



## **The 2016 National Budget Statement**

*"Building a Conducive Environment that Attracts Foreign Direct Investment"*

**Presented to the Parliament of Zimbabwe  
on**

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**by**

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## **I. MOTION**

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2016 Financial Year and to make Provisions for matters ancillary and incidental to this purpose.
2. This is in fulfilment of *Subsections (1) and (2) of Section 305* of the Constitution of Zimbabwe, read together with *Section 28 (1)(a)* of the Public Finance Management Act [Chapter 22:19].

## **II. INTRODUCTION**

3. Mr Speaker Sir, in fulfilling the above mandate, allow me to begin by acknowledging the much support I received from various stakeholders, including ordinary Zimbabweans from many walks of life.
4. In this regard, allow me first to appreciate the guidance and support I received from His Excellency, the President, Cde. R. G. Mugabe.
5. I am grateful to His Excellency for allowing me, in the management of the economy and on many occasions, to lead from the front while ensuring from behind that I maintain the correct line.
6. Above all, I am grateful to His Excellency for the lessons he has been hammering into us, which is that in matters of style, taste or fashion,

we can swim with the current, but in matters of *Principle*, we should stand like a rock.

7. My indebtedness also goes to our two Honourable Vice Presidents, and my colleague Honourable Ministers, for their valuable contributions.
8. Mr Speaker Sir, the contributions of the various Portfolio Committees of Parliament remain invaluable.
9. I would, therefore, also want to register my appreciation for the contributions of Honourable Members of Parliament, reflective of the views from the various Constituencies and ordinary voices they represent.
10. In particular, I found informative the submissions from Honourable Members of Parliament at the 2016 Parliament Pre-Budget Seminar in Victoria Falls over 31 October – 3 November 2015.
11. The Seminar's theme, "*Growing the National Cake for Socio-Economic Development and Transformation*" was indeed relevant, and in sync with our Zim Asset agenda.
12. Mr Speaker Sir, I am also grateful to all other stakeholders – the business community, labour, civil society and ordinary Zimbabweans, whose invaluable inputs also reiterated the need for Budget policy

measures and interventions that focus on *Growing the Economy*, as we strive to meet our development goals.

13. Mr Speaker Sir, all the contributions are essential building blocks in the Budget formulation process, and the successful implementation of Zim Asset projects and programmes.
14. Already, notwithstanding the very challenging business environment, major positive strides are being made as we progressively implement Zim Asset, achievements realised primarily out of our own efforts and limited resources.
15. Mr Speaker Sir, the full evaluation of progress with implementation of Zim Asset programmes and projects is currently underway.
16. The Office of the President and Cabinet is coordinating this, and the comprehensive evaluation report should be available to stakeholders by end of December 2015.
17. Preliminary indications, however, point to notable achievements in the following particular areas:
  - Infrastructure projects in energy generation and transmission, transport sector, water and sanitation, ICT, education and health facilities;
  - Financial sector stabilisation;
  - Re-engagement with the international financial community;
  - Improved doing business environment;



- Improved cost of doing business;
  - Support for distressed industries;
  - Support for agriculture; and
  - Advances on the value addition and beneficiation strategy.
18. Mr Speaker Sir, the focus of Government interventions as we further implement Zim Asset is on building up on the above achievements.
19. The Ten Point Plan announced by His Excellency, the President, on 25 August 2015 already provides the necessary guidance for this task.
20. The main strategies capsulated in the Ten Point Plan which I have characterised as the "*Zim Asset Made Easy*" are as follows:
- Revitalising agriculture and the agro-processing value chain;
  - Advancing Beneficiation and/or Value Addition to our agricultural and mining resource endowments;
  - Focusing on infrastructure development, particularly in the key Energy, Water, Transport and ICTs subsectors;
  - Unlocking the potential of Small to Medium Enterprises;
  - Encouraging Private Sector Investment;
  - Restoration and building of confidence and stability in the financial services sector;
  - Promoting joint ventures and public private partnerships to boost the role and performance of state owned companies;
  - Modernising Labour Laws;

- Pursuing an Anti-Corruption Thrust; and
- Implementation of Special Economic Zones to provide the impetus for foreign direct investment.

21. Mr Speaker Sir, unity of purpose is an essential ingredient in building up on the gains we have realised so far with implementing Zim Asset.

22. In this regard, the strides we have made to date on the re-engagement front with international creditors and bilateral cooperating partners provide an opportune window for advancing on the unfinished aspects of the Zim Asset reform agenda.

23. Mr Speaker Sir, at this juncture, allow me to further heartily acknowledge the support I received on this crucial step from His Excellency the President, Cde R. G. Mugabe.

24. The leadership that he provides facilitated this progress, and continues to guide us as we implement our economic reforms for turning around the fortunes of this economy.

25. I would also like to applaud my Cabinet colleagues for their commitment towards support for bold policy reform measures aimed at debt sustainability and improving the socio-economic environment.

26. This is in recognition of the reality that Zimbabwe needs to derive maximum benefit from her bilateral and multilateral relations and,

hence, the acceleration of the re-engagement process with the international financial community.

27. Consistent with the above thrust, the crafting and implementation of the 2016 National Budget strives for "*Building a Conducive Environment that Attracts Foreign Direct Investment*".
28. Mr Speaker Sir, I am, therefore, counting on the unwavering commitment and support of all stakeholders – colleague Ministers, Honourable Members, private sector players, labour, civil society, as well as cooperating partners in order to realise this goal.
29. Mr Speaker Sir, allow me now to contextualise the framework and thrust of the 2016 National Budget, anchored by the Zim Asset supportive economic reform agenda, also underpinned by implementation of our *Strategy* for clearing external debt arrears.

### **III. ARREARS CLEARANCE**

30. Mr Speaker Sir, I have already alluded to the commitment of Government to implement bold policy reform measures aimed at debt sustainability and improving the socio-economic environment.
31. This is in recognition of the reality that Zimbabwe cannot operate in a vacuum, and hence the acceleration of the re-engagement process with the international financial community.

32. As I have already said, the policy reform measures which are aimed at the total transformation and development of the Zimbabwean economy were elucidated in the Ten Point Plan by His Excellency, the President during his State of the Nation Address on 25 August 2015.
33. Within this context, Government has made progress with regards to solutions to clear its external debt arrears to both multilateral and bilateral creditors, as a prerequisite for the country to access new financing in order to meaningfully contribute towards the attainment of accelerated, inclusive and sustained economic growth and poverty eradication.
34. Mr Speaker Sir, allow me, therefore, to acknowledge the support that Government received from the international financial institutions (IFIs) and development partners with regards to extensive deliberations in Lima that have yielded an agreed direction in terms of our roadmap for the clearance of debt arrears.
35. Mr Speaker Sir, following the adoption of our *Strategy* to clear external debt arrears by our creditors on the side lines of the 2015 International Monetary Fund/World Bank Annual Meetings in Lima, the thrust of the 2016 Budget is to further consolidate the platform to unlock fresh capital injections into the economy, hence, the *Theme* of this Budget.

36. This, Mr Speaker Sir, will build on the gains realised so far in the re-engagement process, also under the auspices of our Staff Monitored Programme with the IMF.

### ***Strategy***

37. The arrears clearance road map takes into account the fact that Zimbabwe does not qualify for HIPC and the Multilateral Debt Relief Initiative.

38. The country's *Strategy* in respect of clearing debt arrears is, therefore, premised on a non-HIPC debt resolution strategy, and supported by a credible economic reform agenda to ensure debt sustainability, unleashing economic transformation and poverty eradication.

39. As I have already communicated, the *Strategy* is anchored on the clearance of external debt arrears to the three IFIs, namely the IMF, the World Bank Group and the African Development Bank, as a first step towards seeking debt treatment by the Paris Club and bilateral creditors in the context of a strong economic reform programme.

40. The resolution of external debt arrears to IFIs is to be achieved through a combination of the following strategies that Government has put in place:

- Use of domestic resources to clear US\$111 million arrears to the IMF;

- Arrangement of Bridge finance with regional and international banks to clear US\$601 million African Development Bank debt arrears; and
  - Use of a medium to long-term loan facility to clear US\$1.1 billion arrears to the World Bank Group.
41. It is envisaged that the settlement of external payment arrears by Government to the tune of US\$1.8 billion owed to multilateral creditors, would be completed in the first half of 2016.
42. Mr Speaker Sir, the debt arrears clearance programme agreed to by the IFIs, and supported by development partners in Lima, will go a long way to unlock new financing for the country.
43. Mr Speaker Sir, realisation of the above *Strategy* will also critically depend on the following:
- Successful completion of our current Staff Monitored Programme (SMP) with the IMF which will be reviewed sometime in February 2016;
  - *Engagement of the Paris Club and other Bilateral Creditors* for debt resolution, on the strength of our performance under the above Programme.
44. Honourable Members will be aware of the successful completion of the first and second reviews of the SMP in December 2014 and June

2015, demonstrating Government's strong commitment to the re-engagement and reform process.

45. Government is on course towards the successful completion of the third and final review of the Staff Monitored Programme with regards to meeting the quantitative, as well as the structural benchmarks to December 2015.
46. Hence, Mr Speaker Sir, continued implementation of the Zim Asset supportive reform agenda that Government is pursuing to the end of the year and into 2016 will remain critical.

### ***Post Arrears Clearance***

47. Mr Speaker Sir, clearance of arrears will usher opportunities to bring in long term financing to promote growth and debt sustainability.
48. Honourable Members will be aware of the adverse impact of the arrears situation on most of the country's external official debt has had, translating to lack of balance of payments and budget support.
49. For the private sector, perceived country risk had made contracting critical offshore credit facilities difficult and expensive, further compounding financial sector illiquidity, hampering economic growth prospects, subduing export performance, and exacerbating growing import dependence.

50. Mr Speaker Sir, it is, therefore, vital that we reverse this.
51. Access to new resources will be under the auspices of development of a *New Comprehensive Country Financing Programme* supported by the African Development Bank, the International Monetary Fund and the World Bank.
52. To spearhead this, I have resuscitated the Quadripartite Committee comprising of the Ministry of Finance and Economic Development, the Reserve Bank, and the participation of the three IFIs, namely the International Monetary Fund, the African Development Bank and the World Bank, chaired by the Central Bank Governor, Dr John Mangudya.
53. The key macro-economic policies and structural measures for the envisaged New Country Financing Programme to further consolidate our implementation of the country's Zim Asset blueprint are contained in this Budget Statement.
54. Mr Speaker Sir, disbursement of financial support for the New Country Financing Programme from IFIs for developmental budget support will also leverage support from bilateral development partners.
55. These steps will create a conducive environment for mobilisation of lines of credit at favourable terms to support our private sector, from the private sector arms of the World Bank Group, namely the



International Finance Corporation and that of the African Development Bank.

56. Already, these institutions have of late begun accelerating re-engagement scouting and scoping *Missions* to the country in readiness to do business with the various private sector players.
57. This will also catalyse foreign direct investment into the country, and in this regard, enactment of the Joint Ventures Act, and approval by Cabinet of the Special Economic Zones Bill, other relevant legislation, and parallel work on improving the *Ease and Cost of Doing Business Environment*, as well as the *New Public Procurement Framework*, is timely.
58. Mr Speaker Sir, once we clear arrears to the IFIs, our final step on this issue of debt resolution is to approach the Paris Club and other non-Paris Club creditors for debt relief and re-organisation that will put the country on a debt sustainability path.
59. This road-map, together with measures taken to strengthen debt management under the new Public Debt Management Act, will safeguard the country from sliding back into debt problems.
60. In this regard, utmost caution is being exercised in contracting debt to avoid non-concessional borrowing that may result in bunching of maturities and unsustainable peaks in debt service payments.

#### **IV. ECONOMIC OVERVIEW**

61. Mr Speaker Sir, allow me to highlight the prospects of the economy over the coming year, as we implement measures to realise sustained rapid economic growth beyond 2016, in line with the targets we have set for ourselves under Zim Asset.
62. In doing this, it is important that we acknowledge the reality that we are competing for business, given increased globalisation of economic relations.
63. I will, therefore, begin by indicating the outlook for global economic developments for the coming year.

