

COMMISSIONER GENERAL'S SUMMARY PRESENTATION

ANNUAL GENERAL MEETING

25 JUNE 2020

OUTLINE

1. 2019 Economic overview highlights
2. Summary ZIMRA Strategy (2019-2023)
3. ZIMRA Focus on the Transitional Stabilisation Programme (TSP)
4. Focus on ZIMRA's Strategy Foundation (4Ps)
5. Summary Financials
6. Summary Key Strategic Results
7. 2020 Outlook

ECONOMIC SUMMARY HIGHLIGHTS

ECONOMIC FACTOR

- High Inflation – closed the year at 521%
- Shortage of Foreign Currency – increase in parallel rates
- Liberalisation of the Foreign Exchange Market
- Acute Fuel and Power shortages negatively affecting productivity
- Illegal adoption of US\$ use in the market
- Drought
- Devastating Cyclone Idai

IMPACT TO ZIMRA

- Inflation reduces REAL net revenue growth
- Reduced productivity and economic activity translates to reduced real revenue.
- Revenue leakage from illegal adoption of the US\$
- Drought & Natural disasters such as Cyclone Idai have negative impact on GDP which translates to reduced revenue

WHAT DID ZIMRA SET OUT TO DO IN 2019?

REFLECTION



ZIMRA'S STRATEGY (2019-2023)

- 2019 was 1st year of Strategy Implementation of ZIMRA's five year strategy which runs from 01 January 2019 to 31 December 2023.
- ***Let us reflect – what did we set out to do?***

ZIMBABWE VISION 2030

- ZIMRA pledged to support Zimbabwe's Vision 2030

“Towards a prosperous upper Middle Income Society by 2030”



ZIMRA'S FOCUS ON THE TRANSITIONAL STABILISATION PROGRAMME (TSP)



ZIMBABWE

TRANSITIONAL STABILISATION PROGRAMME

REFORMS AGENDA

The Authority pledged to support the following TSP Pillars

1. Restoration of Fiscal Balance
2. Improving Ease of Doing Business
3. Plugging of Revenue Leakages

STRATEGIC MAP – ZIMRA 2019-2023

ZIMBABWE 2030

ZIMBABWE VISION 2030: TOWARDS A PROSPEROUS & EMPOWERED UPPER MIDDLE INCOME SOCIETY

EASE OF DOING BUSINESS

RESTORATION OF FISCAL BALANCE

PLUGGING REVENUE LEAKAGES

ZIMRA 2023

MISSION: To mobilise revenue and facilitate sustainable compliance with fiscal and customs laws for the economic development of Zimbabwe.

VISION: To be a beacon of excellence in the provision of fiscal services and facilitation of trade and travel

VALUE PROPOSITION: Integrity | Transparency | Fairness | Commitment | Innovativeness

