Zimbabwe

# ANNUAL ECONOMIC REVIEW

## FISCAL YEAR 2018

HARARE

JULY 2019

## FOREWORD

The 2018 Annual Review presents economic developments during the year, reflecting on the impact of various macro –economic, fiscal and structural policies on the economy, in terms of gross domestic product, prices, balance of payments developments and other macro-economic variables.

The Review further gives the outturn and implications of public finances with details on revenues, expenditures and debt in relation to targets.

Through the Review, Government is fulfilling its commitment to promoting and enhancing transparency and accountability in the management of the economy and in particular, public finances in line with the Part IV of the PFM Act and Chapter 27 of the Constitution which emphasises on transparency and accountability in financial matters.

Such reporting practices are also consistent with recommendations from renowned international institutions such as the International Budget Partnerships (IBP) and World Bank (Public Expenditure Financial Accountability) framework, which all seek to promote transparency and accountability in all planning, budgeting, execution and reporting processes.

Information and lessons from the 2018 Annual Review provides checklist for implementation of the current 2019 Budget and supportive measures and will also assist and support further public policy improvements, consensus building and decision making, as we strive to rebuild and transform Zimbabwe into an Upper Middle Income economy by 2030.

Hon. Prof. M. Ncube
**MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT**
July 2019

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## INTRODUCTION

1. The year 2018, marked the beginning of a new phase in rebuilding Zimbabwe under a New Political Dispensation, following more than 18 years of economic isolation and erosion of investor confidence, which saw the country losing phenomenal ground in terms of socio-economic development.

2. Historic changes in the socio-political landscape in November 2017 brought renewed hope and optimism which provided an opportunity for reconstruction and transformation of the country to an economy which is capable of creating maximum opportunities for people to live a full and dignified life, taking advantage of the immense and diverse domestic resource endowments and external investment opportunities.

3. In response to this opportunity, the New Dispensation forthwith developed a package of initial key policy reforms for the reconstruction agenda and these were launched through the 2018 National Budget. Following the pronunciation of Vision 2030 by His Excellency the President, the reforms were broadened and deepened to give the Transitional Stabilisation Programme as the first stepping stone towards attaining this Vision of transforming Zimbabwe into an *'Upper Middle Income Economy'*.

4. The 2018 Budget reforms were in two coherent and supportive clusters, namely – The Economy and Democratisation of the country.

*Economic Reforms*

5. Under the Economy, the key objectives were on stabilisation and mobilisation of resources and investment for powering a private sector-led growth economy. At the core of stabilising the economy was strengthening fiscal discipline and public resource management under a fiscal policy framework that targeted realisation

of Budget savings and re-orienting expenditures away from consumption towards development.

6. Furthermore, the strategy entailed reducing Government footprint and opening up Zimbabwe for business and investment, necessary for re-igniting economic activity and growth. Accordingly, various sectoral policies and structural strategies were aligned to this policy thrust.

*Democratisation and Governance*

7. An integral pillar for a developmental State embraces strong and responsive democratic institutions and systems for good governance. The New Dispensation, therefore, recognised the importance and necessity of good governance based on *Rule of Law, Human Rights and Freedoms, Accountability, Transparency, Responsiveness, Equity and Inclusivity, Efficiency and Full Participation* of the people in socio-economic development.

8. Accordingly, an ambitious agenda was set on aligning laws to the Constitution, creating platforms for multi-stakeholder dialogue to build consensus on policy issues, upholding the rule of law and promotion of peace and reconciliation, freedom of speech and association and promotion of accountability.

9. In support of the above reforms, systems on countering corruption were prioritised in order to promote transparency, accountability as key ingredients for efficiency and effective public services delivery.

10. Similarly, respective institutions/commissions were established for strengthening the democratisation processes.

11. With gradual and systematic implementation of reforms, a wave of goodwill and interest saw a number of enquiries and engagements over major investment

initiatives and other international relations aspects, some of which are already under implementation.

12. Consequently, economic activity is estimated to have slowed down to 3.4% compared to the target of 4.5%. This growth would have been higher in the absence of output losses triggered by shocks experienced in the foreign exchange market during the last quarter of 2018.

13. Better economic performance during the larger part of 2018 also translated into revenues performing above target by about US$1 billion. This positive development, was, however against expenditure overruns of US$2.3 billion, to give an overall budget deficit of US$2.143 billion.

14. High fiscal deficits were, however, largely financed through the issuance of Treasury Bills and Central Bank overdraft, giving rise to unsustainable money supply growth which triggered the widening of parallel exchange premiums between the US dollar and the bond note. As a result, inflation, which during most of 2018 floated below 5%, ended the year at 42.1%, with destabilising implications on the rest of the economy.

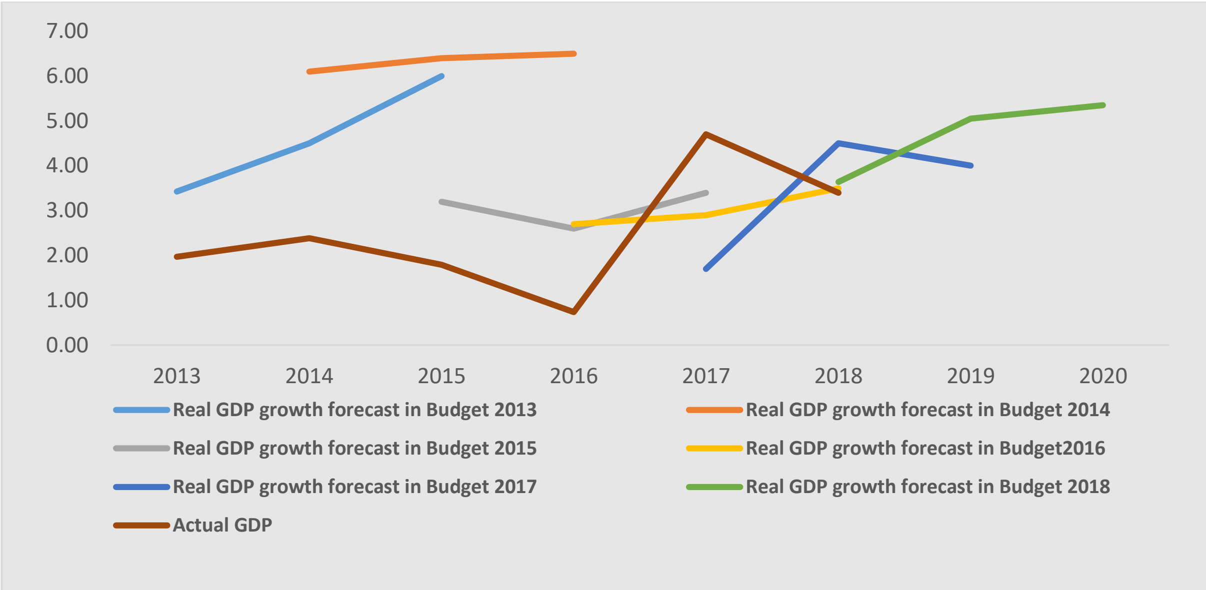
15. In response to the structural challenges experienced during the last quarter of 2018, Government deepened the 2018 reforms through the Transitional Stabilization Programme which guides interventions over the period Oct 2018 – December 2020.

## REAL SECTOR DEVELOPMENTS

16. On the back of renewed investor and consumer confidence during the first half, economic response was impressive. Mixed fortunes that happened during the

second half of the year resulted in growth slowdown. Consequently, overall growth for the year moderated at 3.5%.

**GDP Growth Forecasts versus Outturn**




*Source: ZIMSTAT, MOFED & RBZ*

17. Growth was driven by both Government and household spending, of which household consumption contribution was 3.7% of total growth. Government spending comprising consumption (2.2%) and investment (4.4%), was significantly on the rise, mainly on account of support to various agriculture programs and expenditures on infrastructure and capitalization of public enterprises.

18. In terms of production, growth was driven by, agriculture (18.1%), mining (15.3%), electricity and water (19%), construction (10.7%) and services (9.3%).

**GDP Growth Rates by Industry**

| | 2018 National Budget | 2018 Revised Growth * |
|---|---|---|
| **GDP by industry at market prices, constant prices** | **4.5** | **3.4*** |
| Agriculture and forestry | 10.7 | 8.1 |
| Mining and quarrying | 6.1 | 15.3 |
| Manufacturing | 2.1 | 1.3 |
| Electricity and water | 28.5 | 19.0 |
| Construction | 2.1 | 10.7 |
| Distribution, Hotels and restaurants | 7.3 | 0.7 |
| Transportation and communication | 1.9 | 2.3 |
| Financial, banking and insurance activities | 1.2 | 2.9 |
| Government public administration, education and health | -0.9 | -0.7 |
| Real estate activities | 2.1 | 10.7 |

Source: MoFED, RBZ and ZIMSTAT
* Estimate

### *Agriculture*

19. Agriculture, being central to the economy, was prioritised in terms of planning and funding in order to guarantee full, efficient and sustainable utilisation of land, for increased production. This was against visible and gross under-utilisation of land which in the absence of decisive intervention, perpetuated food insecurity and over-dependency on imports.

20. To untangle this risk, Government intervened with the introduction of the Special Agriculture Production Programme, embracing a number of crops and livestock. The Programme recognised the new farmer's needs as he incubated and learnt the ropes.

21. Therefore, the financing model emphasised on collaboration between Government and the private sector, with individual farmers remaining responsible and accountable for honouring repayment of obligations arising under extended financing facilities.

22. In the same vein, Government focus shifted more on supporting vulnerable farmers, provision of extension services, irrigation development and mechanisation, with the private sector and commercial banks targeting the rest of other farmers in terms of financing.

23. A combination of timely preparedness and adequate financing support from Government, private sector and development partners, significantly boosted agriculture production in 2018 to grow at 18.3%, despite the adverse weather conditions characterised by a long dry mid-season.

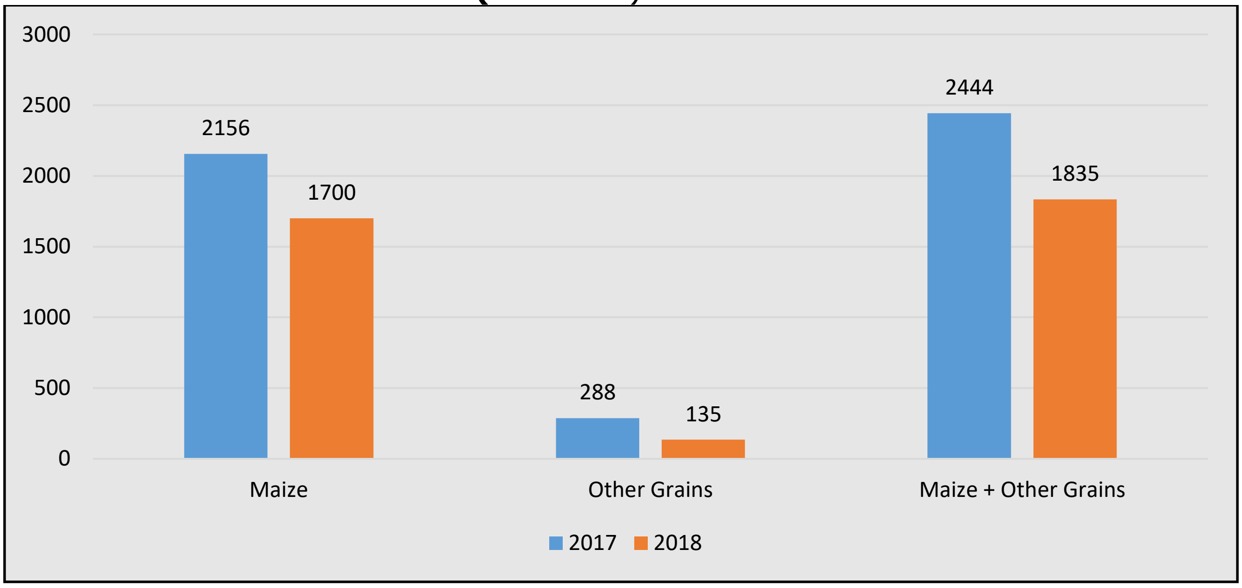
**Agricultural Production Statistics (000 tons)**

| | 2017 | 2018 |
|---|---|---|
| **Growth (%)** | **35.3** | **8.1** |
| Tobacco (flue cured) | 190 | 252 |
| Maize | 2 155 | 1 831 |
| Beef | 72 | 74.5 |
| Cotton | 75 | 144 |
| Poultry | 131 | 166 |
| Groundnuts | 139 | 127 |
| Wheat | 160 | 161 |
| Dairy (m lt) | 83 | 92 |
| Sorghum | 182 | 70.1 |

*Source: MoALWCRR Second Round Crops and Livestock Assessment Report*

24. As a result, grains output, at 1.84 million tonnes, were marginally lower than 2017 levels of 2.4 million tonnes. Maize output is estimated at 1.7 million tons in 2018, down from about 2.2 million tons recorded the previous year. Output was affected by erratic rainfall patterns, compounded by the outbreak of fall armyworm, as well as a shortage of fertilizers.

**Maize and Grains Production (000 tons)**




*Source: Second Round Crop and Livestock Assessment Report*

25. Significant contribution to agricultural growth also came from cash crops such as tobacco, cotton and soya beans, as well as livestock.

*Tobacco*

26. Tobacco production for the year reached an all-time high, with 252 million kgs having been delivered to the auction floors, valued at US$737 million.

**Tobacco Deliveries for 2018**

| SEASONAL | TOTAL AUCTION | CONTRACT | TOTAL 2018 | TOTAL 2017 | % CHANGE |
|---|---|---|---|---|---|
| Mass sold(kg) | 35,754,765 | 216,743,252 | **252,498,017** | 188,557,772 | 34 |
| Value(US$) | 97,690,995 | 639,502,536 | **737,193,531** | 558,403,054 | 32 |
| Avg.price US$/kg | 2.73 | 2.95 | **2.92** | 2.96 | (1.4) |

*Source: TIMB*

27. The increase in production is attributable to the success of contract farming arrangements, which have benefitted many tobacco small scale farmers, complemented by a favourable rainfall season for the crop.

28. However, average price in 2018 was slightly lower by 1.4%, at US$2.92/kg compared to US$2.96 offered during the same period in 2017, attributable to higher supplies.

*Cotton*

29. Cotton production is on a recovery path with output for the season at 143 million, double previous year's output of 70 million kgs.

30. This level of production is a relief to households in dry areas of the country whose livelihoods is dependent on the crop.

*Livestock*

31. Generally, the cattle, poultry, sheep, goats and pigs herd increased compared to 2017, despite recent outbreaks of diseases like foot and mouth, tick-borne and avian flu, which threatened cattle and poultry rearing.

32. The cattle herd increased by 4% while sheep and goats by 9% and 18%, respectively, in 2018 compared to 2017. However, the pig herd declined by 5% for the same period.

33. As a result, cattle slaughter for the year 2018 rose to 266 000, from 263 000 slaughtered in 2017.

**Livestock Numbers**

| | Cattle | | Sheep | | Goats | | Pigs | |
|---|---|---|---|---|---|---|---|---|
| Year | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Herd | 5578381 | 5774525 | 481159 | 522955 | 3707357 | 4360838 | 294213 | 278297 |
| **Growth** | | **4%** | | **9%** | | **18%** | | -5% |

*Source: MoALWCRR*

*Irrigation Development*

34. Government in 2018, embarked on the rehabilitation and development of at least 200 ha per district targeted to be implemented annually over a 10 year period.

35. The 2018 budget envisaged developing 7 328ha covering 104 irrigation schemes under the National Accelerated Irrigation Rehabilitation and Development Programme with US$21 million having been availed to IDBZ who are managing the resources on behalf of Government in support of the targeted works.

36. Notwithstanding the availability of resources, progress was minimal, with only US$3 million having been utilised up to December 2018. Implementation delays were on account of the following challenges:

- Delayed conclusion of procurement processes;
- Lack of capacity within the local contractors, with some requiring advance payments and foreign currency;
- The adverse macro-economic conditions prevailing in the market which resulted in price variations beyond the stipulated threshold as provided for in the Procurement Act; and

- Shortages of critical construction materials such as steel, pipes, pumps, centre pivots, the majority of which require foreign currency.

*Mining*

37. The thrust in 2018 remained on leveraging the country's diversified mineral resource base of over 55 minerals to help grow the economy. This entailed further support to small scale miners, guaranteeing viability of large scale producers through adequate forex accessibility and appropriate taxation regime as well as finalisation in amendments to mining tax laws to promote exploration, mining operations and investment into the sector.

38. With high investment into the sector, coupled with relatively firming international mineral prices, a positive growth of 16.8% was recorded in 2018, reflecting relatively high output of gold, diamond, platinum and nickel.

| | **2017** | **2018 Target** | **2018 Actual** |
|---|---|---|---|
| **Overall Growth (%)** | **8** | **13** | **16.8** |
| Black Granite \(000)t | 177 | 182 | 213 |
| Chrome \(000)t | 1674 | 1700 | 1756 |
| Coal \t | 3 074 | 3 500 | 3 348 |
| Cobalt \(000)t | 445 | 500 | 402 |
| Copper \t | 8839 | 9500 | 9077 |
| Gold \kg | 26 495 | 33 000 | 35 054 |
| Graphite \t | 1577 | 5700 | 5800 |
| Iridium \t | 619 | 620 | 586 |
| Nickel \t | 16617 | 17300 | 17850 |
| Paladium \kg | 11822 | 11830 | 12094 |
| Phosphate \t | 60094 | 60095 | 51393 |
| Platinum \kg | 14257 | 14300 | 14703 |
| Rhodium \kg | 1283 | 1285 | 1334 |
| Ruthenium \kg | 1102 | 1105 | 1155 |
| Diamonds(000) carats | 2508 | 3500 | 3252 |

*Source: Ministry of Mines and Mining Development and Chamber of Mines*

39. In terms of exports, the mining sector is estimated to have contributed US$3 billion (58% of total exports) in 2018, against total exports of US$5 billion.