#### ***Global Outlook***

64. Mr Speaker Sir, global economic growth remains moderate, and is projected at 3.1% in 2015, against 3.4% of last year.
65. The projected growth is unevenly shared among countries and regions, with that of developed countries averaging 2%, from 1.8% in 2014, while growth of emerging and developing countries averages 4%, against 4.6% last year.

#### **Growth Outlook (%)**

	2014	2015 Proj	2016 Proj
World Output	3.4	3.1	3.6
Advanced Economies	1.8	2.0	2.2
Emerging Economies	4.6	4.0	4.5
Sub-Saharan Economies	5.0	3.8	4.3

*Source: World Economic Outlook, October 2015, IMF*

66. The slowdown in emerging and developing economies is attributable to declining commodity prices, depreciating currencies, and increasing financial market volatility, which have adversely affected emerging economies more severely.
67. On the other hand, growth experienced by developed countries is supported by low oil prices, as well as accommodative monetary policies.
68. The Sub-Saharan region is projected to grow by 3.8% in 2015, down from the initial projection of 4.4%. The region is being negatively affected by low commodity prices.
69. The situation is further worsened by electricity shortages that are affecting some parts of the region.
70. On the other hand, low oil prices are impacting on the incomes of oil producing countries.
71. In 2016, global growth is projected to rise marginally to 3.6%, driven by accommodative monetary policies in advanced economies, while commodity prices are expected to gradually improve, supporting growth of emerging and developing countries.
72. Sub-Saharan Africa is projected to grow by 4.3% in 2016, driven by domestic demand, augmented by continued infrastructure investment, and private consumption.

## *Commodity Prices*

73. In 2016, commodity prices are projected to rebound marginally, after large plunges in 2015. This is with the exception of such commodities as gold and crude oil, whose prices are projected to continue on a decline.
74. The spike in agricultural prices is anticipated to be driven by the El-Nino effect on weather patterns which reduces yields, translating into produce supply constraints.
75. However, ample supplies of agricultural commodities in some regions will reduce the El-Nino impact and, hence, localise the upward price adjustments.
76. Zimbabwe is, however, expected to benefit from low oil prices, a development which is expected to temporarily ease the import bill and costs to industry.
77. However, developments on mineral prices will have mixed impacts in 2016, with challenges for gold producers and benefits for other minerals.

### **Commodities**

<b>Commodity</b>	<b>Units</b>	<b>2014</b>	<b>2015 Forecast</b>	<b>2016 Projection</b>
<b>Agriculture</b>				
Wheat	US\$/ton	285	205	211
Tobacco	US\$/kg	5	5	5
Maize	US\$/ton	193	170	174

Commodity	Units	2014	2015 Forecast	2016 Projection
Soya Beans	US\$/ton	492	390	401
Sugar (World)	US\$/kg	0.37	0.29	0.29
<b>Minerals</b>				
Gold	US\$/oz	1266	1175	1156
Platinum	US\$/oz	1384	1080	1116
Nickel	US\$/ton	16893	12200	12818
Crude Oil, avg, spot	US\$/barrel	96.2	52.5	51.4

*Source: World Bank Quarterly Report, Commodity Market, October 2015*

78. Commodity price volatilities build a compelling case for Zimbabwe to focus more and expedite implementation of the strategy on value addition and diversification, that way ameliorating the effects from the vagaries of the global economy.

### ***Domestic Economic Growth***

79. Mr Speaker Sir, against the background of the open-ness of our economy, the above outlook for the global economy will also have a major bearing on our own domestic economic performance.
80. Overall economic performance in 2015 indicates modest growth of 1.5%, backed by positive developments in tourism, construction and communication, with some setbacks in agriculture and mining.

### **Real GDP Growth (%)**

	2012	2013	2014	2015	2016
	Act	Act	Est.	Est	Proj
Agriculture, hunting and fishing	7.8	-2.6	23	-3.6	1.8
Mining and quarrying	8	11.7	-3.4	-2.5	1.6
Manufacturing	5.3	-0.6	-5.1	1.6	2.1
Electricity and water	0.3	5	5.4	-10.8	3.6
Construction	23.5	3.9	6.9	7	4.5
Finance and insurance	28	11.3	7.7	6	5
Real estate	59	0.7	4.7	3.9	2.5

Distribution, hotels and restaurants	4.3	3.9	2.5	4.7	4
Transport and communication	6.7	7	1.1	4.2	2.8
Public administration	19.1	3.4	6.3	1.5	1.3
Education	38.1	2.9	3.9	2.1	1.3
Health	7.7	0.5	1.8	2.1	2.1
Domestic services	-3.5	6	2.2	2	1.8
Other services	-10.7	-4.7	-3.3	3	2.5
Less Imputed bank service charges	9.8	11.3	4.7	3.7	5
<b>GDP at market prices</b>	<b>10.6</b>	<b>4.5</b>	<b>3.8</b>	<b>1.5</b>	<b>2.7</b>

Source: Ministry of Finance

81. In 2016, GDP growth is projected to rebound to 2.7%, mainly on account of mining, tourism, construction and the financial sector.
82. Agriculture is expected to recover by 1.8%, though adequate planning on mitigating the impact of the El-Nino weather will be essential.
83. Mr Speaker Sir, in matters of agriculture, the Bible is our true guide. Ecclesiastes 11 vs 4 says that "Farmers who wait for the perfect weather never plant. If they watch every cloud, they never harvest".

### ***Economic Prospects***

84. Mr Speaker Sir, going forward, the successful resolution of Zimbabwe's external payment arrears is expected to disseminate positive signals to investors and lenders.
85. In this regard, the perceived country risk premium that has made credit lines to Zimbabwe unaffordable should be reduced significantly.

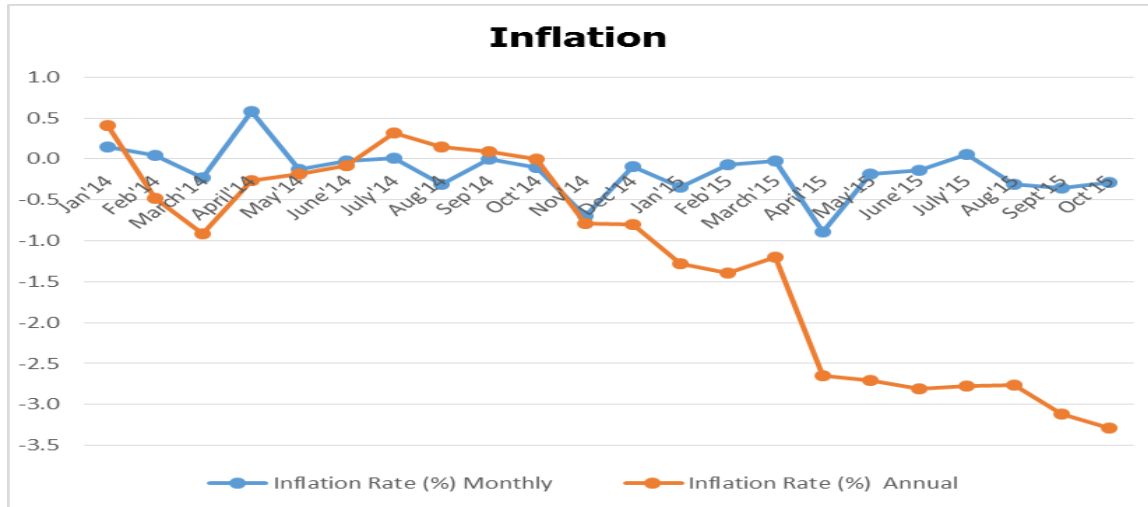
86. As a result, the country should be able to access credit lines at competitive rates, a development that would positively impact on the cost of doing business in Zimbabwe.
87. Essentially, the clearance of arrears would unlock growth opportunities through the injection of fresh capital, reduction in costs, and improved competitiveness from a pricing perspective.
88. As a result, liquidity conditions would be expected to improve and this, coupled with the establishment of a credit reference system, will significantly reduce domestic credit risk.
89. In turn, improved liquidity conditions, coupled with the stability of the banking sector, would support the attainment of sustained economic growth, and propel the economy from the current stabilisation phase to a growth phase.
90. The successful implementation of these bold policy initiatives would also provide strong impetus to efforts geared at accelerating accumulation of capital, productivity and economic growth, build confidence and enhance the country's ability to meet future external debt obligations when they fall due.
91. The ability and commitment by Government to service the debt will also enhance credibility and creditworthiness of the Government which in turn will enable it to access subsequent loans at affordable costs.

92. As a result, economic growth is expected to rebound to higher levels, that way addressing employment challenges, uplifting the general living standards and effectively reducing poverty.
93. Government, therefore, remains committed to do whatever it takes for the country to achieve sustainable economic growth and restore the potential that the country has.

### ***Prices***

94. Sustained macro-economic stability, with low inflation levels, continues to provide a conducive environment for enhanced economic activity *ceteris paribus*.
95. In 2015, the general price level in the economy remained low, with year on year inflation opening the year at -1.3%, and reaching -3.3% by October 2015.
96. Inflation deceleration, however, also reflects price correction, weak aggregate demand, tight liquidity and depreciation of the rand against the United States dollar.





**Source: ZIMSTAT**

97. In the outlook, inflation is likely to stay around zero, mainly as a result of appreciation of the US dollar, which dampens import prices.

## ***External Trade***

### *Exports and Imports*

98. In 2015, exports are projected at US\$3.4 billion, against imports of US\$6.3 billion, giving a trade deficit of US\$2.9 billion.

### Balance of Payments (US\$ million)

	2012	2013	2014	2015	2016
	Actual	Actual	Estimate	Projection	Projection
<b>Current Account Balance</b>	<b>-3 042.40</b>	<b>-3 432.20</b>	<b>-2 837.2</b>	<b>-2 595.3</b>	<b>-2 579.6</b>
<b>Trade Balance</b>	<b>-2 902</b>	<b>-3 114.60</b>	<b>-2748</b>	<b>-2 880.9</b>	<b>-2 547.8</b>
<b>Export F.O.B</b>	<b>3 808.20</b>	<b>3,694.20</b>	<b>3 558.20</b>	<b>3 430.2</b>	<b>3 673.4</b>
<i>Agriculture</i>	979.6	1 047.50	981.2	964.1	1 087.0
<i>Mining</i>	2 189.10	2 055.80	1 977.00	1 898.9	1 997.4
<i>Manufacturing</i>	549.2	487.00	510.3	475.2	494.7
<b>Imports F.O.B</b>	<b>6 710.20</b>	<b>6 808.90</b>	<b>6 306.30</b>	<b>6 311.0</b>	<b>6 221.2</b>
<i>Food</i>	730.6	658.10	352.3	566.6	430.2
<i>Fuel</i>	1 365.70	1 364.70	1 393.60	1 217.5	1 203.1

<b>Capital Account Balance</b>	<b>1 721.80</b>	<b>2 723.40</b>	<b>2 919.1</b>	<b>2 453.7</b>	<b>2 449.4</b>
<b>Errors and Omissions</b>	885.30	513.50	-122.20	0.00	0.00
<b>Overall Balance</b>	<b>-435.30</b>	<b>-392.40</b>	<b>-40.3</b>	<b>-141.6</b>	<b>-130.2</b>

Source: ZIMSTAT for actuals, and Ministry of Finance and Reserve Bank for projections

99. During the period January to October 2015, exports were US\$2 billion, dominated by gold, tobacco, nickel and diamonds.

#### **Export Commodities**

<b>Commodities</b>	<b>US\$m</b>	<b>% Share of total exports</b>
Gold	503.0	24%
Flue-cured tobacco	481.2	23%
Nickel ores and concentrates	192.3	9%
Ferro-chromium	138.8	7%
Industrial diamonds	137.6	7%
Sugar Cane	95.5	5%
Electrical energy	37	2%
Platinum	36.5	2%
Cotton	25.2	1%
Granite	23.0	1%
Nickel	22.2	1%
Unsorted diamonds	19.6	1%
Other	366.7	18%
<b>Total</b>	<b>2 077.7</b>	<b>100%</b>

Source: ZIMSTAT

100. Mr Speaker Sir, imports during the period January to October 2015 amounted to US\$5 billion, and comprised mainly of fuel, medicines, maize and vehicles, among others.

