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ZIMBABWE

THE 2023 NATIONAL BUDGET SPEECH

“Accelerating Economic Transformation”

Presented to the Parliament of Zimbabwe

On November 24, 2022

By

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Harare

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MOTION

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2023 Financial Year and to make provisions for matters ancillary and incidental to this purpose.
2. This is in compliance with Section 103(1) of the Constitution as read together with Section 7(2)(a) of the Public Finance Management (General) Regulations of 2019.

INTRODUCTION

3. Mr Speaker Sir, let me begin by thanking His Excellency, the President, Dr. E.D. Mnangagwa for his leadership and guidance during the formulation stage of this Budget.
4. I also want to express my gratefulness to the Honourable Vice President, Dr. C.G.D.N. Chiwenga, fellow Cabinet Ministers, Line Ministries, Departments and Agencies for their valuable contribution to the formulation of this Budget.
5. Last but not least, my gratitude goes to the leader of this August House, Honourable Speaker, J. F. Mudenda for your leadership in steering the Honourable Members in undertaking nationwide consultations, through various Portfolio Committees.

6. Mr Speaker Sir, this Budget is also a culmination of inputs from a broad range of stakeholders and engagements.
7. Inspired by Plato¹, the Greek Philosopher’s four cardinal virtues of prudence, temperance, fortitude and justice, the Second Republic has implemented difficult but necessary policy measures in response to the changing global and domestic landscape.
8. Mr Speaker Sir, the 2023 Budget is presented under the theme “*Accelerating Economic Transformation*” identified by Rodrik², 2015, as a critical ingredient in generating the economic growth that promotes social development.
9. This Budget recognises the need to sustain the current structural economic transformation momentum, in order to drive sustainable growth, raise productivity levels and move the economy up the value chain from a low value commodity driven economy, to a sophisticated, diversified and higher value economy, driven by value addition, beneficiation and services.
10. Mr Speaker Sir, the 2023 Budget, therefore, focuses on maintaining a tight monetary and fiscal policy stance as an

¹ Carr, D., 1988. *The cardinal virtues and Plato's moral psychology*. *The Philosophical Quarterly* (1950-), 38(151), pp.186-200

² Rodrik, D., 2015. *The future of economic transformation in developing countries*. *SET Blog*, 23.

overarching objective going forward, in support of macro-economic stability that promotes private sector led economic growth, as well as build capacity within the public sector to effectively implement NDS1 projects and programmes during the second half of the Strategy period.

11. Before turning to the above issues, a review of global and domestic economic developments during 2022 and prospects going forward is critical for contextualising the 2023 Budget.

GLOBAL AND REGIONAL OUTLOOK

12. Mr Speaker Sir, global economic growth is projected to slow down to 3.2% in 2022 from 6% in 2021, and moderate further to 2.7 % in 2023. The global growth is weighed down by elevated inflationary pressures, tightening global financial conditions associated with high interest rate hikes by most central banks and the negative spill-over effects from the geopolitical tensions, (**Slide 2**).
13. Growth in the Sub-Saharan Africa is expected to decline from 4.7% in 2021 to 3.6% in 2022, before recovering slightly to 3.7% in 2023, (**Slide 3**).
14. Mr Speaker Sir, global inflation has risen faster and more persistently than originally expected, rising from 4.7% in 2021

to 8.8% in 2022, the highest level in advanced economies in 40 years. It is, however, expected to decelerate in 2023 and 2024 to 6.5% and 4.1%, respectively, (**Slide 4**).

OVERVIEW OF THE DOMESTIC ECONOMY

15. Mr Speaker Sir, the domestic economy is projected to grow by 4% in 2022, a further downward revision from the mid-year projection of 4.6%, due to impact of high inflation and resultant stabilisation measures on credit and demand, (**Slide 5**).

