

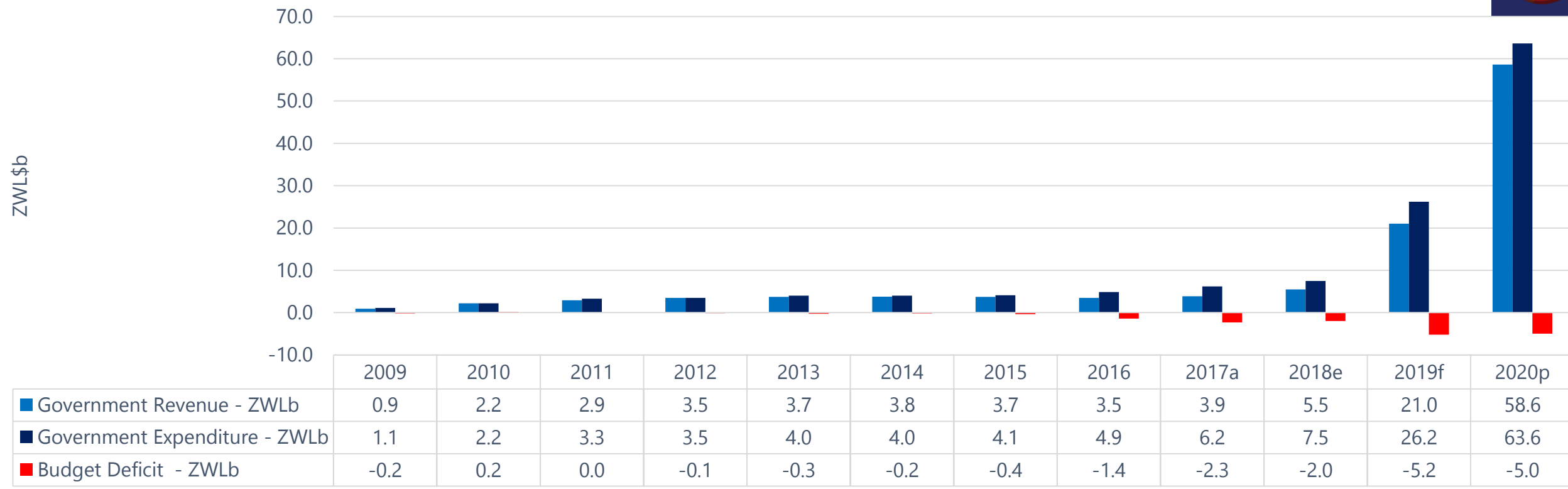


The 2020 National Budget

An Analysis

November 2019

THE BUDGET FRAMEWORK

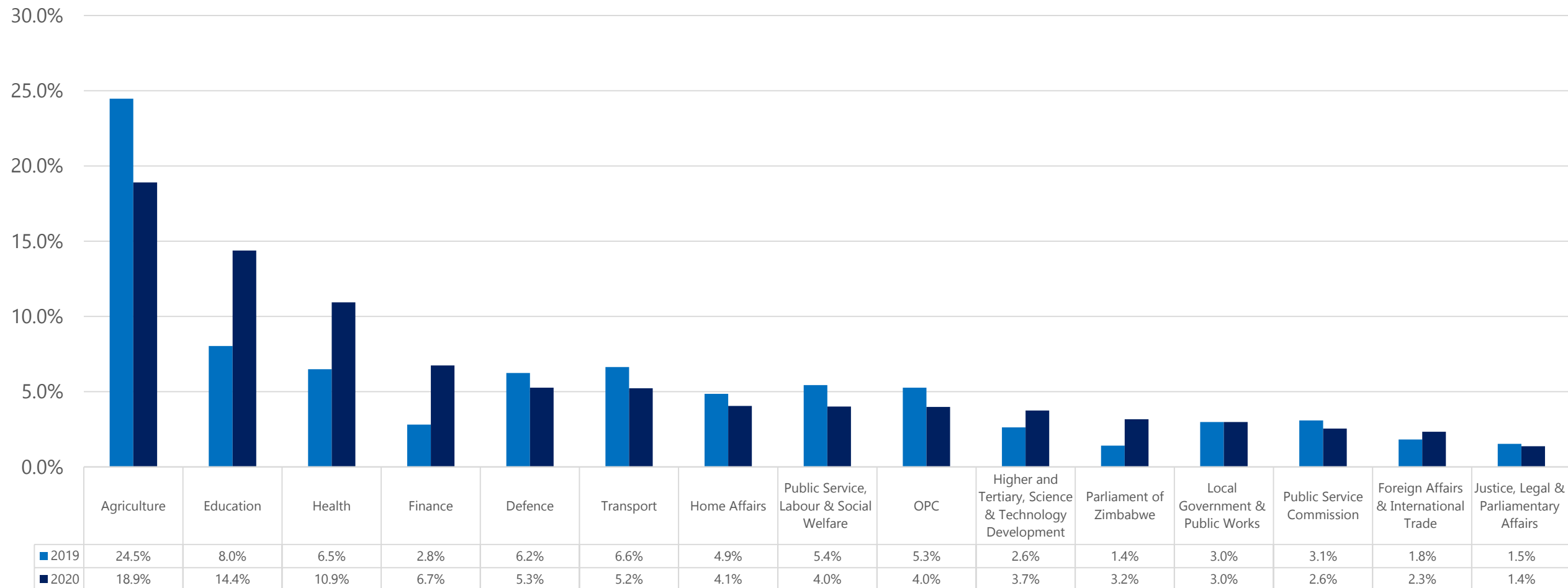


Key: a = actual, e = estimate, f = forecast, p = projected

■ Government Revenue - ZWLb ■ Government Expenditure - ZWLb ■ Budget Deficit - ZWLb