#### **Major Import Commodities**

<b>Commodities</b>	<b>US\$m</b>	<b>% Share of total imports</b>
Diesel	774.5	15%
Unleaded petrol	391.4	8%
Medicaments	138.0	3%

Maize (Excluding Seed)	133.8	3%
Wheat	90.4	2%
Rice	87.1	2%
Crude soya bean oil	75.9	1%
Machines for the reception, conversion etc	74.7	1%
Goods vehicles, with diesel/semi-diesel engines	50.2	1%
Other	3 254.5	64%
<b>Total</b>	<b>5 070.6</b>	<b>100%</b>

*Source: ZIMSTAT*

101. The top 10 trading partners were South Africa, Singapore, Mozambique, China, Zambia, United Kingdom, United Arab Emirates, Botswana, Japan and India.

#### *Trade Deficit*

102. Mr Speaker Sir, subdued exports in 2015 will culminate in a trade deficit of US\$2.9 billion, against US\$2.7 billion in 2014.

103. The large trade deficit reflects, among other factors, the country's over-reliance on foreign goods, most of which can be produced locally. These goods include grains, foodstuffs, chemicals and pharmaceutical products, among others.

104. Furthermore, the continued depreciation of the rand against the US dollar, has undermined the competitiveness of our exports.

105. The rand lost over 13% of its value against the US dollar since January 2015, a development which has also seen Zimbabweans increasingly preferring the US dollar over the rand in conducting business transactions and as a store of value.

### *Current Account*

106. In line with trade developments, a current account deficit of US\$2.6 billion is anticipated in 2015 against US\$2.8 billion in 2014. This partly reflects unrecorded transactions, particularly in the form of remittances.

### *Outlook*

107. In the outlook, exports are projected to increase to US\$3.7 billion in 2016, from US\$3.4 billion projected in 2015.

108. The projected increase is on account of the expected improved performance of minerals, namely gold, nickel, diamonds and ferro chrome, chrome ore and fines; tobacco and horticultural produce.

109. Imports are projected to marginally decline to US\$6.2 billion from US\$6.3 billion, attributed to the measures that were put in place to manage the unfair playing field imposed by some cheap foreign products.

### **Public Debt**

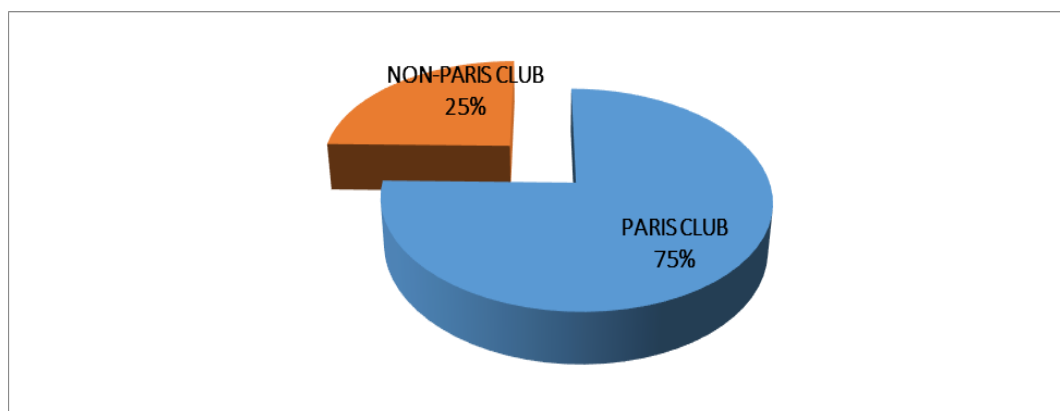
110. Mr Speaker Sir, total public and publicly guaranteed debt including arrears as at September 2015 is estimated at US\$8.368 billion, of which US\$1.290 billion is domestic debt, whilst US\$7.078 billion is external debt.

## Public & Publicly Guaranteed Debt

	Debt	Arrears	Total
<b>Domestic Debt (Excl Guaranteed Debt)</b>	<b>1 290</b>		<b>1 290</b>
<b>External Debt</b>	<b>1 444</b>	<b>5 634</b>	<b>7 078</b>
Bilateral Creditors	1 070	2 959	4 029
o/w: Paris Club	226	2 808	3 034
Non-Paris Club	844	151	995
Multilateral Creditors	374	2 088	2 462
RBZ-External	0	587	587
<b>Total</b>	<b>2 734</b>	<b>5 634</b>	<b>8 368</b>

111. The pie chart below shows that of the bilateral debt, 75% is owed to the Paris Club, while 25% is to the Non-Paris Club.

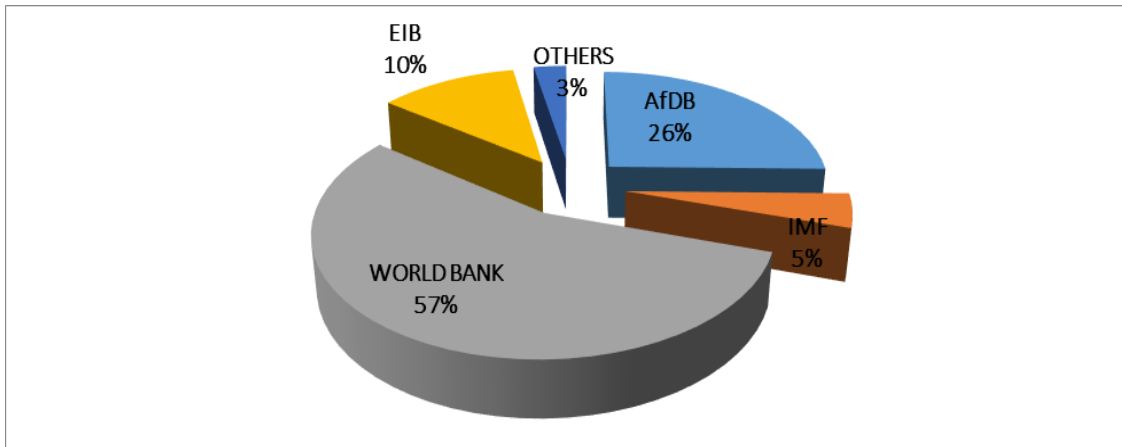
### *Bilateral Debt*



112. Of the US\$2 462 million owed to multilateral creditors, 57% is owed to the World Bank Group, 26% to the African Development Group,

10% to the European Investment Bank, 5% to the IMF and 3% to other creditors.

### ***Multilateral Debt***



***Source: Ministry of Finance***

### ***Domestic Debt***

113. Mr Speaker Sir, the bulk of public domestic debt relates to market issuance of treasury bills to assume Reserve Bank debt, under the Reserve Bank Debt Assumption Act passed into law in August 2015.
114. This process requires validation and reconciliation by the Debt Management Office, with creditors having to provide the relevant documentation.
115. The thrust with regards to issuance of paper in support of ironing out Budget revenue fluctuations is to move away from short-term borrowing, to medium-long-term issuances for debt sustainability.

## **V. BUDGET FRAMEWORK**

### *Down Side Risks*

116. Mr Speaker Sir, the above prospects for the economy will have a major bearing on Budget capacity to support demands and requirements of Ministries and Departments during the 2016 fiscal year.
117. It is in this regard that the crafting of the 2016 Budget is anchored on interventions to minimise on all the downside risks that pose adverse implications on the attainment of our Zim Asset objectives and targets.
118. Already, I have alluded to some of the down side risks primarily stemming from global developments related to commodity prices and demand, adverse weather conditions, fiscal challenges, as well as institutional weaknesses.
119. In particular, potential economic slowdown in such emerging markets as China affects demand for our exports.
120. This, compounded by the continued decline in international mineral prices will continue to undermine the performance of the mining sector as what prevailed in 2015.
121. Furthermore, shocks from unfavourable weather conditions, such as drought, have far reaching implications on agriculture.

122. The 2015/16 weather forecast predicts a challenging agricultural season, with erratic distribution of rains. This, Mr Speaker Sir, has potential negative implications on the outcome of the forthcoming agricultural season.
123. Furthermore, added to the above risks are fiscal challenges related to the susceptibility of our public finances to under-performance, often against the background of unplanned but unavoidable expenditure exigencies, with implications on the Budget balance and its financing.
124. Mr Speaker Sir, efficient utilisation of scarce Budget resources during 2016 will also critically depend on the effectiveness of public institutions, all critical for successful implementation of public projects and programmes.
125. Institutional weaknesses, which are prevalent in both Government, local authorities, public enterprises and other institutions, are a major source of risks which may undermine the 2016 Budget implementation and, hence, require collective redressing.
126. Furthermore, consistent with the His Excellency, the President's Ten Point Plan, prioritisation of the 2016 National Budget interventions will also be necessary.

### *Assumptions*



127. In summary, the broad assumptions underpinning the 2016 Budget Framework are as follows:

- Further prices alignment, with inflation remaining negative and projected to average -1.2%;
- Improved business environment and lower cost of doing business, which build confidence and attract investment to key productive sectors;
- Normal to below normal rainfall season;
- Some rebound of global economic growth to around 3.6% in 2016;
- Subdued international mineral commodity prices, implying low earnings from mineral exports and reduced viability for our mining houses;
- Low international oil prices, implying reduced energy import costs;
- Lower cost of borrowing; and
- Positive prospects arising from the re-engagement process with international financial community.

### ***Budget Parameters***

128. Mr Speaker Sir, Treasury projects a rebound in real GDP growth from this year's estimated 1.5%, to 2.7% next year.

129. Prices are, however, set for further deflation in 2016, with forecast of 1.6% by end of the year. This will give an estimated nominal GDP at market prices of US\$14.2 billion.

### ***Forecasts for 2016***

	<b>2015</b>	<b>2016</b>
National Accounts (Real Sector)		
Real GDP Growth (%)	<b>1.5</b>	<b>2.7</b>
Nominal GDP at market prices (Million us\$)	13 891	14 171
Real GDP at market Prices (Million us\$)	12 379	12 715
Inflation (Annual Average) %	-2.3	-1.6
Government Accounts		
Revenues & Grants (Millions us\$)	3 543	3 850
<i>% of GDP</i>	27.2	27.2
Expenditures & Net Lending (million us\$)	3 837	4 000
<i>% of GDP</i>	27.6	28.2
<i>Current Expenditures</i>	3 600	3 685
<i>% of GDP</i>	25.9	26.0
<i>Recurrent Operations</i>	348.9	384
<i>% of GDP</i>	2.5	2.7
<i>Employment Costs</i>	3 159	3 191
<i>% of GDP</i>	22.7	22.5
<i>Capital Expenditure &amp; Net lending</i>	237	315
<i>% of GDP</i>	1.7	2.2
<i>Budget Balance</i>	-294.6	-150.0
<i>% of GDP</i>	-2.1	-1.1
Balance of Payments Accounts		
Exports (million US\$)	3 430	3 673
Imports (million US\$)	6 311	6 221
Current Account Balance (million US\$)	-2 595	-2 579
Monetary Accounts		

Broad Money	4 672	4 987
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Source: Ministry of Finance & Economic Development Projections

130. Mr Speaker Sir, broad money (M3) is projected to grow by 6.7% to US\$5 billion as at end of 2016.
131. However, on the balance of payments front, only marginal improvement in the current account deficit is anticipated, with the deficit estimated to remain around US\$2.6 billion.

*Budget Estimates*

132. Mr Speaker Sir, based on the above projected GDP growth rates, the projected total revenues for 2016 are US\$3.85 billion.
133. This level of revenue estimates clearly limits the size of overall Budget expenditures for the year, and scope for manipulation to meet various fiscal expenditure demands for Zim Asset projects and programmes.
134. Mr Speaker Sir, I will, therefore, be proposing for the 2016 fiscal year employment of alternative and innovative financing arrangements, underpinned by an appropriate policy environment.
135. Consistent with the above Budget framework, I propose a Budget of US\$4 billion in 2016, with the projected financing gap of US\$150 million funded largely through borrowing on the domestic market.