16. In the outlook, the economy is projected to grow by 3.8% in 2023. This growth will be sustained by mining, construction and agriculture, as well as accommodation sectors and is underpinned by the following assumptions:
 - Global economic growth slowing down;
 - Favourable international commodity prices;
 - Normal to above normal rainfall;
 - Stable power supply;
 - Tight monetary and fiscal policy; and
 - Continued use of the multi-currency.

Inflation

17. Mr Speaker Sir, in response to domestic inflation dynamics, as well as the pass-through effects of increases in energy, food prices, and supply chain cost pressures on the economy, Government tightened fiscal and monetary policies. These measures have managed to contain the excessive depreciation of the local currency against the US\$ on the parallel market, resulting in the convergence of the auction exchange rate and the willing buyer willing seller exchange rate.
18. Among other measures, the issuance of gold coins, enforcement of value for money audits by Government in its procurement processes and effective monitoring, as well as enforcement of AML/CFT by the Financial Intelligence Unit of the Reserve Bank have re-anchored inflation and exchange rate expectations.
19. Mr Speaker Sir, these measures have resulted in month-on-month inflation declining from 30.7% in July to 3.2% in October 2022, whilst annual inflation also fell from 285.1% in August to 268.8% in October 2022, (**Slide 6**).
20. Going forward, supportive monetary and fiscal policies, as well as coordinated interventions will be maintained to sustain the

current inflation deceleration path. In this regard, Government is setting a month-on-month inflation target of between 1 and 3%, and a fiscal budget deficit of not more than 1.5% of GDP during 2023.

External Sector

21. Mr Speaker Sir, the country's balance of payments position remains strong, with the current account continuing to be positive. To year end, the current account is projected at US\$448.9 million, compared to US\$348.2 million registered in 2021, (**Slides 7, 8 & 9**).
22. In 2023, the country's external sector is also expected to remain relatively strong, with a positive current account, sustained by strong secondary income inflows, mainly remittances, coupled with merchandise exports growing faster than imports.

Financial Sector

23. Mr Speaker Sir, the banking sector has demonstrated resilience as reflected by satisfactory financial soundness indicators, bolstered by complementary fiscal and monetary policy interventions, meant to ensure financial sector stability.

BUDGET PERFORMANCE AND OUTLOOK

24. Mr Speaker Sir, let me give a brief performance of public finances during the first nine months of the year.
25. Cumulative revenue collections to September 2022 amounted to ZWL\$1.2 trillion, against a target of ZWL\$890.5 billion, giving a positive variance of ZW\$269.9 billion. Tax and non-tax revenue collections amounted to ZWL\$1.1 trillion and ZWL\$71.7 billion, respectively, (**Slides 10 & 11**). Revenue collections to year end remain on course to meet the revised target of ZWL\$1.7 trillion.
26. Cumulative expenditures to September 2022 stood at ZWL\$1.19 trillion against a target of ZWL\$1.02 trillion, representing an expenditure overrun of ZWL\$173.9 billion, (**Slide 12**). To year end, total expenditures are estimated to reach ZWL\$1.90 trillion.

Public Debt

27. Mr Speaker Sir, the country's total Public and Publicly Guaranteed (PPG) debt is estimated at ZWL\$2.2 trillion for domestic debt and US\$14 billion for external debt as at end September 2022, (**Slides 13 & 14**).

Development Partner Support

28. Mr Speaker Sir, during the first nine months of 2022, the country received development assistance amounting to US\$641.9 million, of which US\$405.7 million was from bilateral partners and US\$236.3 million from multilateral partners to support various projects and programmes, (**Slide 15**).
29. In 2023, Development Partners are projected to disburse US\$352.8 million, mainly targeting social sectors and governance.

