
<td></td>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>6,864,919,000</strong></td>
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</tbody>
</table>

*figures are in descending order*
2019 TOTAL ESTIMATED EXPENDITURE

US$10.3 B
2019 VOTE APPROPRIATIONS PER EXPENDITURE HEAD

- Employment costs
- Operational and Maintenance Costs
- Capital Expenditure
EMPLOYMENT COSTS CROWDING OUT SOCIAL SERVICE EXPENDITURE & INFRASTRUCTURAL DEVELOPMENT

PROPORTION OF EXPENDITURE BY CATEGORY 2017-2021

- Employment costs
- Interest
- Capital Expenditure and net Lending
- Use of goods and services
- Provincial Councils and Local Authorities

SALARIES $4.1 BILLION
2019 VOTE APPROPRIATIONS: TOP 13

- Primary and Secondary Education
- Agriculture, Lands and Water
- Health and Child Care
- Defence and War Veterans
- Home Affairs and Cultural Heritage
- Transport and Infrastructure
- Higher & Tertiary Education, Science
- Finance and Economic Development
- Office of the President and Cabinet
- Public Service Commission
- Local Government, Public Works
- Justice Legal & Parliamentary Affairs
- Parliament of Zimbabwe

BOTTOM 21

- Public Service Commission
- Judicial Services Commission
- Zimbabwe Electoral Commission
- Zimbabwe Land Commission
- National Prosecuting Authority
- Zimbabwe Anti-Corruption Commission
- Audit Office
- National Peace and Reconciliation Commission
- Zimbabwe Gender Commission
- Human Rights Commission
- National Parks Commission
- Zimbabwe Media Commission
- Council of Chiefs
- Information Publicity
- Women Affairs, Community Information Communication
- Mines and Mining Development
- Energy and Power Development
- Environment Tourism
ACTUAL EXPENDITURE 2017-2018, PROJECTED EXPENDITURE 2019-2021

When expenditure exceeds revenues, the gap is financed through borrowing and this has led to the growth in national debt.

The 2019 Budget will need to mobilise funds to meet the following due payments:

- US$2.5 billion Central Bank loan;
- US$2.2 billion of maturing treasury bills; and
- US$200 million external debt.
EVOLUTION OF THE PROPORTION OF NATIONAL DEBT 2009-2018

APPROPRIATE ACTION NEEDS TO BE TAKEN TO CONTROL OUR DEBT
DOMESTIC DEBT COMPOSITION: DEC 2018

- Budget Financing: 45%
- Capitalisation: 15%
- Arrears: 4%
- RBZ Capitalisation: 3%
- RBZ (Not issued with TBs): 5%
- RBZ Debt Takeover (TBs): 14%
- Gvt Debt: 14%

OUR NATIONAL DEBT IS GETTING WORRISOME
NEW MEASURES
Summary of the main budget initiatives; estimates of their fiscal effect and impacts on key policy groups; contributions to meeting the government’s stated policy objectives.

KEY FISCAL POLICY OBJECTIVE
Fiscal Consolidation that is matching government expenditures to revenues with a view to reduce fiscal deficits and accumulation of debt stock.

REVENUE MOBILIZATION MEASURES
- Private vehicles import duty to be paid in forex
- Increase in excise duty on cigarettes
- Increase of 7 cents excise duty on diesel and 6.5 cents on paraffin
- Road fines for recurring errand drivers to be increased from about $30 to $700
- Taxing satellite broadcasting services
- Companies collecting VAT in forex to remit the same in forex

EXPENDITURE RATIONALIZATION MEASURES
- Civil servants Bonus to be paid on basic salaries only
- Discontinue quasi fiscal operations
- Reduction of foreign missions/embassies
- Biometric registrations for all civil servants from to flush out ghost workers
- 5% salary cut for government senior officers right up to presidium
- Strengthening of the PFM system
- Increase of 7 cents excise duty on diesel and 6.5 cents on paraffin
- 2,917 youth officers to be retired by year-end
- Public Service rationalization