136. Such level of borrowing will not compromise on our debt sustainability levels, as well as crowd out the private sector.
137. Mr Speaker Sir, the detailed breakdown of the Budget Framework for fiscal year 2016 is contained in Annexure 1.
138. I further propose that the amount earmarked for recurrent expenditure be US\$3.685 billion, while US\$315 million is proposed for the development Budget.
139. Projected employment costs are, at US\$3.191 billion, still out of sync with the Zim Asset thrust. With regards to operations, I propose to allocate US\$384 million.
140. Mr Speaker Sir, in view of declining revenue and the disproportionate share of employment costs, there is little scope for increasing Vote Allocations in 2016.
141. The proposed allocations reflected in the Blue Book are also summarised in Annexure 2, and the amounts indicated in no way match the Ministries' 2016 Budget Bid submissions.
142. Government will, therefore, continue to explore initiatives to reduce the proportion of consumption expenditures in the Budget, that way stimulating economic development.

143. Mr Speaker Sir, drawing from the above Budget estimates and consistent with the Ten Point Plan, allow me now to highlight some of the major Budget interventions for 2016.

## **VI. REVITALISING AGRICULTURE**

144. Government's support for farmers are in recognition of the role of agriculture in food security, and promoting value chain systems. The sector contributes about 60% to manufacturing, and also consumes almost 40% of the industrial output.

145. The importance of the sector also lies in its contribution to export earnings of around 30%, 60-70% of employment, and about 19% of GDP, that way providing a major source of livelihood for over 70% of our population.

### ***Rainfall Outlook***

146. Mr Speaker Sir, our interventions in agriculture for the coming season take account of Metrological Services weather forecasts for the 2015/2016 farming season of normal to below normal rains, with likelihood of late start to the season, coupled with a short rainfall season over December to February/March 2016.

147. Indications are that different Regions will fare differently, and it will be necessary that for planning purposes farmers monitor Meteorological Services Department weather updates, as well as

Extension Services Department advisory warnings on planting, crop maturing varieties, including staggering of planting to spread risks.

148. This should guide farming operations, including choice of short season crop varieties, planting timings, application of fertilizers and pest control, all critical for effective crop yield benefits from the rainfall received within the forecast short summer cropping season.
149. Adoption of moisture conservation farming practices should also benefit farmers as these assist to “extend the growing season”.
150. This would benefit particularly farmers with limited access to irrigation, including those producing under the planned 1.6 million hectares of land targeted for maize, and about 250 000 hectares for small grains, as I indicated in my July 2015 Mid-Year Fiscal Policy Review.
151. Mr Speaker Sir, on its part, the 2016 National Budget is also prioritising cloud seeding, with US\$200 000 having already been disbursed in support of a fairly wider programme. I propose to allocate a further US\$300 000 for this purpose.

### ***Financing of Agriculture***

152. Honourable Members will recall that I reported as part of the July 2015 Mid-Term Fiscal Policy Review that submissions from the farming community were of financial requirements for the summer cropping season amounting to about US\$1.7 billion.

153. Agricultural financing for the 2015/16 season will be, among others, through credit from the banking sector, support arrangements from Government, cooperating partners, farmers' own resources, as well as contract farming arrangements.

*Banking Sector Facilities*

154. Mr Speaker Sir, I am pleased to report that the banking sector has set aside around US\$1 billion, under the coordination of the Reserve Bank in conjunction with the Bankers Association for financing of crop and livestock production during the 2015/16 agriculture season.

155. The commodity breakdown for banks targeted crops' lending for the 2015/16 farming season is as follows:

Banks Agricultural Financing

<b>Category</b>	<b>Amount (\$)</b>
Tobacco	598 146 427
Maize	80 538 000
Soya	25 000 000
Cotton	34 500 000
Livestock, including poultry	60 113 973
Other	46 259 897
<b>TOTAL</b>	<b>944 558 297</b>

156. Mr Speaker Sir, I am happy to note the reports from the Reserve Bank and the Bankers Association on progress with establishment of financing arrangements for farmers by the respective banks.

157. It will be necessary that individual farmers work with their banks to access the credit facilities.

158. In this regard, Mr Speaker Sir, I would like to once again call on our farmers to also honour their obligations in order to sustain the revolving nature of such lending arrangements.

*Anchor Farmers*

159. Furthermore, the Reserve Bank has already pronounced its readiness to facilitate additional financial facilities under which commercial banks will identify committed and productive champion farmers.

160. Mr Speaker Sir, such farmers will be targeted for enhanced support and recapitalisation at affordable interest rates.

161. Development of this is being undertaken in conjunction with the Ministry responsible for agriculture, and the respective farmer representatives.

*Inputs Supply*

162. Mr Speaker Sir, preparations for the season have been made with regards to inputs availability in the market, at relatively lower market prices, and this should also facilitate timeous planting.

163. This has seen local input prices becoming more comparable to agriculture input prices in the region.



## Regional Input Prices

Product	Zimbabwe US\$	Zambia	South Africa	Malawi
50kg Compound D	\$27.50	\$34.39	\$21.25	\$38.68
50kg Compound C	\$33	\$38	-	\$43.86
50kg Top Dressing	\$33	\$32	\$29	\$31
Maize Seed	\$2700-\$3000	\$2600-\$3000	\$3000-\$6000	\$2600-\$3000

Source: Windmill, ZFC, Seed Co

NB \* Other countries use Urea for top dressing whilst Zimbabwe uses Ammonium Nitrate

\*\* Maize seed varies depending with variety

164. Arrears to input suppliers for inputs supplied during the 2014/15 season, valued at US\$6.6 million, have been cleared, thereby ensuring adequate capitalisation of both seed houses and fertilizer companies.
165. In this regard, seed houses and fertilizer companies' capacity to avail both seed and fertilizers for the season is indicated below.

## Inputs Availability

	Targeted Hectares	National Effective Demand	Local Inputs In Stock	Local Production +imports capacity Oct- Dec	Local traders/imports	Total Inputs Supply Capacity	Imports/Surplus
		(tons)	(tons)	(tons)	tons	tons	tons
Maize Seed	1 380 000	34 500	32 535	10 000	-	42 535	8 035
Small Grain Seed	250 000	1 250	2 752	-	-	2 752	1 502
<b>Sub-total</b>	<b>1 630 000</b>	<b>35 750</b>	<b>35 287</b>	<b>10 000</b>	<b>-</b>	<b>45 287</b>	<b>9 537</b>
Cotton Seed	300 000	6 000	-	-	-	8 000	2 000
Soya Bean Seed	40 000	3 600	4 300	--	-	4 300	700
<b>Total</b>	<b>34 000</b>	<b>9 600</b>	<b>4 300</b>	<b>-</b>	<b>-</b>	<b>12 300</b>	<b>2 700</b>
Compound D	1 630 000	197 100	65 000	90 000	57 200	212 200	15 100
Ammonium Nitrate	1 630 000	165 000	65 000	60 000	80 100	205 100	40 100
<b>Sub-total</b>	<b>3 260 000</b>	<b>362 100</b>	<b>130 000</b>	<b>150 000</b>	<b>137 300</b>	<b>417 300</b>	<b>55 200</b>
Lime	1 630 000	10 000	-	-	-	30 000	10 000

Source: Seed houses, fertilizer companies & Ministry of Agriculture, Mechanisation & Irrigation Development

166. This, Mr Speaker Sir, should ensure that our farmers have little difficult in accessing inputs

*Contract Farming Arrangements*

167. Mr Speaker Sir, farmers should also benefit from contract farming arrangements that have become an important win-win scheme for financing agriculture and guaranteeing commodity inputs supply to respective contractors.

168. In particular, contract farming arrangements have positively supported production of such agricultural commodities as tobacco, cotton, barley, soya, sorghum, among others.

169. Some of the concluded contracts are as follows:

<b>2015/16 Contract Farming Programme</b>			
<b>Crop Type</b>	<b>Hectarage</b>	<b>Ave Cost/Ha</b>	<b>Total Cost</b>
	<b>Ha</b>	<b>US\$</b>	<b>US\$</b>
<b>Maize</b>	74 000	745	55 130 000
<b>Soya beans</b>	71 300	765	54 544 500
<b>Sorghum</b>	10 500	500	5 250 000
<b>Sugar beans</b>	1 050	530	556 500
<b>Tobacco</b>	72 000	1 400	100 800 000
<b>Cotton</b>	255 000	575	146 625 000
<b><i>o/w Govt contribution</i></b>	<b><i>60 870</i></b>	<b><i>575</i></b>	<b><i>35 000 000</i></b>
<b>TOTAL</b>	<b>483 850</b>		<b>362 906 000</b>

Source: Ministry of Agriculture

170. However, in the same vein, it will be important that farmers adhere to contract provisions and avoid such practices as side marketing. This Mr Speaker Sir, can only serve to undermine sustenance of such financing arrangements.

171. Contract farming also comes up with advantages of farmer support through provision and access to extension services, over and above guarantee of market for produce.

*Vulnerable Households*

172. Honourable Members will be aware that Government has already commenced implementation of the Presidential agricultural support input scheme for the 2015/16 summer cropping season.

173. Under this, inputs are benefiting the targeted vulnerable 300 000 households, mainly in maize and small grains production, also to ensure food security at both household and national level.

174. I, therefore, propose an allocation of US\$28 million as input support for 300 000 vulnerable households under the 2015/16 agricultural season.

175. The input support package comprises the following:

- 1 x 10 kgs of maize/small grain seed;
- 1 x 50 kgs of compound D; and
- 1 x 50 kgs Ammonium Nitrate.

176. Over and above the US\$28 million facility, farmers are also benefiting from carry over inputs from the 2014/15 season as indicated below:

Input	(tons)
-------	--------

Maize seed	12
Compound D	26 370
Top Dressing	9 768

177. Distribution of fertilizer and seed inputs, as well as other requisite agricultural implements and equipment is ongoing throughout all Districts under the Presidential Agricultural Inputs Support Scheme.
178. As at 5 November 2015, fertilizer supply contracts amounting to 15 000 tons each for compound D and Ammonium Nitrate had been signed and deliveries are currently underway.

*Farmers Own Financing*

179. Honourable Members will be aware that Government delays in paying farmers for deliveries to the Grain Marketing Board have in the past constrained individual farmers' capacity to finance their future cropping programmes. Hence, my commitment to improve on this.
180. Mr Speaker Sir, Government has, therefore, continued to prioritise payment for grain deliveries to the Grain Marketing Board also as a way of capacitating farmers.
181. A total of US\$67.8 million has been paid between January and 12 November for grain deliveries, whilst a total of US\$11 million was availed to the GMB for handling and storage charges.

182. The US\$67.8 million disbursed this year went towards the 2013/14 arrears, US\$44.9 million, while the balance of US\$22.9 million cleared obligations related to this year's deliveries.

### Grain Delivery Payments

Crop	Deliveries (mt)	Value (US\$)	Payments (US\$)	Outstanding obligations (US\$)
<b>2014/15 Carryovers</b>				
<b>Maize</b>	73 271	28 575 622	28 575 622	-
<b>Wheat</b>	20 155	10 077 500	10 077 500	-
<b>Small Grains</b>	15 958	6 223 609	6 223 609	-
<b><i>Sub-Total</i></b>	<b><i>36 113</i></b>	<b><i>44 876 731</i></b>	<b><i>44 876 731</i></b>	<b><i>-</i></b>
<b>2015/16 Intake</b>				
<b>Maize</b>	58 801	22 932 390	22 932 390	-
<b>Wheat</b>	25 303	12 651 500	-	12 651 500
<b>Small Grains</b>	70	27 300	27 300	-
<b><i>Sub-Total</i></b>	<b><i>84 174</i></b>	<b><i>35 611 190</i></b>	<b><i>22 959 690</i></b>	<b><i>12 651 500</i></b>
<b>Total</b>	<b>120 287</b>	<b>80 487 921</b>	<b>67 836 421</b>	<b>12 651 500</b>

183. Mr Speaker Sir, this effectively means that Government has completely cleared all its arrears to farmers for the maize grain deliveries.

184. Furthermore, Government will strive to ensure that no arrears will be incurred going forward.

185. Mr Speaker Sir, with regards to the 2015 wheat intake at the GMB, Government obligations to farmers as at 12 November 2015 stand at US\$12.7 million.