THE 2023 MACRO-BUDGET FRAMEWORK

30. Mr Speaker Sir, in line with the projected real GDP growth rate of 3.8% and a nominal GDP of ZWL\$21.8 trillion, total revenue collections are projected at ZWL\$3.9 trillion (18% of GDP), whilst expenditures are set at ZWL\$4.2 trillion (19.5% of GDP) in 2023, (**Slide 16**).
31. An overall deficit of ZWL\$336.9 billion (1.5% GDP) is projected in 2023 and loan repayments amounting to ZWL\$248.6 billion, resulting in total financing requirement of ZWL\$585.5 billion during 2023, to be financed through:
 - VFEX bond issuance;

- External loan disbursement;
- Treasury bills issuances, and
- SDR drawdowns.

(Slide 17)

THE 2023 BUDGET PRIORITY AREAS

32. Mr Speaker Sir, in line with NDS1, the 2023 National Budget priorities are as follows:

Economic Growth and Stability

33. Macroeconomic stability, complemented by supply side interventions, is expected to go a long way in ensuring a conducive macroeconomic environment that supports robust economic growth, reduce poverty levels across regions and communities *leaving no one and no place behind*.
34. Strong collaboration and complementarity between fiscal and monetary policy measures seek to entrench macroeconomic stability with additional measures being proposed under this Budget to keep market liquidity under check and accelerate the disinflation path, with the broad objective of achieving single digit inflation and a stable exchange rate.

Public Procurement System

35. Mr Speaker Sir, Government has taken a firm position to ensure that in all public procurement contracts, value for money is realised. Currently, a due diligence exercise is underway to ensure all procurement of goods and services by Government is not overpriced and public funds are effectively and efficiently utilised. All contracts which were entered into before the due diligence exercise have been re-negotiated, while some are still under negotiation to ensure there is value for money.

Supporting Productive Value Chains

36. Mr Speaker Sir, in line with NDS1, the 2023 National Budget support development and strengthening of existing value chains, promoting SMEs linkages with large corporates and identification of quick win value chains in agriculture, manufacturing and mining.

Agriculture

37. The ongoing transformation of the agricultural sector, anchored on innovative technologies and good agronomics is underway through various programmes and projects aimed at promoting production and productivity.

38. For the 2022/23 summer farming season, Government is providing agriculture inputs to vulnerable households under the Agriculture Productive Social Protection Scheme (Pfumvudza/Intwasa) targeting 845 000ha under cereal and oil seeds at a cost of ZW\$77 billion.
39. For the National Enhanced Agriculture Productivity Scheme Government has issued a US\$154.6 million equivalent local currency guarantee to AFC Bank to raise resources to finance maize, soya beans, sunflower and traditional grains. In addition, AFC Holdings has been capacitated with tractors and implements which are being leased to farmers on cost recovery basis, as well as 10 000ha of land which can be used to leverage funding for the sector.
40. Mr Speaker Sir, Government is also capacitating CBZ Agro Yield to finance the 2022/2023 summer cropping season.

Manufacturing

41. Since 2019, there has been turnaround in the manufacturing sector, with capacity utilisation steadily increasing to current levels of about 66%, while domestic products now occupy 80% of shelves in supermarkets.

42. Mr Speaker Sir, the sector is expected to continue benefitting from the Special Drawing Rights (SDR) revolving fund of US\$30 million to support retooling and capitalisation of the industry.
43. The 2023 National Budget, therefore, seeks to accelerate the structural transformation of the sector with a view to expand value addition capacity and diversify the product range.

Developing and Strengthening of Domestic Value Chains

44. Government is capacitating IDCZ to value-add raw minerals into compound fertilizers and other products, currently being imported as part of the local content strategy. Already, one of the subsidiaries, Chemplex Corporation was capacitated with new Plant to enable production of Grain Protectant to reduce post-harvest loses and tick grease which should result in decreased cattle death from the “January disease”.

Optimising the Value of Our Natural Resources

45. Mr Speaker Sir, value addition opportunities arising from the abundance of natural resources and discovery of strategic minerals like lithium presents an opportunity for economic transformation and inclusive growth.

