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ZIMBABWE

THE 2024 NATIONAL BUDGET SPEECH

“Consolidating Economic Transformation”

Presented to the Parliament of Zimbabwe

By

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Promotion**

Harare, 30 November, 2023

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 2024 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 with section 7(2)(a) of the Public Finance Management (General) Regulations of 2019.

INTRODUCTION

3. Mr Speaker Sir, this being the first Budget following the conclusion of the August 2023 Harmonised Elections, allow me to congratulate His Excellency, the President, Dr. E. D. Mnangagwa and all the Honourable Members who were re-elected and those serving for the first time in this august House.
4. I look forward to working closely with all of you as we implement the National Development Strategy I (NDS1), which seeks to achieve the country's vision of becoming an *Upper Middle-Income Society by 2030*.

5. Let me take this opportunity to thank His Excellency, the President, Dr. E. D. Mnangagwa for his wise counsel and support during the formulation of this Budget.
6. Credit also goes to the two Vice Presidents, Hon. Gen. (Rtd.) Dr. C. G. D. N. Chiwenga and Hon. Col. (Rtd.) K. C. D. Mohadi, as well as fellow Cabinet Ministers for their inputs and suggestions.
7. The President's people centred development philosophy, "*Nyika inovakwa, igotongwa, igonamatigwa nevene vayo/ Ilizwe lakhiwa, libuswe, likhulekelwe ngabanikazi balo*", enjoins all levels of Government and citizens to provide new impetus to the country's transformation agenda by enhancing production and productivity across all sectors of the economy, in order to build a stronger economy and a fairer society, where everyone can fulfil their dreams in dignity, peace and security, and leaving "*no one and no place behind*".
8. Mr Speaker Sir, aligned to this thrust, the theme of this Budget is '*Consolidating Economic Transformation*'.
9. The proposals and suggestions from consultations with Parliamentarians, MDAS, business, labour, academia, civil society, youth, women, small scale entrepreneurs and miners,

among others, largely informed the priorities outlined in this Budget Statement.

10. Mr Speaker Sir, before turning to the specific interventions, allow me to put the 2024 National Budget in the context of both the global and domestic economic environment.

ECONOMIC DEVELOPMENTS

Global Economic Outlook

11. The global economy is expected to continue to recover unevenly from the negative impact of the COVID-19 pandemic, and the cost-of-living crisis. The unprecedented tightening of global monetary conditions in response to decades-high inflation levels has slowed the pace of global economy recovery.
12. Consequently, the International Monetary Fund (IMF), World Economic Outlook (WEO) forecast for October 2023 projects global growth to slow down from 3.5% estimated in 2022, to 3% this year, 2023 and 2.9% during 2024. **(Slide 2)**
13. Growth in the Sub-Saharan Africa is projected at 3.3% in 2023 and to pick up to 4% in 2024, mainly driven by strong performances in non-resource intensive countries. **(Slide 3)**

14. The real GDP growth rate of the Southern African Development Community (SADC) is projected to decelerate to 1.6% in 2023 from 2.7% in 2022, before recovering to 2.7% in 2024.

Global Inflation

15. Mr Speaker Sir, declining international commodity prices and monetary policy tightening have dampened headline inflation during 2023.
16. In that regard, global headline inflation is projected to decelerate to 4.8% in 2024 on a year-over-year basis, from 8.7% and 5.9% in 2022 and 2023, respectively. **(Slide 4)**

International Commodity Prices

17. In the outlook period, commodity prices are expected to remain broadly unchanged over the remainder of 2023 and into 2024, amid improved supply prospects and weakening global demand. **(Slide 5)**

Domestic Economic Developments and Outlook

18. Mr Speaker Sir, the domestic economy is now projected to grow by 5.5% in 2023, a slight upward revision from the August projection of 5.3%, on account of better-than-expected output in agriculture, in particular, tobacco, wheat and cotton.

19. However, economic growth is expected to slow down to 3.5% in 2024, mainly owing to the anticipated impact of the El-Nino phenomenon being forecasted for the 2023/24 summer cropping season on agricultural output, as well as declining mineral commodity prices attributable to the global economic slowdown. **(Slide 6)**

20. Mr Speaker Sir, the 2024 GDP projections are underpinned by the following broad assumptions:

- Normal to below normal rainfall season due to the El-Nino effect;
- Slowdown in global economic growth amid geo-political tensions;
- Declining international commodity prices;
- Continued use of the multicurrency regime; and
- Tight fiscal and monetary policies.