### *Restoration of the Stop Order System*

186. As I indicated in the 2015 National Budget Statement, restoration of the stop order system is pivotal to enhancing the participation of the banking sector in funding of agriculture.
187. The framework, if managed well, provides the desired certainty of loan repayments, that way guaranteeing the sustainability of lending, much required by banks, depositors and borrowers.
188. The Bankers Association is, therefore, working on developing robust arrangements for the re-establishment of the stop order system for all agricultural crops.
189. This will be in consultation with all relevant stakeholders, including the Reserve Bank, the Ministry responsible for Agriculture, and Treasury.
190. This should embrace marketing of a wider spectrum of crops, such as soya beans and cotton, in a similar manner to loan recovery arrangements for tobacco.
191. Mr Speaker Sir, amendment of the Farmers Stop Order Act, Chapter 18 Section 11 will be undertaken to protect all lenders by providing for the participation of all financial institutions, as well as curbing side marketing of crops.

192. Honourable Members will be aware that the challenges in the cotton sector that have seen collapse of cotton production against the background of low returns to the producers also emanate from absence of enforcement of stop orders.

### *Cotton*

193. Mr Speaker Sir, Government recognises the importance of reviving cotton farming, given significant agro-linkages with the textile industry, and involvement of over 300 000 smallholder farmers.

194. Cotton production, at its peak, was the major source of incomes and livelihood for rural communities around the Gokwe, Sanyati, Rushinga and Checheche areas, also accounting for close to a fifth of agricultural exports.

195. The numerous challenges facing the sector resulted in cotton output declining from peak levels of 353 000 metric tonnes in 2000/2001 to 136 000 tonnes during the last season. In the 2015 cotton marketing season, the crop size further declined to 102 000 tonnes.

196. Other factors undermining cotton production included decline in international cotton prices, also against the background of competition from such substitutes as synthetic fibres.

197. The cotton output decline is notwithstanding the installed ginnery capacity of 427 000 tonnes of seed cotton.

### *Restructuring of Cottco*

198. The decline in cotton production has also left Cottco, a major player in the industry with about 35% market share, on the verge of collapse. This, Mr Speaker Sir, is at a time when a number of other private players have exited the cotton market.
199. Inaction on the part of Government can only lead to total collapse of cotton production, with dire consequences across the textile industries' related value chain.
200. In order to reverse decline in cotton farming, Government is championing the resuscitation of cotton production through a restructured Cottco.
201. This entails the following:
  - Government takeover of US\$52.7 million Cottco debt and conversion into equity;
  - Cost restructuring;
  - Resourcing the Cotton Input Financing Scheme in support of the 2015/16 season;
  - Registration of farmers;
  - Marketing of cotton through designated buying points; and
  - Enhancing productivity.



202. Mr Speaker Sir, the Cotton Input Financing Scheme involves provision of inputs to growers on credit, covering seed, fertilizers, chemicals and cash advances for weeding, harvesting and packaging requirements.
203. As I have alluded to above, establishment of mechanisms to facilitate repayments by farmers include introduction of a Stop Order System to ensure efficient management of the Input Scheme Programme for the sustenance of long term cotton farming.
204. This arrangement involves banks and other third parties with skills, as well as systems, to disburse and manage debt and collateral from farmers.
205. Furthermore, companies or merchants that do not contribute to the input supply scheme will not be allowed to participate in the buying back of such cotton.
206. Mr Speaker Sir, over and above the restructuring of Cottco, Government will also be giving free cotton inputs to cotton farmers for the next three seasons in order to encourage cotton production.

*Cotton Input Support*

207. Mr Speaker Sir, Government has unveiled a Cotton inputs support scheme valued at US\$25.8 million, targeting to put 250 000 hectares under cotton production for the forthcoming season.

208. The Table below indicates inputs being distributed.

	Quantity	Value (US\$)
Cotton seed (tons)	<b>5 000</b>	<b>8 500 000</b>
Fertilizers		
<b>Compound L (tons)</b>	8 750	6 125 000
<b>Top Dressing Fertilizer (tons)</b>	8 750	5 687 500
Sub-total	<b>17 500</b>	<b>11 812 500</b>
Chemicals		
<b>Aceternak (tons)</b>	26.3	472 500
<b>Carbaryl (tons)</b>	175	2 362 500
<b>Lambda/Pyretheroids (litres)</b>	262 500	2 362 500
<b>Acaricides (litres)</b>	25 000	320 000
Sub-total		<b>5 517 500</b>
Total		<b>25 830 000</b>

209. A total of 1 million cotton growers are set to benefit from the scheme, with each farmer receiving an input package covering a quarter of a hectare of cotton, comprising the following.

- 5kgs of cotton seed;
- 50 kgs Compound L;
- 25 kgs Top dressing;
- ¼ kg of Carbaryl;
- ¼ litre of Lambda/Pyretheroids;
- 50 g Acenark; and
- 2.5 ml of Acaricides.

210. As at 23 November 2015, about 450 tons of cotton seed had been distributed to farmers, against a target of 5 000 tons.

211. Mr Speaker Sir, the resuscitation of cotton production should also facilitate investment in newer yarning technology in the country, that way increasing benefits for growers as we complete the cotton value chain and reduce exportation in lint form.

*Contracted Cotton*

212. Mr Speaker Sir, in addition to the targeted 250 000 hectares Government supported programme there are also some private arrangements for cotton contract farming.

Company	Target (Ha)	Area	Target Growers	Seed (Mt)	Dispatches
Alliance Gineries	50 000		35 000		524
China Africa	40 000		25 000		150
Chinatex	30 000		25 000		170
ETG Parrogate	30 000		20 000		290
Grafax	40 000		20 000		210
Olam	50 000		25 000		690
Sino Zim	15 000		7 500		122
<b>Total</b>	<b>255 000</b>		<b>157 500</b>		<b>2 156</b>

213. Mr Speaker Sir, a total of 255 000 ha will be supported under private cotton contract farming, with 157 500 growers expected to benefit from this arrangement.

214. In this regard, a total of 2 156 tonnes of seed cotton has already been dispatched to growers.

### *Horticulture*

215. Mr Speaker Sir, Government is also supporting the revival of the once vibrant horticulture sector, through provision of fiscal incentives in the form of incremental exports of horticultural products.
216. This should benefit initiatives by private players to establish a *Horticulture Development Board* to coordinate implementation of the country's horticulture strategy.
217. The strategy aims to localise the global gap quality standard, a voluntary certification for various agricultural products, which should unlock access to lucrative regional and international export markets.
218. At its peak, horticulture was a major foreign currency earner, contributing 2.6% of GDP in 2005. Major exports were flowers, fresh vegetables and fruits, to various African and European markets.
219. However, by 2014, the sector's exports had gone down to US\$10.2 million, amid challenges related to capacity and access to markets, among others.
220. Mr Speaker Sir, the Reserve Bank is coordinating financial sector support for the revival of horticulture, to underpin private players' initiatives, modelled around the smallholder farmer under contract farming arrangements.

221. This has been very successful in Kenya, with farmers benefiting from dissemination of market intelligence through ICT, as well as use of such alternative energy sources as solar and wind at farm level.
222. Government applauds the initiative being taken by horticulture players and will be working closely with the respective farmers in reviving this important sector.

*Soya Bean*

223. Mr Speaker Sir, soya beans is emerging as one of the cash crops with great potential for multiple benefits to farmers and agro industrial processing.
224. I, therefore, welcome the mobilisation of over US\$25 million by the banking sector targeting soya bean production under the 2015/16 agriculture season.
225. Its production is of significant importance to the economy, as a key input in stock feed production, as well as oil processing industries. The potential for employment creation through value addition is immense and hence, the need for enhancing productivity of this crop.
226. The national annual requirement for soya beans is estimated at 240 000 tonnes, against current production of around 60 000 tonnes. At its peak, the sector produced 175 000 tonnes in 2001.

227. Accordingly, to ensure success of this initiative, Government will monitor and assist farmers in the production of soya beans by availing dedicated extension officers.

228. I therefore, acknowledge the technical support that such institutions of higher learning as the University of Zimbabwe have been providing.

### *Commodities Exchange*

229. Mr Speaker Sir, the introduction of a commodities exchange has been outstanding for a long time, a situation undermining access to markets for our farmers.

230. In order to expedite operationalisation, a joint committee led by the Ministry of Finance and Economic Development, and comprising of the Ministry of Agriculture, Mechanisation and Irrigation Development, as well as other stakeholders has been constituted.

231. The commodity exchange will serve as a marketing information hub for farmers, providing them information on markets, timing and prices, among others, which are key to farmers' marketing literacy.

232. This is expected to create an orderly and transparent marketing platform for agricultural products, as well as facilitating accessibility to financing.

## ***Agricultural Mechanisation***

233. Honourable Members will recall that in my July 2015 Mid-Year Fiscal Policy Review, I indicated that Government secured a US\$98.6 million loan facility from the Brazilian Government.
234. The facility is meant to cater for agriculture machinery and equipment, targeting 21 136 small holder A1 and communal farmers under the More Food International Programme.
235. Mr Speaker Sir, all the above 21 136 farmers are operating under 178 irrigation schemes, and the equipment and machinery will be available to the A1 and communal farmers on a cost recovery basis.
236. In this regard, the necessary recovery arrangements have been put in place through Agribank.
237. The overall mechanisation programme is targeted across the country's various Provinces as follows:

### **Equipment and Machinery by Province.**

<b>Province</b>	<b>Tractors</b>	<b>Disc ploughs</b>	<b>Rom discs</b>	<b>Planters</b>	<b>Fert. Spreaders</b>	<b>Knapsack Sprayers</b>	<b>Pumps</b>	<b>Centre Pivots</b>	<b>Hose Reels</b>
Mash Central	40	27	43	36	9	958	14	4	12
Mash West	40	29	43	37	9	878	13	6	13
Mash East	40	28	44	43	9	938	13	4	12
Midlands	40	22	31	30	9	848	13	4	12
Manicaland	40	23	35	32	10	882	13	4	12
Masvingo	40	26	35	33	9	884	13	4	11

Mat North	40	24	29	30	7	738	13	5	12
Mat South	40	27	30	30	8	524	14	6	11
<b>Total</b>	320	218	350	310	70	6650	106	37	96

238. Implementation of the above mechanisation programme is in phases, with Phase 1 constituting delivery of agriculture machinery and equipment valued at US\$38.6 million.

239. As at end of October, equipment worth US\$32.8 million had been received.

240. In May 2015, His Excellency, the President successfully launched the programme, culminating in the selling of equipment and machinery across all Provinces as follows:

Province	Tractors	Disc ploughs	Rom discs	Planters	Fertilizer. Spreaders	Knapsack sprayers	Irrigation Pumps	Centre Pivots	Hose Reel system
	Units	Units	Units	Units	Units	Units	Units	Units	Units
<b>Manicaland</b>	26	24	22	19	12	757	11	2	14
<b>Midlands</b>	23	17	18	18	6	368	8	4	9
<b>Mash Central</b>	41	28	31	30	6	771	23	7	15
<b>Mash West</b>	38	28	35	33	6	758	20	8	22
<b>Mash East</b>	36	24	36	36	7	722	15	5	19
<b>Masvingo</b>	29	18	20	19	7	586	8	3	7
<b>Mat North</b>	31	21	22	23	5	602	11	3	7
<b>Mat South</b>	19	14	15	14	2	226	4	1	3
<b>Total</b>	243	174	199	192	51	4,790	100	33	96

Source: Ministry of Agriculture



241. In order to ensure sustainability of our mechanisation of small holder agriculture, targeted training of farmers and supportive technicians, coupled with provision of extension services, was launched from June 2015.
242. Mr Speaker Sir, as I have said above, beneficiaries will be required to meet the full cost of the machinery and equipment they acquire, including costs related to the delivery of the same.
243. For financing purposes, Government will be facilitating access to banking sector loans for needy, but qualifying, farmers.
244. Mr Speaker Sir, successful implementation of the first tranche will enable launch of the second tranche of US\$30 million worth of equipment.
245. Given that the above facility is catering for only A1 and communal farmers, Government is developing another facility based on a lease basis.

### ***Utilisation of Water Bodies***

246. Mr Speaker Sir, despite Government committing significant amount of resources on dam construction, under-utilisation of our water bodies remains a huge cause of concern.

247. Recent research at the University of Zimbabwe<sup>1</sup> for the Manyame catchment area confirmed under-utilisation of water bodies as a major impediment.
248. The research revealed that despite water availability of over 95%, utilisation levels at Biri and Mazvikadei dams remained low at 19% and 8%, respectively.
249. Mr Speaker Sir, this is also widespread across the other river catchment areas around the country.
250. This requires an integrated value chain system for harnessing and utilisation of water bodies, particularly irrigation rehabilitation and development.