RESULTS

Strengthen Institutional Image

Maximize Revenue collection

Increase voluntary compliance

Enhance trade facilitation and protection of society

INTERNAL PROCESSES & SYSTEMS

Increase Risk-based tax and customs compliance system

Grow taxbase and enhance integrated data management

Enhance service delivery and taxpayer education

Increase security and agility in the international flow of goods and persons

Simplify processes and procedures

Implement results oriented strategic management

Strengthen ethics, integrity and enterprise risk management

Improve communication and partnerships

PEOPLE & RESOURCES

Enhance staff capacity and retention

Strengthen performance driven culture

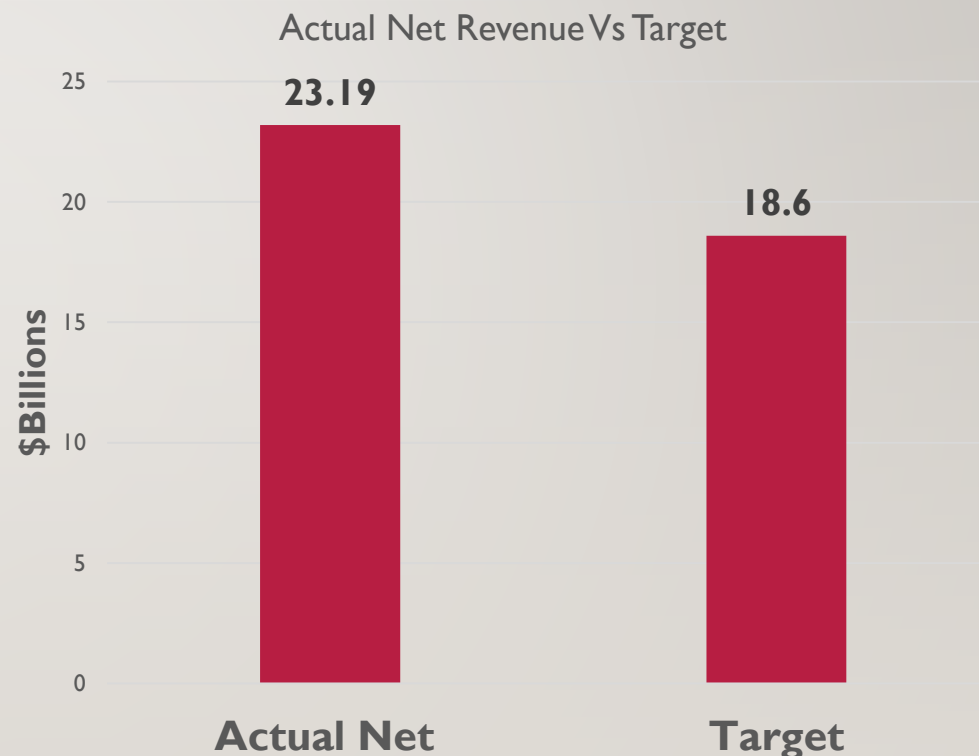
Modernize infrastructure and integrate ICT systems

Ensure timely and adequate funding

OUR 4 P'S: PEOPLE | PROCESSES | PARTNERSHIPS | PROJECT MANAGEMENT

RESTORATION OF FISCAL BALANCE – REVENUE COLLECTED BY ZIMRA IN 2019

- Collected Net Revenue of \$23.19 billion against a target of \$18.6 billion
- 24.65 % above target
- 358 % Nominal Growth from 2018
- 13.55% REAL Growth from 2018 (after adjustment for inflation)
- Net Revenue to GDP Ratio was 18% (against regional benchmark of 15%)