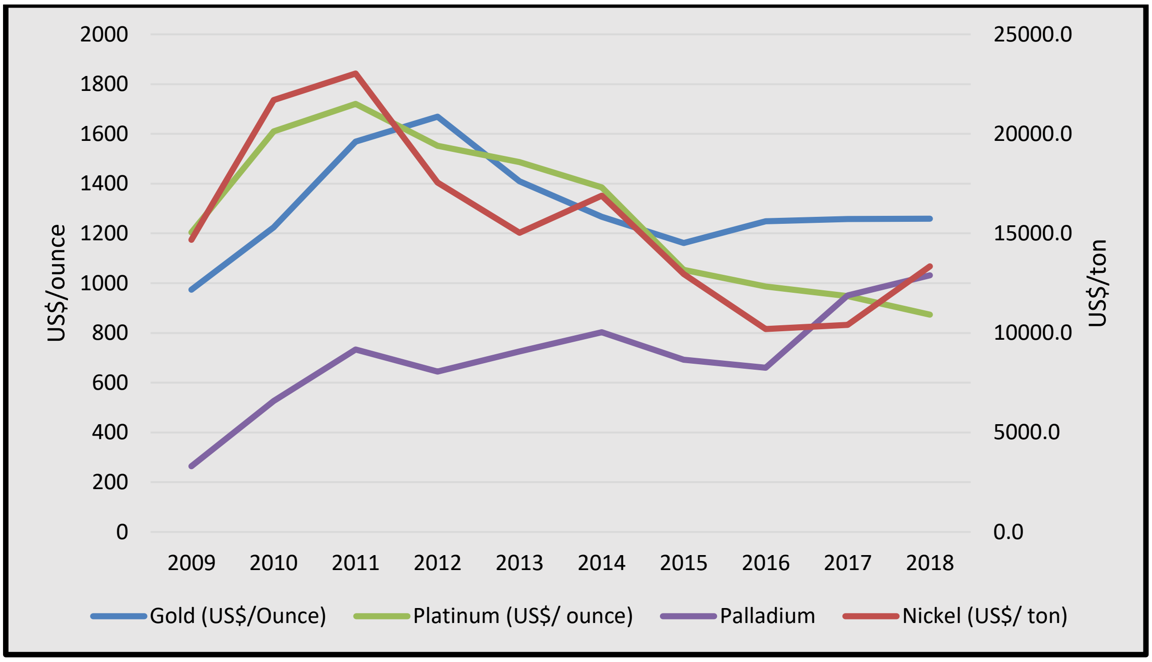
*International Mineral Prices*

40. Average gold prices for the year 2018 improved by 1%, to about US$1 269/ounce from US$1 257/ounce in 2017.

41. Palladium prices also improved in 2018 by about 18%, to US$1 030/ ounce compared to the 2017 average prices of US$870/ounce, while platinum prices declined by about 7% in 2018 to US$880.5/ounce compared to US$949/ounce in 2017.

42. Increase in demand and tightening of global supplies boosted average nickel prices which were about 25% higher in 2018 at US$13 051/tonne compared to average prices of US$10 406/tonne in 2017.

**International Prices for Selected Minerals**




*Source: World Bank*

*Exploration*

43. Leveraging mineral resources calls for increased prioritisation of mineral exploration across the country both brown and Greenfield investments.

44. In that regard, in 2018, eight mining companies were granted with exclusive prospecting orders for a period of three years, while four companies were granted special grants.

*Manufacturing*

45. The manufacturing sector at its peak, in 1997, contributed 18% of GDP against current levels of around 10%. The current high import bill for manufactured consumer goods at 60% also points to high capacity underutilization and hence opportunities for investors.

46. In 2018, average capacity utilisation of the sector at 48.2% remained low, with vast opportunities in sub-sectors of foodstuffs, drinks, tobacco & beverages, metal & metal products, non-metallic mineral products as well as wood & furniture.

47. Even higher opportunities are in subsectors of plastics & packaging, paper, printing & publishing, clothing & footwear, chemicals & petroleum products and transport & transport equipment, where capacity utilization dropped.

**Manufacturing Average Percent Capacity Utilization**

| Sub-sector | 2017 | 2018 |
|---|---|---|
| Drinks, Tobacco and Beverages | 51.2 | 59.5 |
| Foodstuffs | 56.3 | 58.0 |
| Other Manufacturing | 45.8 | 51.5 |
| Plastics and Packaging | 53.0 | 50.8 |
| Wood and Furniture | 45.2 | 50.5 |

| | | |
|---|---|---|
| Paper, Printing and Publishing | 52.2 | 50.0 |
| Clothing and Footwear | 50 | 43.6 |
| Metal and Metal Products | 37.1 | 41.1 |
| Non-Metallic Mineral Products | 33.2 | 35.0 |
| Chemical and Petroleum Products | 36.1 | 33.2 |
| Transport, Equipment | 39.3 | 10.0 |

*Source: CZI*

48. As a result, the sector had an estimated growth of 1.3%.

49. In terms of exports, the country recorded a 13.3% increase in manufactured exports, from US$643.1 million in 2017 to US$729.8 million in 2018. The major export destinations for the country's manufactured products were Zambia (26%), Malawi (19%), South Africa (14%), Botswana and Mozambique at 11% each.

50. However, in addition to financing and foreign currency challenges, the sector continues to be held back by market distortions, erratic supply of fuel and utilities, such as electricity and water.

*Tourism*

51. The country's tourism industry has exhibited resilience over the years, propped up by positive image. As a result, tourist arrivals reached 2.6 million in 2018, constituting a 6% growth from 2.4 million received in 2017.

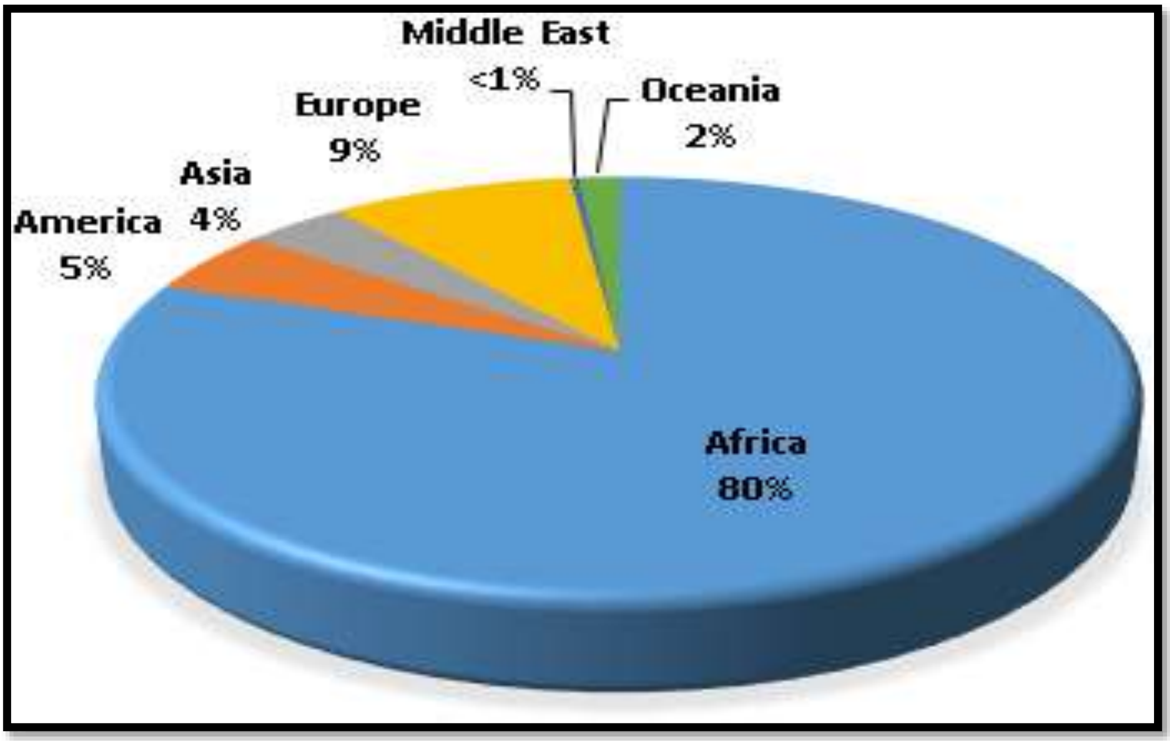
52. Despite socio-economic challenges that the economy faced throughout 2018, there was a positive performance of all source markets, except the Americas, that recorded a 1% decline from the previous year. Asia registered the highest growth of 23% over the comparable period.

Tourist Arrivals by Source Market: 2017-18

| Source Regions | 2018 | 2017 | Change |
|---|---|---|---|
| Africa | 2,064,534 | 1,948,509 | 6% |
| America | 120,313 | 121,043 | -1% |
| Asia | 112,694 | 91,435 | 23% |
| Europe | 232,233 | 218,140 | 6% |
| Middle East | 7,798 | 7,537 | 3% |
| Oceania | 42,402 | 36,266 | 17% |
| **Grand Total.** | **2,579,974** | **2,422,930** | **6%** |

*Source: Zimbabwe Tourism Authority*

53. Whilst the Americas registered a decline, it commands a 5% market share, in third place after Africa and Europe which take up 80% and 9%, respectively. Renewed efforts are required to reverse this drift, as it is a high spend market that traditionally contributes significantly to foreign tourism receipts.

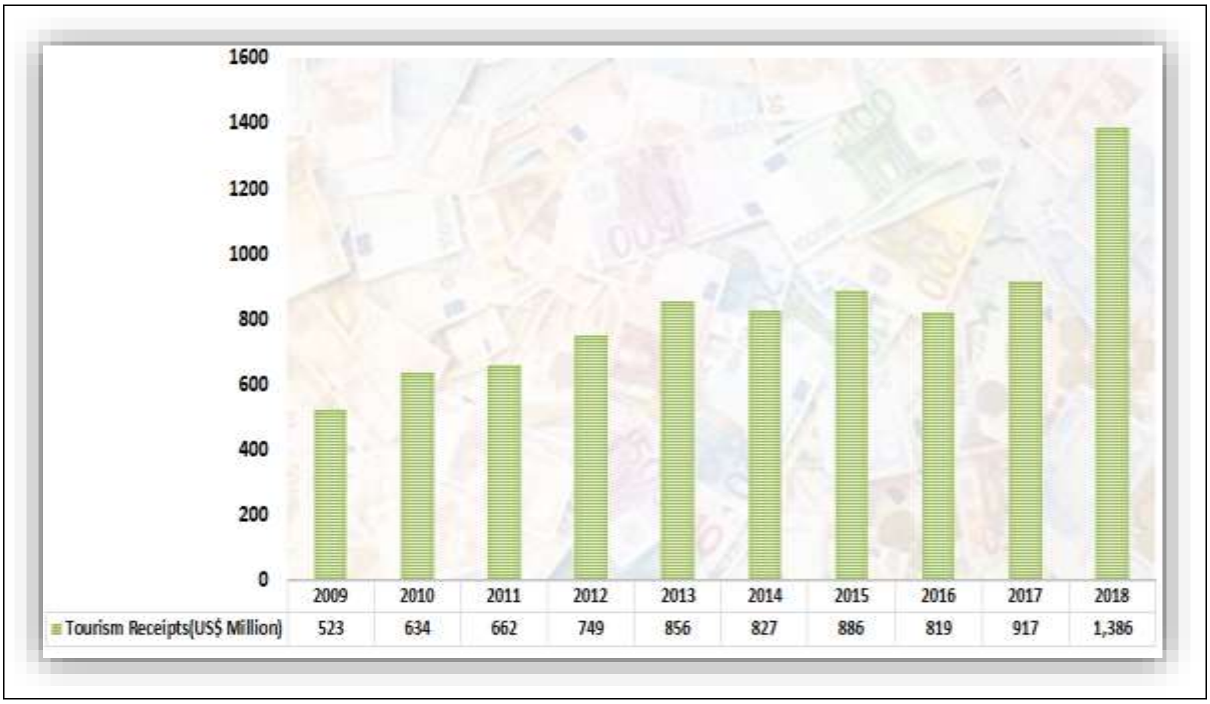



***Source: Zimbabwe Tourism Authority***

54. The respective market shares have remained relatively the same over time, with strong positive indications from the Asia market, of their interest to increase arrivals into Zimbabwe.

*Tourism Receipts*

55. The growth in tourist arrivals was consistent with a surge in tourism receipts, which registered a remarkable 51% growth from US$917 million in 2017 to US$1.386 billion in 2018.




*Source: Zimbabwe Tourism Authority*

56. Out of the total receipts, foreign receipts constituted 76%, or US$1.1 billion, whilst domestic tourism receipts accounted for the remaining 24%, or US$335 million, underscoring high spending by foreign tourists.

*Occupancy Rates*

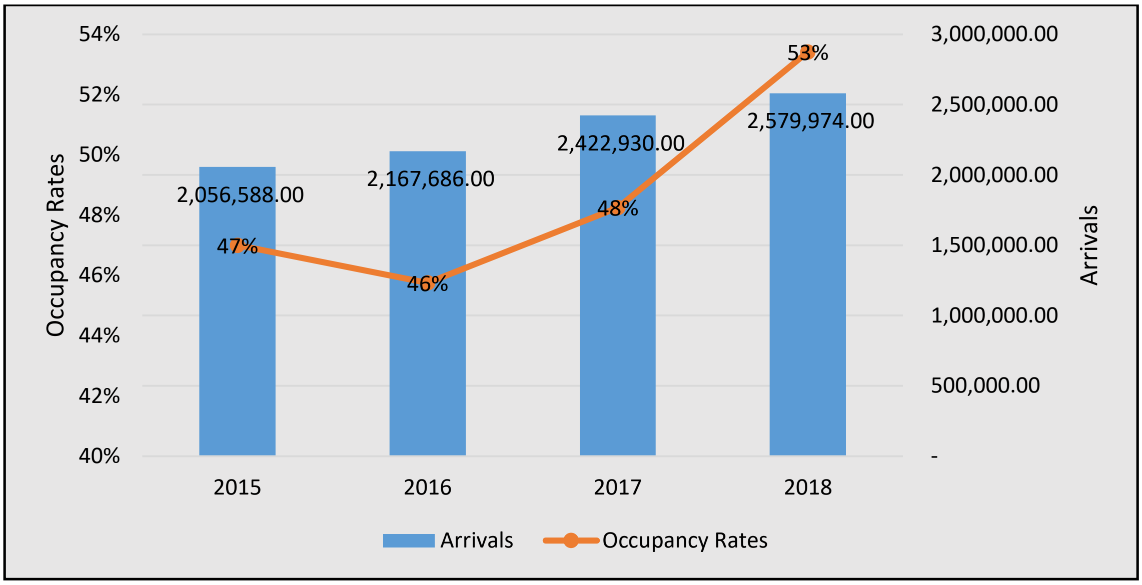
57. National average bed occupancy rates improved from 31% in 2017 to 35% largely driven by strong performance at Victoria Falls, Harare and Bulawayo, regions that collectively contribute to the largest room capacities. In the same manner, the national average hotel occupancy rates rose 5 percentage points to 53% from 48% in 2017, spurred by conferences and meetings.

| | Room Capacity | Room Occupancy | | | Clientele Mix | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 2018 | | 2017 | |
| | | 2018 | 2017 | Change (points) | Local | Foreign | Local | Foreign |
| **Harare** | 2 371 | 63% | 55% | 8 | 69% | 31% | 67% | 33% |
| **Bulawayo** | 785 | 51% | 46% | 5 | 92% | 8% | 94% | 6% |
| **Mutare/Vumba** | 537 | 48% | 41% | 7 | 96% | 4% | 96% | 4% |
| **Nyanga** | 244 | 45% | 37% | 8 | 97% | 3% | 88% | 12% |
| **Midlands** | 314 | 37% | 37% | 0 | 99% | 1% | 98% | 2% |
| **Masvingo** | 190 | 44% | 46% | -2 | 92% | 8% | 84% | 16% |
| **Kariba** | 447 | 44% | 43% | 1 | 96% | 4% | 93% | 7% |
| **Hwange** | 293 | 31% | 25% | 6 | 79% | 21% | 78% | 22% |
| **Victoria Falls** | 1126 | 58% | 55% | 3 | 28% | 72% | 25% | 75% |
| **Beitbridge** | 176 | 37% | 18% | 19 | 93% | 7% | 100% | 0% |
| **National** | 6 483 | 53% | 48% | 5 | 84% | 16% | 82% | 18% |

*Source: Zimbabwe Tourism Authority*

58. The observed growth in arrivals, hotel occupancy rates and tourism receipts, as shown in the graph below, is a phenomenon which should be promoted. This is consistent with the need to translate arrivals into hotel occupancies, increased length of stay and commensurately higher expenditure.

**Tourist Arrivals and Average Hotel Occupancy Rates: 2015-2018**




*Source: Zimbabwe Tourism Authority*

*Destination Connectivity*

59. The upgraded Victoria Falls International Airport continues to be a major boost in increasing connectivity to the resort town by facilitating travel. It is envisaged that the ongoing expansion and rehabilitation of Robert Mugabe International airport will also attract more airlines into the country and increase international connectivity.

60. Furthermore, work has started on the rehabilitation of airstrips such as Binga (resurfacing), Chapota, and Kanyemba. The annual aerodromes rehabilitation is meant to improve domestic connectivity.

61. Improved state of the road network is also improving road access and connectivity. In mid-2018, Government introduced a Road Development Programme, which is also targeting rehabilitation of game park roads and related infrastructure. This should improve road travel and access to local tourism sites.

*Domestic Tourism*

62. Domestic tourism remains depressed due to economic challenges facing the local clientele and their income levels, as evidenced by its minimal contribution to total receipts (i.e. one-third of total receipts). The industry is pursuing innovative packages targeted at local tourists in an effort to increase locals' participation and domestic tourism's contribution to industry's growth.

63. Community-Based Tourism Enterprises (CBTEs) remains at the centre of domestic tourism, in light of the need for locals to participate in the development of tourism products as well as benefit from resource endowments in their respective communities. This is also important as it promotes ecologically friendly practices and sustainable tourism.

64. As we look into the future, the vast tourist attractions, ranging from natural to man-made historical sites, present opportunities for investment in areas such as hotels and catering industry, safari and tour operations, gaming, construction of international convention centres as well as the production of animal documentaries.

65. The aggressive marketing and branding strategy hinges on provision of innovative incentive packages and the relaxation of a restrictive visa regime, as well as exemption of duty on capital equipment.

*Construction and Housing*

66. Notwithstanding downside developments at the end of 2018, the first half of the year saw a hive of activities, to give growth of 7.7%, up from 3.9% realised in 2017. This growth was buoyed by activities in road rehabilitation and

construction, power generation expansion projects, dams construction, border posts re-development, and expansion & rehabilitation of various water & sanitation projects.

67. The positive trend continued to the end of the year as individuals and companies were hedging against inflation by investing in immovable properties.

*Prices of Construction Materials*

68. Between the fourth quarter of 2017 and 2018, year on year prices as measured by the total materials Building Material Price Index (BMPI) increased by 56.2%, gaining 47.5 percentage points on the third quarter 2018 rate of 8.6%.