Mining

46. Mr Speaker Sir, the mining sector is expected to grow by 10.4% in 2023, underpinned by anticipated favourable international mineral prices, as well as increase in investment, especially in exploration, mine development and mechanisation, (***Slide 18***). The 2023 Budget will support improvement in the mining environment by strengthening the legal framework, promote mining activities and value addition in an environmentally sustainable manner.

Tourism

47. Mr Speaker Sir, during the first half of 2022, the country registered a 115% rise in tourist arrivals to 352,719, compared with the same period in 2021. Domestic visits into the national parks rose by 90% from 90,909 in 2021 to 172,481 during the period January to May 2022. As a result, the tourism receipts increased by 121% in 2022 to US\$337.5 million, compared to the same period last year.
48. The tourism industry is expected to continue to grow in the outlook, benefiting from recovery in international tourism, coming in of new players in the aviation sector and meetings, incentives, conferences and exhibitions (MICE). Therefore, tourist arrivals are expected to increase to 1.4 million in 2023, whilst tourism receipts are projected at US\$623 million.

Infrastructure, ICT and the Digital Economy

49. Mr Speaker Sir, the ongoing public and private sector infrastructure investments in sectors such as energy, housing, transport, water and sanitation, as well as ICT are promoting economic transformation by lowering the cost of doing business and improving service delivery.
50. The overall support towards the 2023 Development Budget, including Intergovernmental Fiscal Transfers amounts to ZWL\$1.1 trillion with details of specific projects contained in the 2023 Infrastructure Investment Plan.

Transport

51. Mr Speaker Sir, overall support towards the transport sector during 2023 amounts to ZWL\$194.8 billion, of which ZWL\$ 177.4 billion is earmarked for the road sector, ZWL\$13.4 billion and ZWL\$4 billion being channelled towards rehabilitation and upgrading of airports and railway system, respectively.

Housing Delivery

52. Mr Speaker Sir, in line with the Zimbabwe National Human Settlement Policy, Government targets to construct 450 000 new housing units by 2025, from both the public and private sectors. This entails densification of settlements, creation of

smart cities, adoption of cost-effective and affordable housing units, as well as use of alternative building technologies and designs resilient to climatic change shocks.

53. The 2023 Budget has set aside ZWL\$49.9 billion towards completion of ongoing housing projects as well as addressing infrastructure bottlenecks within informal settlements.

Energy

54. Mr Speaker Sir, electricity generation faces a number of challenges, including obsolete equipment and infrastructure, inability to attract significant private sector investment, and other financing instruments, as well as other structural bottlenecks, all of which have impacted on electricity supply, leading to load shedding.

55. The 2023 Budget will, therefore, prioritise timeous completion of Hwange 7 & 8 Expansion Project, now at 95% completion, which will bring an additional 600 MW to the national grid.

Water and Sanitation

56. Mr Speaker Sir, water is a critical enabler, and a basic human right, hence the thrust of Government to scale up implementation of water and sanitation programmes and projects, targeting

dam construction, conveyancing infrastructure and borehole rehabilitation and drilling, and guided by the Integrated Approach to Water Development.

57. Specifically, the 2023 Budget has a provision of ZWL\$30.4 billion towards the sector.

Youth, Sport, Arts and Culture

58. Mr Speaker Sir, the 2023 Budget will support expansion and capacitation of Vocational Training Centres, as well as capitalisation of youth empowerment institutions, provides an opportunity for our youth to engage in productive economic activities and transform their lives and livelihoods.

Women, Gender Equity and SMEs

59. The Government's empowerment initiatives are meant to ensure equal opportunities for all, irrespective of gender, in line with NDS thrust, the 2023 Budget will support the following empowerment institutions:

- Women Development Fund,
- Community Development Fund,
- Zimbabwe Women's Microfinance Bank,
- EmpowerBank; and

- Small and Medium Enterprises Development Corporation (SMEDCO).

Human Capital Development and Well-Being

60. Mr Speaker Sir, a strong human capital base is critical for driving the economic transformation agenda and achievement of Vision 2030.