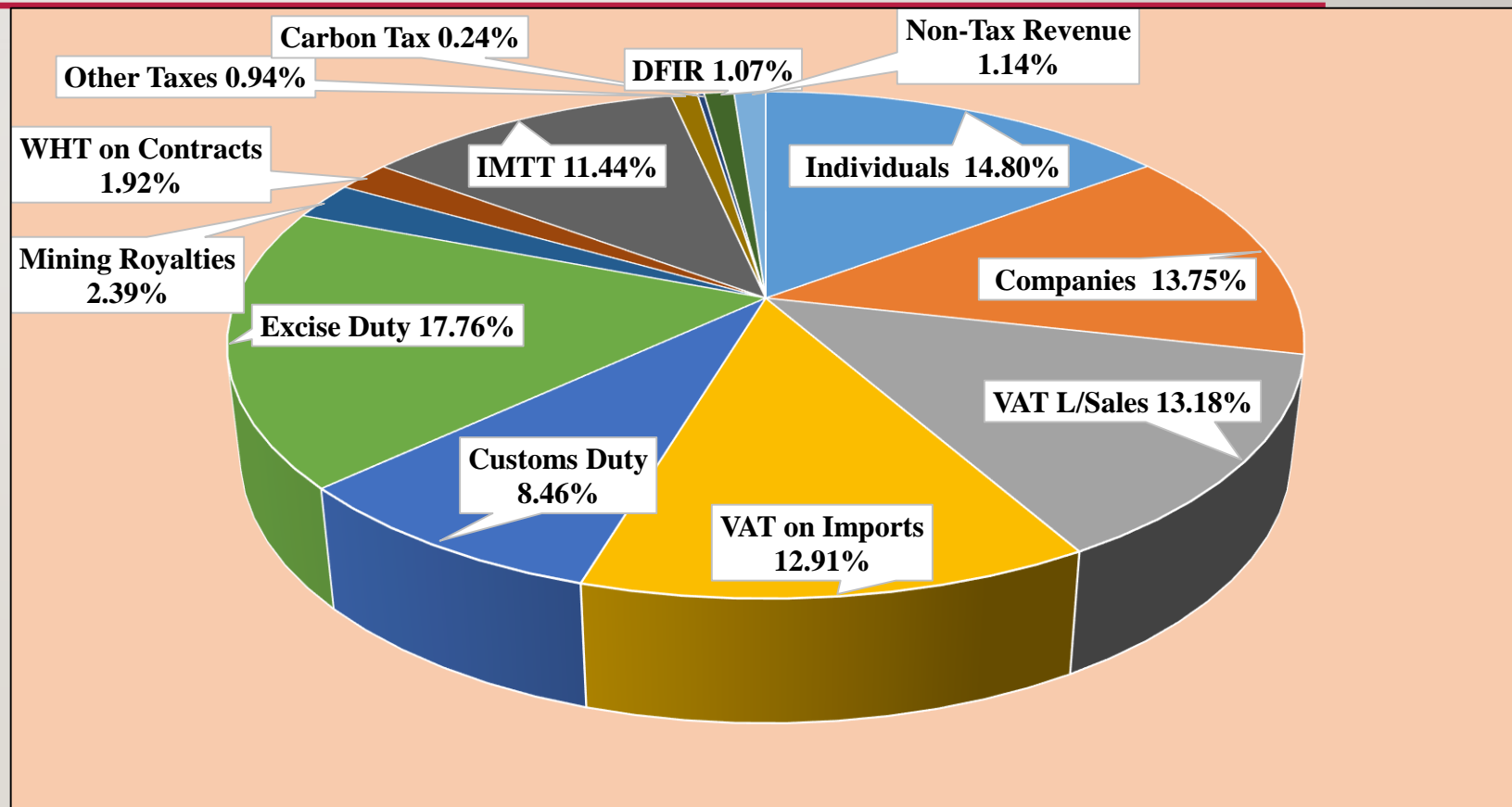


2019 NET REVENUE BY TAX HEAD

Top 6 Revenue Performers

1. Excise Duty – 17.76%
2. Individuals – 14.80%
3. Companies – 13.75%
4. VAT on Local Sales -13.18%
5. VAT on Imports – 12.91%
6. IMTT – 11.44%

TOTAL = 83.84%



PLUGGING REVENUE LEAKAGES



ZIMRA's 2019's focus was on:

- Strengthening partnerships with other Law Enforcement Agents to combat corruption
- Increasing border surveillance to curb smuggling
- Use of Modern Audit and Investigation techniques to detect revenue declaration anomalies

PLUGGING REVENUE LEAKAGES

ZIMRA ENTERED INTO MOA WITH ZACC



- ZIMRA signed a Memorandum of Agreement with the Zimbabwe Anti-Corruption Commission (ZACC)
- The 2 Organisations now working in partnership to combat corruption

PLUGGING REVENUE LEAKAGES

2019 CORRUPTION FIGHT STATISTICS

- **601 cases** investigated in 2019
- **\$153.78 Million** identified for recovery
- Recovery is ongoing
- Aggressively using the **Money Laundering and Proceeds of Crime Act** to seize and attach properties acquired through fraudulent means.
- ZIMRA won the first historic asset forfeiture case in Q2 2020.



PLUGGING REVENUE LEAKAGES ELECTRONIC CARGO TRACKING SEALING (ECTS)

- Sealed trucks increased by 27% in 2019
- Number of Geo-fence Violations reduced by 44%
- Geo-fence violation fines reduced by 44%
- Need to maintain stock of seals

Activity	2018	2019	%age Change
Transit trucks sealed	31,071	39,601	27%
Routes on ECTS platform	27	27	0%
Geo-fence violations	188	105	-44%
Penalties on geo-fence violations (US\$)	378,000	210,000	-44%