**Building Material Price Index (Quarterly)**

| | Weights | Change in % from Sep-18 to Dec-18 | Change in % from Dec-17 to Dec-18 |
|---|---|---|---|
| **Bricks** | 12.3 | 51.7 | 57.7 |
| **Cement, aggregates and allied materials** | 16.2 | 31.9 | -2.4 |
| **Timber and wood products** | 30.0 | 29.8 | 46.9 |
| **Metal windows and door frames** | 5.2 | 98.9 | 114.9 |
| **Roofing** | 3.7 | 42.6 | 51.0 |
| **Sanitary ware and plumbing** | 12.7 | 63.6 | 84.3 |
| **Flooring** | 1.4 | 21.4 | 24.9 |
| **Paint and glass** | 9.2 | 100.7 | 111.9 |
| **Electrical goods and materials** | 7.0 | 27.6 | 27.7 |
| **Others** | 2.3 | 50.2 | 51.4 |
| **All Item Index** | 100.0 | 50.2 | 56.2 |

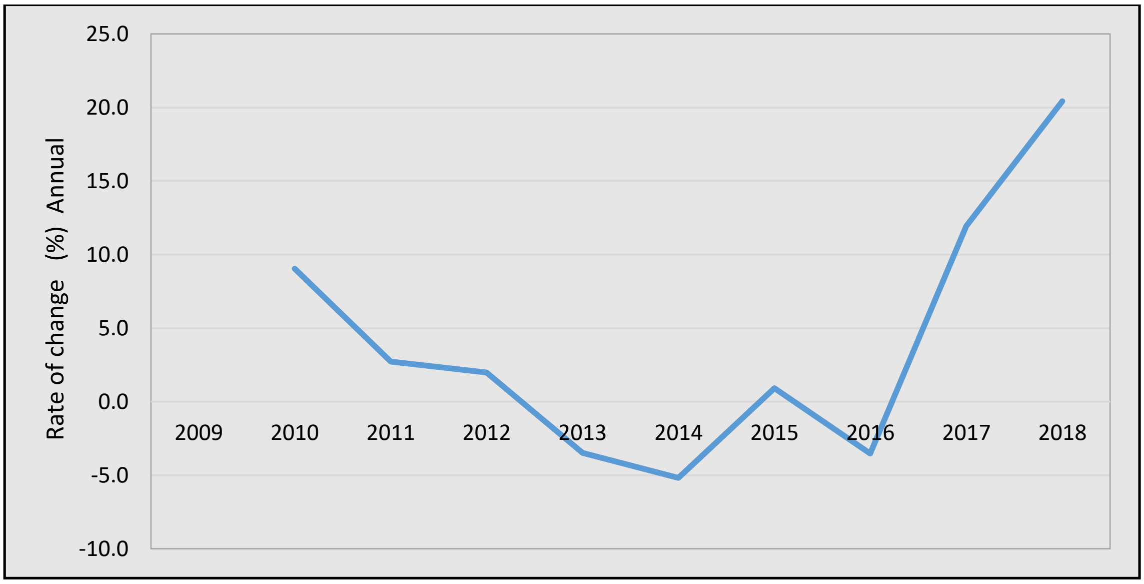
*Source: Zimstat*

69. Annual substantial price increases were witnessed during the fourth quarter of 2018 in most building materials as follows:

- Metal windows & door frames, 114.9%;
- Paint & glass, 111.9%;
- Sanitary ware & plumbing, 84.3%; and
- Bricks, 57.7%; and
- Cement (38.1%).

70. In 2018, on an annual basis, prices of building materials in RTGS$ have been increasing by an average of 20.4%, against 11.9% and -3.5% recorded in 2017 and 2016, respectively.

**Building Material Price Index (Annually)**




*Source: Zimstat*

*Shortage of Cement*

71. Critical was the widespread scarcity of cement (a major component in the construction industry) that was experienced during the third and fourth quarter of 2018. This scarcity was attributed to shortages of foreign currency to procure spare parts, raw materials, packaging materials and equipment, resulting in low cement production.

72. Consequently, prices of cement increased sharply in RTGS$ from between $7-$14 in August 2018 to an average of $35-$45 per 50kg bag. These price hikes adversely affected progress on implementation of many construction projects nationwide.

73. Going forward, growth of the construction industry is anchored on public sector projects and housing developments through self-financing schemes by individuals.

*Public Housing Projects*

74. Expenditure on institutional housing amounted to US$107.4 million, targeting the construction and rehabilitation of public buildings.

75. This intervention has enabled completion of 6 infrastructure projects, namely CID headquarters, Lupane State University Female Hostel, Nyanga District Registry, Harare Polytechnic College Central Library and Tomlinson Flats Blocks C and A.

76. With regards to rehabilitation, a total of 92 projects were completed within various sectors such as Health, Education and Housing.

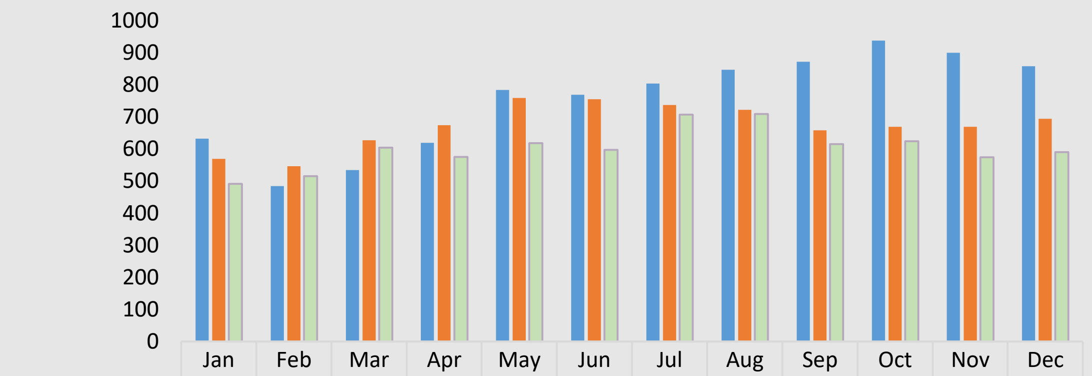
77. Furthermore, the Infrastructure Development Bank, UDCORP and other private players are implementing housing development projects, aimed at addressing the huge housing backlog, which is estimated at 1.3 million. The projects are at various stages of completion.

***Energy***

*Electricity*

78. Electricity generation performed relatively strong compared to the set target and the same period in 2017. Cumulatively, electricity generated and sent out during 2018 amounted to 9037 GW/h against 7217 GW/h and 8076 GW/H of 2017 and 2018 target, respectively.

**Electricity Generated and Sent Out (GW/h)**



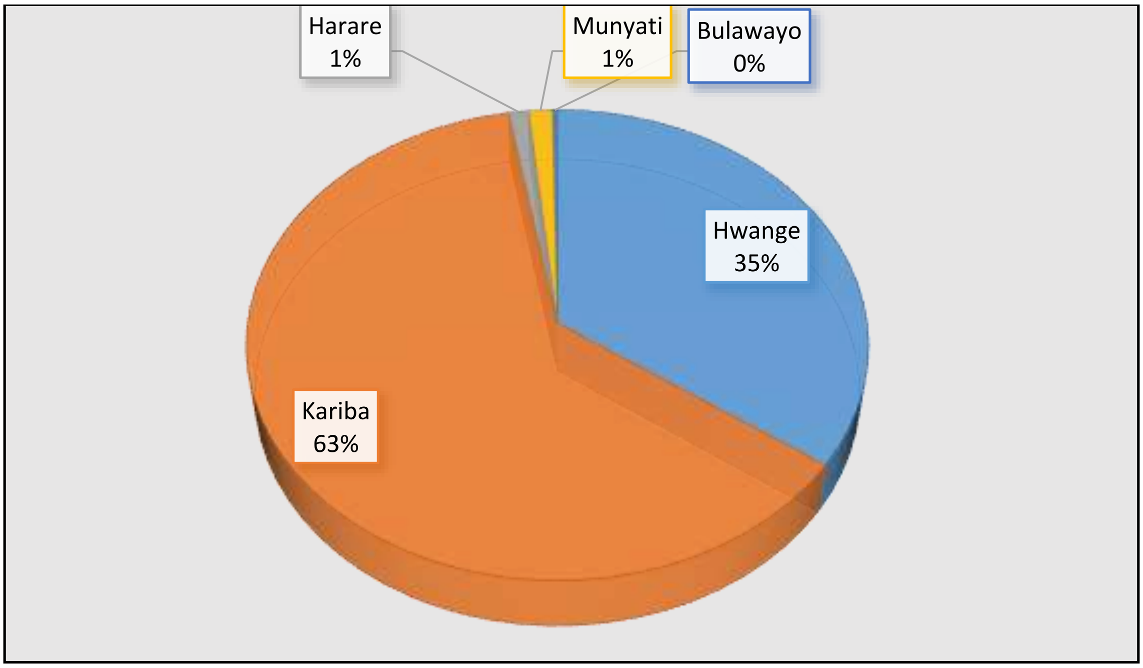

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sent Out 2018 | 632.21 | 483.72 | 533.63 | 619.29 | 783.78 | 768.65 | 803.67 | 845.97 | 871.63 | 937.62 | 899.63 | 857.67 |
| Target 2018 | 568.94 | 545.99 | 626.93 | 673.64 | 758.21 | 754.22 | 737.06 | 722.01 | 657.91 | 668.87 | 668.79 | 693.69 |
| Sent Out 2017 | 490.89 | 515.18 | 604.25 | 574.88 | 617.97 | 596.95 | 706.2 | 708.8 | 614.88 | 623.44 | 574.23 | 589.87 |

*Source: MoEPD*

79. The improvement in generation is attributed mainly to high performance at Kariba power station following increased water allocation to the station, which

started in July 2018 as well as plant refurbishment efforts being undertaken on thermal power stations.

**Electricity Generation**




*Source: Zimbabwe Power Company*

*Hwange 7 & 8 Expansion Project*

80. Expansion of the Hwange Thermal power station, comprising of two units of 300MW each, at a cost of US$1.5 billion, is being undertaken with funding from the China Exim Bank *(US$998 million)*, ZPC *(US$314 million)* and Synohydro *(US$176 million).*

81. To year-end, US$217.8 million had been disbursed to the project and works being undertaken include design reviews, site establishment, civil works and transmission infrastructure works.

*Alaska-Karoi 132kV Transmission Line*

82. The AfDB grant of US$22 million for the construction of the 85km Alaska-Karoi transmission line was approved by the bank and is now effective.

83. The Environmental Social Impact Assessment (ESIA) has been completed and EMA certificate issued whilst implementation of social upliftment projects is in progress. Work on the project is expected to be completed in 2020.

*Rural Electrification Programme*

84. Drawing from the Rural Electrification Fund, a total of 254 public institutions were electrified at a total cost of US$14.6 million.

85. The Table below shows the distribution by province.

| **Province** | **Number of Institutions Completed** | **TOTAL SCOPE OF WORKS COMPLETED IN 2018** | | | | | |
|---|---|---|---|---|---|---|---|
| | | **33KV Line (km)** | **19.1 kV Line (km)** | **11KV Line (km)** | **MV Line (km)** | **Capacity Installed (kVA)** | **Cost ($)** |
| Manicaland | 40 | 58 | 0 | 68.16 | 44.88 | 265 | 2,679,499.7 |
| Mashonaland Central | 24 | 33 | 0 | 13.75 | 10.93 | 705 | 1,204,395.5 |
| Mashonaland East | 44 | 57 | 0 | 80.05 | 23.01 | 1,045 | 2,652,955.5 |
| Mashonaland West | 22 | 40 | 0 | 43.26 | 18.59 | 1,100 | 1,772,801.1 |
| Masvingo | 27 | 23 | 44 | 27.44 | 45.90 | 915 | 1,919,854.6 |
| Matabeleland North | 24 | 42 | 0 | 6.70 | 18.00 | 440 | 1,302,528.6 |
| Matabeleland South | 27 | 39 | 0 | 31.25 | 21.07 | 400 | 1,497,763.5 |
| Midlands | 46 | 20 | 25 | 21.15 | 15.83 | 1,204 | 1,543,510.9 |
| **Total** | **254** | **312** | **69** | **291.77** | **198.20** | **6,074** | **14,573,309.3** |

*Source: MoEPD*

*Transport and Communication*

86. Transport and communication sector grew by 3.1% in 2018. The communication sub-sector growth is mainly driven by mobile internet and fixed broadband services while the transport sub-sector benefited from increased economic activity in sectors such as agriculture, distribution, mining and manufacturing.

*Transport*

87. The thrust of the 2018 National Budget in the road, rail and air sub-sectors were to rehabilitate and upgrade the current stock of assets as they are critical for rapid industrialisation and agriculture advancement.

88. Cumulative disbursement to the transport sector amounted to US$423.5 million, targeting support for road development US$362 million, aviation infrastructure US$2.6 million, capitalisation of Air Zimbabwe (Pvt) Ltd US$53.7 million and US$0.7 million towards support for advisory services for the recapitalisation of the National Railways of Zimbabwe.

*Road Development*

89. The Road Development Programme targets the phased rehabilitation and upgrading of at least five trunk roads in every province from gravel to bituminous surfacing.

90. Resources amounting to US$362 million were availed under the Road Development Programme targeting 902 km of our primary road network.

91. Road Authorities were capacitated to the tune of US$7.2 million to address the poor road network in the communities towards procurement of Roads equipment. However, due to the adverse macroeconomic environment, most Local Authorities failed to procure the targeted equipment.

92. In addition, the difficult macroeconomic environment, which has led to price escalations, and shortage of construction inputs, as well as procurement delays, resulted in only US$82 million (29%) of the disbursed resources being utilised as at 31 December 2018, with the balance being available to sustain project implementation during the first quarter of 2019.

93. The Programme, though, continues to deliver positive outcomes and outputs countrywide, with a total of 14 km of new bituminous tarred trunk roads being completed while 57 km of gravel roads were upgraded to bituminous surfacing. In addition, Pembi Bridge and Ingwingwizi Bridge approaches were completed during 2018.

*Harare – Beitbridge Road*

94. After nearly two decades of courting private sector funding towards the upgrading of the 580 km Harare – Beitbridge Road without success, Government is now implementing the project using local resources and capacities with funding for this flagship project being mobilised from the 2% Intermediated Money Transfer Tax and the ZINARA Infrastructure Bond.

95. The phased dualisation of the Harare – Bulawayo and Harare – Mutare roads continued during the year with the 9 km from Karina Service Center to the Norton Toll Plaza having been completed as well as the 6 km stretch from Goromonzi Turn-Off to Goromonzi Toll Plaza.

96. Our thrust of ensuring maximum use of local content in all our construction activities gave impetus to local employment creation and other economic opportunities for local traders, suppliers of construction materials and other inputs.

*Rural Feeder Roads*

97. During the year, the District Development Fund managed to undertake roadworks such as rehabilitation, bridge repairs, construction as well as routine maintenance for rural feeder roads in all districts of the country.

*Support from the Road Fund*

98. The roads sub-sector also benefited from support from the Road Fund. An amount of US$203 million was disbursed to Road Authorities comprising of the Department of Roads US$85.4 million, District Development Fund US$19.6 million, Urban Local Authorities US$42 million and Rural District Councils US$16 million.

99. The Road Fund also channelled US$58 million towards servicing of the DBSA Loan Facility utilised for the rehabilitation of the Plumtree – Mutare Highway.

*Aviation*

100. Disbursements to the aviation sub-sector amounted to US$53.7 million. Of this amount, US$51 million went towards procurement of aircraft equipment for Air Zimbabwe under its recapitalisation programme. The balance of US$2.6 million was earmarked for commencement of construction works for the J.M. Nkomo International Airport Control Tower.

101. Expansion works for the R. G. Mugabe International Airport Project also commenced during 2018, and as at December 30, 2018, the contractor had completed excavations for foundations and site establishment.

102. With regards to improving the regulatory and operational environment of the aviation sub-sector, the Civil Aviation Amendment Act 2018 (No. 10 of 2018), came into effect on 20 of July 2018, providing for the separation of the Airport operations and the Regulatory function, through the creation of the Airports Company of Zimbabwe which is expected to crowd in private investments into airport infrastructure and operations.

103. Despite the adverse macro-economic environment, our targeted approach, particularly with regards to the roads sector, has greatly improved execution rates on most of the targeted projects.

*Information, Communication and Technology*

104. Investment in digital infrastructure was prioritised in order to improve connectivity and efficiency among all major economic centres. Targeted programmes were the optic fibre project, expansion of e-Government and broadcasting digitalisation, and US$19.6 million was availed for their implementation.

105. For the transmitters projects, US$16.2 million was availed in support of programmes which included installation of five digital transmitters at Chivhu, Gweru, Gwanda, Karoi and Chiredzi sites to increase the number of completed digital transmitter sites from thirteen to eighteen.

106. With regards to transmitters, 4 FM radio gap filling transmitters were installed in Gokwe Nembudziya, Zvishavane, Kanyemba and Maphisa whilst the gap filler at Rusitu was renewed. Radio transmission at St. Alberts was also revamped. These are areas that have been experiencing poor or no radio reception.

107. Furthermore, three new transmitter tower foundations were completed for Gutu, Chikombedzi and Maphisa making these three sites ready for the installation of new transmission towers. This brings the number of completed tower foundations to fifteen out of twenty-five. Construction of three more tower foundations has commenced for Murewa, Wedza and Buhera, which will bring the number of completed tower foundations to eighteen out of twenty-five.

108. In addition, a further three new transmitter tower installations were completed at Kwekwe, Siyakobvu and Chikombedzi, increasing the number of completed new tower installations from nine to twelve. Construction of a new tower is also underway at Maphisa. The completion of these tower installations will pave the way for the installation of digital television transmission equipment at the three sites.

*Water & Sanitation*

*Dam Projects*

109. The 2018 Capital Budget prioritised the implementation of Causeway, Gwayi Shangani, Marovanyati, Chivhu, Bindura and Tuli-Manyange dams with disbursements for the year amounting to US$105.8 million.

110. Overall progress for Causeway Dam is at 66% with impoundment of water now expected during 2019.

111. With regards to Gwayi Shangani Dam, overall progress is now at 35% with a targeted completion date of 2020 whilst for Marovanyati Dam, major works such as main embankment, spillway construction and outlet pipes are almost complete with impoundment of water having started during the 2018/19 rain season.

112. For Semwa, Chivhu, Bindura and Tuli-Manyange dams, overall progress is estimated at 34.3%, 16%, 35% and 5%, respectively.

*Urban WASH*

113. Resources amounting to US$18.9 million were channelled to Urban and Rural Local Authorities projects and programmes aimed at improving service delivery to citizens.

114. Of this amount, US$8.6 million and US$0.7 million respectively were availed for the rehabilitation and upgrading of water and sanitation infrastructure, whilst US$2.5 million was for Service Level Benchmarking, which will assist local authorities to improve service delivery.