(Slide 7 and 8)

Balance of Payments

21. Mr Speaker Sir, merchandise exports stood at US\$5.2 billion during the first 9 months of the year and are projected to increase by 4.3% to US\$7.3 billion by year end from US\$7 billion in 2022, on account of higher tobacco, lithium, and diamond exports. **(Slide 9)**

22. In 2024, despite the softening of commodity prices of key minerals such as gold and PGMs, exports are projected to remain on the increase sustained by growth in output from lithium, coke and tobacco to US\$7.7 billion.
23. Merchandise imports registered a 4.7% increase, from US\$6 billion in the first nine months of 2022 to US\$6.3 billion in 2023, driven by growth in fuel, machinery, and electricity imports. To year end, merchandise imports are projected at US\$8.5 billion, 4.9% up from US\$8.1 billion in 2022.
24. Imports are projected to further increase to US\$9 billion in 2024 on account of higher imports of grain, energy, raw materials and machinery imports. **(Slide 10)**
25. Remittances are projected to continue driving the current account surplus and are projected to close the year 2023 at US\$2.1 billion, before rising further to US\$2.2 billion in 2024.
26. The current account is expected to close the year 2023 in a surplus position of US\$244.4 million, slightly lower compared to US\$305 million registered in 2022. In 2024, the current account surplus is projected to narrow to US\$204.5 million, reflecting a wider trade deficit as imports accelerate at a faster pace than exports. **(Slide 11)**

Inflation

27. Mr Speaker Sir, domestic prices have relatively been stable since the third quarter of the year, as reflected by month-on-month inflation which declined from 12.1% in June 2023, to 4.5% in November 2023.
28. Concomitantly, the annual headline inflation declined from 30.9% in June 2023 to 21.6% in November 2023.
29. In the outlook, annual inflation is expected to remain relatively stable and is projected to end the year 2023 slightly below 20%.
30. In 2024, annual inflation is anticipated to end the year between 10% to 20%, reflecting continued tight monetary and fiscal policies. **(Slide 12)**

Exchange Rate

31. Mr Speaker Sir, the introduction of the wholesale foreign exchange auction on the back of the recent liberalisation of the exchange rate, saw the parallel market premium declining from a peak of over 140% in May 2023 to around 20% in October 2023. **(Slide 13)**

Monetary Developments

32. Growth in both the reserve money (M0) and broad money (M3) has significantly slowed down, having peaked in June 2023. The reserve money and broad money annual growth declined from 3 074.25% and 1 174.94% in June 2023 to 1 406.81% and 719.66%, in September 2023, respectively. **(Slide 14)**
33. The decline in monetary aggregates was largely due to the combined effect of tight monetary policy and prudent fiscal policy measures.

Financial Sector

34. The financial sector has remained sound and stable, with strong capital and liquidity positions, as well as strong risk management practices.
35. This is evidenced by sound financial indicators such as the capital adequacy and liquidity ratios and the level of non-performing loans.

Public Finance Developments

36. Mr Speaker Sir, revenue collections for the period January to September 2023 amounted to Z\$11.4 trillion, against expenditures of Z\$12.3 trillion, resulting in a budget deficit of Z\$0.9 trillion. **(Slide 15)**

37. To year end, revenue collections are projected at Z\$21.2 trillion, against projected expenditures of Z\$22.6 trillion, comprising compensation of employees Z\$10.9 trillion, use of goods and services Z\$4.7 trillion and capital expenditure of Z\$4 trillion.
38. During the first nine months, the fiscal deficit stood at Z\$0.9 trillion, and is projected to end the year at Z\$1.4 trillion (1.2% of GDP) to be financed through domestic and external borrowing.

Public Debt

39. The Total Public and Publicly Guaranteed (PPG) debt stock as at end September 2023, amounted to US\$17.7 billion, of which external debt amounted to US\$12.7 billion and domestic debt of US\$5 billion. **(Slide 16)**

THE 2024 MACRO-ECONOMIC FISCAL FRAMEWORK

40. Mr Speaker Sir, in line with the projected economic growth of 3.5%, total revenue collections in 2024 are estimated at Z\$53.9 trillion, (18.3% of GDP), broken down as Z\$51.2 trillion tax revenue and Z\$2.7 trillion non tax revenue. **(Slide 17)**
41. Guided by the expected revenue envelope and the desired fiscal path, expenditures in 2024 are projected at Z\$58.2 trillion (19.8% of GDP). The proposed expenditures take into account the following:

- The need to maintain the purchasing power of civil service salaries;
 - Ensuring provision of core social services that benefit the poor;
 - Sustaining maintenance and rehabilitation of Government infrastructure;
 - Prioritised support to on-going public infrastructure projects;
 - Non accumulation of arrears; and
 - Increase funding of infrastructure projects through PPPs.
42. The total budget financing gap amounts to Z\$9.2 trillion, comprising of budget deficit of Z\$4.3 trillion (1.5% of GDP) and amortisation of loans and maturing Government securities estimated at Z\$4.9 trillion.
43. The deficit will be financed through domestic and external borrowing.