PLUGGING REVENUE LEAKAGES

ANTI – SMUGGLING – LUXURY MOTOR VEHICLES

- A special Post Clearance Audit on imported Luxury Motor Vehicles carried out
- Unearthed 485 Vehicles with irregular import documents
- Investigations and recoveries ongoing
- Potential prejudice valued at US\$70 million



IMPROVING EASE OF DOING BUSINESS -CUSTOMS



- Facilitation of smooth movement of goods and people at the national ports of entry and exit

FACILITATION OF SMOOTH TRADE AND TRAVEL

- Implemented mandatory preclearance of commercial cargo at ports of entry.
- Increasing the number of Authorised Economic Operator Programme (AEOs) clients
- Participated in the setting up of the One Stop Investment Centre (OSIC)

FACILITATION OF SMOOTH TRADE AND TRAVEL

- Authority also contributes significantly into the Zimbabwe Special Economic Zone Authority (ZIMSEZA) and Border Efficiency Management Systems (BEMS) activities.
- ASYCUDA System Upgrade improved turnaround times
- Have commenced working on the Dry Ports projects as per announcement by the Minister of Finance and Economic Development in his 2020 budget speech.

IMPROVING EASE OF DOING BUSINESS – DOMESTIC TAXES



- Focus is on creation of **seamless effective and efficient** internal business processes, procedures and systems that bring total convenience to Taxpayers
- Embarking on a major US\$10 Million new Tax and Revenue and Management System (TaRMS)
- Funded by AfDB and the MoFED

FOCUS ON ZIMRA'S STRATEGY FOUNDATION (4PS)



PEOPLE – CREATING A CONDUCTIVE WORKING ENVIRONMENT



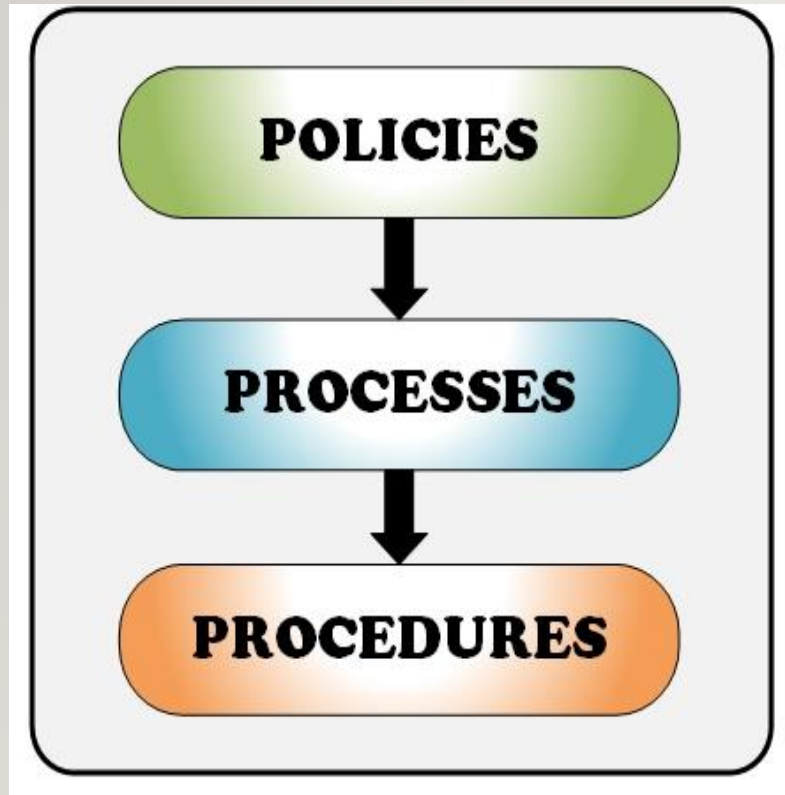
Focus is on:

“Development of appropriate human resources structure, and adequate skills, motivated workforce and conducive working environment which supports attainment of Strategic Goals”

PEOPLE – CREATING A HAPPY WORKING ENVIRONMENT

- Internal Staff Satisfaction Surveys held half- yearly. Score of 50.2% was achieved against target of 66% and this was mainly affected by pay and benefits.
- Feedback from Internal Staff satisfaction survey is used by Management to develop solutions to improve the working environment.
- ZIMRA carrying out Internal Change Management Program to align staff culture to strategy (**#TheZimraWeWant**).
- Strong focus on Learning and Development (L&D) – an average of 26 hours of L&D per staff member per year was achieved against a target of 16 hours.
- Carried out various employee wellness programmes including sports galas