Health

61. In this regard, the 2023 National Budget will target the provision of quality health services, as evidenced by the ongoing construction and rehabilitation of health facilities. Some of the notable projects are Lupane Provincial Hospital, health posts in Mutasa, Mashayamvura, 4 in Gokwe North; and 3 in Centenary district, 30 poly-clinics and 5 district hospitals under the NMS project, among others.
62. In 2023, the Budget has set aside 11% of total expenditures towards the health sector.

Education

63. Mr Speaker Sir, in line with the Constitution, every child has a right to basic education. In pursuit of the policy of free basic education, the Budget will direct resources towards increased free education coverage.

64. In line with the commitments and the need to ensure a knowledge driven economy, an amount of ZWL\$777 billion is being allocated to both primary and secondary, as well as higher and tertiary education.
65. Research and innovation will be supported, including the development of a second space satellite.

Social Protection

66. Mr Speaker Sir, through the National Budget, Government will continue to provide social protection services through its mainstream programmes, namely: harmonised social cash transfer, food deficit mitigation, basic education and health assistance, child protection services, support to the elderly and persons with disabilities, with a total, ZWL\$50.4 billion having been set aside.

Effective Institution Building & Governance

67. Mr Speaker Sir, the 2023 Budget will continue to strengthen public institutions to enhance public service delivery, justice delivery and uphold national unity, peace and reconciliation, as building blocks for achieving equitable and sustainable national development.

Harmonised Elections

68. Mr Speaker Sir, the country will hold harmonised elections in 2023 as enshrined in the Constitution. Preparations for the plebiscite have already commenced, which included the delimitation exercise, voter registration and voter's role inspection. The 2023 National Budget is setting aside ZWL\$76 billion for the remaining activities covering voter registration, voter inspection and actual election conduct, among others.

Peace and Security

69. The 2023 National Budget has aside resources towards capacitation of the uniformed forces with accommodation, ration and equipment, as well as improve their remuneration both monetary and non-monetary, in order to fight crime, maintain law and order, as well as general peace and security.

War Veterans

70. Similarly, the welfare of the veterans of the liberation remains a priority, with the 2023 Budget setting aside ZWL\$46 billion towards their monetary and non-monetary benefits, as well as capitalisation of their companies in mining, tourism, agriculture, among others.

Devolution

71. Mr Speaker Sir, the year 2023 marks the fourth year since the Central Government started allocating at least 5% of revenue collections as inter-governmental fiscal transfers to lower tiers of Government as enshrined in the Constitution.
72. The 2023 National Budget is ring fencing ZWL\$195.5 billion being 5% of the anticipated revenue resources towards lower tiers of Government in support of construction, upgrading and rehabilitation of facilities in health, transport, education, water and sanitation, as well as procurement of plant and equipment within local authorities, (**Slide 19**).

Information, Image Building and Engagement and Re-engagement

73. Mr Speaker Sir, information and communication play a pivotal role in presenting Government policy and portraying the image of the country both to the foreign and domestic audience, especially under the NDS1 pillar of Image Building, International Engagement and Re-engagement.
74. In 2023, an amount of ZWL\$8.6 billion has been allocated towards information, publicity and broadcasting services.

VOTE ALLOCATIONS

75. Mr Speaker Sir, let me now turn to specific Vote allocations, (*Slides 20 & 21*).

- *Vote 1—Office of the President and Cabinet* has been allocated ZWL\$161.7 billion to cover overall Government supervision.
- *Vote 2—Parliament of Zimbabwe* with an allocation of ZWL\$47.8 billion to cover activities by the August House in their legislative and oversight role.
- *Vote 3—Public Service, Labour and Social Welfare* has been allocated ZWL\$91.6 billion mainly for social protection programmes, such as BEAM, drought mitigation, harmonised cash transfers, as well as support towards people living with disability, among other social interventions.
- *Vote 4—Defence and War Veterans* has been allocated ZWL\$331.1 billion for maintenance of defence and security, as well as to ensure the social and economic wellbeing of war veterans.
- *Vote 5—Finance and Economic Development* has been allocated ZWL\$259.9 billion towards formulation of macroeconomic policies and national development plans, as well as mobilisation and management of public resources. The Vote also includes a contingency reserve of ZWL\$74.7 billion, as well as funding for parastatals under the Ministry such as ZIMRA, ZIMSTAT, Printflow, and ZEPARU.