Vote Allocations

44. Mr Speaker Sir, during the formulation process of the 2024 National Budget, MDAs submitted funding requirements (bids) of over Z\$110 trillion, against the available envelope of Z\$58.2 trillion.

45. The envelope is limited by the sustainable revenue to GDP ratio of about 18% which has been allocated to MDAs as indicated: **(Slide 18 and 19).**

Vote Allocations

Vote	Z\$M
Office of the President and Cabinet	2,157,038.63
Parliament of Zimbabwe	475,112.47
Public Service, Labour and Social Welfare	2,371,042.50
Defence	3,637,636.66
Finance, Economic Development and Investment Promotion	1,704,707.52
Audit Office	116,964.99
Industry and Commerce	130,473.99
Lands, Agriculture, Fisheries, Water and Rural Development	4,285,933.44
Mines & Mining Development	132,708.34
Environment, Climate and Wildlife	135,476.83
Transport and Infrastructural Development	1,153,233.30
Foreign Affairs and International Trade	976,004.05
Local Government and Public Works	1,220,136.19
Health and Child Care	6,311,893.76
Primary and Secondary Education	7,965,973.53
Higher & Tertiary Education, Science and Technology Development	2,355,379.81
Women Affairs, Community, Small and Medium Enterprises Development	188,136.70
Home Affairs and Cultural Heritage	3,931,884.37
Justice, Legal and Parliamentary Affairs	1,078,019.36
Information, Publicity and Broadcasting Services	122,360.10
Youth Empowerment, Development and Vocational Training	210,207.26
Energy and Power Development	90,082.79
Information Communication Technology and Courier Services	185,280.61
National Housing and Social Amenities	352,980.55
Veterans of the Liberation Struggle Affairs	221,787.75

Vote	Z\$M
Tourism & Hospitality Industry	71,071.79
Sport, Arts and Recreation	136,233.11
Skills Audit and Development	43,045.20
Judicial Services Commission	274,035.50
Public Service Commission	1,428,094.81
National Council of Chiefs	39,938.94
Human Rights Commission	42,117.76
National Peace and Reconciliation Commission	56,007.63
National Prosecuting Authority	98,272.65
Zimbabwe Anti-Corruption Commission	59,642.47
Zimbabwe Electoral Commission	116,600.57
Zimbabwe Gender Commission	48,535.06
Zimbabwe Land Commission	52,937.84
Zimbabwe Media Commission	34,929.51
TOTAL	44,011,918.31
Unallocated Reserve	6,785,233.03
Debt Service: Interest Bill	1,176,218.57
Pension	4,617,934.86
Transfers to Provincial Councils and Local Authorities	2,696,764.92
Other Constitutional & Statutory Appropriations	255,612.57
Total Expenditure & Net Lending*	59,543,682.27

** This figure includes retention revenues of Z\$1.3 trillion.*

THE 2024 BUDGET PRIORITY AREAS

46. Mr Speaker Sir, the priorities areas of the 2024 National Budget have largely benefited from the NDS1 Mid-Term Review, as well as input from various stakeholders.

Economic Growth & Macro-Stability

2024 Fiscal and Monetary Policy Thrust and Stability

47. The fiscal policy thrust for the 2024 National Budget is guided by the need to maintain a sustainable budget deficit within the SADC macro-economic convergence threshold of not more than 3% of GDP.
48. Going into 2024, Government seeks to consolidate and entrench the stability to facilitate economic transformation and preserve disposable incomes.
49. Fiscal restraint and tight monetary policy, together with a healthy current account position, provides the necessary conditions for currency and price stability.
50. Specifically, the Central Bank will target month-on-month inflation rate of less than 3% throughout 2024.

Civil Service Remuneration

51. Mr Speaker Sir, as part of the remuneration review process for civil servants, Government will convert the current COVID and Cushioning allowances, aggregating to US\$300, to be part of the pensionable emoluments across the board, effective January 2024.

Supporting Productive Value Chains

Agriculture

- 52. Mr Speaker Sir, the country has achieved national food security through its agriculture support model. Going forward into 2024, the thrust is on consolidating the gains achieved so far.
- 53. In this regard, Z\$4.3 trillion is being allocated to Ministry of Lands, Agriculture, Fisheries, Water and Rural Development to spearhead the implementation of Agriculture and Food Systems Transformation Strategy.