PROCESSES – CREATING EFFECTIVE AND EFFICIENT PROCESSES



Implementing the following KEY transformational Projects

- TaRMS Project
- ICT Automation Programs (A set of Automation Projects)
- IT Integration Program (As set of IT Integration Projects)

PARTNERSHIPS

CREATING WIN-WIN STRATEGIC PARTNERSHIPS IN STRATEGY EXECUTION

- 37 Technical Assistance (TA) Missions carried in 2019
- ZIMRA partnered International Development Partner Institutions including AfDB, ATAF, IMF, WCO, World Bank.



PROJECTS – EMBRACING ZIMRA TAILOR MADE PRINCE2 PROJECT METHODOLOGY

- The Authority has fully embraced PRINCE2 Project Management to ensure that Projects are delivered on TIME, Within COSTS and SCOPE



FINANCIAL HIGHLIGHTS: 2019

- Annual revenue target exceeded by 24.6%
- Refunds constituted 3.1% of net collections.
- Capital expenditure for the year was \$25.3m against a budget of \$132.2m. 2018 Capital expenditure was \$4.9m.
- Recurrent expenditure was \$749.6m, hence cost of collection (Excluding depreciation) was 2.39% compared to 2.49% in 2018 and 3% International benchmark.
- ZIMRA Income statement had a deficit of \$101.6m compared to a deficit of \$4.1m in 2018.

FINANCIAL HIGHLIGHTS: 2019

- Clean audit opinion on:
 - ✓ Revenue Return,
 - ✓ Receipts & Disbursements Return
 - ✓ Tax Reserve Certificates Return
- Qualified audit opinion on the Outstanding Revenue Return
- Adverse opinion on ZIMRA Financial statements

TIMELY & ADEQUATE FUNDING: EXPENDITURE VS BUDGET

	Budget	Expenditure	Variance (\$)	Variance (%)
Staff	175 602 113	199 401 888	(23 799 775)	-14%
Other recurrent Costs	194 067 982	550 182 593	(356 114 611)	-183%
Total Recurrent Costs	369 670 095	749 584 481	(379 914 386)	-103%
Capital Expenditure	132 212 523	25,363,903	106,848,620	81%
Grant Total	501 882 618	774,948,384	(273,065,766)	-54%

The over-run on other recurrent expenditure was caused by;

- non-cash items of depreciation (**Z\$178.4 million**)
- and exchange losses (**Z\$209.7 million**).



SUMMARY KEY STRATEGIC RESULTS

OTHER KEY PERFORMANCE INDICATORS

- **Widening of Tax Base** -21 333 new taxpayers were registered in 2019 (14% to close at 172 497 active taxpayers as at 31 December 2019)
- **Compliance**

Taxpayer segment	Small to Medium Enterprises (SMEs)	Large Clients (LC)
Filing Compliance	50%	62%
Remittance Compliance	31%	76%

- ZIMRA embarked on massive taxpayer education campaigns, direct engagement and roadshows targeted at SMES with LCs mainly being interfaced through direct engagements.

SUMMARY KEY STRATEGIC RESULTS

OTHER KEY PERFORMANCE INDICATORS

- **VAT Refunds - \$709.37 million** processed in 2019
- **Tax Debt position** - reduced by 5% from **\$4.6billion** as at 31 December 2018 to **\$4.46 billion** as at 31 December 2019 after including the additional debt incurred in 2019
- **Revenue Forgone** – through Zero Rated or VAT Exemptions totalled **\$13.82 billion**
- **Revenue Forgone** – through Trade Agreements and Duty Exemptions amounted to **\$3.19 billion**.

The Authority continues to monitor revenue forgone and advise the Government accordingly.

