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20 September 2021

Mr. Z.R. Churu

Secretary for Local Government and Public Works

TREASURY BUDGET CALL CIRCULAR NUMBER 3 OF 2021

PREPARATION OF THE 2022 BUDGET INCLUDING THE INDICATIVE YEARS 2023 AND 2024

1. Introduction

- 1.1 This Circular is issued in compliance with Section 305 (1) of the Constitution of Zimbabwe, Section 28 of the Public Finance Management Act and SI 127A of 2021 (Public Finance Management General Amendment Regulations), regarding the preparation and approval of estimates of revenues and expenditures of Government.
- 1.2 Issuance of this Circular is coming at the backdrop of the presentation of the 2022 Budget Strategy Paper, themed *"Reinforcing Sustainable Economic Recovery Resilience"* which provided guidance on the macro-fiscal framework and outlook as well as proposed policy measures. Additionally, Treasury Circular Number 1 of 2021 issued on the 17th of August 2021 gave further guidance to Ministries, Departments and Agencies (MDAs) for commencement of the 2022 integrated Planning and Budgeting processes. These documents together with the NDS1 policy blueprint become core in informing our 2022 Budget preparation processes.
- 1.3 Noting the need for intensive engagements and consultations and inclusivity in the Planning and Budgeting processes, it is critical that such engagements be conducted in line with World Health Organisation guidelines on the containment of the Covid-19 pandemic. As such, MDAs should embrace the necessary measures that facilitate conduct of budget hearings virtually and limit physical meetings to the minimum and where inescapable,
- 1.4 In order to contain numbers, only the Finance Director and Programme Managers for each Vote will be allowed to attend the meetings at Treasury, with the rest of staff expected to participate in the meetings via virtual means.

Budget Framework 2021-2024

Item	2021		2022	2023	2024
	Original Estimates	Projected Outturn to December			
	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$
Total Revenues	390,804	495,037	734,645	1,004,170	1,129,177
Tax Revenues	375,884	459,880	679,647	906,716	1,093,102
Non-Tax Revenues	14,919	35,157	54,999	97,454	36,075
Total Expenditures & Net Lending Including Loan Repayments	429,340	550,593	915,492	1,206,000	1,466,474
Total Expenditures & Net Lending Including Investments	421,616	536,992	887,209	1,138,573	1,338,439
Total Expenditures & Net Lending	416,883	508,992	846,209	1,085,074	1,272,882
Employment Costs	172,635	193,261	290,000	377,140	460,065
Operations & Maintenance	96,384	152,391	271,201	344,909	374,112
Transfers to Provincial Councils and Local Authorities	19,540	14,751	36,732	50,209	56,459
Interest	1,461	2,863	9,367	1,080	242
Capital Exp. & Net Lending	126,863	156,726	275,308	359,232	440,206
Owc Recoveries from grain sales	0	-11,000	-36,400	-47,496	-58,202
Budget Balance	-26,079	-13,955	-111,563	-80,904	-143,705
Primary Balance	-24,619	-11,092	-102,196	-79,824	-143,463
Loan Repayments	7,724	13,601	28,283	67,428	128,035
Acquisition of Financial Assets	4,733	28,000	41,000	53,498	65,557
Financing Gap	-38,536	-55,556	-180,846	-201,830	-337,298
Borrowings	38,536	55,556	180,846	201,830	337,298
Balance	0	0	0	0	0

5. Programme Based Budgeting

- 5.1 As already highlighted in Treasury Budget Call Circular 1 of 2021, MDAs should not deviate from the already agreed **Programme Structures** unless their mandate has been