Manufacturing

- 54. Mr Speaker Sir, in 2024, the sector is projected to grow by 1.6%, whilst capacity utilisation is expected to average 60% on account of expected price and exchange rate stability, improvement in electricity supply, as well as increased usage of the local currency. **(Slide 20)**
- 55. To sustain the gains recorded so far in the manufacturing sector, an amount of Z\$130.5 billion is being allocated to the Ministry of Industry and Commerce to support development and implementation of industrial policy and the retooling of the industry.

Mining

56. Mr Speaker Sir, Government will continue to support the mining sector to ensure sustainable growth of the sector projected at 7.6% in 2024, driven by ongoing investment in PGMs, gold, coal and lithium, among others. **(Slide 21)**
57. In this regard, an amount of Z\$132.7 billion has been allocated to the Ministry of Mines and Mining Development to implement the legislative and administrative reforms that provides a conducive environment for mining and beneficiation.

Tourism

58. Mr Speaker Sir, the tourism industry is expected to continue on a growth path driven by domestic, regional and international tourists' arrivals.
59. To support the operations of the Ministry of Tourism and Hospitality Industry, an amount of Z\$71.1 billion has been allocated to spearhead tourism development in the country, as well as marketing of the country as a destination of choice.

Climate

60. Government recognises the importance of conserving our environment through combating the unsustainable exploitation

of our natural resources, addressing climate change impacts, as well as wildlife conservation.

61. Hence, an amount of Z\$135.5 billion has been allocated to the Ministry of Environment, Climate and Wildlife.

Infrastructure, ICT, and the Digital Economy

62. Mr Speaker Sir, Larry Summers, a well-known economist, asserts that *“expenditure on infrastructure is an investment in the long-term productivity and competitiveness of an economy”*.
63. Therefore, outlays towards the sector seeks to re-establish functional infrastructure services by improving the quantity, quality and access in order to improve the country’s investment climate, reduce the cost of doing business, as well as enable citizens to engage in socio-economic activities.
64. Government will expand and modernise funding models that broaden the investor base in flexible and innovative ways such as asset recycling and PPPs.
65. Overall support for infrastructure, including devolution, during 2024 amounts to Z\$10 trillion, comprising fiscal support of Z\$8.1 trillion, complemented by statutory and other resources at Z\$1.4 trillion, development partner support of Z\$189.9 billion, as well as loans at Z\$322.2 billion.

Transport

66. Mr Speaker Sir, improvements in our transport systems remain critical given the need to enhance connectivity and access, including promotion of regional and international trade.
67. In this regard, Z\$1.2 trillion has been allocated to the Ministry of Transport and Infrastructural Development to facilitate the rehabilitation and construction of transport infrastructure such as roads, ports of entry, airports, as well as facilitate the turnaround of the National Railways of Zimbabwe.

Energy

68. Mr Speaker Sir, the Ministry of Energy and Power Development has been allocated Z\$90.1 billion to facilitate investments in energy generation, enhancing the transmission and distribution network, as well as sustaining the rural electrification programme.

Digital Economy

69. Consistent with our NDS1 objective of attaining a digitally enabled economy, the Budget will support interventions that harness and promote the use of ICT services across the whole spectrum of the economy.

70. In this regard, an amount of Z\$185.3 billion has been allocated to the Ministry of Information Communication Technology, Postal and Courier Services.

Housing

71. Mr Speaker Sir, former IMF Chief and the current President of the European Central Bank, Christine Lagarde once stated that, *“Housing is not just a basic need; it is an essential component of a vibrant and inclusive economy.”*
72. Government will work closely with the private sector and other stakeholders to put in place appropriate packages and incentives that allow for enhanced financing and implementation of targeted housing delivery projects.
73. An amount of Z\$353 billion has been allocated to the Ministry of National Housing and Social Amenities to facilitate construction of houses to the general public, civil servants, as well as institutional accommodation.

Water and Sanitation

74. Mr Speaker Sir, the 2024 National Budget has set aside Z\$608.3 billion towards the following strategic priorities in the water and sanitation sector:—

- Rehabilitation and maintenance of existing water and sanitation infrastructure;
- Construction of additional water bodies, targeting completion of ongoing dam projects;
- Capacitation of local authorities, ZINWA and other agencies involved in water resource management; and
- Improving access to water and sanitation services in the rural areas through drilling of boreholes and the construction and rehabilitation of water supply schemes.