*Water Supply for Small Towns & Growth Points*

115. A total of 19 water supply projects for small towns and growth points, being managed through ZINWA, commenced works following disbursement of US$18 million during the year. [See Annexure 1]

*Zimbabwe National Water Project*

116. The project, being implemented under ZIMREF, and managed by the World Bank, commenced in 2016, targeting sewer and water upgrading works for Guruve, Lupane, and Zimunya.

117. A cumulative amount of US$4.1 million has been disbursed to date and overall project progress is estimated at 99%, with activities such as water reticulation, pipe laying, installation of valves and fittings and house connection lines having been completed.

*Zim-Fund Phase II Urgent Water Supply & Sanitation Rehabilitation Project (UWSSRP Phase II)*

118. The works under UWSSRP Phase II complements and sustains works that were undertaken and officially completed in May 2016 under Phase I of the project, targeting Harare, Mutare, Masvingo, Chegutu, Kwekwe, and Chitungwiza.

119. To date, an amount of US$27.8 million (77.3%) has been disbursed towards the project with most works for the targeted cities now complete and most contracts concluded.

***Social Services***

*Health Infrastructure*

120. The Rural Health Posts Initiative, which seeks to improve access to health for vulnerable communities commenced during the year with US$2 million having been disbursed, focussing on 4 rural health posts, namely Dundwe, Minda, Kairezi and Gumbochuma.

121. With regards to the Rural Health Centres, the main clinic blocks at Siabuwa, Chibila, Munemo, and Dongamuzi have been completed and current works are focussing on completion of staff houses, borehole drilling as well as procurement of furniture and equipment.

122. An additional US$7.5 million was disbursed towards the rehabilitation and construction of waste management facilities, procurement of laundry equipment as well as general refurbishment of 67 district hospitals infrastructure. Of this amount, US$2 million was channelled towards Tsholotsho and St Luke's Hospitals in Matabeleland North Province.

123. An amount of US$5 million was also channelled towards the resumption of the construction of Lupane Provincial Hospital and works on the revalidation of the contract is currently underway. An additional US$2.4 million was channelled towards the rehabilitation of Gweru, Masvingo and Marondera Provincial hospital with works concentrated on the theatres and maternity wings upgrading and construction.

124. For central hospitals, support amounted to US$4.2 million covering 5 institutions (See Annexure 2).

*Education Infrastructure*

125. In order to promote research and development, build an interface between industry and universities, commercialization of research as well as provide an environment for student entrepreneurship activities, Government is constructing innovation hubs at six state universities.

126. A total of US$7.3 million was disbursed during 2018, focusing on office space, manufacturing space, laboratories, training facilities, storage space as well as social amenities.

127. Works on the targeted institutions of Chinhoyi University of Technology, Midlands State University, Harare Institute of Technology, Zimbabwe National Defence University, National University of Science and Technology as well as University of Zimbabwe are progressing well with the administration block at Midlands State University having been completed and commissioned in June 2018.

128. Through the Zimbabwe Manpower Development Fund (ZIMDEF), an amount of US$5 million was disbursed towards procurement of laboratory equipment for the innovation hubs.

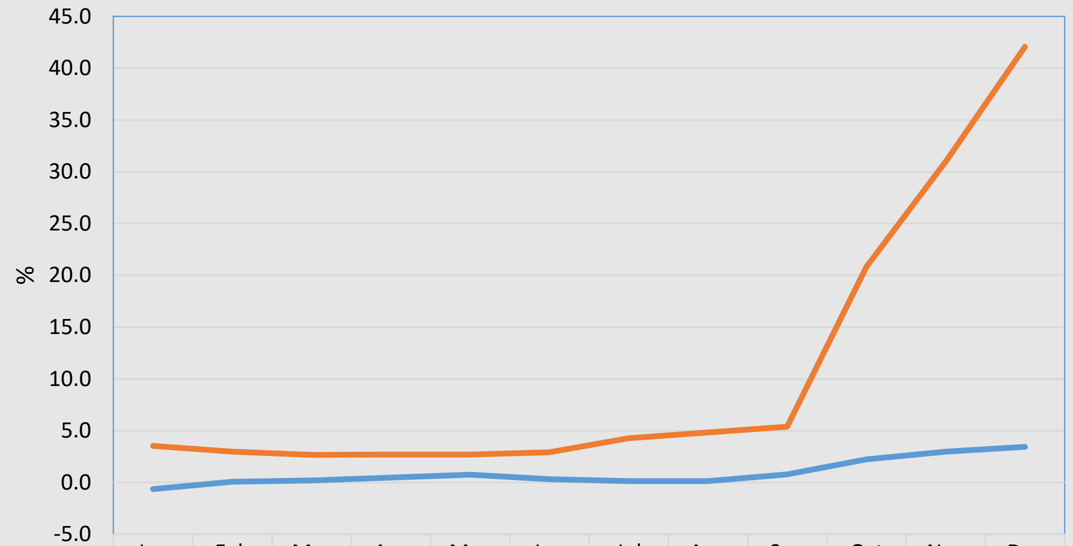
129. Construction of 12 primary and 5 secondary schools in five targeted provinces and with support from OFID is ongoing. Most of the superstructures have been completed and roofed. All the 17 schools are expected to be complete by June 2019 (See Annexure 3).

130. Under the project, all schools will receive the requisite furniture and equipment and the procurement process has been initiated to ensure a conducive learning environment once the project is completed.

## INFLATION DEVELOPMENTS

131. Inflation, which was contained below 5% for the larger part of the year, surged during the fourth quarter. Headline inflation, despite opening the year at 3.5%, dramatically rose to 42.1% by December 2018.

**Year-on-year Inflation**




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | -0.7 | 0.1 | 0.2 | 0.5 | 0.7 | 0.3 | 0.1 | 0.1 | 0.8 | 2.2 | 3.0 | 3.5 |
| 2018 | 3.5 | 3.0 | 2.7 | 2.7 | 2.7 | 2.9 | 4.3 | 4.8 | 5.4 | 20.9 | 31.0 | 42.1 |

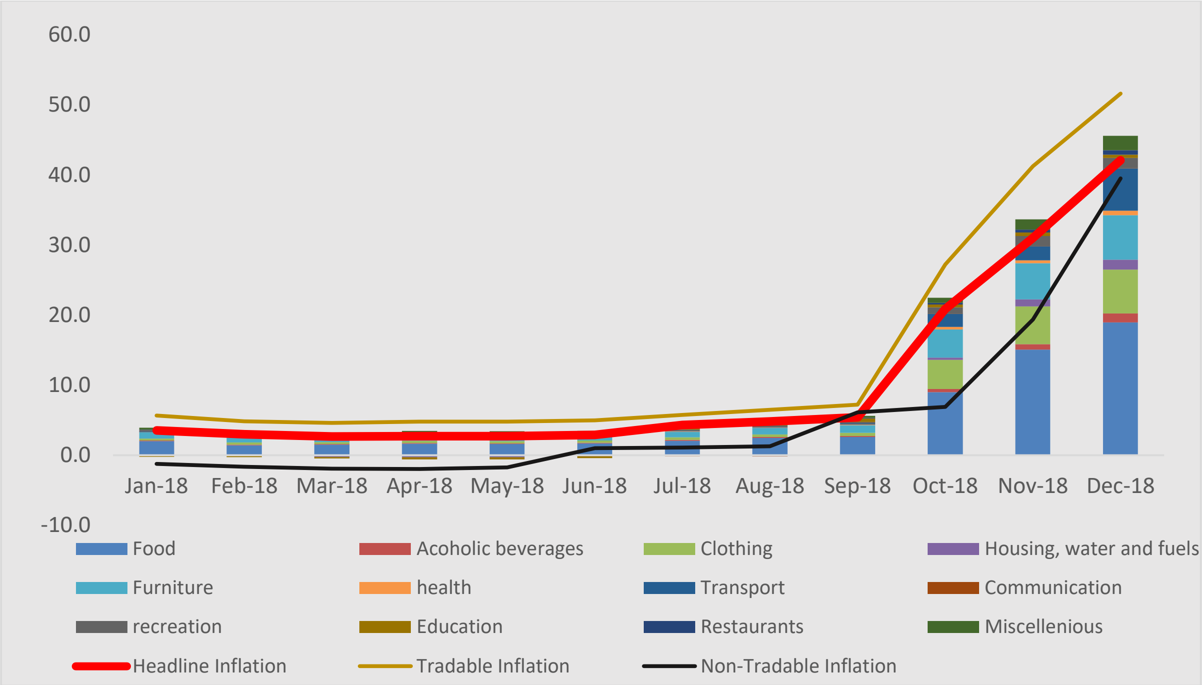
Source: ZIMSTAT

132. This brought the 2018 annual average inflation rate to 10.6%, compared to 0.9% and 3.0% of 2017 and 2018 National Budget target, respectively. Similarly, month on month inflation averaged 3.1%, up from 0.3% of 2017.

133. The rising inflationary pressures were driven largely by high fiscal deficits being financed through issuance of Treasury Bills. This triggered the widening of parallel exchange premiums between the US dollar and the bond note.

134. Consequently, higher inflation on tradable goods was notable, reflecting their immediate and prolonged response to exchange rate movement. A Significant contribution came from food and non-alcoholic beverages followed by clothing, furniture and restaurants

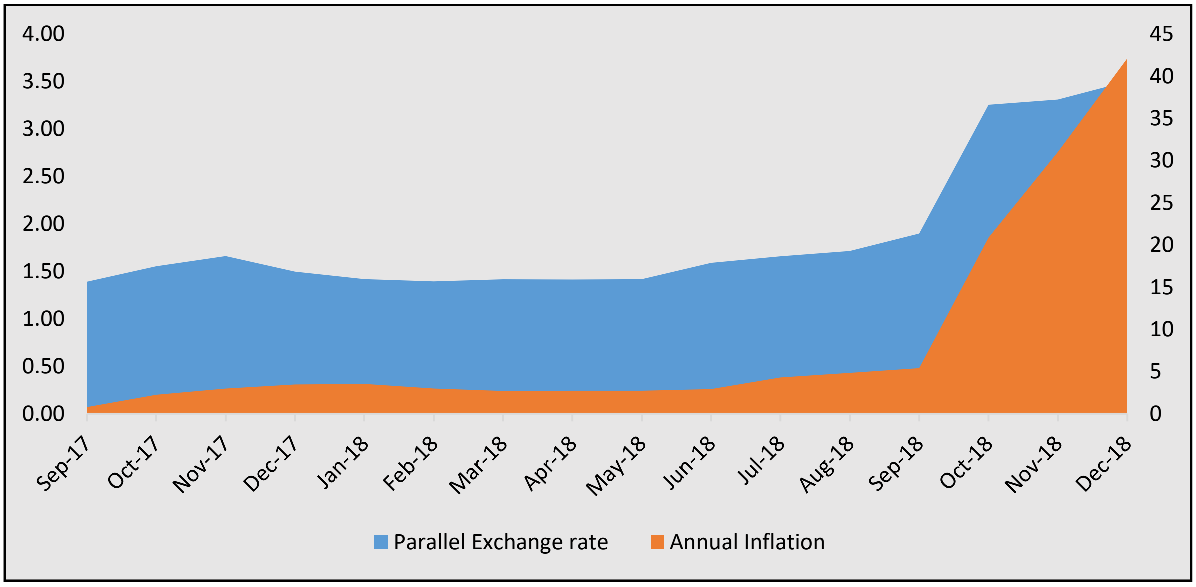
**Inflation Profile and its Contributors**




*Source: ZIMSTAT*

135. Despite weak pass-through effect of exchange rate premiums to non-tradable items, their prices, however, adjusted quickly in line with changes experienced in tradable goods.

**Parallel Exchange Rate VS Annual Inflation**



## REVENUE

136. Revenue collections for the fiscal year 2018 out-performed target by 22.8%, to reach US$5.5 billion (15.7% 0f GDP), against a budget target of US$4.5 billion. The positive variance of US$996.4 million was from both tax (US$700.4 million) and non-tax (US$296.1 million) revenues performance.

**Revenue Performance: Jan - Dec 2018**

| | Actual (US$ mil) | Target (US$ mil) | Variance US$ |
|---|---|---|---|
| **Total Revenue** | **5 533.4** | **4 537** | **996.4** |
| Tax Revenue | 5 000.4 | 4 300.0 | 700.4 |
| Non Tax Revenue | 533.1 | 237 | 296.1 |

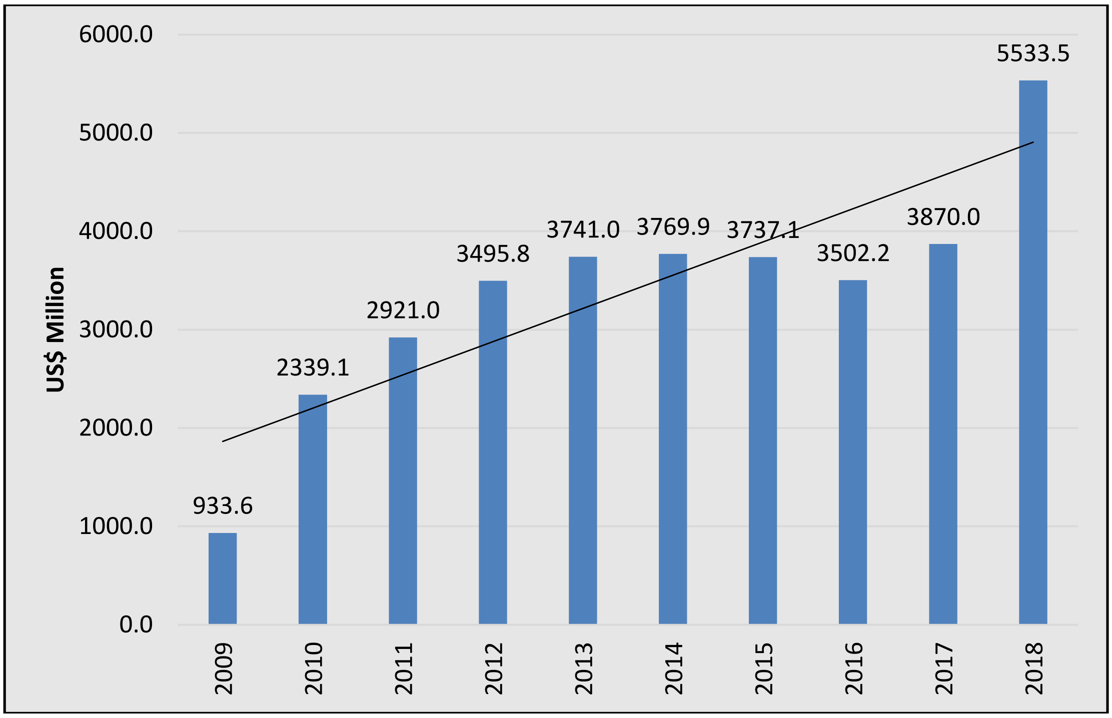
*Source: MOFED*

137. The sharp increase in revenues, from about US$3.8 billion in 2017 to US$5.5 billion in 2018, reflects improved economic activity during the first three quarters of the year, strengthened efficiency in revenue collections by ZIMRA and efforts on plugging revenue leakages. Specific administrative interventions included:

- Automation of both collection and monitoring and tracking systems;
- Enhancement of ZIMRA Information Technology Systems;
- Improved co-ordination among Government Departments including the National Registration Database, Company Registration Database, Deeds Office, ZIMSTAT, National Social Security Authority, Investment Agency and ZIMDEF, among others;
- Implementation of a Compliance Risk Management Framework to enable the detection of sectors of the economy with the greatest risk of noncompliance, in order to ensure that commensurate tax administration effort is applied;
- Taking advantage of tax incentives to encourage compliance; and

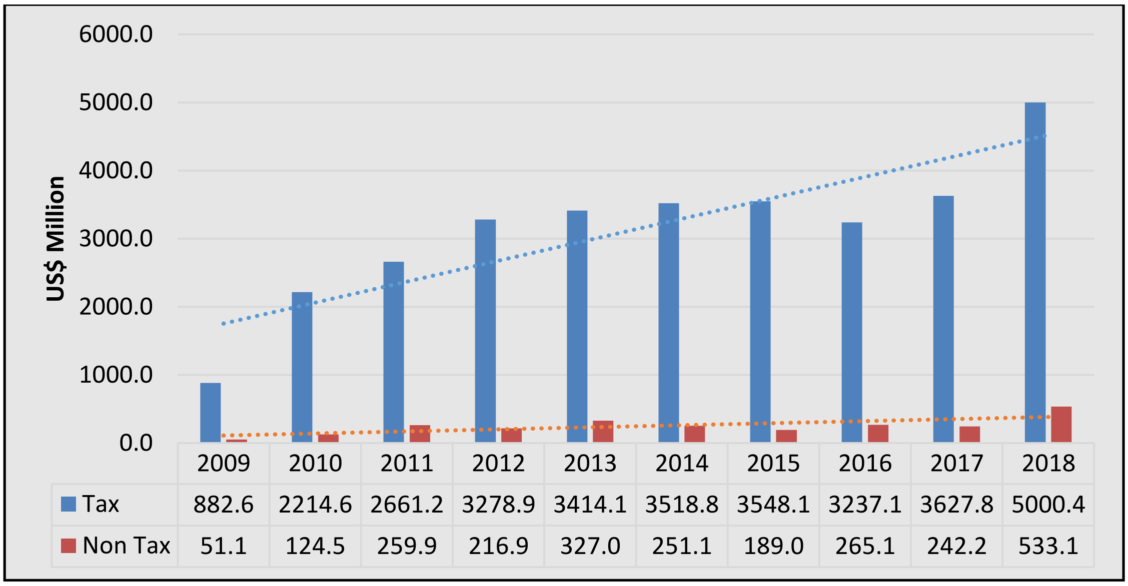
- Improved Debt Collection and implementation of a fair penalty loading model for non-compliance.

## Annual Revenue Collections




*Source: Ministry of Finance and Economic Development*

## Tax & Non Tax Revenue




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Tax | 882.6 | 2214.6 | 2661.2 | 3278.9 | 3414.1 | 3518.8 | 3548.1 | 3237.1 | 3627.8 | 5000.4 |
| Non Tax | 51.1 | 124.5 | 259.9 | 216.9 | 327.0 | 251.1 | 189.0 | 265.1 | 242.2 | 533.1 |

*Source: MOFED*

138. Furthermore, Government, in its efforts to widen the revenue base, reviewed the Intermediated Money Transfer Tax (IMTT) from 5 cents per transaction to 2% IMTT (2 cents per dollar) targeting to raise about US$600 million annually, then. For the period October to December 2018, a total of US$166.8 million was raised from this revenue head.