SUMMARY KEY STRATEGIC RESULTS

OTHER KEY PERFORMANCE INDICATORS

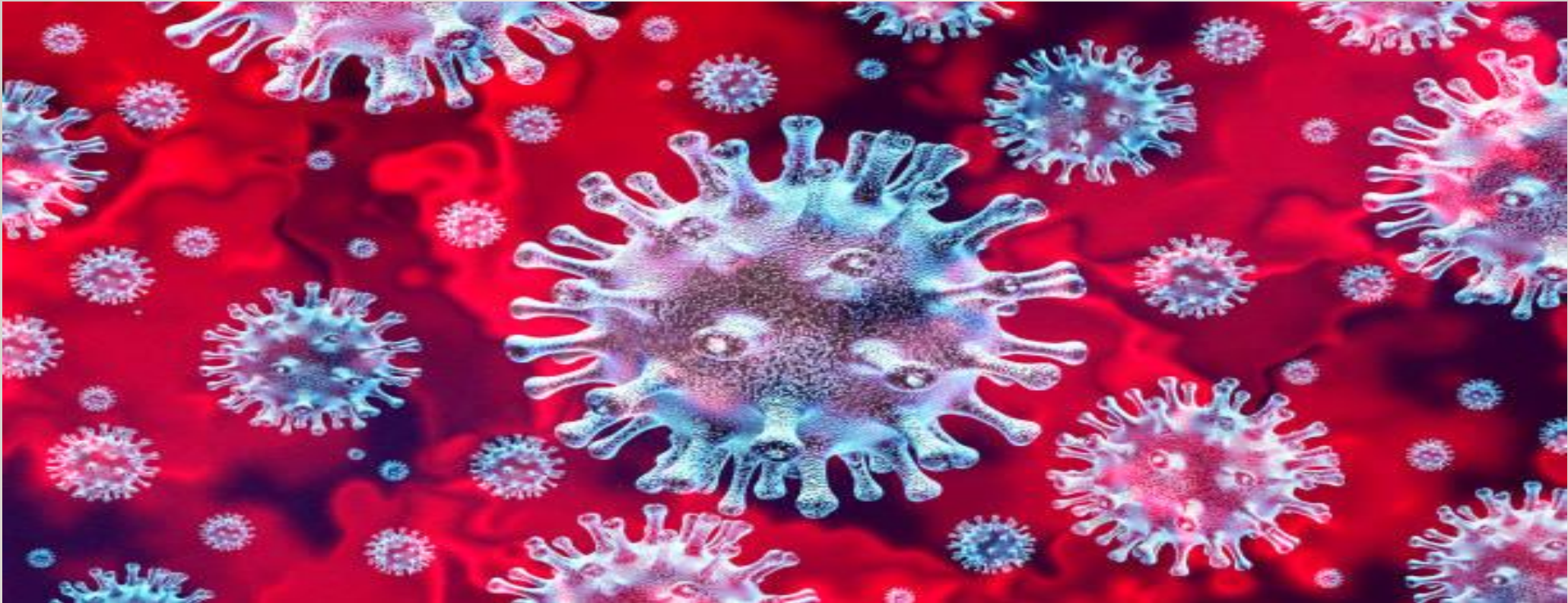
Imports/Exports

- The value of imported goods in 2019 was **\$43.51 billion** (541% nominal growth from 2018) while the value of exported goods totalled **\$39.54 billion** (846% nominal growth).
- **Though the country had a negative trade balance of \$3.97 billion, Exports grew more than the imports.**

2020 OUTLOOK



2020 NET REVENUE WILL SADLY BE NEGATIVELY AFFECTED BY THE COVID-19 PANDEMIC



ENCOURAGEMENT QUOTES

- ***“We counted and no one is missing”*** [Numbers 39:49]
- ***“LIFE is full of sad news and bad news, but LIFE itself is a glad news....”*** [K. Modi]
- As ZIMRA we have the following GLAD news...