### *Irrigation*

251. Mr Speaker Sir, challenges related to unpredictable rainfall patterns due to climate change demand that we invest in irrigation development, also maximising on use of existing irrigation facilities.
252. In the medium term, Government is implementing the Climate Resilient National Water Resources and Irrigation Master Plan, with the objective of in-depth integration of climate change modelling with development and management of water resources and irrigation infrastructure.

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<sup>1</sup>*Integrated Water Management System for the Middle Manyame Sub-Catchment Area, Masters Students Project, Civil Engineering Department, November 2015.*

253. Currently, Mr Speaker Sir, the objective of our interventions is to ensure that the current total 220 000 hectares of installed irrigation capacity is functional.
254. In pursuance of this target, a total of US\$2.6 million was availed in 2015 towards completion of 13 irrigation schemes covering about 635 hectares.
255. These are ready for commissioning, as indicated in the Table below.

**Completed Irrigation Schemes**

Project	Province	Hectarage	Number of beneficiaries
Igudu	Mashonaland East	150	62
Sadza	Mashonaland East	5	17
Dangarendove	Mashonaland East	68	136
Honde	Manicaland	20	40
Shashe	Masvingo	30	60
Pollards	Matebeleland North	45	90
Hauke	Matebeleland North	40	80
Chesa Mutonde	Mashonaland Central	25	50
Tsakare	Mashonaland Central	20	40
Machirori	Mashonaland West	24	48
Mhende	Midlands	78	265
Upper Lesapi	Manicaland	15	30
Mundi Mataga	Midlands	115	250
Total		635	1 168

Source: Ministry of Agriculture

256. For the 2016 financial year, I propose to channel a further US\$7 million towards irrigation development, targeting 11 290 hectares across the country.
257. The targeted projects are as follows:

## 2016 Targeted Irrigation Schemes

Project	Province	Hectarage	Number of beneficiaries
Maintenance of Irrigation Schemes	National	10 000	2 000
Bulawayo Kraal	Matebeleland North	250	250
Bonde	Manicaland	364	364
Chikwarakwara	Matebeleland South	65	130
Chipoli D	Mashonaland Central	106	106
Bengura	Masvingo	25	50
Kachuta	Mashonaland Central	10	50
Nyamuvanga	Mashonaland West	35	70
Mutawatawa	Mashonaland East	30	60
Mutange	Midlands	105	210
Bubi Lupane	Matebeleland North	200	400
Upper Lesape	Manicaland	100	200
<b>Total</b>		<b>11 290</b>	<b>3 890</b>

Source: Ministry of Agriculture

258. This, Mr Speaker Sir, will be complemented by US\$8.6 million from development partners.

259. Allow me, therefore, to also acknowledge the support we are receiving from development partners towards irrigation development.

### *EU Support for Irrigation*

260. Through the Food and Agriculture Organization (FAO), the European Union (EU) has disbursed US\$2.6 million out of a total budget of US\$7.8 million towards technical support for 20 irrigation schemes covering 1 206 hectares.

261. The schemes are located in Chimanimani, Makoni, Chipinge, Beitbridge, Gwanda and Mangwe districts.

262. Furthermore, in 2015, under the 11th EDF, the European Union availed resources amounting to US\$12.8 million towards food security resilience, agriculture policy development and coordination as well as research and studies in the agriculture sector.

263. In 2016, a further US\$16.1 million has been committed towards resilience capacity building in agriculture for communities to better cope with the negative impact of climate change.

#### *Swiss Supported Projects*

264. Furthermore, the Swiss Development Cooperation has disbursed US\$1.3 million for rehabilitating 14 irrigation schemes, covering 656 hectares and benefiting over 1 425 households in Bikita, Gutu, Masvingo and Zaka districts.

#### *Japanese Supported Projects*

265. Honourable Members will also recall that on 9 November 2015, Government signed a US\$15 million Grant Agreement with the Japanese International Cooperation Agency for rehabilitation and development of the Nyakomba Irrigation Scheme.

266. Mr Speaker Sir, the Nyakomba scheme targets irrigating a total of 674 hectares of agricultural land, subdivided into five blocks in Nyanga District along the Gairezi river.

267. Block A has a total of 146 hectares; Block B, 128 ha; Block C, 115 ha; Block D, 191 ha and Block E, 94 ha.
268. Mr Speaker Sir, targeted crops include sugar bean, maize, paprika, tobacco, chilli and wheat.
269. This project, which represents the first Japanese bilateral grant support to Zimbabwe over the last fifteen years, will install a new irrigation system in the additional land of 146 hectares for some 228 households at block A.
270. In addition, the project involves rehabilitation of 471 hectares in Blocks B, C and D irrigation facilities damaged by Cyclone Eline in 2006. These had originally been constructed through the previous Japanese grant aid of US\$17 million.

**Mhende Irrigation project before and after rehabilitation**



271. The project implementation will commence in 2016, with a disbursement of US\$6 million, which will be used for repair and rehabilitation of existing infrastructure for Blocks A, B, C and D.

272. Mr Speaker Sir, an Agritex extension officer will be attached at each irrigation scheme to enhance productivity.

*IFAD Supported Projects*

273. Furthermore, negotiations are ongoing to unlock new concessional financing of US\$60 million from the International Fund for Agricultural Development (IFAD), under the Smallholder Irrigation Revitalisation Programme.

274. Mr Speaker Sir, this project also prioritises small holder farmers, and should commence in 2017.

*Kuwait and Abu Dhabi Funds Supported Projects*

275. Similarly, the Kuwait Fund and the Abu Dhabi Fund for Development have expressed interest to co-finance the Zhove Irrigation Scheme.

276. The earmarked level of support contributions from the two Funds is US\$20 million and US\$8.7 million, respectively.

277. Mr Speaker Sir, under the protocol agreement, Government will contribute US\$7 million.

*DFID Support*

278. Mr Speaker Sir, allow me also to acknowledge support we are getting from the DFID towards food security.
279. DFID made a commitment to avail US\$48 million in support of the Livelihoods and Food Security Programme administered by the Food and Agriculture Organisation.
280. The programme seeks to rehabilitate irrigation schemes for smallholder farmers in Manicaland, Midlands and Mashonaland Central, as well as supporting of training and extension services.
281. In this regard, for the period to end of September 2015, US\$7 million had been availed under this Facility through four Microfinance institutions.
282. In line with the agreed disbursement framework, US\$4 million will be availed during 2016.

### ***Research and Extension Services***

283. Mr Speaker Sir, under the changing climate conditions and other farming dynamics, specialised training and extension services are vital factors for competitiveness and improved productivity of both large and small scale farmers.
284. In this regard, our Colleges of Agriculture hold the future for this task, and are, therefore, being challenged to broaden their curriculum, offer agro business related training to our farmers, focusing on current



agricultural and conservation practices, and adapting to climate change.

285. I am, therefore, proposing an allocation of US\$3 million towards Research and Extension Services.

### *Security of Tenure*

286. Mr Speaker Sir, Government has been working on measures to improve the security of tenure of both the A1 and A2 resettled farmer.

287. In this regard, the current activity on new boundaries is one of the first steps of providing security of tenure for both A1 and A2 farmers.

288. This programme will facilitate issuance of permits and tradable lease agreements, that way giving economic value to land under both the A1 and A2 resettlement model.

289. Government efforts to unlock the potential of agricultural land in the country are also benefiting from development partner support.

290. In this regard, the European Union is providing Euro 4.74 million, while the UNDP, the implementing partner under the EU intervention which will run until December 2017, will contribute Euro 500 000.

291. The expected outputs of the project include updated data base, valuation and compensation, survey control network and survey of A2

farms, dispute resolution and capacitating the future Zimbabwe Land Commission.

292. Mr Speaker Sir, the establishment of the Land Commission will go a long way to support land administration in the country
293. Under this support, equipment including 19 vehicles, 168 computers and 43 laptops, and 3 sets of the Trimble Global Positioning System (GPS) survey rovers for the Surveyor General, and remote sensing technologies for surveys has been availed, with staff trained in remote sensing, GIS and GPS, as well as field work on farms being undertaken.
294. The above interventions will ensure that the Ministry of Lands and Rural Resettlement has the capacity to monitor and track land utilisation and productivity on agricultural land, anchored on Zim Asset, the Ten Point Plan for economic growth, as well as the recently proclaimed Post 2015 Sustainable Development Goals.

### ***Land Utilisation***

295. Implementation of the land reform programme is a noble strategy for empowering indigenous Zimbabweans. Its implementation brought sanctions to the country from those against the programme. As such, beneficiaries of the programme are naturally expected to fully utilise the allocated land.

296. However, on the ground, a number of farms are idle as a number of farmers are not fully utilising the land, a development which has contributed significantly to under-performance of the sector and overall deterioration of the economy.
297. In this regard, Government will implement measures to encourage increased utilisation of allocated land.

*Farm Rental and Development Levies*

298. Mr Speaker Sir, the rental and development levies payable by A1 and A2 farmers which I announced in my presentation of the July Mid-Year Fiscal Policy Review became effective on 13 November 2015 in accordance with the Finance Act assented to by His Excellency, the President.
299. In this regard, A1 farmers will pay a US\$10 *Rental Levy*, and US\$5 *Development Levy*, all per annum.
300. A2 farmers will pay a *Rental Levy* of US\$3 per hectare, and a *Development Levy* of US\$2 per hectare, all per annum.
301. The above levies are payable quarterly, and apply to all resettled farmers with permits and 99 year leases in all Natural Regions from 1 to 5.
302. Mr Speaker Sir, for avoidance of doubt, the *Rentals and Development Levies* collected shall form part of the Consolidated Revenue Fund.

303. The Minister of Lands and Rural Resettlement, through officers in the Ministry designated by the Secretary of that Ministry, shall be responsible for the collection of the *Rentals and Development Levies* on behalf of the State.
304. The funds derived from *Rental Levies* will be for use by the Ministry of Lands and Rural Resettlement, while Local Authorities will utilise funds raised from the *Development Levy*.
305. Mr Speaker Sir, it should also be noted that the *Development Levy* shall be used to meet expenditures on projects within the rural district council area from which the levy was collected.
306. The *Development Levy* will be used to maintain and set up infrastructure like schools, clinics, dip tanks, and roads, among others.
307. Persons liable to pay the *Development Levy* shall not be liable to pay any developmental levy, imposed in terms of the Rural District Council Act.
308. Mr Speaker Sir, the Minister of Lands and Rural Resettlement will cancel offer letters of farmers who fail to pay *Development and Rental Levies* for three consecutive quarters.
309. The above provisions also apply to cancellation of permits in the case of the failure by a lessee to pay any rentals.

310. The amount of all rentals paid by the holder of an offer letter who becomes a lessee shall be deducted from any amount required to be paid by him or her in terms of the land resettlement lease as arrear rentals from the time the holder occupied the A2 farm to which the lease relates.

### ***Livestock Development***

311. Mr Speaker Sir, weather forecasts of below normal rains will also have adverse implications on our livestock development and rebuilding programmes.

312. This will inhibit livestock preservation interventions related to building stocks of stock feeds, harvesting of grass, drilling of boreholes and rehabilitation of small dams in support of livestock.

313. The thrust of livestock extension services support will also have to extend to management of farm herd stock levels, taking account of the different Natural Regions' rainfalls during the 2015/16 season.

314. As a result, the national cattle herd, which in a normal rain season would have been estimated to increase by over 2% from current levels of 5.5 million, would have to be managed downwards.

### ***Milk Production***

315. In the dairy sector, Government will be supporting initiatives to improve on the breeds and herd size of heifers with an objective of increasing the dairy herd from the current levels of 28 000.
316. Government will continue to work with stakeholders in the dairy industry to provide incentives for companies participating in dairy out-grower schemes.