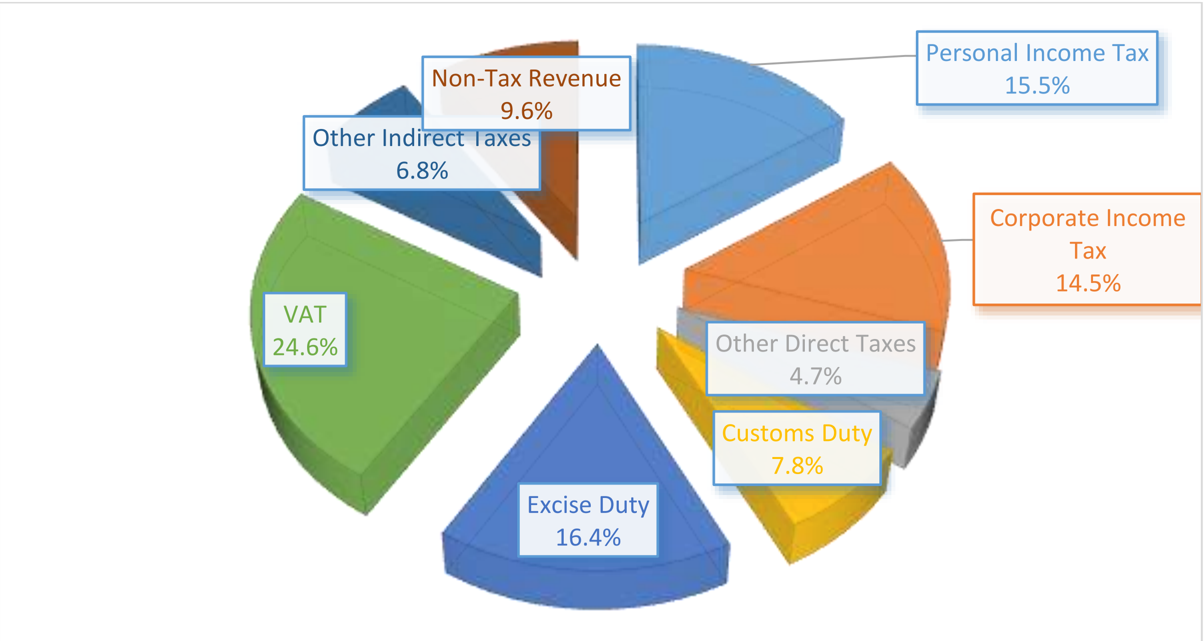
139. In the outlook, it is anticipated that this revenue head is capable of raising RTGS$1.1 billion in 2019.

*Revenue Heads*

140. A significant portion of tax revenue during 2018 was generated from Value Added Tax (VAT), Excise Duty, Personal Income Tax, as well as Corporate Income Tax.

141. The Pie Chart below shows the contribution of various Revenue Heads to total fiscal revenue.

**Contributions to Total Revenue**




*Source: MOFED*

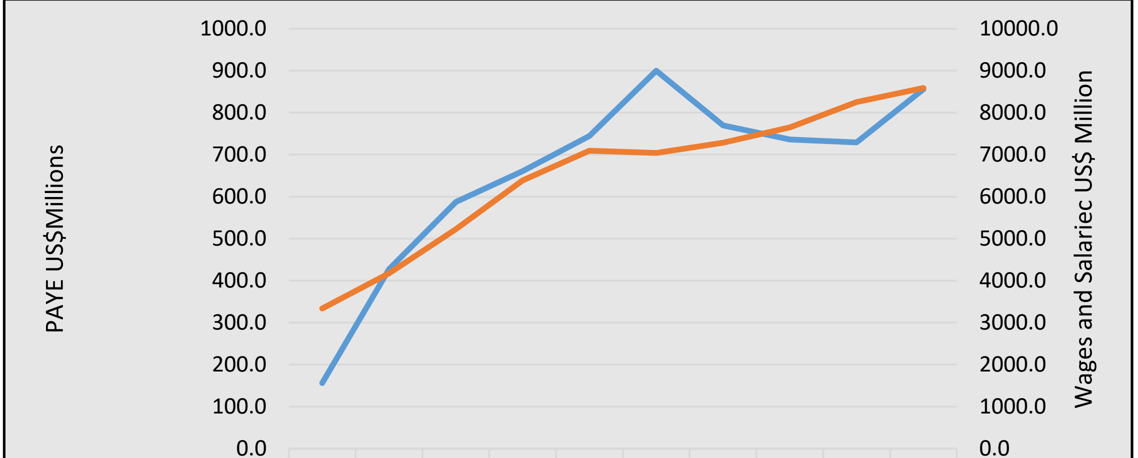
142. All the revenue heads performed above the set targets, albeit at different levels.

*Personal Income Tax*

143. Personal Income Tax, with cumulative collections of US$855.8 million, performed slightly above target of US$850 million, to give a 0.7% positive variance. Monthly revenue collections for this revenue head were generally in line with the target.

144. On a yearly basis, Personal Income Tax collections increased by 17.4% from US$729 million collected in 2017. The increase was attributed to salary adjustments during the course of the year by both Government and the private sector.

**PAYE vs Compensation of Employees**




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| PAYE | 155.7 | 427.7 | 587.6 | 660.6 | 744.4 | 899.7 | 769.6 | 735.8 | 729.0 | 855.9 |
| Wages & Salaries | 3337.6 | 4176.7 | 5226.7 | 6387.7 | 7091.1 | 7043.9 | 7285.6 | 7649.9 | 8254.2 | 8584.4 |

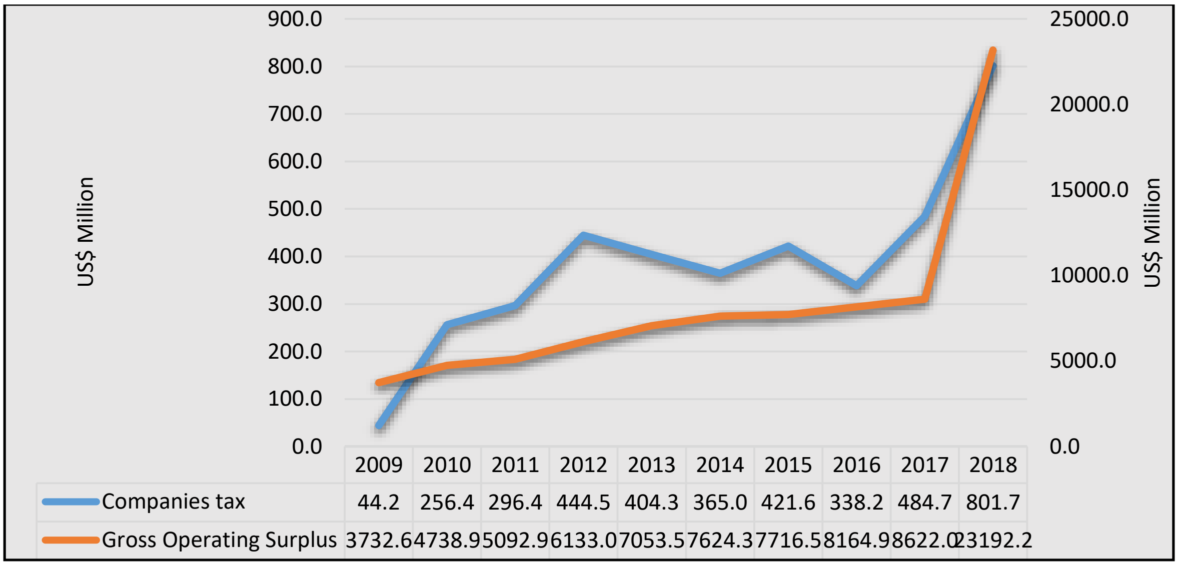
Source: ZIMSTAT & Ministry of Finance and Economic Development

145. In addition, initiatives by ZIMRA to encourage voluntary compliance contributed to the positive performance of the revenue head.

*Corporate Tax*

146. Corporate Tax collections amounted to US$801.7 million, against a target of US$490 million, resulting in a positive variance of 63.6%. This translates into a positive growth of 65.4% when compared to US$484.7 million collected in 2017.

147. The positive performance recorded on corporate income tax collections is attributed largely to the higher profits generated by the banking sector. This was complemented by improvement in profitability by major companies in the beverage and the telecoms industry whose operating income increased by 28% and 266%, respectively.




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Companies tax | 44.2 | 256.4 | 296.4 | 444.5 | 404.3 | 365.0 | 421.6 | 338.2 | 484.7 | 801.7 |
| Gross Operating Surplus | 3732.6 | 4738.9 | 5092.9 | 6133.0 | 7053.5 | 7624.3 | 7716.5 | 8164.9 | 8622.0 | 23192.2 |

Source: ZIMSTAT & Ministry of Finance and Economic Development

**NB:** Gross Operating Surplus is on the secondary axis

*Customs Duty*

148. Cumulative Customs Duty collections at US$432.7 million exceeded the target by US$73.9 million or 20.6%. In the same vein, collections under this revenue head grew by 46.6% from US$295.1 million collected in 2017.

149. The positive performance is largely attributed to administrative reforms implemented at ports of entry to reduce smuggling, particularly at Beitbridge Border Post. These measures included installation of CCTVs and other monitoring instruments and the re-organisation of Government administrative systems for better co-ordination of functions.

150. The upgrading of the ASYCUDA System and increased coverage of the electronic cargo tracking system has, to a larger extent, assisted in this regard.

*Excise Duty*

151. Excise Duty collections were above target by 11.5%, amounting to US$908.8 million against a target of US$815.3 million. Like all the other revenue heads, excise duty witnessed a huge leap by 34.5%, when compared to US$675.9 million collected in 2017.

152. The positive performance is on account of higher volumes of fuel and beer consumed and higher airtime use.

153. Government reduced the specific rate of excise duty on fuel by 7 cents in January 2018. This has, to some extent, stimulated fuel demand, hence import volumes improved significantly. This has resulted in significant improvement of fuel import volumes for the period January to December 2018 relative to the same period in 2017. The table below shows the percentage changes:

**Fuel Consumption (litres)**

| | 2017 | 2018 | % Change |
|---|---|---|---|
| **Petrol** | 389,622,841 | 570,799,897 | 47 |
| **Diesel** | 794,788,522 | 1,082,561,308 | 36 |

*Source: ZERA*

154. With regards to excise duty on airtime, the downward review of mobile data charges in July 2018 stimulated demand for airtime, resulting in increased airtime usage and ultimately revenues.

*Value Added Tax*

155. Cumulative VAT collections for the year 2018, at US$1.4 billion, surpassed the target slightly by US$2.6 million. The collections constitute a 26.7% increase from the US$1.1 billion collected in 2017.

156. VAT collections benefitted from an upswing in prices of vatable goods and services, especially in the fourth quarter of the year. However, VAT on domestic sales has not responded in line with inflation trends indicating potential leakages related to the two-tier pricing system adopted by some businesses.

*Other Direct Taxes*

157. Collections through Domestic Dividends and Interest, Vehicle Carbon Tax, Capital Gains Taxes and Mining Royalties amounted to US$261.3 million, against a target of US$238.9 million.

158. Compared to 2017 collections, other direct taxes grew by 28.7%, from US$203.1 million. The positive performance was largely influenced by vehicle carbon tax, which is in tandem with increases in volumes of fuel imports.

*Other Indirect Taxes*

159. Collections under this revenue head amounted to US$377.1 million, against a target of US$186.8 million. This resulted in a 101.8% positive variance and 128.9% growth, when compared to US$164.7 million collected in 2017.

160. The significant performance by this revenue head is attributed to the 2% Intermediate Money Transfer Tax.

*Non Tax Revenue*

161. Non Tax Revenue performance was largely driven by licence fees, sales and fines. An improvement in revenue from business lisences is in line with the general increase in the level of economic activity.

162. A total of US$533.1 million was collected, against US$237 million targeted for the year, reflecting a 124.9% positive variance. Similarly, collections under this revenue head grew by 220.1% when compared to US$242.2 million collected in 2017.

**EXPENDITURE OUTTURN**

163. The 2018 Total Expenditure and Net Lending amounted to US$7.634 billion against a Budget of US$5.330 billion, giving an overrun of US$2.304 billion. Employment costs amounted to US$3.935 billion, operations and maintenance US$930.9 million, interest on debt US$331.2 million, loan repayments were US$1,765 billion, whilst capital expenditure amounted to US$2.437 billion.

*Employment Costs Developments*

164. Outturn to December amounted to US$3.935 billion, against a budget provision of US$3.26 billion for employment costs, resulting in an overrun of US$674.7million.

| | **Budget (US$)** | **Outturn (US$)** | **Variance (US$)** |
|---|---|---|---|
| **Civil Service Wage Bill** | 2,143.3 | 2,563.1 | (419.8) |
| **Grant Aided Institutions** | 482.6 | 585.7 | (103.1) |
| **Pension** | 477.6 | 552.9 | (75.3) |
| **PSMAS** | 121.2 | 197.8 | (76.6) |
| **NSSA** | 34.8 | 34.8 | 0.0 |
| **Funeral Expenses** | 0.5 | 0.5 | 0.0 |
| **Total** | **3,260.0** | **3,934.7** | **(674.7)** |

*Source: MOFED*

165. Government made the decision to improve conditions of service for employees in the Health Sector and Rest of Civil Service in April 2018 and July 2018 respectively which imposed additional expenditures of US$332 million.

166. In addition, the 2018 Budget also embraced additional expenditures of around US$176.5 million, mainly related to:

- Payment of cash in lieu of vacation leave to teaching staff;
- Terminal benefits for retiring youth officers;
- Recruitment of nursing staff in the Health Sector; and
- Payment of severance packages to civil servants who were still in the Civil Service post the retirement age.

167. Furthermore, US$60 million was paid to liquidate legacy debt owed to Premier Service Medical Aid Society for medical services rendered to Government employees.

168. The 2018 budget also had to accommodate expenditures amounting to US$106.2 million relating to the 13th Cheque payment for 2018 which had not been budgeted for.

*Operations*

169. Operations and maintenance outturn for 2018 amounted to US$930.9 million against a budget allocation of US$833 million giving an over expenditure of US$97.9 million. The major drivers include:

- Legacy debt (US$60.4 million); and
- Other critical government operations.

*Health*

170. Health care support in 2018 came from the Government of Zimbabwe providing 49% of total resources, followed by The Global Fund to Fight AIDS, Malaria and Tuberculosis (GFATM) (18%), National AIDS Council (3.4%) and the balance being financed by other Partners.

***Results-Based Financing***

171. The Ministry of Health and Child Care (MOHCC) has been receiving support from the World Bank to introduce a Results-Based Financing program (RBF) in Zimbabwe since 2011. After an evaluation, the Government approved the scaling up of RBF with funding from the World Bank and counterpart financing from the Ministry of Finance and Economic Development (MOFED).

172. In line with its mission of providing quality health care to all people in Zimbabwe, in 2018 Government supported 18 Districts in the initial phase of Institutionalization of RBF. Resources under the RBF project are primarily

intended to strengthen the performance of the health sector in Zimbabwe with an added emphasis on maternal and child health services.

173. In this institutionalized RBF, it is envisaged that the positive features of RBF, such as provider autonomy, accountability, robust monitoring and verification shall be mainstreamed into the health system. Beyond the 18 Districts, which are to be evaluated in 2019, the scaling up to adopt the remaining 43 districts begins and should be complete by 2020.

### *Basic Education*

174. Expenditure towards education amounted to US$1.305 billion in 2018. Of this amount, US$1.281 billion was for employment costs for teaching staff of around 121 000.

175. Other programmes funded included:

- Infant Education US$1.617 million
- Junior Education US$476.1 million
- Secondary Education US$335.375 million
- Learner Welfare Services US$3.914 million
- Higher and Tertiary Education US$1.617 million
- New Universities US$5.255 million

### *Social Protection*

176. During 2018, Government continued to provide for the various social safety nets which included the following:

- BEAM - US$48.6 million
- Harmonized Social Cash Transfer Scheme (HSCT) - US$6.128 million

- Health Assistance- US$1.651 million
- Disability and Rehabilitation Services - US$1.0 million
- Food deficit mitigation- US$1.530 million

**Capital Budget**

177. Capital expenditures for the year 2018 amounted to US$2.4 billion, with the bulk of the resources being channelled towards agriculture-related outlays of US$1.1 billion, US$395.5 million towards capacitation of our public entities, US$836.1 million for infrastructure whilst furniture, vehicles and other capital items accounted for US$117.2 million.

178. The outlays on agriculture were in support of the procurement and management of grain under the Strategic Grain Reserve of US$473.3 million that enabled delivery of 1.1 million tons of maize and small grains as well as 144 000 tons of wheat.

179. An additional amount of US$263.5 million was channelled towards input support to farmers under the Vulnerable Input Support Programme and US$238.3 million under the Special Maize Production Programme.

180. Compensation to farmers for farm improvements accounted for US$10.8 million.

181. An amount of US$395.5 million was channelled towards capitalisation of strategic public entities such as the Infrastructure Development Bank of Zimbabwe US$155 million; Air Zimbabwe US$193.3 million; Zimbabwe Consolidated Diamond Company US$26.7 million; Agribank US$10 million as well as SMEDCO, US$10.5 million.

182. A further US$59.2 million was expended towards capacitation of Government departments through procurement of furniture, US$21.9 million and vehicles, US$37.3 million.

183. Infrastructure support amounted to US$836.1 million, with the bulk of the resources of US$372.4 million being channelled towards the transport sector, mainly focusing on the Roads Development Programme. Additional support towards infrastructure was mobilised from development partners, loan funding, statutory and other resources as indicated under Annexure 4.

***Update on Implementation of Key Infrastructure Projects***

184. Increased public spending on infrastructure, coupled with improvements in the delivery environment, saw a number of projects progressing to completion and commissioning. Furthermore, project development activities commenced for priority projects in some sectors, which will ensure our projects achieve full bankability.

185. Despite the adverse macro-economic environment, the targeted approach to the implementation of projects, where resources were ring-fenced on a few priority projects in each sector, greatly improved execution rates, resulting in the completion and commissioning of major projects during the year, including the following:-

- Mutare High Court Building;
- Kariba South Expansion Project;
- Upgrading or resealing of 512km of our road network, as well as the grading of 19 273km;
- 48 Bridges constructed;
- CID Headquarters in Harare;
- Nyanga District Registry Office; and,

- Midlands State University Innovation Hub in Gweru.

Details on these projects are under respective sectors

**BUDGET BALANCE**

186. Revenues at US$5.5 billion, against expenditures of US$7.6 billion, gave a budget deficit of US$2.0 billion, which was primarily financed through domestic sources.

***Financing***

187. Total financing requirements for 2018 amounted to $3.6 billion, comprised of the budget deficit of $2.0 billion and principal debt repayments of US$1.6 billion. The requirements were financed through Treasury Bill issuances and the overdraft facility with the Reserve Bank.