ON A HAPPY NOTE

- **Successfully offered essential services during all the phases of the Lockdown period**
- Complied with ALL Government lockdown directives
- Quickly adopted a “***New Normal***” where some Managers & Staff Members are effectively working from home
- Successfully implemented **COVID-19 Mitigation Structures** across ZIMRA Stations nationwide



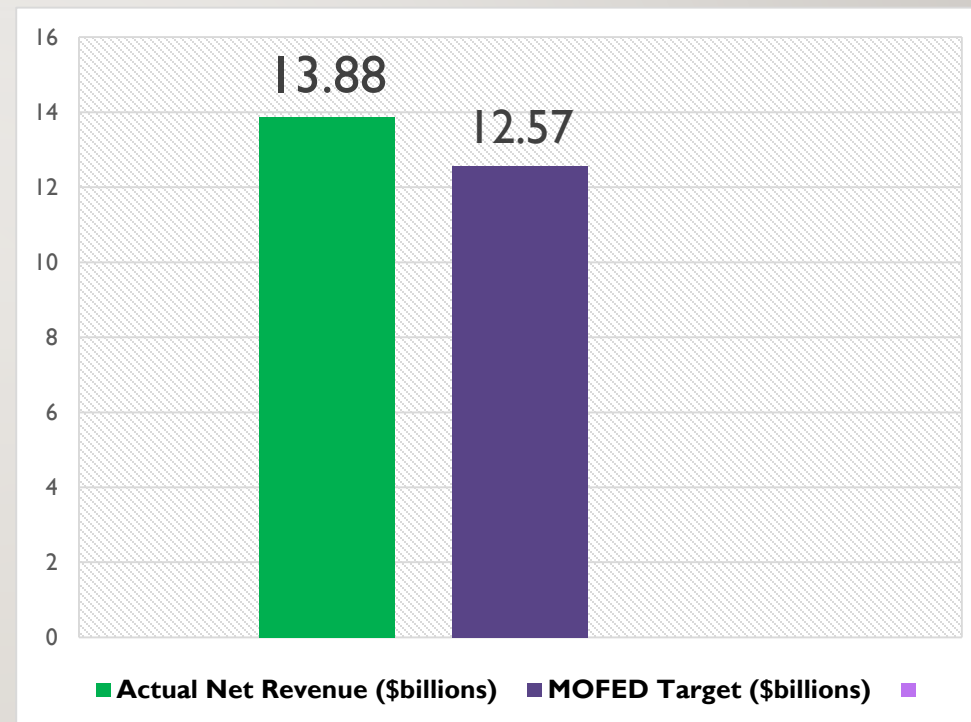
ON A HAPPIER NOTE



- The Bulawayo ZIMRA Staff Member who tested positive for COVID-19 has fully recovered.
- All ZIMRA stood together as one family during the trying time.
- **Thanks to his family Members, ZIMRA staff and Management, Ministry of Health and Child Care and all the stakeholders who played positive roles towards his recovery.**

YTD NET REVENUE PERFORMANCE SNAPSHOT

- Collected \$13.88 billion in Q1 against a target of \$12.27 billion
- **10.42%** above target
- As of 31 May we had collected **\$22.49** billion against a target of **\$21.13** billion.
- **6.41%** above target



PROJECTED ANNUAL NET REVENUE FOR 2020

- Net revenue target for 2020 is to be agreed with MoFED but working with **\$57.6 billion**
- Current trend indicating that the Authority will meet the target
- Net revenue is directly correlated to Gross Domestic Product (GDP)
- The new ZIMRA Net Revenue target will be announced as part of the MoFED's Mid-Term budget review.

A NEW NORMAL

PARADIGM

SHIFT



- The COVID-19 Pandemic has transformed the world.
- The current ***Business As Usual*** model will never return
- ZIMRA has started making positive strides in establishing a NEW NORMAL
- ZIMRA's New Normal Strategy will be anchored on ***“Less Human Contact and MORE Digital Services, Less Brick & Mortar and MORE virtual”***
- ***ZIMRA will require more investment in ICT development and Business Process Re-engineering***

THANK YOU

- To all our compliant Taxpayers
- Our Parent Ministry (MoFED) for provision of resources and support
- ALL our stakeholders for cooperation
- Board Members for the continuous guidance and support.
- Management & Staff for hard work and exceeding 2019 Annual target
- Staff Members who risked their lives and continue to do so in order to deliver services during this COVID-19 Pandemic