Youth, Sport, Arts and Culture

75. Mr Speaker Sir, an amount of Z\$210.2 billion has been set aside for the Ministry of Youth Empowerment, Development and Vocational Training to support youths' development and empowerment programmes, refurbishment and retooling of vocational training centres, as well as combating of drug and substance abuse.
76. In addition, the Ministry of Sport, Recreation, Arts and Culture has been allocated Z\$136.2 billion to spearhead the development of the sports, recreation and cultural activities including rehabilitation of major stadia.

Women, Gender Equity, SMEs and War Veterans

77. Government is committed to empower the marginalised sections of society, including women and Small to Medium Enterprises (SMEs).
78. Hence, Z\$188.1 billion has been allocated to the Ministry of Women Affairs, Community, Small and Medium Enterprises Development to implement empowerment initiatives including recapitalisation of empowerment institutions such as Empower Bank, SMEDCO and Women Development Fund.
79. The 2024 National Budget also allocates Z\$221.8 billion to the Ministry of Veterans of Liberation Struggle Affairs towards their monthly gratuities, medical benefits, funeral grants, school fees for their dependents, mop-up vetting exercise and capacitation of provincial and district structures.

Human Capital Development and Well-Being

80. Mr Speaker Sir, interventions in core social services of education, health, as well as timely social protection for the vulnerable, will ensure that every child has an opportunity to maximise its human capital potential and contribution to society.

Health

81. Mr Speaker Sir, the 2024 National Budget seeks to consolidate recovery of public health sector services, across all levels of health care, through provision of the requisite tools of trade such as adequate working space, manpower, drugs and medical supplies across the value chain.
82. In this regard, an amount of Z\$6.3 trillion has been allocated towards the Ministry of Health and Child Care.

Education

83. Mr Speaker Sir, according to Gary Becker, a 1992 Nobel Prize winner in Economics, *“Expenditure on education and skills development is an investment in human capital, which is a key driver of economic progress and social mobility”*.

Primary and Secondary Education

84. Therefore, the 2024 National Budget prioritises provision of quality and easy access to education and other learning opportunities for children which are central to the attainment of SDG 4.
85. In this regard, Z\$8 trillion has been set aside for the Ministry of Primary and Secondary Education for teaching and learning

materials, as well as teacher capacitation at primary and secondary education level.

86. This includes resources for the procurement of sanitary wear for disadvantaged girls.

Higher and Tertiary Education

87. Mr Speaker Sir, I propose to allocate Z\$2.4 trillion to the Ministry of Higher and Tertiary Education, Innovation, Science and Technology Development to support implementation of Education 5.0 which promotes a knowledge driven economy that is sustained by innovation, industrialisation and modernisation.

Skills Audit

88. Mr Speaker Sir, an amount of Z\$43 billion has been allocated to the Ministry of Skills Audit and Development for undertaking national skills audit that seeks to identify existing human capital gaps that need to be addressed.
89. The audit will also attempt to identify the skills for the future, especially in areas such as generative Artificial Intelligence, as well as areas of potential national comparative advantage.

Social Protection

90. In line with the NDS1 theme of “*leaving no one or no place behind*”, provision of decent, inclusive and sustainable social protection services remains a priority for Government targeting vulnerable groups-(persons with disabilities, children, the elderly).
91. In this regard, a budget of Z\$2.4 trillion has been set aside for the Ministry of Public Service, Labour and Social Welfare to implement social protection programmes such as Basic Education Assistance Module (BEAM), Harmonised cash transfer programme, Food Deficit Mitigation, health assistance, child protection services, support to the elderly and persons with disabilities.

Effective Institution Building and Governance

92. Mr Speaker Sir, successful economic transformation hinges on effective institutions of governance, which promotes private sector development through a conducive economic environment.
93. To facilitate legislative reforms including, the alignment of laws to the Constitution, the 2024 National Budget has allocated Z\$1.1 trillion to the Ministry of Justice, Legal and Parliamentary Affairs.

94. In addition, Government will continue to capacitate and reform critical institutions of governance to improve the doing business environment.

State Owned Enterprise (SOEs) Reform

95. Mr Speaker Sir, as part of the SOEs Reform Agenda, Government is addressing the conflict of interest that arose from exercising both the ownership and regulatory functions which undermined progress on implementation of critical reforms required to improve performance, as well as achieve the National Vision.
96. The Mutapa Investment Fund, a sovereign wealth fund was established to deal with this.
97. The Fund will, therefore, be expected to implement measures that will strengthen the targeted parastatals' governance frameworks and ensure operational profitability of the SOEs.

National Security

98. Mr Speaker Sir, the security forces play an important role of protecting the country's territorial integrity, national interest and sovereignty over land and air space, against both internal and external aggression. *"Peace is key to economic development"*.