188. Treasury Bills amounting to $2.6 billion, were therefore issued to finance the following:

| Item | Amount (million $) |
|---|---|
| **Budget deficit financing** | 400.98 |
| **Government Debt** | 1,516.41 |
| **Capitalisation of SOEs** | 216.67 |
| **ZAMCO** | 427.48 |
| **Total TBs Issued** | **2,561.54** |

*Source: MOFED*

189. The balance of US$1.4 billion was funded through the Central bank overdraft facility, which, by end of December 2018, stood at $3 billion.

## PUBLIC DEBT

190. Total Public and Publicly Guaranteed Debt as at 31 December 2018 stood at US$16.7 billion of which external debt stood at US$8.2 and Domestic Debt at US$8.5 billion (*See Annexure 5*).

### *Domestic Debt*

191. Budget deficits, together with other expenditures incurred outside the Budget but financed through domestic sources, have over the years given rise to a highly unsustainable domestic debt, which stood at US$8.5 billion, as at 31 December 2018.

**Domestic Debt Excluding ZAMCO as at 31 December 2018**

| PURPOSE | AMOUNT (US$M) |
|---|---|
| **Government Expenditure Financing** | 3,975 |
| **RBZ Debt** | 228 |
| **Capitalisation** | 300 |
| **RBZ Capitalisation** | 110 |
| **RBZ (Not issued with TBs)** | 38 |
| **Arrears** | 134 |
| **Overdraft Facility** | 3,005 |
| **Loans** | 696 |
| TOTAL | **8,488** |

*Source: MOFED*

### *External Debt*

192. As at end of December 2018, Zimbabwe's external public and publicly guaranteed debt position is estimated at US$8.2 billion (about 33.7% of GDP), of which almost US$5.87 billion is accumulated arrears.

193. Multilateral institutions were owed a total of US$2.56 billion, of which the World Bank is owed US$1.49 billion, African Development Bank, US$692 million, European Investment Bank, US$309 million and other multilateral, US$72 million.

194. Total bilateral debts amount to US$5.1 billion, of which Paris Club creditors account for US$3.47 billion, and Non-Paris Club, US$1.69 billion. *See Annexure 6.*

***External Arrears***

195. Since 2000, the country has not been able to meet its external debt service obligations resulting in the accumulation of external arrears. As at end 2017, arrears constituted around 80% of the total external debt stock.

196. This has negatively affected the country's relations with traditional creditors and its credit worthiness, resulting in the dwindling of external borrowing options, and hence failure to meet the huge infrastructure gap and other development needs.

197. The absence of concessional lines of credit has also forced the country to resort to semi-concessional financing sources, further worsening the country's debt sustainability and external borrowing prospects.

198. As a result, the country has increasingly become reliant on domestic debt which has sharply risen from US$312 million in 2012 to US$8.488 billion as at end December 2018.

199. In recognition of the importance of external support in enhancing economic growth, Re-engagement and Arrears Clearance have become a key priorities of

the Government and concerted efforts are being made to ensure that progress is made.

***Arrears Clearance Strategy***

200. The country has been engaging with both the International Financial Institutions (IFIs) and Development Partners, since 2009. In 2015, the country managed to come up with the "Lima Debt and Arrears Clearance Strategy", in Lima, Peru.

201. Specifically, the Strategy involves the following sequential steps:

- Clearing arrears to the three Multilateral Institutions; namely the IMF (US$110 million), the WBG (US$1107 million) and the AfDB (US$601 million) in 2016;
- Development of a new comprehensive country Financing Programme supported by the AfDB, the IMF and the WBG, that attracts long term financing to promote growth and debt sustainability, and,
- Engagement of the Paris Club and other bilateral creditors for debt resolution, on the strength of Zimbabwe's performance under the above Financing Programme.

202. Consequently, the country settled its International Monetary Fund of arrears of US$107.9 million in November 2016.

203. The focus is now on engagement with all creditors, namely Multilaterals as well as those under the Paris Club and Non-Paris Club group of creditors, through various round tables on the sidelines of IMF/WB Spring and Annual Meetings.

204. From the various engagements with creditor countries, there is consensus that resolution of arrears and implementation of reforms in the TSP will be integral requisite, critical to unlocking new financing and investment for the country's development agenda

**FINANCIAL SECTOR**

205. Improved confidence and economic activity during the period January to September 2018 benefitted the financial sector which grew by 0.5%. In 2019, the sector is projected to grow by 3% supported by services sectors.

**Insurance Industry**

206. Notwithstanding the challenging macroeconomic environment during the year under review, the industry reported a 34.76% growth in premium income as shown in the table below:

| Class of Business | 31 Dec. 2016 ($ `000) | 31 Dec. 2017 ($ `000) | 31 Dec. 2018 ($`000) | Annual Growth rate |
|---|---|---|---|---|
| **Non-life Insurers** | 128,699 | 143, 856 | 277, 350 | 92.80% |
| **Non-life reinsurers** | 67,976 | 60, 189 | 75, 618 | 25.63% |
| **Life Assurers** | 340,806 | 361,241 | 419, 748 | 16.20% |
| **Life Reinsurers** | 5,915 | 6,664 | 8, 008 | 20.17% |
| **Funeral Assurer** | 38,618 | 39,981 | 43, 920 | 9.85% |
| Total Net Premium Income | **582,014** | **611,934** | **824, 644** | **34.76%** |

*Source: IPEC*

207. The growth in business underwritten by the industry has been underpinned by an increase in premium rates and efficient information technology systems being employed by industry players.

*Insurance Industry Assets*

208. The industry assets grew by 42.71%, largely due to the bullish trend on the stock market during the period under review. The table below shows industry assets per class of business, as at 31 December 2018:-

| | Assets ($000) | | | |
|---|---|---|---|---|
| **Class of Business** | **31 Dec. 2016** | **31 Dec. 2017** | **31 Dec. 2018** | **Annual Growth (%)** |
| **Non-life Insurers** | 197, 428 | 238, 379 | 350, 637 | 47.09 |
| **Non-life Reinsurers** | 132, 847 | 155, 309 | 177, 396 | 14.22 |
| **Life Assurers** | 1, 808, 837 | 2, 445, 284 | 3, 549, 925 | 45.17 |
| **Life Re-assurers** | 35, 705 | 36, 755 | 49, 576 | 34.88 |
| **Funeral Assurers** | 61, 799 | 70, 173 | 76, 570 | 9.12 |
| **Total Assets** | **2, 236, 616** | **2, 945, 900** | **4,204,104** | **42.71** |

*Source: IPEC*

209. Non-life insurers registered the largest growth in assets of 47.09%, followed by life assurers (45.17%) and life re-assurers (34.88%). The growth in total assets is on the back of buoyant activity on the stock market, as market players sought to hedge against resurgent inflationary pressures.

*Prescribed Assets Compliance Status*

210. The levels of compliance with the minimum prescribed assets requirements as at 31 December 2018 is shown in the table below:-

| Class of Business | Minimum Compliance Requirement | Level of Compliance as at 31 Dec. 2017 | Level of Compliance as at 31 Dec. 2018 | Status |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| **Life Assurers** | 7.5% | 12% | 9.05% | Compliant |
| **Life Reinsurers** | 7.5% | 9% | 6.48% | Non-compliant |
| **Funeral Assurance** | 7.5% | 2% | 1.86% | Non-compliant |
| **Short-Term (non-life) Insurers** | 5% | 11% | 6.56% | Compliant |
| **Short-Term (non-life) Re-insurers** | 5% | 11% | 13.98% | Compliant |

*Source: IPEC*

211. Insurance companies were largely compliant with prescribed asset requirements except for funeral assurers and life-reassurance businesses.

*Minimum Capital Requirements*

212. Minimum capital requirements for insurance business were reviewed upwards in 2017. The increase in minimum capital requirements were meant to improve the industry's underwriting capacity and enhance overall soundness of the sector.

213. The table below shows the compliance levels, by class of business, as at 31 December 2018:-

| Class of Business | MCR (US$) | Number of Compliant Entities | Number of Non-Compliant Entities |
|---|---|---|---|
| **Non-life Insurance** | 2, 500, 000 | 17 | 2 |
| **Reinsurers** | 5, 000, 000 | 8 | 0 |
| **Life Assurance** | 5, 000, 000 | 8 | 3 |
| **Funeral Assurance** | 2, 500, 000 | 3 | 6 |

*Source: IPEC*

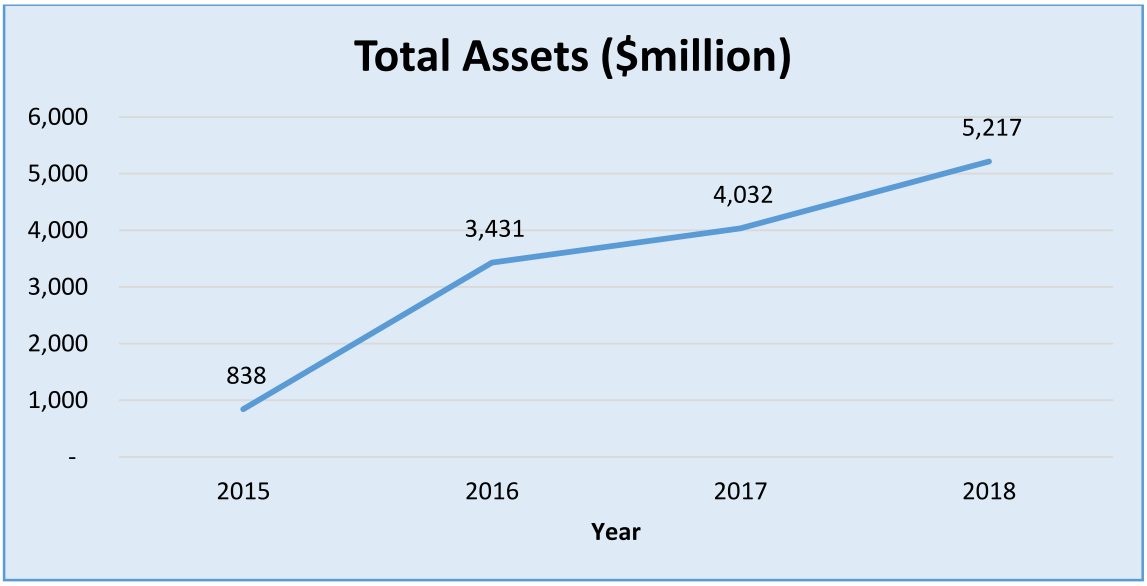
214. Capitalisation challenges faced by some industry players emanate from the current macro-economic challenges bedevilling the economy. In this regard, non-compliant entities have been directed to furnish the Commission with compliance roadmaps. Industry players have also been directed to comply with the provisions of Statutory Instrument 95 of 2017.

***Pensions Industry***

*Pensions Industry Assets*

215. The asset base of the pensions industry stood at $5.22 billion as at 31 December 2018, up from $4.03 billion reported as at 31 December 2017, reflecting a 29.37% increase. The growth in the asset base is attributed to an increase in the value of quoted equities.

216. The growth trend of the pensions industry assets is as shown on the graph below:-

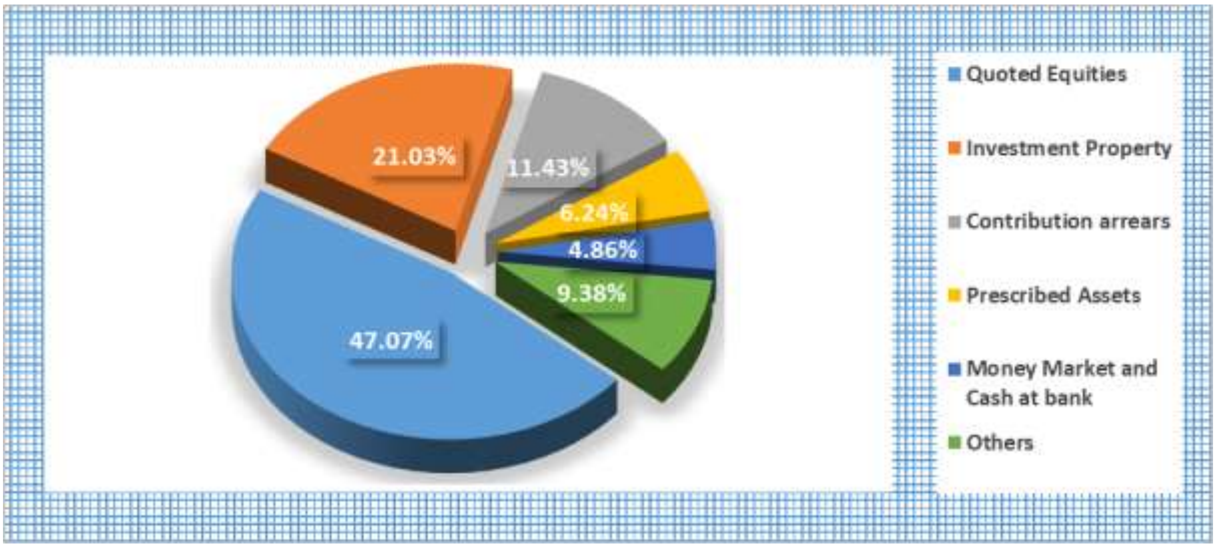



*Source: IPEC*

*Asset Composition*

217. Industry players are mainly invested in equities and properties in order to preserve value of members' assets. The composition of the industry assets as at 31 December 2018 is as shown in the following graph;

**Distribution of Pensions Industry Assets: 31 Dec 2018**




*Source: IPEC*

218. The industry continued to be plagued by contribution arrears, accounting for 11.43% of the assets. The high level of contribution arrears reduces the level of investible assets for funds and heightens the liquidity risk in the industry. The Insurance and Pension Commission continues to be attentive to developments on the matter.

219. As at 31 December 2018, prescribed assets amounted to $325.6 million. This constituted 6.24% of total assets, which was not compliant with the minimum regulatory requirement of 10%. Self-administered pension funds were, however, compliant with the 10% regulatory threshold.

220. The Report on the Commission of Inquiry into the Conversion of Insurance and Pension Values from the ZW$ to the US$ was adopted by Cabinet in 2018. Following approval of the recommendations of the Commission of Inquiry into the Conversion of Insurance and Pension Values from Zimbabwe dollars to United States dollars, by the Cabinet and Parliament, the Insurance and Pensions Commission (IPEC) has been mandated to come up with a roadmap for the implementation of the recommendations, and to propose a feasible compensation framework.

221. IPEC, in its capacity as the implementing agency, has since developed and constituted the following 6 thematic areas, for ease of implementation and tracking:

- Policy and Institutional Reforms.
- Legal Reforms.
- Regulatory and Supervisory Reforms at IPEC.
- Governance Reforms at Regulated institutional level.
- Measures to Regain Lost Consumer Confidence.
- Compensation for Prejudice.

222. However, owing to the technical nature of the work relating to the compensation of policyholders and pensioners, IPEC has requested for technical support from development partners to assist in developing an indexation model for the purposes of compensating affected pensioners and safeguarding insurance and pension liabilities, in the face of an unstable macroeconomic environment.

223. Furthermore, implementation of some of the recommendations requires legislation, hence these have been incorporated in the amendments to the IPEC Act, Insurance Act and Pension and Provident Funds Act.

*Anti-Money Laundering (AML)*

224. Since the adoption of the ESAAMLAG Mutual Evaluation Report on Zimbabwe in 2018, the country has made significant progress in addressing legislative deficiencies identified.

225. Through the 2018 Money Laundering and Proceeds of Crime Amendment Act, amended in 2018, courts can now order the seizure or confiscation of laundered property, and proceeds used or intended for money laundering purposes. Furthermore, money transfer service providers are now subject to monitoring for money laundering purposes, among other issues.

226. Effective implementation of the amendments is key to enhance transparency, improve efficiency and promote stability in the financial sector, as well as ensure compliance with standards of international bodies such as the Financial Action Taskforce.

*National Risk Assessment*

227. In terms of National Risk Assessment, Zimbabwe has launched the second NRA to keep pace with evolving economic trends.

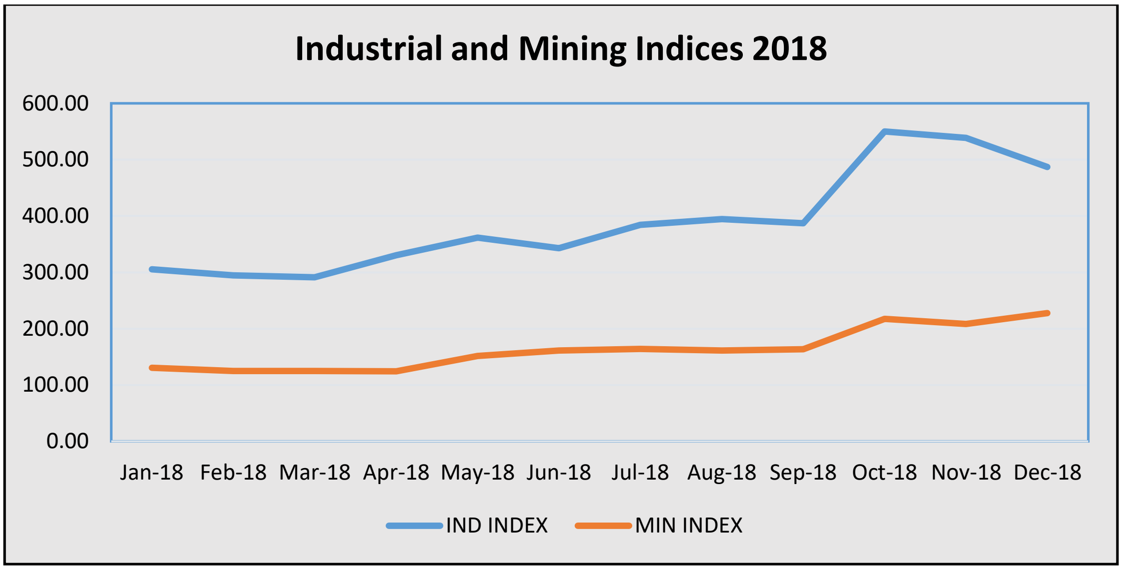
228. The objectives of the NRA are as follows:

- identify high risk sectors of the economy where proceeds of crime are generated;
- estimate the quantum of proceeds of crime being generated in the economy;
- establish ways in which those proceeds may be cleaned through legitimate businesses or transactions;
- identify the main perpetrators of money laundering and or potential terrorism financiers;
- develop recommendations and a detailed action plan on measures of combating money laundering and terrorism financing risks identified through the NRA process.

229. The study findings of the NRA will inform the deployment of resources towards fighting high-risk areas, as well as plugging economic leakages such as smuggling, illegal dealing in minerals and corruption offences, among other criminal activities.