- Revenue collections are expected to rise by 179% from the revised ZWL\$21b (c.US\$1.32b at current interbank rate) in 2019 to ZWL\$58.6b (c.US\$3.7b) in 2020. Government expenditure is also expected to increase by 143% from the revised ZWL\$26.2b (c.US\$1.65b) to ZWL63.6b (c.US\$4.02b), over the same period.
- The projected revenue and expenditures for 2020 are, using the current interbank exchange rates, somewhat pegged at the same level as the averages that were achieved during the peak stability and dollarization period between 2012 and 2015.
- The budget deficit, however, is also somewhat expected to marginally decline from ZWL\$5.189b in 2019 to ZWL\$5.0b in 2020 (c.US\$0.3b).
- The Minister expects the economy to recover by 3.0% in 2020, and the month-on-month inflation rate to trend downwards to end the year in low single digit levels.

MAJOR VOTE APPROPRIATIONS (%)



- The Ministries of Agriculture, Health and Education maintained their dominance on vote appropriations.
- Appropriation to the agricultural sector was commendably above the Maputo Declaration minimum of 10%, despite the reduction from 24.5% in 2019.
- However, although higher than 2019 levels, Health and Education appropriations remained below the Abuja and Dakar Declarations' minimum levels of 20%.
- Moreover, despite the sustained higher appropriations, the expenditure allocations remain dominated by recurrent expenditure and employment costs due to limited fiscal space.

ANALYSIS

The Minister proposed a number of measures aimed at supporting economic activity, and thus, boosting economy growth, as listed below. However, the increasing headwinds, characterised with the downside risks listed further below largely makes attainment of the 2020 targets difficult.



Supporting Measures

Improved activity in agriculture and electricity generation sectors, thanks to better rainfall and investment in supportive infrastructure.

Reduction in VAT and Corporate tax from 15% and 25% to 14.5% and 24%, respectively.

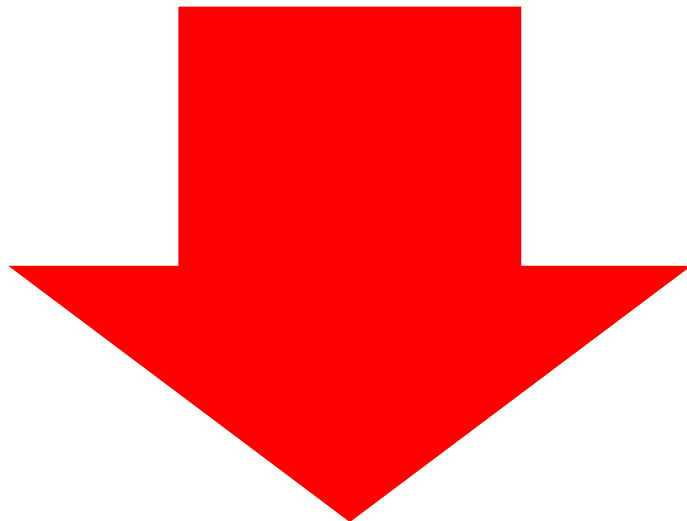
Revision of PAYE and bonus tax free thresholds so as to boost aggregate demand.

Extension of favourable duty regime on imported raw materials, machinery and equipment.

Productive sector support facilities.

Allocations towards Government infrastructure projects, e.g. Hwange Thermal Power expansion, dam construction, e-Government initiatives, etc.

Youth Employment Credit to support job creation.



Downside Risks

Normal to below normal rainfall may, once again, adversely affect agriculture and electricity sectors.

Absence of balance of payments and budgetary support will make policy implementation difficult, thereby perpetuating policy inconsistencies, reversals and uncertainties, thus constricting investment, planning and operations.

Shortages of foreign currency, fuel and electricity may continue to inhibit investment and production.

Cost escalations, due to rising inflation and exchange rate depreciation, may result in further stalling of Government and private sector projects.

The risk of unbudgeted expenditures and budget overruns remains high, given the actual Ministerial bids of ZWL\$136b.

Adjustments to VAT and PAYE are lagging behind and they may be negated by removal of subsidies.

Weaknesses in the global economy may affect external sector performance.

Potential for increased re-dollarisation and informalisation of the economy, which will affect revenue collections.

Limited impact of support programs due to exogenous factors.

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