- 6.5 The GBS is critical for Government to inform Parliament and the general public on the extent to which Government is promoting gender equality and economic empowerment in line with International, regional and local gender equality commitments to which Government has already acceded to.
- 6.6 The GBS should cover the following areas:
- Summary of national gender sensitive policy objectives to which the MDA contributes.
 - Specific gender sensitive policies that the MDA is pursuing for the period 2021 – 2024.
 - Gender equality achievements achieved in 2021 and the challenges encountered.
 - An overview of gender sensitive programmes/ services to be implemented in 2022-2024, highlighting the gender issues, planned intervention/ strategy, Budget allocation and expenditure incurred, actual outputs and outcomes for the current budget, budget allocation and planned outputs and outcomes for the next budget years
- 6.7 The MDAs, are required to use the Budget Expenditures and Fiscal Policy Measures Gender Profiling Tool, already availed to MDAs, in coming up with the Statement.
- 6.8 **Annex IIIA and Annex IIIB** provides an overview presentation format for a Gender Budget Statement and outline of the gender sensitive programmes and projects as well as the employment profiling from a gender perspective.
- 6.9 The MDAs, are required to use the Budget Expenditures and Fiscal Policy Measures Gender Profiling Tool, already availed to MDAs, in coming up with the Statement. Application of the tool involves selection and classification of budget expenditures into three categories of gender budget expenditures as follows: -
- Equal Opportunities Budget Expenditures such as employment costs, staff development costs etc;
 - Gender Specific Budget Expenditures such as education for the girl child, youth and women empowerment funds, maternal health care services;
 - Mainstream Budget Expenditure, with expenditures of 60-95% benefiting women, such as the BEAM programme, social protection services, educational, agriculture and health service delivery programmes, rural development programmes etc.
- 6.10 With regards to fiscal policy measures, the tool involves analysing the impact of fiscal policy measures under an MDA's purview for its impact on various groups' gender/men and women as well as the disadvantaged groups and make proposals for policy interventions to ameliorate the impact. Such policies include the introduction of cost recovery fees for basic services i.e., maternity fees and charging of economic tariffs for water and electricity as well as revenue taxation measures.

Enterprises (SOEs) and public entities to avail information pertaining to their status of loans and other forms of debt contracted and any guarantees requested.

10.2 In compliance with the above reporting requirements, public entities and state-owned enterprises are required to submit the following: -

- Statement on any amount of outstanding debt at year end both domestic and foreign;
- Statement on any bad debts giving details on any reasons for any failure to meet debt obligations;
- The amount guaranteed (explicit and implicitly contingent liabilities);
- Annual Borrowing Plan detailing the borrowing needs and ceiling for a particular year, by instrument and source, cost benefit analysis of the planned borrowing vis-à-vis other sources of finance, the impact of the planned debts on the operations of their entities;
- Any other pertinent information on debt obligations of the SOE or other public entity.

10.3 The attached **Annex VI** provides further guidance on the above submissions.

10.4 For avoidance of doubt, any Loans or Guarantees requests not included in the 2022 Borrowing Plan will not be processed by Treasury.

11. 2022 -2024 Expenditure Ceilings for MDA

11.1 Consistent with the 2022-2024 Macro-Economic and Budget Framework, the Expenditure Ceiling for your Portfolio for financial years 2022 to 2024 are shown below with no scope for redirecting any amount from one expenditure head to the other: -

Year	2022 Ceiling ZWL\$	2023 Indicative Estimates ZWL\$	2024 Indicative Estimates ZWL\$
Compensation of employees	1 185 405 000	1 952 264 000	2 381 525 000
Non – Wage Recurrent Expenses	11 000 000 000	13 968 000 000	15 147 000 000
Financial and Non-financial assets	6 400 000 000	7 520 000 000	8 264 000 000
Total Ceiling	18 585 405 000	23 440 264 000	25 792 525 000

11.2 **Annex VII** attached provides details on the format of presentation of your 2022 Expenditure Proposals or Estimates.

12.7 The service providers include, but are not limited to those providing the following goods and services: -

- Water and rates;
- Vehicle hire; and
- landline and mobile telephone services, amongst others

12.8 Parent Ministries to these entities should give them strong and adequate guidance such that they communicate, for purposes of Budgeting, the outstanding arrears as well as cost of projected service level in 2022, accompanied by advisory notes to debtor MDA of measures that await them in 2022.