- *Vote 6—Office of the Auditor-General* has been allocated ZWL\$9.9 billion, mainly for audit of accounts, financial systems, and financial management of public entities.
- *Vote 7—Industry and Commerce* with an allocation of ZWL\$15.6 billion to cover support programmes for industry such as industrialisation, consumer protection and quality assurance.
- *Vote 8—Lands, Agriculture, Fisheries, Water and Rural Development* has been allocated ZWL\$362.5 billion, most of which is for programmes that ensure food security in the country, such as agriculture input support under the Agriculture Productive Social Protection Scheme, management of the Strategic Grain Reserve, water harvesting and irrigation development.
- *Vote 9—Mines and Mining Development* with an allocation of ZWL\$12.9 billion to cover sustainable mining development in the country including mineral exploration and support to artisanal and small-scale miners.
- *Vote 10—Environment, Climate Change, Tourism and Hospitality Industry* has a provision of ZWL\$14.2 billion to cover development and implementation of environmental and tourism policies and programmes including environmental protection.
- *Vote 11—Transport and Infrastructural Development* with an allocation of ZWL\$144.6 billion towards development

of transport and transport related infrastructure such as roads, airports, railway and ports of entry.

- *Vote 12—Foreign Affairs and International Trade* has been allocated ZWL\$81.9 billion to promote, protect and safeguard the interest of the country, including driving the engagement and re-engagement process and protecting interest of our nationals abroad.
- *Vote 13—Local Government and Public Works* with an allocation of ZWL\$98.6 billion mainly towards sound local authorities governance and provision and maintenance of Government infrastructure.
- *Vote 14—Health and Child Care* has been allocated ZWL\$473.8 billion for provision of health care services to citizens.
- *Vote 15—Primary and Secondary Education* has been allocated ZWL\$631.3 billion to provide quality infant, junior and secondary education, with the bulk of the allocation going towards payment of salaries for teachers and other learning costs.
- *Vote 16—Higher and Tertiary Education, Innovation, Science and Technology Development*, with an allocation of ZWL\$156.5 billion mainly for development of a skilled and competent human capital, including support to Universities, Teachers' colleges and Polytechnical colleges.
- *Vote 17—Women Affairs, Community, Small and Medium Enterprises* has been allocated ZWL\$18.5 billion for

women empowerment programmes, gender equality and promotion of small and medium enterprises development.

- *Vote 18—Home Affairs and Cultural Heritage* with an allocation of ZWL\$293 billion mainly towards maintenance of law and order, registration and issuance of secure identification documents, as well as migration management.
- *Vote 19—Justice, Legal and Parliamentary Affairs* has been allocated ZWL\$120.3 billion towards the effective delivery of justice, incarceration and rehabilitation of offenders.
- *Voted 20—Information, Publicity and Broadcasting Services* with an allocation of ZWL\$8.6 billion mainly for information dissemination to the public and image building.
- *Vote 21—Youth, Sport, Arts and Recreation* has been allocated ZWL\$25.1 billion towards empowerment, employment creation, youth participation in national development programmes, as well as recreational activities.
- *Vote 22—Energy and Power Development* with an allocation of ZWL\$15.5 billion for the provision of energy supply and the bulk of the allocation targets electricity supply interventions.
- *Vote 23—Information, Communication Technology and Courier Services* has been allocated ZWL\$17.4 billion towards promotion of access and utilisation of ICTs, mainly targeting E-Government projects, maintenance of national systems and establishment of community information centres.