DEBT MANAGEMENT
- Treasury bill issuances only for budget deficit financing;
- Eliminate overdraft with the Central bank save for 5% meant for smoothening cash flow management;
- No further acquisitions of NPLs by ZAMCO
IMPROVING SERVICE DELIVERY

FOOD SECURITY

- Direct budget support for 1 million vulnerable households under agriculture
- Rehabilitation of 24 irrigation schemes
- Targeting 9,031 hectares under the National Accelerated Irrigation rehabilitation & development programme in 56 districts
- Rehabilitation of 50 dip tanks in each province
- Fencing of national parks to prevent transboundary diseases (Foot and mouth, nagana, and others)
- Establishment of Agricultural Commodity Exchange Market
- Elimination of multiple farm ownership through land audit

SOCIAL PROTECTION

- BEAM- payment of school fees to vulnerable children
- Harmonised cash transfer
- Sustainable livelihoods
- Drought mitigation
- Health assistance
- Support to disabled persons
- Children in difficult circumstances
- Support to elderly persons

IMPROVING ACCOUNTABILITY AND TRANSPARENCY

- Allocated resources to Provincial Councils in line with the devolution principle
- Completely roll out of PBB to the remaining 23 Votes
- Include all fiscal anchors in the PFM Act
NEW TAX MEASURES

- Increase tax free threshold from US$300 to US$350. Amount above US$20 000 attracts 45% rate
- Widen tax band from US$351 to US$20 000 above which
- Provide further relief from the 2% money transfer tax
- Reduce tax on raw platinum
- Exempt export tax on raw hides
- Suspension of duty and exemption from VAT on sanitary ware; this will see a reduction in price of sanitary ware
- Suspension of duty on goods for the physically challenged
- Duty free importation of vehicles for senior public servants under the loan scheme
- Exempt medical statutory bodies from the requirement to charge and remit VAT
- Exempt non-residents from paying 10% withholding tax

ENERGY & POWER

- Hwange 7 and 8 Thermal Power Station Expansion (US$350 million)
- Upgrading of Hwange Life Extension, Deka Pump Station, Bulawayo and Harare Thermal Power Stations

TRANSPORT

- Dualisation of 135 km of all roads in Zimbabwe
- Upgrading of 646 km of gravel to bituminous surfacing
- Gravelling of 483 km
- Construction of 22 bridges countrywide
- Upgrading of National Parks roads
- Harare-Masvingo-Beitbridge Road Upgrading Project (US$250 million)
- NRZ recapitalisation (US$216 million)
- R. G Mugabe International Airport (US$78.2 million)
WATER & SANITATION

- Construction of dams-Marovanyati, Causeway, Gwayi-Shangani, Kunzvi, Chivhu, Tuli Manyange, Dande, Silverstroom and Bindura dams
- Water and sewer infrastructure rehabilitation in 18 Rural District Councils and 18 Urban local Authorities

EDUCATION

- Provision of teaching and learning materials for infant, junior and secondary school learners
- Continued phasing of the updated curriculum
- Learner Welfare Support
- Home Grown School Feeding Programme
- Procurement of learner assistive devices for learners with special needs
- Teacher in service training
- Support to tertiary students with tuition fees, accommodation and educational materials
- Infrastructure development to increase access to basic and higher education

PUBLIC HEALTH

Communicable Diseases: Emergency preparedness & response; HIV/AIDS/STD/TB; National Malaria Control
Non Communicable Diseases: Cancer Advocacy; Mental Health
Family Health: Nutrition Reproductive Health

Primary Health Care and Hospital Care:
Expanded programme on Immunisation; Integrated management of childhood illnesses Vaccines; Maternal and child health care; Results based Financing Support to the various levels of care; Rural Health Centre and Community Care; District and General Hospitals; Provincial Hospitals; Central Hospitals and Services
A GOVERNMENT BUDGET is a yearly financial plan presenting the sources of money and spending for a financial year. It is approved by the parliamentarians and is presented by the Minister of Finance to the nation.