*Animal Disease Surveillance, Prevention and Control*

317. Mr Speaker Sir, over and above challenges related to drought conditions, the livestock farmer has had to contend with animal diseases which are a major threat to productivity and competitiveness of the livestock sector in 2016.
318. During the 2014/2015 season, the cattle herd was under immense pressure caused by the epidemic of the foot and mouth disease, which continued to spread as a result of increased mixing of wildlife and cattle, as cattle moved wider in search of water, owing to the dry spells experienced during the season.
319. As a result, six out of the ten provinces were affected by the disease, leading to disruption of commercial activities involving cattle and other livestock products.
320. Under difficult financial challenges, Government managed to contain the spread of the disease by vaccinating cattle in the affected and

neighbouring areas, with a total of 450 000 cattle having been vaccinated, whilst over 600 000 cattle have been inspected to date.

321. Quarantine zones have also been instituted around infected areas to restrict movement of the outbreak into new areas. Movement of cattle has also been banned, as well as exhibition of livestock at the country's agriculture shows.
322. Going forward, capacitation of veterinary services and its disease prevention and control programme will be key in enhancing efficiency of production, processing and distribution of animal-source products, as well as contributing to human health.
323. Surveillance measures, strict movement controls and intensive awareness campaigns will continue to reduce the spread of the disease.
324. I propose that more investments be made in support of veterinary control fencing.
325. In this regard, all A1 and A2 farmers will be called upon to invest in their farm boundary fences, not just to control spread of diseases, but also to avoid road accidents, particularly those resettled farmers along our major highways.
326. This will be complemented by fencing off of all National Parks, not only for disease control, but to avoid crop destruction and other problems in settled areas.

327. I, therefore, propose availing US\$2.3 million in 2016 towards procurement of vaccines to control and contain the endemic diseases. Cooperating partners have also indicated their support in this area.

328. Mr Speaker Sir, this intervention is being complemented by the European Union under the 11<sup>th</sup> European Development Fund through provision of resources amounting to US\$10.8 million, which will support the rehabilitation of livestock infrastructure, training and provision of extension services as well as strengthening of the institutional and regulation framework.

#### *Beef Exports*

329. Mr Speaker Sir, the above animal disease control measures are also pertinent to our eventual ability to access beef export markets, particularly the EU and Middle East markets, which rests on the progress we make with regards to animal disease surveillance and control.

330. Compliance with veterinary requirements and guidelines over livestock movements is also essential in this matter.

331. It will also be necessary that we strengthen our strategies to encourage livestock exports.

#### *Levies on Cattle Sales*



332. Mr Speaker Sir, submissions from the stakeholders, particularly cattle farmers, raised concern with the level of charges levied on sale of livestock at cattle sales on the auction market.

333. Submissions from stakeholders indicate that total levies average 10.5% of the sale price of an animal beast, with the levies broken down as follows:

- 3.5% cattle levy to the Council;
- 2.5% to Owners of cattle sale pens (in most cases these are owned by the Local Authority);
- 3% to the Department of Livestock Production and Development for live cattle grading; and
- 1.5% to the Auctioneer.

334. Mr Speaker Sir, communal farmers largely dependent on livestock for their livelihood particularly find levies of 10.5% on the high side.

335. Levy collections become even higher in instances where they are applied to both the cattle seller and the buyer.

336. In view of the above, with effect from 1 January 2016, Government is reviewing these levies from the current 10.5% in consultation with cattle farmers and other stakeholders.

## **VII. ADVANCING BENEFICIATION/VALUE ADDITION**

337. Mr Speaker Sir, Government policy interventions during 2016 will further stress the Zim Asset thrust over implementation of strategies to enhance the beneficiation and value addition of our raw commodities.
338. The thrust is to facilitate value chain linkages from raw materials across the various sectors, primarily mining and agriculture. There are also opportunities for value addition of our tourism products.
339. The benefits are immense, spanning from cushioning against commodity price volatilities, enhanced export realisations, and greater employment creation opportunities.
340. Mr Speaker Sir, going forward with our value addition initiatives requires concerted and consistent investment, both local and foreign.

### ***Beneficiation of Minerals***

341. In mining, focus has been gold refining, chrome ore beneficiation, platinum smelting, as well as cutting and polishing of diamonds.

#### *Gold*

342. Mr Speaker Sir, in the gold sector notable progress is being made following the Budget ban on export of unrefined gold and designation of Fidelity Printers and Refineries as the sole buyer and exporter of gold in December 2013.

343. Honourable Members will recall that the royalty on gold produced by primary and small scale producers was reduced from 7% to 5% and 7% to 3%, respectively, with effect from October 2014 in response to declining gold prices.
344. Furthermore, the royalty rate for small scale producers was further reviewed downwards from 3% to 1% in September 2015 to curb leakages.
345. Consequently, deliveries to Fidelity from both informal, small and large scale producers are up, with notable contribution towards the economy's export earnings.
346. Gold deliveries from small scale miners to Fidelity, which were only 1.7 tonnes in 2013, registered 5.9 tonnes for the period January to October 2015.
347. In this regard, Government support for gold beneficiation is yielding desired results.
348. In 2016, overall gold production from all producers is projected at 20.1 tonnes, up from this year's anticipated 18.7 tonnes. This, Mr Speaker Sir, is notwithstanding softening of gold bullion prices.

*Riverbed Mining*

349. Mr Speaker Sir, Government is concerned by the environmental degradation arising from uncontrolled riverbed mining activities for gold.

350. In order to curb this negative environmental impact, Cabinet has directed that riverbed mining be the prerogative of Government through a Special Purpose Vehicle.

### *Platinum*

351. Mr Speaker Sir, the story with regards to beneficiation of our platinum is taking longer than had been anticipated.

352. Honourable Members will be aware that Government in 2014 introduced a 15% tax on the exportation of raw platinum. The decision was meant to expedite the transition towards value addition of our platinum which had continued to be exported in raw form.

353. Government in 2015 gave a reprieve to platinum producers by lifting the 15% export tax in order to align the implementation of the tax to the proposed road map on beneficiation and value addition.

354. I am, however, pleased to report that platinum producers have now outlined a time-framed roadmap for the setting up of a domestic platinum refining capacity up to base metal refinery stage by 31 December 2016.

### Platinum Beneficiation

Level	Stage	Metallurgical Plant	Stage %	Unki	Mimosa	Zimplats
1	Concentration to produce concentrates	Concentrator	25%	Done	Done	Done
2	Smelting to produce matte	Smelter	50%	Not done, and to complete by end of 2016	Not done, and to complete by end of 2016	Done
3	Base metal refining - recovering of base metals	Base Metal Refinery	75%	Not done, and to complete by 1 January 2017	Not done, and to complete by 1 January 2017	Not done, and to complete by 1 January 2017
4	Precious Metal Refining	Precious Metal Refinery	100%	Not done	Not done	Not done

Source: Ministry of Mines

355. Consistent with this road map, Government is urging each platinum producer to take concrete steps towards Base Metal Refining stage by end of December 2016, failing which the 15% tax on the exportation of raw platinum will apply with effect from 1 January 2017.

### *Diamonds*

356. On diamonds, Honourable Members will be familiar with our frustration with regards to failure by the diamond industry to meaningfully contribute towards meeting the financial requirements of Zim Asset.

357. Mr Speaker Sir, this is a resource that seems to have not benefitted the generality of our people, notwithstanding that the diamond industry has potential to uplift our population, especially as we fully exploit the diamonds value chain.
358. Indeed, there was greater economic impact from diamonds during times of uncontrolled alluvial panning than what is being realised following introduction of formal diamond mining arrangements.
359. In Botswana, where on average about US\$3.2 billion worth of diamonds are produced, respective revenues enable every child in the country to receive free education up to the age of 13.
360. Mr Speaker Sir, the way forward in our diamond sector is consolidation, plugging leakages through enhanced oversight, transparency and accountability.
361. In this regard, Government has, as part of the consolidation framework, established and registered a company, the Zimbabwe Diamond Mining Corporation.
362. This will run the affairs of all diamond mines in the country, with the various diamond mining firms acquiring shares in the consolidated mining company in proportion to their net asset value.
363. Mr Speaker Sir, the process of consolidation will no doubt take a bit of time.

364. Meanwhile, the Ministry of Mines and Mineral Development will proceed to work with the three concessions belonging to Marange Resources, Kusena and Gyname under the consolidated Diamond Mining Company.
365. In this regard, Government has already sourced equipment to undertake expanded diamond mine activities from Belarus.
366. With regards to beneficiation, drawing from the experiences of India where more than one million people are employed in cutting and polishing diamonds, Government has licenced 10 diamond cutting and polishing centres to value add all locally produced diamonds.
367. The licenced companies are now building capacity in diamonds processing, and through acquisition of cutting and polishing equipment.
368. Aurex, a subsidiary of the Reserve Bank has already started cutting and polishing diamonds, benefiting from state of the art cutting and polishing machinery acquired from India.
369. The industry also continues to benefit from VAT exemption on rough diamonds that are acquired for cutting and polishing, an incentive introduced in January 2014.
370. Furthermore, Government has embarked on initiatives for the training abroad of many Zimbabweans in cutting and polishing of diamonds.

371. So far the country has derived 12% value added through just cleaning of diamond prior to exporting.

### *Chrome*

372. In the chrome sector, we had to modify implementation of value addition to allow for ring fenced exporting of stockpiles of raw chrome excess to domestic beneficiation capacity.

373. Hence, Mr Speaker Sir, some 300 000 tonnes of chrome ore were reserved for local value addition. Smelting of chrome ore will ensure that the country gets maximum value from ferrochrome and other value added products.

374. The exporting of ring fenced raw chrome ore and fines is being undertaken through a Special Purpose Vehicle (SPV) created by Government to ensure realisation of fair value on exports. Twelve chrome smelting companies were also allowed to export chrome ore in excess of their smelting capacity.

375. The established SPV will also mop up chrome ore from small scale miners and explore chrome ore refining opportunity through tolling arrangements, that way promoting increased value addition.

### ***Mining Development***

376. Honourable Members will be aware that Government is undertaking a number of reforms in the mining sector with a view of enhancing



exploration, production, value addition and contribution of mining to the fiscus.

377. The reforms also seek to promote accountability and transparency in the sector, and they relate to various areas.

### *Mining Legislation*

378. Mr Speaker Sir, the Minerals Exploration and Marketing Cooperation Bill, as well as the Mines and Minerals Amendment Bill have been approved by Cabinet, and will soon be tabled for consideration by Parliament.

379. The amendments to the Mines and Minerals Act primarily aim at providing mining title for a specified period, and require holders of mining titles/rights to work their claims within a specified period, that way enforcing the use-it or lose-it principle.

380. With regards to the environment, mining houses will be required to establish funds, or make other provisions, to meet the cost of reversing environmental degradation arising from their mining activities.

### *Mining Fiscal Regime*

381. On the other hand, the principles of the mining fiscal regime seek to enhance contribution of mining to the economy by ensuring

accountability and transparency on the part of both Government and mining companies.

382. The objective is also to establish a legal framework that balances the various taxes and fees being paid by the mining sector *vis a vis* their operational viability.

383. The legal framework is being finalised and will go through Government approval processes pending enactment of the Bill, hopefully by the end of June 2016.

384. Various mining houses have also approached Government seeking cushioning in times of low international commodity prices, through provisions for review of royalties and fees.

385. Government is considering these proposals, and any requests for future review of mining incentives, balancing the interests of mining investors and those of the fiscus in the context of the proposed new mining fiscal regime.

#### *Multiple Mining Fees*

386. Mr Speaker Sir, notwithstanding that Government has over the years reviewed mining fees and charges, some of the fees remain relatively high compared to those obtaining in the region, hence increasing costs, and an impediment to new investment.

387. In order to encourage investment in prospecting and exploration activities and also enhance the viability of mining, a further review of selected mining fees and charges will be undertaken in consultation with the Ministry of Mines and Mining Development by the first quarter of 2016.
388. Mining houses also face additional fees and charges to other Government agencies that include the Environmental Management Agency, the Radiation Protection Authority, as well as the Rural District Councils.
389. Mr Speaker Sir, all such fees and charges will be rationalised in the context of the proposed new mining fiscal regime.

*Coal Bed Methane Gas*

390. The development of the Lupane coal-bed methane gas project has the potential to boost the country's energy generation capacity. The project has the capacity to produce 300MW of electricity.
391. Progress has been made and an investor has completed exploration in Dandanda area in Lupane and Binga.
392. Plans to invest over \$2.1 billion towards setting up gas mines, power stations and dams in the Gwayi - Lupane area are underway.