***Zimbabwe Stock Exchange (ZSE)***

230. The securities market exhibited a growth trend from January to October 2018. The Industrial Index recorded gains of 80.1%, whilst the Mining Index recorded gains of 66.6% over the ten months period. However, the Industrial Index recorded losses during the rest of 2018, while the Mining Index recorded marginal gains between October and December 2018, as shown on the Graph below:




Source: ZSE

231. The market capitalization grew from about US$8.653 billion in January 2018 to over US$19 billion in December 2018.

### *Financial Inclusion*

232. There has been marked progress in financial inclusion due to technological innovations (fintech) that are taking place in the financial sector as shown in the table below, where financially excluded groups namely MSMEs, youth and women registered an increase in accessing financial resources.

233. Electronic and digital transactions are now the dominant modes of conducting transactions in Zimbabwe, both in terms of value and number of transactions. In 2018, 99.97% of transactions were done through electronic and digital modes.

**Financial Inclusion Indicators - Dec 2016-18**

| Indicator | Dec 2016 | Dec 2017 | Dec 2018 |
|---|---|---|---|
| **% of loans to MSMEs over total loans** | 3.57% | 3.75% | 3.94% |
| **Value of Loans to Youth** | $58.41m | $138.93 m | $104.43m |

*Source: RBZ*

*Financial Inclusion through Insurance*

234. In line with the National Financial Strategy (2016 to 2020), IPEC developed a Micro-insurance framework to guide the development of insurance products that are tailor-made to the needs of low-income consumers. The framework also recognises the need to come up with a less rigorous licensing regime for providers of micro-insurance products.

235. The relaxed licensing requirements for micro-insurers are expected to increase the number of players providing insurance to the lower end market of the population and ultimately increase levels of financial inclusion. To date, 2 micro-insurance companies have been registered.

236. Going forward, the launch of a micro-pensions framework earmarked for the informal sector and low- income consumers is also expected.

***Deposit Protection Scheme***

237. The DPS is operating viably and is increasing the fund. Following the introduction of Nostro Foreign Currency Accounts (FCAs), the DPC is proposing to insure the FCAs separately in foreign currency.

238. The following banks are in final liquidation: Genesis Investment, Royal Bank, Trust Bank, INTERFIN, Allied Bank and AFRASIA Bank Zimbabwe Limited. The DPC is working with NSSA on the appointment of the Provisional Liquidator for Capital Bank. Tetrad Investment Bank was removed from provisional management in October 2018 but it still needs a capital injection, adequate management and proper senior management in order to resume banking operations.

239. The deposit protection cover level for depositors of Contributory Banking Institutions (CBIs) remained pegged at $1,000.00 per depositor per deposit class while of the Deposit Taking Microfinance Institutions (DTMFI) Deposit protection cover is at $250.00 per depositor per deposit class. This is due to the fact that 93% of the CBIs depositors have $1,000.00 and below in their accounts while 97% of the DTMFI depositors have $250.00 and below in their accounts.

*Financial Sector Legislative Reforms*

240. A number of critical amendments are being drafted in order to strengthen the legal and regulatory framework, reduce financial sector exposure, realign with international standards, and enhance corporate governance.

241. It is envisaged that the bills, namely Insurance, Insurance and Pensions Commission, Pensions and Providence Funds, Micro Finance and the Securities and Exchange Bills will be tabled before Parliament by the beginning of the second quarter of 2019.

## EXTERNAL SECTOR

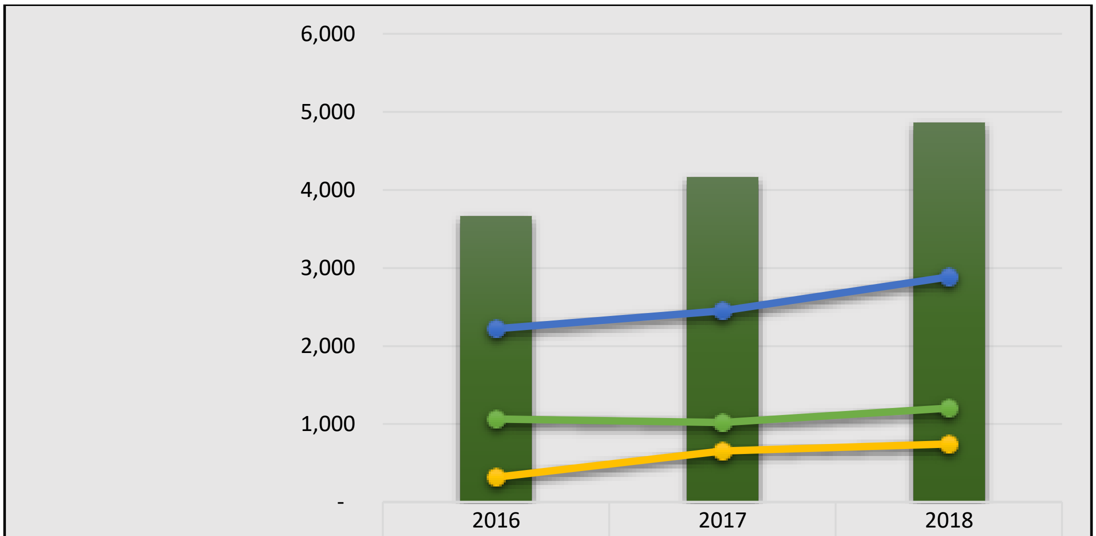
### Exports

242. The country's merchandise exports during 2018 increased by 16.7%, from US$4.16 billion, realised in 2017 to US$4.86 billion in 2018.

243. Mineral exports topped the list in terms of contribution to total merchandise exports by contributing 59%, followed by agriculture (25%) and manufactured exports (16%). Gold, PGMS, nickel mattes and nickel ores & concentrates, ferrochrome, industrial diamonds and black granite were major mineral exports.

244. On the other hand, agricultural exports were mainly dominated by tobacco, cotton, sugar, raw hides and skins and tea, among others.

**Export Composition (US$)**




| | 2016 | 2017 | 2018 |
|---|---|---|---|
| Total Merchandise Exports | 3,663 | 4,165 | 4,860 |
| Agricultural Exports | 1,064 | 1,019 | 1,206 |
| Mineral Exports | 2,223 | 2,452 | 2,887 |
| Manufactured Exports | 320 | 656 | 744 |

*Source: ZIMSTAT*

245. During 2018, the country`s main exports were destined for South Africa (51.5%, United Arab Emirates (18.1%), Mozambique (9.7%), and Zambia (1.6%), whilst other countries absorbed 19% of the exports.

## Imports

246. Total merchandise imports for the year 2018 stood at US$6.47 billion, a 27.9% increase from US$5.06 billion accumulated during the previous year.

**Imports (US$ Millions)**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| **Food** | 731 | 658 | 352 | 586 | 634 | 376 | 423 |
| **Electricity** | 53 | 92 | 49 | 33 | 190 | 194 | 118 |
| **Fuels** | 1,366 | 1,365 | 1,394 | 1,461 | 1,283 | 1,367 | 1,767 |
| **Chemicals** | 853 | 863 | 1,103 | 947 | 644 | 521 | 657 |
| **Manufactured Goods** | 1,024 | 1,039 | 1,070 | 958 | 733 | 408 | 571 |
| **Machinery** | 900 | 911 | 1,005 | 1,005 | 805 | 872 | 949 |
| **Transport & Special Motor Cars** | 440 | 509 | 711 | 581 | 483 | 187 | 365 |
| **Passenger Motor Cars** | 450 | 465 | 213 | 162 | 123 | 145 | 258 |
| **Crude Materials** | 235 | 241 | 158 | 85 | 80 | 869 | 1,132 |
| **Oils and Fats** | 186 | 186 | 95 | 129 | 120 | 142 | 166 |
| **Beverages and Tobacco** | 123 | 128 | 111 | 60 | 95 | 62 | 74 |
| **Overall Imports (F.O.B)** | 6,610 | 6,496 | 5,965 | 5,691 | 4,926 | 5,056 | 6,467 |

*Source: ZIMSTAT*

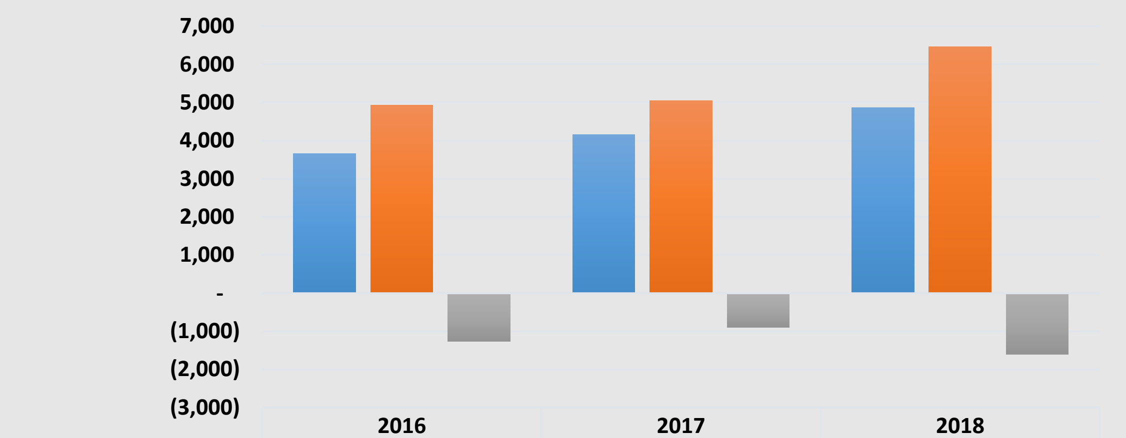
247. Diesel, petrol, wheat, crude soya bean oil, and fertilizers were the country's major imports during the year under review.

248. The major import sources during the period under review were South Africa (39%), Singapore (22%), China (6%), United Kingdom (4%), whilst Zambia, Japan, India and Mauritius share 3% each respectively.

**Trade Balance**

249. Notwithstanding improved performance in exports, the demand for imports, dominated by fuel and food imports, was much higher to give a merchandise trade deficit of US$1.6 billion in 2018 from US$891 million recorded in 2017.

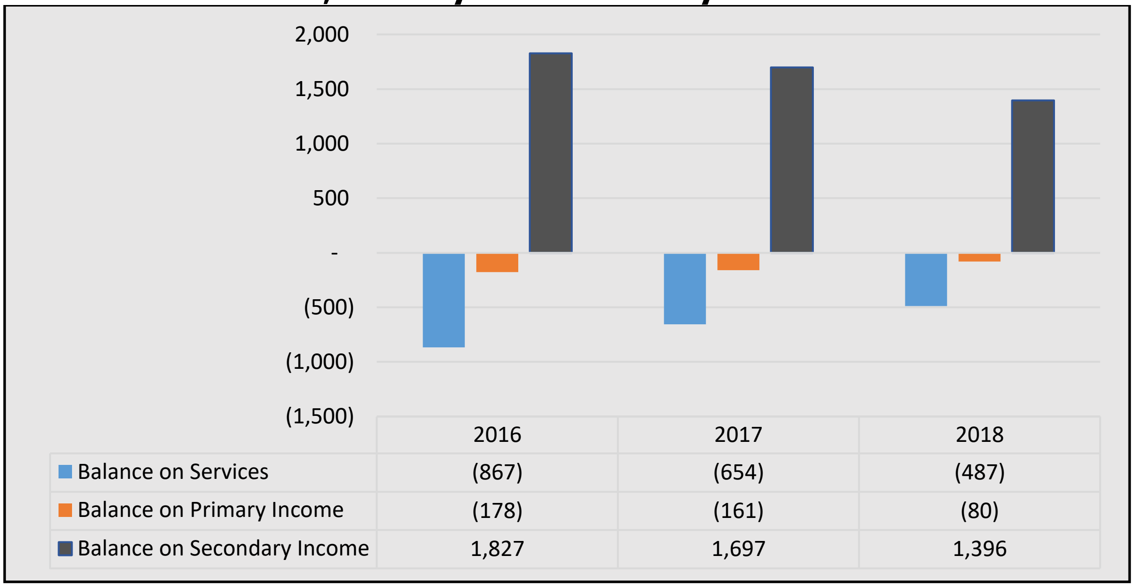
**Merchandise Trade Balance (US$)**




| | 2016 | 2017 | 2018 |
|---|---|---|---|
| Exports | 3,663 | 4,165 | 4,860 |
| Imports | 4,926 | 5,056 | 6,467 |
| Balance on Goods | (1,263) | (891) | (1,607) |

250. Balance on services and primary income, however, improved by 25.5% and 50%, respectively.

**Balance on Services, Primary and Secondary Income**



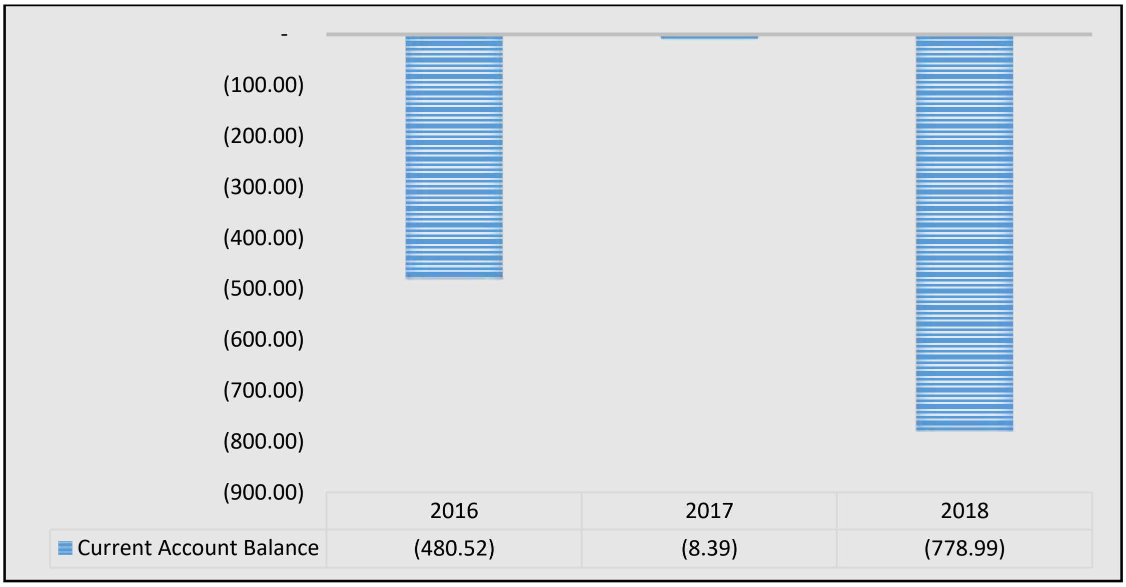

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| Balance on Services | (867) | (654) | (487) |
| Balance on Primary Income | (178) | (161) | (80) |
| Balance on Secondary Income | 1,827 | 1,697 | 1,396 |

*Source: ZIMSTAT*

## Current Account

251. Despite the improvement on services and primary income balances, a huge jump in the current account deficit from US$8 million recorded in 2017 to US$779 million in 2018 was on account of an enormous import bill, emanating from petroleum imports, which increased by 30%. Other noticeable import increases were on machinery, vehicles and crude materials, which supported economic activity.

**Current Account Balance**




*Source: ZIMSTAT*

## STRUCTURAL ISSUES

### State Owned Enterprises and Parastatals Reforms

252. Reforms on State Owned Enterprises and Parastatals (SOEs) started in 2018 with approval of the implementation framework for 43 SOEs and parastatals. This framework entailed restructuring, full and partial disposal and merging. *See Annexure 7.*

253. Implementation of the framework is being accelerated in 2019 under the TSP.

254. The SOEs reform process is aimed to improve accountability, transparent, efficient, effective, and viable, complementing Government efforts in promoting economic growth and improved service delivery to the general public.

## Ease of Doing Business Reforms

255. In 2018, Ease and Cost of Doing Business Reforms were accelerated in line with the ‘Zimbabwe is open for Business thrust’.

256. Various laws were amended and enacted and these included:

- Banking Amendments,
- Deeds Registry,
- Judicial Laws Ease of Settling Commercial Disputes,
- Movable Property Security Interests; and
- Public Procurement and Disposable of Public Assets.

257. A new overall Investment Act, which removes investment provisions scattered under various pieces of legislation – Exchange Control Regulations, Finance Act, ZIA Act, Immigration and various other line Ministries, statutes was also developed into a Bill which is undergoing enactment processes.

258. Furthermore, the Zimbabwe Investment and Development Agency (ZIDA) Bill was developed and is now before Parliament. The respective Bill seeks to provide assurance to investors about the country’s commitment to property rights. At the same time, an Interim Inter-Ministerial Committee to provide One-Stop Shop investment services was fully operationalised in 2018.

259. Similarly, a lot of administrative procedures, timelines and costs have been reviewed and streamlined to facilitate the Ease of Doing Business. These include, among others:

- Time taken to register property has been reduced from 36 days to 14 days;

- Period for issuance of Construction Permits has been reduced from 448 days to 120 days within the City of Harare. This positive start will cascade to all other local authorities.
- Public Procurement and Disposal of Public Assets Act was enacted in August 2017 and is now being implemented. The Procurement Regulatory Authority of Zimbabwe (PRAZ) was consummated in January 2018.
- Introduction of the online company name search application system in April 2016, allowing on average processing of more than 60 applications per day. This has reduced the turnaround time for name search applications from 7 days to 1 day.
- Reduction of the number of days to obtain a shop licence from 56 days to 5 days.

**Alignment of Laws to the Constitution**

260. The Government continued to align outstanding laws to the Constitution. These include processing of the proposed Maintenance of Peace and Order Bill which will repeal the Public Order and Security Act (POSA).

261. In addition, processes for repealing the Access to Information and Protection of Privacy Act (AIPPA) (Chapter 10:27) were initiated through the formulation of Protection of Personal Information Bill and the Freedom of Information Bill and the Zimbabwe Media Commission Bill.

262. The repeal of POSA and AIPPA paves way for the opening up of the democratic space and the enjoyment of freedoms and rights.

## CONCLUSION

263. Despite the numerous challenges, the economy remained resilient recording significant growth in 2018. In 2019, reforms being implemented under the TSP, particularly, those focusing on stabilisation and capacity utilisation should lay a firm foundation for strong, shared and sustainable medium-term growth.