- *Vote 24—National Housing and Social Amenities* with an allocation of ZWL\$27.7 billion for the provision of affordable and decent housing.
- To undertake their Constitutional mandate, Independent Commissions have been allocated as follows:
 - Judicial Service Commission, ZWL\$37.9 billion
 - Public Service Commission, ZWL\$107.5 billion
 - Council of Chiefs, ZWL\$4.2 billion
 - Zimbabwe Human Rights Commission, ZWL\$4.7 billion
 - National Peace and Reconciliation Commission, ZWL\$3 billion
 - National Prosecuting Authority, ZWL\$11.3 billion
 - Zimbabwe Anti-Corruption Commission, ZWL\$7.4 billion
 - Zimbabwe Electoral Commission, ZWL\$101.6 billion
 - Zimbabwe Gender Commission, ZWL\$3.5 billion
 - Zimbabwe Media Commission, ZWL\$2.6 billion.
 - Zimbabwe Land Commission, ZWL\$10.4 billion.

TAX POLICY MEASURES

INTRODUCTION

76. Mr Speaker Sir, the tax measures I am proposing will largely focus on enhancing tax collections to support the transformation agenda through reform of policy and administrative practices. Additional measures seek to support growth and competitiveness of local industry, as well as provide relief to taxpayers.

SUPPORT TO INDUSTRY

Customs Duty on Capital Equipment Imported by Specified Industries

77. Mr. Speaker Sir, you will recall that Government, in 2022, removed customs duty on capital equipment used by the agriculture, energy, manufacturing, mining and health sectors, with a view of reducing the cost of doing business, as well as simplifying tax administration.
78. There remains scope to expand the list of such capital equipment, in response to representations by productive sectors.

79. I, therefore, propose to remove customs duty on additional capital equipment, including, but not limited to qualifying products submitted by the agriculture and energy industries.

Suspension of Duty on Milk Powder

80. Mr Speaker Sir, in order to augment local production, and also cognisant of the need to provide the local industry ample time to invest in the necessary infrastructure and dairy herd towards self-sufficiency, I propose to gradually reduce ring-fenced milk powder imports under suspension of duty by an annual quota of 25% over a period of three years.

Suspension of Duty on Basic Commodities

81. Mr. Speaker Sir, Government suspended customs duty on basic commodities, in order to cushion consumers from unjustified price increases.
82. This measure has contributed to stability in the prices of basic commodities, hence, the suspension of duty, which expired on 16 November 2022, will not be extended.
83. Government will, however, continue to monitor the prices of basic commodities, with a view to ensure responsible pricing and affordability, failure of which the suspension of duty will be reinstated.

REVENUE ENHANCING MEASURES

Value Added Tax Rate

84. Mr Speaker Sir, whereas the SADC regional standard Value Added Tax (VAT) rate averages 16%, Zimbabwe charges a comparatively lower rate of 14.5%. The VAT rate was reduced from 15% with effect from 1 January 2020, to support households during the peak period of the COVID-19 pandemic.
85. Implementation of strict measures to fight the pandemic, complemented by the country-wide vaccine roll-out programme has enabled Government to open up the economy to various activities.
86. I, therefore, propose to reinstate the VAT rate to the previous rate of 15%, with effect from 1 January 2023.
87. The impact on low-income households will be mitigated by existing exemptions and zero-rating on basic goods and services.

Income Tax Allowable Deductions: Fiscal invoice

88. In order to further improve tax compliance and widen use of fiscalised devices, I propose to disqualify deductible expenditure that is not supported by a fiscal tax invoice.

Suspension of Duty on Capital Equipment imported by Tourism Operators

89. In order to enhance the sectors' contribution to Government revenue, I propose to replace the facility with suspension of duty on specified capital equipment imported by tourism industry.