99. Therefore, an amount of Z\$8.6 trillion has been allocated towards the security cluster to meet their remuneration, food rations, operational equipment and the necessary infrastructure for the Ministry of Defence, Home Affairs and Cultural Heritage, Prisons and Correctional Service, as well as Special Services.

Tripartite Negotiating Forum

100. Mr Speaker Sir, the Tripartite Negotiating Forum (TNF) is a Statutory body established through the Tripartite Negotiating Forum Act of 2019.
101. In this regard, resources have been set aside to meet employment, operations and capital costs of TNF Secretariate.

Oversight Institutions

102. Zimbabwe as a Constitutional democracy State values the importance of oversight institutions on the operations of the State and welfare of the general public.

Auditor General

103. To support the office of the Auditor General's operational requirements, Z\$117 billion has been provided for under this Budget, to cover employment costs, training and development of staff, digitalisation, as well as for rehabilitation and upgrading of their office space.

Parliament

104. Parliament plays an important role of legislation and oversight over the Executive.
105. Therefore, to support the functions of Parliament, Z\$475.1 billion has been provided under the 2024 National Budget for the day-to-day operations, vehicles, Constituency Development Fund (CDF) and other related equipment for both Parliament staff and Hon. Members of Parliament.

Public Service Commission

106. The Public Service Commission is central to the effective and efficient delivery of public services through recruitment and development of civil service personnel.
107. To support the Commission to deliver on its mandate of providing a motivated and capable public service able to deliver quality public services, the Budget has set aside Z\$1.4 trillion to support interventions by the institution targeting ICT infrastructure, particularly the Human Resources Information Management System, Pension and Payroll Systems, procurement of buses for the service and other major infrastructure projects.
108. Other Independent Commissions have been allocated as follows:

- Judicial Services Commission Z\$274 billion;
- Human Rights Commission Z\$42.1 billion;
- National Peace and Reconciliation Commission Z\$56 billion;
- National Prosecuting Authority Z\$98.3 billion;
- Zimbabwe Anti-Corruption Commission Z\$59.6 billion;
- Zimbabwe Electoral Commission Z\$116.6 billion;
- Zimbabwe Gender Commission Z\$48.5 billion;
- Zimbabwe Land Commission Z\$53 billion;
- Zimbabwe Media Commission Z\$35 billion.

Devolution & Decentralisation

109. Mr Speaker Sir, the 2024 National Budget has allocated Z\$2.7 trillion (5% of projected revenue) under the Inter-Governmental Fiscal Transfers for provinces to undertake local projects that improve provision of public services that reflect the needs of communities in different regions and localities. **(Slide 21)**

Local Government

110. Local authorities play a pivotal role in service provision at local level, especially on restoring water supplies, fixing sewage systems, repairing roads to complement central Government and development partners efforts.

111. An amount of Z\$1.2 trillion has been set aside for the Ministry of Local Government and Public Works to spearhead development within communities.
112. Furthermore, the National Council of Chiefs has been allocated Z\$40 billion to enhance management of traditional leadership systems.

Image Building, Engagement and Re-engagement

113. Mr Speaker Sir, Government is making progress on engagement and re-engagement under the institutionalised structured dialogue platform to underpin the Zimbabwe's Arrears Clearance and Debt Resolution process.
114. The allocation of Z\$976 billion to the Ministry of Foreign Affairs and International Trade is meant to advance image building, engagement and re-engagement programme.
115. In addition, Z\$122.4 billion has been set aside for the Ministry of Information, Publicity and Broadcasting Services to improve the country's image through robust information management and dissemination.

REVENUE MEASURES

TAX POLICY MEASURES

SUMMARY

Introduction

116. Mr Speaker Sir, the measures that I am presenting seek to provide relief to taxpayers, enhance the capacity of Government to generate additional revenue, in particular, from micro & small enterprises and mining, as well as strengthen tax administration.

Tax Relief Measures

Personal Income

Tax-Free Threshold

117. I propose to review the *Tax-Free Threshold* to Z\$750 000 per month or Z\$9 000,000 per annum, and adjust the tax bands to end at Z\$270 million per annum, above which tax will be levied at a rate of 40%, with effect from 1 January 2024.

Bonus Tax Free Threshold

118. I, further, propose to review the local currency *Tax-Free Bonus Threshold* from Z\$500,000 to Z\$7 500 000, with effect from 1 November 2023.