12.9 Due regard should be given to other service providers such as those providing ICT services

Travel Expenditures Management

12.10 Taking account of the impact of the pandemic on travel including the "New Normal", Treasury will continue to enforce the delegation size principle and further encourage MDAs to effectively utilise our Diplomatic Missions, where these are applicable, including the use virtual meetings were possible.

Fuel Usage

12.11 Treasury notes that fuel provision is critical for the implementation of MDAs Programmes and Projects.

12.12 It is imperative that effective use of Monitoring and Evaluation Plans and Tools be instituted to manage and sustain this expenditure taking account of guidance given periodically on fuel allocation.

Subscriptions to Regional and International Organisations

12.13 Government remains committed in fulfilling its membership commitments and obligations to various Regional and International Organisations.

12.14 Consistent with the fiscal stance alluded to, Accounting Officers are called upon to undertake a cost benefit analysis of our membership, with a view of annulling affiliation to organisations giving us little to no economic benefits.

12.15 Accounting Officers are, therefore, requested to provide status on outstanding obligations as at 30 September 2021 as well as membership contributions for 2022.

new projects under procurement should be fully budgeted for taking into account the timing of conclusion of the procurement processes.

- 12.24 Given the increased recurrence of incidences of crisis and emergencies like Covid-19 and Cyclones, that have significant fiscal implications, it is critical that all initiated emergency response projects be fully budgeted for in the context of the 2022 budget. These ongoing and newly proposed emergency response projects should have been appraised and approved by Treasury in line with the updated Zimbabwe Public Investment Management guidelines.
- 12.25 Going forward, it is prudent and fundamental that embrace effective planning and budgeting for interventions that mitigates the recurrence of such emergencies and their implications thereof.
- 12.26 Cognisant of the limited space of the budget and the need to achieve the targets outlined in NDS1, Accounting officers should also submit on-going and new projects to be financed through PPP, loans, grants and other financing arrangements that are already imbedded in our infrastructure investment plans.
- 12.27 Noting the limited focus towards project development including bankable projects and taking advantage of the already established Project Preparation Development Fund, Treasury working with the PPP Unit will ensure initiation of key projects in critical sectors. In order to assist in this process, MDAs should identify and submit projects requiring funding for project preparation.
- 12.28 Accordingly, the 2022 Budget Developmental Expenditure Proposals should be submitted on the basis of guidelines indicated in the following **Annex X**, Projects Priority list for 2022 and Estimates for 2023-2024 clearly identifying project activities and costings thereof;

Intergovernmental Fiscal Transfers

- 12.29 Aggressive implementation of the devolution process requires that there be detail and comprehensiveness in the submission of projects and programmes to be implemented in each budget year. This is critical to assist in decision regarding cash flow planning and disbursements. In this regard, each benefiting Local Authority, guided by the expected resource envelope for 2022, should submit a review of projects and programmes under implementation and list of those to be implemented in 2022, including the programme of works and cash flow plans. This is key in tracking and evaluating programme performance as well as informing funding and implementation decisions going forward.

14. 2022 National Budget Roadmap

14.1 The Table below provides an indicative programme on activities that are required to complete the 2021 budget preparation process.


	Activity	Due Date
1	Issuance of Second Call Circular with Expenditure Ceilings	20 September
2	Submission of Revenue and Expenditure Proposals by MDAs	8 October
3	Budget Consultations with stakeholders	29 July – 17 October
4	Budget Hearings with MDAs	18 October – 5 November
5	Presentation of the 2022 Budget to Parliament	25 November

14.2 MDAs should, therefore, be guided by the above timelines in formulating their respective 2022 Expenditure Proposals.

15. Submission of Proposals/Estimates

15.1 Annex IV attached should be completed providing the strategic overview for the Vote.

15.2 Accounting Officers are requested to submit their Expenditure Proposals/Estimates for 2022 – 2024 by 8 October 2021.


G.T. Guvamatanga
SECRETARY TO THE TREASURY



cc: Hon. Prof. M. Ncube (MP), Minister of Finance and Economic Development
Dr. M. J. M. Sibanda, Chief Secretary to the President and Cabinet