TAX RELIEF MEASURES

Intermediated Money Transfer Tax

Foreign Currency Transactions

90. Mr Speaker Sir, in order to promote usage of the local currency, Government increased *Intermediate Money Transfer Tax* (IMTT) on domestic foreign currency transfers from 2% to 4%.
91. It has, however, been observed that some entities are now preferring to settle transactions in cash, instead of electronic transfers.
92. In order to promote use of the banking system, I propose to align IMTT on foreign currency transactions to the rate applicable to local currency transactions at 2%.
93. In addition, Government will consider reviewing other measures to strengthen the foreign currency system, including the 20% surrender requirement for domestic foreign currency transactions.

IMTT Exempt Transactions

94. In order to mitigate against higher wheat prices and consequently the price of bread and other wheat products, I propose to exempt from IMTT, the transfer of funds to farmers for the purchase of wheat by private off-takers approved by the Agricultural Marketing Authority, for the period 1 September 2022 to 31 March 2023.

TAX ADMINISTRATION

95. Mr. Speaker Sir, in order to mitigate against challenges that mainly emanate from use of the physical fiscal devices, it is necessary to adopt virtual solutions that can easily adapt to technological initiatives, thereby complementing the already existing solution.
96. I, therefore, propose to extend a *Virtual Fiscal Solution*, whereby clients will be linked to ZIMRA through server connectivity to accounting systems/POS solutions. A pilot project using selected compliant clients will be implemented during the second quarter of 2023.

OTHER POLICY MEASURES

Payment of Mineral Royalty

97. Whereas the country is endowed with rich mineral resources, such resources are finite. It is, thus, necessary that part of the resources be used to build up *Fiscal* reserves.
98. Although traditionally, royalties are remitted in cash, it is pertinent that the current formulae be reviewed in line with Government policy to preserve value and mitigate against revenue loss.
99. As already enunciated by His Excellency, the President, mining houses will be required to remit royalties partly in the form of a mineral and in cash as follows:
- 50% in the form of mineral concerned and in the prescribed form of purity or quality of the mineral concerned;
 - 10% in foreign currency cash; and
 - 40% in local currency. PGM miners currently do not have refining facilities, hence, sell semi-processed concentrates for further processing.
100. Mr Speaker Sir, Section of 302 of the Constitution of Zimbabwe specifies that all Government revenues, including royalty

revenue, shall be deposited into the Consolidated Revenue Fund.

101. I, therefore, wish to emphasise that the royalties paid in the form of minerals shall continue to be accounted for in line with the Constitution of Zimbabwe.

CONCLUSION

102. The journey of economic transformation, which began in 2018, requires us to deploy resources and effort in areas where the country has comparative advantage. Such a bold move invariably requires hard work, determination, self-belief and discipline, complemented by a shared vision by all, irrespective of background and beliefs.

103. In conceiving this objective, the Second Republic created a foundation which, as Mahatma Gandhi³ aptly said “The future depends on what you do today”, the support of all stakeholders, enables us to achieve the Zimbabwe we want as espoused by Vision 2030.

104. With “*a little more persistence, a little more effort and what seemed hopeless failure will turn to glorious success*” (Elbert

³ An Indian lawyer, anti-colonial nationalist and political ethicist who employed nonviolent resistance to lead the successful campaign for India's independence from British rule.

Hubbard⁴). As we implement this 2023 National Budget, we seek everyone's support so that together we can accelerate economic transformation already underway.

105. Mr Speaker Sir, I finally commend the 2023 National Budget to this August House in compliance with the law, and it is accompanied by the following documents:

- The 2023 National Budget Statement;
- 2023 Infrastructure Investment Plan;
- The 2023 Citizen's Budget;
- The Estimates of Expenditure (Blue Book);
- Finance Bill;
- Appropriation Bill;
- Statement on Public Debt;
- Gender Budget Statement; and
- Three Year Strategic Plan on the Utilisation of IMF SDR Allocations to Zimbabwe.

I thank you

Hon. Prof. Mthuli Ncube

Minister of Finance and Economic Development

⁴ An American writer, publisher, artist and philosopher.

24 November 2022