## ANNEXURES

### Annexure 1: Water Supply for Small Towns & Growth Points

| WATER SUPPLY SCHEME | ALLOCATION (RTGS$) | PROJECT SCOPE | PROGRESS TO DATE |
|---|---|---|---|
| **Binga** | 2,000,000 | Construction of access road. Abstraction of pipework and ancillary. Completion of water treatment plant and ancillaries (filter sand, recycling tank, sludge drying beds). Construct 2x1000m³ reservoir and 50km reticulation extension. | Pipes have been delivered to site, site clearance of reservoir complete, pipe laying done and trenching is 5 125m out of 820m complete. |
| **Goromonzi** | 100,000 | Construction of a 250m³ clear water reservoir | No progress has been made to date |
| **Nyanga** | 1,000,000 | Construction of Weir, a 4.5km, 200mm PVC gravity trunk. Raw water pump sets and switch gears including standby generators. Construction of Nyangombe raw water source, water treatment unit and storage reservoirs. | Designs completed. |
| **Gokwe** | 1,400,000 | Reticulation extension of Njelele suburb including treatment plant. | No progress has been made to date |
| **Hauna** | 1,200,000 | Weir construction. Raw water gravity main. Construction of sedimentation tanks, filter tanks, clear water supply sump, and clear water reservoir. | Designs completed, |

| WATER SUPPLY SCHEME | ALLOCATION (RTGS$) | PROJECT SCOPE | PROGRESS TO DATE |
|---|---|---|---|
| **Collin Bawn** | 1,000,000 | Construction of 8km of pumping main for partially treated water to midway booster station. Raw water abstraction. Construction of 2x500m³ sedimentation tanks. Construction of midway booster pump house. | Servitude marking and clearing were done on the 8km road and site clearing has been completed for the construction of sedimentation tanks. |
| **Parirewa** | 1,000,000 | National Rehabilitation Phase 2 | Trenching is 95% complete, setting out of treatment plant is done and construction of access road is now 40% complete. |
| **Filabusi** | 800,000 | Clearing of servitude. Excavating for pipe laying on soil ground. Excavating for pipe laying on hard rock, and Accessories installations | Excavations are almost complete, 1668m x 160mm PVC Distribution main laid. 300m x 63mm PVC pipes laid and 3150km Servitude clearing for Gravity main completed |
| **Inyati** | 600,000 | Trench and lay & backfill 200mm x 3.5km clear water pumping main and pipeline from treatment plant to reservoirs. Duplicating 60m³/hr water treatment plant; Constructing | Trenching is 100% complete and 200mm pipes procured. |

| WATER SUPPLY SCHEME | ALLOCATION (RTGS$) | PROJECT SCOPE | PROGRESS TO DATE |
|---|---|---|---|
| | | 4x18m³ clear water elevated tanks. Procuring and installing 2xraw water pumps. | |
| **Dete** | 800,000 | Rehabilitation of 6 high yielding boreholes. Pipe replacement. Yield testing. Construction of 250m³ brick reservoir and 2 pump houses. Purchase pumps and equip 6 boreholes. | No progress has been made to date |
| **Nyabira** | 1,500,000 | Site clearance and setting out of trenches. Rehabilitation of gravity main, reticulation system and reticulation extensions. Procurement of 20m³ 3/4 stones for the new treatment plant and construction of sewerage reticulation. | Stones for the new treatment plant were delivered. |
| **Mberengwa** | 800,000 | Excavate, lay and backfill 110mm PVC pumping mains. Drill 2 boreholes | 110mm PVC pipeline laying was done. |
| **Rushinga** | | National Rehabilitation Phase 2 | Trenching is 92% complete, and pipe laying is in progress. |
| **Epping Forest** | | Flush out existing 10 boreholes. Carry out pump tests for 10 existing boreholes. Geophysical investigations for 10 new boreholes. Supply & Install 200mm plain steel casing for 10 boreholes, 200mm slotted steel casing for 10 boreholes and gravel pack for the boreholes. | Siting of boreholes completed and 8 out of 10 boreholes flushed. |
| **Litumba** | 1,000,000 | 5000m³ reservoir and pumping main from Beitbridge to Litumba as well as water reticulation. | Project was replaced by Rushinga |

| WATER SUPPLY SCHEME | ALLOCATION (RTGS$) | PROJECT SCOPE | PROGRESS TO DATE |
|---|---|---|---|
| **Chivhu** | 800,000 | Expansion of the treatment plant, reticulation extension and rehabilitation of existing reticulation pipelines. | Project was replaced by Epping Forest |
| **Mhangura** | 1,000,000 | Rehabilitation of gravity main, reticulation system and reticulation extensions. Construction of sewerage reticulation. Overhaul the town's reticulation system | 160mm x 336m line for sewerage reticulation has been constructed |
| **Dema** | 1,000,000 | Installing valve boxes. Excavating 40m and lay 63mmx3 for the purpose of realigning and installing end caps. | Completed excavations of 10 valve boxes which now awaits connection. |
| **Rutenga** | 1,000,000 | Construction of raw water pumping main. Reticulation extension. Replacement of old 250mm AC Pumping main. | Pipes have been ordered |
| **Murambinda** | 1,000,000 | Construction of raw water pump house, raw water pumping main, treatment plant, sump, pumping main, Booster stations, elevated tanks, Reticulation Extension, Sewer Reticulation, 5 x staff accommodation | Review of initial design complete, Designs carried out and pipes delivered. |
| **Total** | **18,000,000** | | |

## Annexure 2: Completed Health Infrastructure

| Institution | Completed Works | Amount Disbursed |
|---|---|---|
| **Parirenyatwa Group of Hospitals** | Procurement of equipment and room preparation of the radiotherapy department | 550,000 |
| **Mpilo** | General rehabilitation of buildings, plumbing works and electrical works repairs | 1,350,000 |
| **Harare** | Water reservoir, maternity and children's ward rehabilitation | 1,500,000 |
| **United Bulawayo Hospital** | Refurbishment of wards, plumbing and electrical repairs as well as excavation works for the laboratory | 687,197 |
| **Chitungwiza** | Completion of the hospital laundry building and rehabilitation of building | 118,293 |
| **Total** | | **4,205,490** |

## Annexure 3: Education Infrastructure under Construction

| Name of School | Province | District |
|---|---|---|
| Lawrencedale Primary | Manicaland | Makoni District |
| Sterksroom Secondary | Manicaland | Chipinge District |
| Tengenenge Primary | Mashonaland Central | Guruve District |
| Craigside Primary | Mashonaland Central | Bindura District |
| Belgownie Secondary | Mashonaland Central | Bindura District |
| Makumivavi Primary | Mashonaland East | Chikomba District |
| Just Right Primary | Mashonaland West | Mhondoro Ngezi |
| Sadoma Primary | Mashonaland West | Makonde District |
| Chehamba Primary | Mashonaland West | Hurungwe District |
| Tavoy Secondary | Mashonaland West | Hurungwe District |
| Nyuni Primary | Masvingo | Mwenezi District |
| Nyuni Secondary | Masvingo | Mwenezi District |
| Tame Primary | Matabeleland North | Bubi District |
| Kokoloza Primary | Matabeleland North | Binga District |
| Mogkampo Secondary | Matabeleland South | Mangwe District |
| Neta Secondary | Midlands | Mberengwa District |
| Budiriro Primary | Midlands | Gokwe North District |

## Annexure 4: 2018 Spending on Priority Infrastructure Projects

| SECTORS | AMOUNT (US$ MILLIONS) | | | | TOTAL |
|---|---|---|---|---|---|
| | FISCAL | STATUTORY | DEVELOPMENT PARTNERS | LOAN | |
| **ENERGY** | | | | | |
| *Generation* | 138.2 | | | 217.8 | 356.0 |
| *Transmission* | | | | 12.3 | 12.3 |
| *REA* | | | | | - |
| **TRANSPORT** | | | | | - |
| *Roads* | 369.0 | 203.5 | | | 572.5 |
| *Rail* | 0.7 | | | | 0.7 |
| *Airports* | 2.6 | | | | 2.6 |
| **ICT** | | | | | - |
| *E-Government* | 9.6 | | | | 9.6 |
| *ICT Backbone* | 10.0 | | | 35.1 | 45.1 |
| **SOCIAL INFRASTRUCTURE** | | | | | - |
| *Primary & Secondary* | 4.7 | | | 8.2 | 12.9 |
| *Tertiary Education* | 3.8 | | | | 3.8 |
| *Health* | 18.0 | | | | 18.0 |
| *Sports Facilities* | | | | | - |
| *Social Welfare Rehabilitation Centers* | 0.2 | | | | 0.2 |
| **WATER & SANITATION** | | | | | - |
| *Dams* | 111.4 | | | | 111.4 |
| *Urban Wash* | 28.0 | | 39.0 | | 67.0 |
| *Rural Wash* | 2.9 | | 9.7 | | 12.6 |

| | | | | | |
|---|---|---|---|---|---|
| **AGRICULTURE** | | | | | - |
| *Irrigation Development* | 18.5 | | 3.3 | | 21.8 |
| *Other Agriculture Infrastructure* | | | | | - |
| **PUBLIC AMENITIES** | | | | | - |
| *Institutional Accommodation* | 105.6 | | | | 105.6 |
| *Housing Development* | 1.8 | | | | 1.8 |
| *Project Preparation Development Fund* | | | | | - |
| | | | | | - |
| **GRAND TOTAL** | **825.0** | **203.5** | **51.9** | **273.4** | **1,353.8** |

## Annexure 5: Public and Publicly Guaranteed External Debt as at end December 2018

| Zimbabwe's Total Public and Publicly Guaranteed Debt as at end December 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| SUMMARY | Central Government | | | Public Enterprises | | | Grand Total | % of Total | % of GDP[8] |
| | DOD [1] | Arrears | Total | DOD | Arrears | Total | | | |
| **Total Public Debt** | **10,732** | **4,492** | **15,225** | **51** | **1,374** | **1,425** | **16,649** | **100.0%** | **67.7%** |
| **1. External Debt (Excl. RBZ)[3]** | **2,245** | **4,492** | **6,737** | **51** | **1,374** | **1,425** | **8,162** | **49.0%** | **33.2%** |
| ***a. Bilateral Creditors*** | ***1,931*** | ***2,770*** | ***4,702*** | ***51*** | ***847*** | ***898*** | ***5,600*** | ***33.6%*** | |
| Paris Club | 174 | 2,441 | 2,615 | 36 | 818 | 853 | 3,468 | 20.8% | |
| Non Paris Club | 1,395 | 251 | 1,646 | 15 | 29 | 45 | 1,691 | 10.2% | |
| RBZ Assumed Debt[2] | 363 | 78 | 441 | 0 | 0 | 0 | 441 | 2.6% | |
| ***b. Multilateral Creditors*** | **313** | **1,722** | **2,036** | **0** | **527** | **527** | ***2,562*** | ***15.4%*** | |
| World Bank | 219 | 980 | 1,198 | 0 | 291 | 291 | 1,489 | 8.9% | |
| African Development Bank | 35 | 577 | 612 | 0 | 80 | 80 | 692 | 4.2% | |
| European Investment Bank | 19 | 135 | 154 | 0 | 156 | 156 | 309 | 1.9% | |
| Others | 40 | 32 | 72 | 0 | 0 | 0 | 72 | 0.4% | |
| **2. Domestic Debt[10]** | **8,488** | | **8,488** | | | | **8,488** | **51.0%** | **34.5%** |
| Budget Financing | 260 | | 260 | | | | 260 | 1.6% | |
| Gvt Debt[4] | 3,715 | | 3,715 | | | | 3,715 | 22.3% | |
| RBZ Debt | 228 | | 228 | | | | 228 | 1.4% | |
| Capitalisation[5] | 300 | | 300 | | | | 300 | 1.8% | |
| RBZ Capitalisation | 110 | | 110 | | | | 110 | 0.7% | |
| RBZ (Not issued with TBs) | 38 | | 38 | | | | 38 | 0.2% | |
| Arrears[6] | 134 | | 134 | | | | 134 | 0.8% | |
| Overdraft Facility | 3,005 | | 3,005 | | | | 3,005 | 18.0% | |
| Loans (Central Bank)[7] | 696 | | 696 | | | | 696 | 4.2% | |

**NOTES**

[1]DOD - Means Debt Outstanding and Disbursed

[2] External RBZ Assumed Debt arrears refer to RBZ debt assumption not yet issued with TBs

[4]Gvt Debt - Includes Government securities for debts which were accrued by Government at different times not covered in other definations, e.g Command Agriculture, domestic arrears, grain purchase.

[5]Capitalisation - Involves capitalisation of institutions such as ZAMCO, Agribank, IDBZ, RBZ, P.O.S.B, Women's Bank, Empower Bank, ZCDC (diamonds).

[6]Arrears - Includes arrears on utilities only, under the SMP definition, including Capital Certificates and Agricultural Suppliers for which Government Securities have not yet been issued.

[7]RBZ Loans/advances to Government -Cash advances made by RBZ on behalf of Government pending issuance of TBs.

[8]2018 nominal GDP is estimated at US$24,583 million

## Annexure 6: Public and Publicly Guaranteed External Debt: 31 Dec 2018

| SUMMARY | Central Government | | | Public Enterprises | | | Grand Total | % of Total | % of GDP8 |
|---|---|---|---|---|---|---|---|---|---|
| | DOD [1] | Arrears | Total | DOD | Arrears | Total | | | |
| 1. External Debt (Excl. RBZ)3 | 2,245 | 4,492 | 6,737 | 51 | 1,374 | 1,425 | 8,162 | 100.0% | 33.2% |
| a. Bilateral Creditors | 1,931 | 2,770 | 4,702 | 51 | 847 | 898 | 5,600 | 68.6% | |
| Paris Club | 174 | 2,441 | 2,615 | 36 | 818 | 853 | 3,468 | 42.5% | |
| Non-Paris Club | 1,395 | 251 | 1,646 | 15 | 29 | 45 | 1,691 | 20.7% | |
| RBZ Assumed Debt2 | 363 | 78 | 441 | 0 | 0 | 0 | 441 | 5.4% | |
| b. Multilateral Creditors | 313 | 1,722 | 2,036 | 0 | 527 | 527 | 2,562 | 31.4% | |
| World Bank | 219 | 980 | 1,198 | 0 | 291 | 291 | 1,489 | 18.2% | |
| African Development Bank | 35 | 577 | 612 | 0 | 80 | 80 | 692 | 8.5% | |
| European Investment Bank | 19 | 135 | 154 | 0 | 156 | 156 | 309 | 3.8% | |
| Others | 40 | 32 | 72 | 0 | 0 | 0 | 72 | 0.9% | |

## Annexure 7: Public Enterprise Reforms

| Entity | Reform Progress |
|---|---|
| GMB | The de-merger of the GMB into GMB Strategic Grain Reserve and Silo Foods Industries has been completed. Silo now operational. |
| NRZ and ZISCO | Negotiations with the strategic partners for NRZ and ZISCO are at an advanced stage. |
| CSC | A Consessioning Agreement was signed between CSC and Bousted Beef Limited of United Kingdom. |
| CAAZ | The Civil Aviation Amendment Act has now been enacted. |
| IDC Subsidiaries | Resumption of the IDCZ Developmental financing Role, and immediate release of the $3om seed capital allocated in the 2019 budget. Privatisation of the identified subsidiaries underway and two IDC subsidiaries have been liquidated. |
| ZESA | Cabinet has approved the Re-bundling of all the ZESA subsidiaries into a vertically integrated single Board. Technical Committee is working on the implementation. |
| ZIDA | The One Stop Investment Services Center is operational as an interim arrangement. The ZIDA Bill is being considered by Parliament. |
| Tel-One & Net-One | To be privatised as a single package. The Technical Committees for Tel One and Net One have therefore been combined to ensure the privatisation of the two entities is undertaken as a single package as approved. |
| Allied Timbers | Partial privatisation roadmap approved by Cabinet on 19 February 2019. |
| ZMDC Subsidiaries | Partial privatisation is underway, with the initial tender for 6 subsidiaries that had been undertaken in 2018 cancelled |
| Agribank | Process to appoint advisors for the following SEPs is under way |
| Petrotrade | Process to appoint advisors for the following SEPs is under way |
| ZIMPOST | Process to appoint advisors for the following SEPs is under way |
| National Indigenization and Economic Empowerment Board | Has been integrated into a department in the Ministry of Industry, Commerce and Enterprise Development. |

| Entity | Reform Progress |
| --- | --- |
| Board of Censors | Has been departmentalized in the Ministry of Home Affairs and Cultural Heritage. |
| National Library and Documentation services | Has been departmentalized under the Ministry of Primary and Secondary Education. |
| National liquor licensing Authority | Has been departmentalized under the Ministry of Local Government, Public Works and National Housing. |

## Annexure 8: TB Issuances (RTGS$)

| Month | Expenditure Treasury Bills | | | | Financing Source | | | Memorandum Items | | | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget Financing | Government/Legacy Debt | Capitalisation | Total | Bank | Non-Bank | Total | RBZ Debt | ZAMCO | Total | |
| January | 37.33 | 9.00 | 0.00 | **46.33** | 35.50 | 10.83 | **46.33** | 0.00 | 13.82 | 13.82 | **60.15** |
| February | 4.23 | 31.48 | 0.00 | **35.71** | 31.48 | 4.23 | **35.71** | 0.00 | 3.53 | 3.53 | **39.24** |
| March | 24.24 | 169.46 | 26.67 | **220.38** | 61.65 | 158.73 | **220.38** | 0.00 | 0.00 | 0.00 | **220.38** |
| April | 53.32 | 143.44 | 0.00 | **196.76** | 77.50 | 119.26 | **196.76** | 0.00 | 0.00 | 0.00 | **196.76** |
| May | 59.27 | 173.69 | 0.00 | **232.96** | 190.39 | 42.56 | **232.96** | 0.00 | 3.78 | 3.78 | **236.74** |
| June | 134.27 | 412.60 | 0.00 | **546.87** | 145.81 | 401.06 | **546.87** | 0.00 | 6.08 | 6.08 | **552.95** |
| July | 26.44 | 89.37 | 0.00 | **115.80** | 90.67 | 25.14 | **115.80** | 0.00 | 399.27 | 399.27 | **515.07** |
| August | 4.29 | 466.43 | 190.00 | **660.73** | 596.43 | 64.29 | **660.73** | 0.00 | 0.00 | 0.00 | **660.73** |
| September | 33.30 | 5.37 | 0.00 | **38.68** | 34.37 | 4.30 | **38.68** | 0.00 | 0.56 | 0.56 | **39.23** |
| October | 6.42 | 22.56 | 0.00 | **28.98** | 22.56 | 6.42 | **28.98** | 0.00 | 0.45 | 0.45 | **29.43** |
| November | 4.33 | 0.00 | 0.00 | **4.33** | 0.00 | 4.33 | **4.33** | 0.00 | 0.00 | 0.00 | **4.33** |
| December | 6.54 | 0.00 | 0.00 | **6.54** | 0.00 | 6.54 | **6.54** | 0.00 | 0.00 | 0.00 | **6.54** |
| **Grand Total** | **393.98** | **1,523.41** | **216.67** | **2,134.06** | **1,286.36** | **847.70** | **2,134.06** | **0.00** | **427.48** | **427.48** | **2,561.54** |