Withholding Tax

Small-Scale and Subsistence Farmers

119. Mr Speaker Sir, in order to support smallholder and subsistent farmers in the delivery of grain to the Grain Marketing Board and other commercial buyers, I propose to review the tax-exempt threshold on withholding tax on agricultural commodities that include soya beans, sunflower, groundnuts and cotton seed from US\$1 000 per annum to US\$5 000 or local currency equivalent.

Suspension of duty on Motor Vehicles imported by Safari and Tour Operators

120. In order to allow the tourism sector to fully recuperate, I propose to renew the suspension of duty on new motor vehicles imported by Safari and Tour Operators for a further 2 years, beginning 1 January 2024.

Revenue Enhancing Measures

Taxation of the Micro and Small Enterprises

Licensing of Traders

121. In order to restore the supply chain from the manufacturer, wholesaler to retailer, I propose that only licensed and Tax

Compliant Operators procure goods from manufacturers and wholesalers.

122. In addition, I therefore, propose that only traders registered for VAT purposes and in possession of valid *Tax Clearance Certificates* be eligible to procure goods from manufacturers.

VAT Registration Threshold

123. I, further, propose to review downwards, the VAT registration threshold to US\$25 000, or local currency equivalent, with effect from 1 January 2024.
124. Enterprises that meet the above threshold should, thus, register and account for VAT, failure of which applicable penalties will be invoked.

Minimum Domestic Top-Up Tax: Fostering Fair and Effective Tax Systems

125. Mr Speaker Sir, the *Domestic Minimum Top Up Tax* (DMTT) is part of the *Global Rules* which aim to ensure that global profits of large multinational enterprises are taxed at a minimum Corporate Income Tax rate of 15%.

126. Granting of generous tax incentives result in an effective tax rate of less than 15% for some multinationals. Under the Global Tax Rules, where a tax incentive results in an effective rate of less than 15%, the tax jurisdiction where the multinational is headquartered collects the difference between the effective tax under the tax incentive and the minimum effective rate of 15% (The Top-Up Tax).
127. The DMTT allows the country where the low tax profits arise from the tax incentive to collect the Top-Up Tax rather than ceding taxing rights to the headquarter jurisdiction.
128. The calculation of the DMTT will be based on the effective tax rate charged on the jurisdictional profits not the jurisdictions' statutory corporate income tax. The DMTT only taxes the tax incentives to the same extent that the same income will be included in the headquarter country of the company.
129. I, therefore, propose to enact DMTT rules to guard against ceding taxing rights to foreign jurisdictions on top-up tax arising from tax incentives that are provided to those investments.

Surcharge on High Value Vehicles

130. Honourable Members would be aware that Government, in June 2023, introduced a 30% surcharge on motor vehicles

with a minimum *Free-on-Board* value of US\$120 000, aimed at enhancing the wealth redistributive function of taxes.

131. There is, thus, scope to strengthen the concept, in view of the volumes of high value motor vehicles being imported.
132. I, therefore, propose to expand the scope of the *Surcharge* as follows, with effect from 1 January 2024:

FOB Value (US\$)	Surcharge (%)
120 000-300 000	30
300 001-700 000	40
Above 700 000	50

Mining Tax Revenue Contribution

Capital Gains Tax and Stamp Duty

133. I propose that all documents or agreements for the transfer or disposal or lease of mineral rights be lodged with the State for review and approval before the transaction is concluded.
134. In addition, I propose that no transfer of mining rights shall be approved without payment of capital gains tax and stamp duty or any other tax due on the value of the transaction. Failure to abide by this condition shall render the disposal or lease of mining rights null and void.

Sharing of Revenue with the State on Disposal of Mineral Rights

135. In view of the recent developments where mining rights are disposed of privately outside the country and at astronomic prices, I propose that revenue derived therefrom be shared equally with the State.
136. Furthermore, in order to enable Government to track the movement of mining rights for tax purposes, I, propose that a register of mining rights with a record of applications, grants, variations, dealings, assignments, transfers, suspensions and cancellations of rights be maintained and accessible to the Zimbabwe Revenue Authority.

Notification of the Intention to Transfer or Lease Mining Rights

137. I propose that all agreements for the transfer or disposal or lease of mining rights be lodged with the State and reviewed and approved before they are implemented.

Mineral Beneficiation

Lithium

138. Substantial mineral revenues can be generated from beneficiation of key minerals. With a significant resource

endowment of Platinum Group of Metals, gold, lithium, and diamonds, economic transformation and development can be anchored on beneficiation.

139. Within this context, any lithium value addition process that does not result in the production of lithium carbonate is not regarded as beneficiation, hence, is liable to an export tax.
140. Lithium producing companies should submit their beneficiation plans no later than 31 March 2024.
141. Furthermore, no licences shall be granted to a prospective lithium company without approval of a beneficiation plan.

Corporate Social Responsibility

Levy on Selected Minerals

142. As a token of remembrance of the mountains that nature offered, local communities should be provided with basic services that include water, health care, electricity and sanitation, among others.
143. Development of mines, thus, present an opportunity to improve conditions within these communities, hence, I propose to introduce a 1% levy on gross proceeds of lithium, black granite and other cut or uncut dimensional stones and quarry stones.

Financing Road Infrastructure

144. Mr Speaker Sir, in order to raise resources to finance road infrastructure, I propose to introduce the following measures:

Strategic Reserve Levy

145. I propose to review upwards, the *Strategic Reserve Levy* by US\$0.03 and US\$0.05 per litre of diesel and petrol, respectively, with effect from 1 January 2024.

Toll Fees

146. *Toll Fees* are currently pegged between US\$2 and US\$10, depending on the type of vehicle.
147. I, therefore, propose an upward review of *Toll Fees* on premium roads, that is, *Harare-Beitbridge* and *Plumtree-Mutare* and other roads, with effect from 1 January 2024.
148. Revenue derived from the increased fees will be remitted to the *Consolidated Revenue Fund*.

Passport and Central Vehicles Registry Fees

149. I, further, propose that passport and selected fees charged by the Central Vehicle Registry be increased, with effect from 1 January 2024.

150. Additional revenue generated from the above measures will be ring-fenced towards road infrastructure development.

Levy on Sugar Content of Beverages

151. In response to the growing concerns on the adverse effects of consumption of sugar, in particular, contained in beverages, tax on beverages has been implemented in a number of countries, including in the SADC region.
152. The consumption of high sugar content beverages is linked to increased risk of non-communicable diseases.
153. It is, thus, necessary to discourage consumption of high sugar content beverages, hence, I propose to introduce a levy of US\$0.02 per gram of sugar contained in beverages, excluding water, with effect from 1 January 2024.
154. Funds derived from this levy will be ring-fenced for therapy and procurement of cancer equipment for diagnosis.

Wealth Tax

155. Mr Speaker Sir, the key fundamental of tax policy is to address the regressivity of tax that occurs when individuals in a low-income category pay a higher percentage of their

income as compared to individuals in higher income brackets. Consequently, the tax incidences fall disproportionately on the low-income groups resulting in inequality.

156. In order to ensure that every person contributes to the *Fiscus* in line with their levels of income, I propose to introduce a *Wealth Tax* levied at a rate of 1% of market values of residential properties with a minimum value of US\$100 000.
157. Resources derived from the levy will be ring-fenced towards urban infrastructure development, in particular roads, water, sewer and community health centres.
158. *Principal Private Residential* properties owned by elderly persons above 70 years will, however, be exempt from the tax.

Excise Duty

Digital Platform

159. Mr. Speaker Sir, the growth of illicit trade, in particular, cigarettes, has increased contraband cigarettes produced in legally registered factories under registered brands, thereby decelerating the growth of revenue to the *Fiscus*.

160. A digital platform that provides real time, traceable and authentic data on locally manufactured goods would be beneficial to the *Fiscus*.
161. Government, will, thus, explore implementation of a digital platform on locally produced goods, in particular, cigarettes.

CONCLUSION

162. Mr Speaker Sir, the challenge before us is to *Consolidate the Economic Transformation* already underway, to ensure that the benefits accrue to every Zimbabwean, in line with the spirit of leaving *no one and no place behind*.
163. Change is inevitable but transformation is a choice (Heather Ash Amara), therefore, while we celebrate the successes recorded so far, there is still a lot of work ahead of us to consciously implement transformational economic policies, which have a positive impact on the majority of citizens, especially the poor and the marginalised societies.
164. The desired economic transformation is a responsibility of all stakeholders, especially Government, business and labour, with each playing their critical role.

165. On its part, Government is prepared to fully play its role of providing an enabling environment, through ease of doing business reforms, investment in public infrastructure and provision of effective public institutions.

166. Mr Speaker Sir, I finally commend the 2024 National Budget to this August House in compliance with the law, and it is accompanied by the following documents:

- *The 2024 National Budget Statement;*
- 2024 Infrastructure Investment Plan;
- *The 2024 Citizen's Budget;*
- *The Estimates of Expenditure (Blue Book);*
- *Finance Bill;*
- *Appropriation Bill;*
- *Statement on Public Debt; and*
- *NDS1 Mid Term Review.*



Hon. Prof. M. Ncube

**Minister of Finance, Economic Development and Investment
Promotion**

30 November 2023