393. Furthermore, Hwange Colliery is also diversifying into coal-bed methane production in Lubumbi, with exploration drilling initiatives underway.

### *Coal*

394. Mr Speaker Sir, Government is concerned that notwithstanding its support in December 2014 for a US\$13.03 million India Exim-Bank line of credit to Hwange Colliery for the purchase of mining equipment, no noticeable growth in coal production has been realised.

395. The company also benefited from a PTA Bank facility of US\$18 million, guaranteed by Government, for the procurement of dump trucks from Belarus.

396. All the above support is over and above Government conversion of US\$80 million Hwange Colliery debt into equity.

397. Mr Speaker Sir, the purchase of new equipment was expected to increase coal production supplies to local industry.

398. Clearly, we cannot grow our economy if our corporate management structures at both public and private entities are allowed to persist demonstrate inefficiency and unaccountability over use of scarce resources.

### *Kamativi Mines*

399. Honourable Members will be aware of the closure of our only tin mine, Kamativi, sometime back on the back of unviable commodity prices, with loss of many jobs and opportunities for surrounding communities.
400. I am, therefore, pleased to acknowledge the progress made with regards to the re-opening of Kamativi mine in partnership with foreign investors.
401. Already, the ZMDC has signed a \$102 million Joint Venture Arrangement with Beijing Ping Chang Investments in September to resuscitate operations at the mine.

*Geological Survey*

402. Further mineral exploration has potential to unearth more information on our mineral resources endowment. This will attract additional foreign investment into the mining sector.
403. Other opportunities include job creation, development of new infrastructure, such as roads and electricity power supplies, and increased tax revenues that, in turn, can be invested in social priorities.
404. Therefore, in order to unlock this potential, the Geological Survey Department in the Ministry of Mines and Mineral Development will be capacitated with the necessary equipment and technology to enable it to carry out enhanced exploration activities.

### *Cadastre Mining Titles Management Information System*

405. Minerals information, as well as its reliability, is important for policy making and strategy development.
406. Government will, therefore, through the E-Government and Cadastre Mining Titles Management Information Systems, computerise the country's register of minerals information, including mineral rights and title, claims and mineral quantum, to improve the administration of the same.
407. The register of mineral cadastre will also record the geographical locations, ownership, and time validity of mining rights and show compliance with all requirements.
408. The envisaged system would, therefore, enhance efficiency in managing claims and disputes resolution.

### ***Mining Outlook***

409. In 2016, the mining sector is expected to rebound, growing by 2.4%, on the back of planned investments, and largely driven by strong performance of gold, chrome, coal, nickel, platinum and diamonds.

#### **Mineral Output**

	2012	2013	2014	2015 Proj	2016 Proj
<b>Black Granite \ '000 t</b>	171	174	180	182	183
<b>Chrome \ '000 t</b>	408	450	511	211	461
<b>Coal \ '000 t</b>	2 564	4 980	6 345	3 900	4 800

<b>Cobalt \ '000 t</b>	195	319	358	344	284
<b>Copper \ t</b>	6 665	8 275	8 261	7 611	7 347
<b>Gold \ kg</b>	14 743	14 065	15 347	18 700	20 100
<b>Graphite \ t</b>	7 022	6 934	6 853	7 500	7 900
<b>Iridium \ t</b>	412	524	544	502	465
<b>Nickel \ t</b>	7 899	14 057	16 633	15 800	16 700
<b>Palladium \ kg</b>	8 136	10 153	10 137	9 600	10 000
<b>Platinum \ kg</b>	10 524	13 066	12 483	12 000	13 290
<b>Rhodium \ kg</b>	891	1146	1140	1096	1096
<b>Ruthenium \ kg</b>	787	1012	983	945	968
<b>Diamonds \ (000) carats</b>	12 015	9 589	4 773	3 360	6 000

*Source: MoFED, RBZ, Ministry of Mines, Chamber of Mines.*

410. The projected growth takes cognisance of the constraints facing the sector, namely, depressed international mineral prices, falling demand in export markets, financing, as well as power shortages.

### ***Manufacturing***

411. The manufacturing sector is strategically positioned to promote value addition from commodity production to processing, branding, merchandising and distribution of a wide range of products.
412. Opportunities for value addition on agricultural commodities include processing of beef, leather, horticulture, cotton, wood and other agricultural commodities, while linkages of manufacturing to the mining sector supports the motor industry, engineering sub-sectors; metals, electrical, pharmaceuticals and chemicals industries.
413. In light of this, Government is facilitating this process through fiscal supportive measures and other incentives.

414. Already this strategy is being expeditiously implemented through the *Cotton to Clothing* and *Leather* value chains.
415. The strategy will be rolled out to other sub-sectors such as metals and metal products, wood and furniture among others.
416. Mr Speaker Sir, the Green Fuel project in Chisumbanje is a value addition outcome where economic development, environment sustainability and social inclusion are all at play as a result of beneficiation. At its peak, this project is anticipated to generate direct employment for between 5 000 and 6 000 people.

#### *Supportive Measures*

417. Fiscal interventions instituted from 2014 in support of various industries achieved positive results, with a number of distressed firms being resuscitated, while others managed to increase their capacity utilisation.
418. Mr Speaker Sir, notable examples are in the textile, leather, milling, among others, with jobs saved.
419. In the same vein, Government will continue to monitor performance of the supported industries with a view of ensuring that such entities improve their competitiveness and graduate from assisted fragile firms to resilient industries.

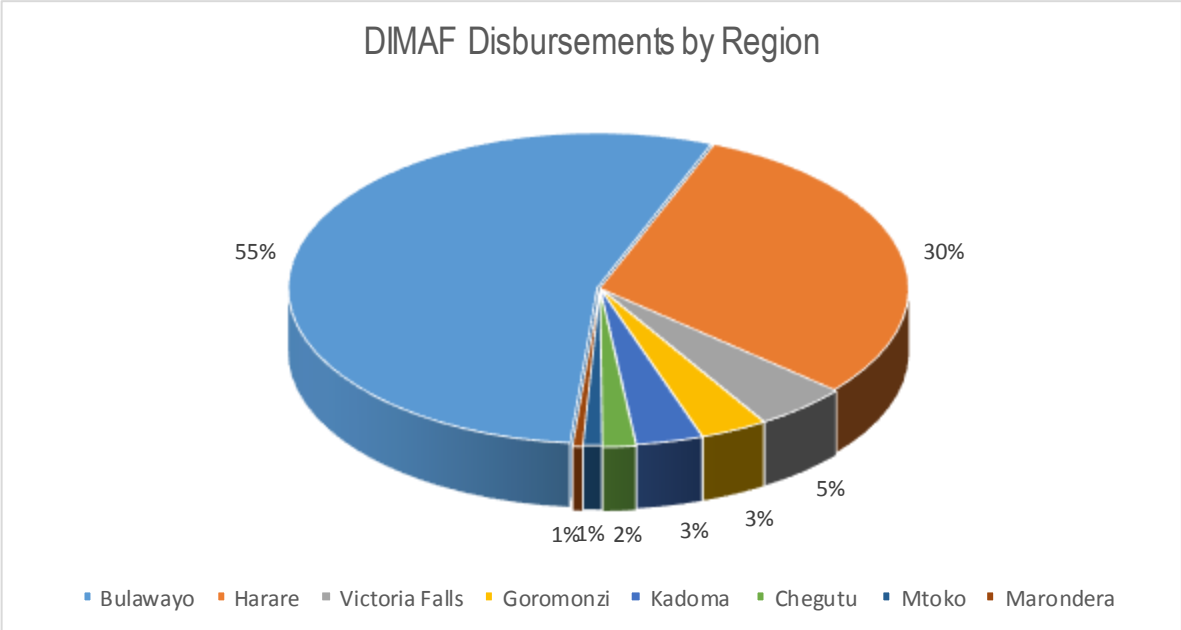
#### *Distressed and Marginalised Areas Fund*



420. As Honourable Members may recall, Government in collaboration with Old Mutual established the DiMAF Facility in 2012 where each contributed US\$10 million to address capital challenges faced by distressed and marginalised companies.

421. As at end of October 2015, about 51 companies had benefited from this facility, with disbursements being made through CABS, the appointed administrator of the Fund. CABS has since approved loan applications worth US\$29.3 million and disbursed US\$28.7 million.

422. The loans were disbursed to manufacturing, services and distribution, agriculture, mining and transport sectors in the Regions shown below;



Source: Ministry of Finance & Economic Development and CABS

423. Mr Speaker Sir, I am pleased to announce that this Facility has enabled most beneficiary companies to increase their capacity utilisation, revenues, employment, as well as exports.
424. Notwithstanding the above achievements, non-performing loans under DiMAF are on the increase due to cyclical problems faced by some companies, poor demand, subsidised imports, and delayed disbursements.
425. I strongly press upon the beneficiary companies to put in place appropriate measures to enable them to pay their instalments as they fall due.

*Zimbabwe Economic and Trade Revival Facility*

426. Honorable Members will recall that in 2010, Government successfully negotiated a US\$70 million ZETREF Facility with the AfreximBank, to which Government contributed US\$20 million and AfreximBank, US\$50 million.
427. To date, about 54 companies benefited from the Facility with disbursements being made through eight (8) participating local banks. These companies are drawn from the agriculture, manufacturing, construction, tourism, health, media, distribution and forestry and timber.

428. It is encouraging to note that the ZETREF Facility has enabled most beneficiary companies to increase their capacity utilisation, revenues, employment, as well as greater potential for export capacity. Of special to mention is, Anchor Yeast, Archer and PSMI, among others.
429. Mr Speaker Sir, the above US\$70 million ZETREF Facility supported by the Afrexim Bank to facilitate access to finance by industry will have its first phase end in December 2015.
430. In view of the importance and relevance of this facility, Government is extending it and will launch the second phase of ZETREF in the first quarter of 2016, with the same objective of assisting companies to access affordable finance.

### ***Tourism***

431. Tourism, one of Zim Asset's quick wins, is recognised as one of the pillars anchoring Zimbabwe's economic recovery and growth.
432. In 2015, some progress was made in this sector and this relates to marketing programmes including participation at major tourism fairs in Spain, Germany and the United Kingdom.
433. In addition, the country successfully hosted the Harare International Carnival and the Sangana/Hlanganani World Tourism Expo.

434. However, a lot still remains to be done and priorities will be on tourism promotion, infrastructure development, domestic tourism and other destination marketing initiatives.

435. According to the Zimbabwe Tourism Authority forecasts, tourist arrivals are projected to increase to 2.5 million in 2016, benefiting from vigorous destination marketing and promotion activities targeted at the international, as well as the domestic market.

436. This should also be supported by initiatives to:

- Ensure destination competitiveness;
- Develop new tourism products;
- Invest in *Brand Zimbabwe Promotion*;
- Introduce a new visa regime; and
- Enhance bilateral and multilateral cooperation in tourism.

437. The Kaza Uni-Visa Pilot project which was launched in November 2014 and provides borderless travel for tourists on a single visa within the territories of Zimbabwe and Zambia, with immense tourism potential for the region.

*Cooperating Partners Tourism Support*

438. Government also wants to recognise support from development partners in tourism promotion.

439. Mr Speaker Sir, the Tourism Enhancement Project supported by the African Development Bank is progressing well.
440. A total of US\$0.6 million against an allocation of US\$1.3 million was disbursed as at 30 September 2015, with an additional US\$200,000 expected by end of year.
441. The project seeks to produce a conducive environment for tourism investments.
442. In this regard, the following have been achieved:
- Development of Community Tourism Strategy;
  - Identification of Domestic Tourism Products is on-going; and
  - Approval of the Tourism Master Plan.
443. In 2016, US\$500 000 will also be disbursed towards the tourism enhancement project.

*Victoria Falls Tourism Special Economic Zone*

444. Mr Speaker Sir, the conferment of Victoria Falls as a Tourism Special Economic Zone International Financial Centre should be followed up with the necessary investments for the economy to realise the tourism potential arising out of this.
445. Already, Government has availed 274 hectares of land to a Special Purpose Vehicle, the Mosi-Oa-Tunya Development Company

incorporated in March 2012 through the Ministry of Tourism and Hospitality to facilitate the implementation of this concept.

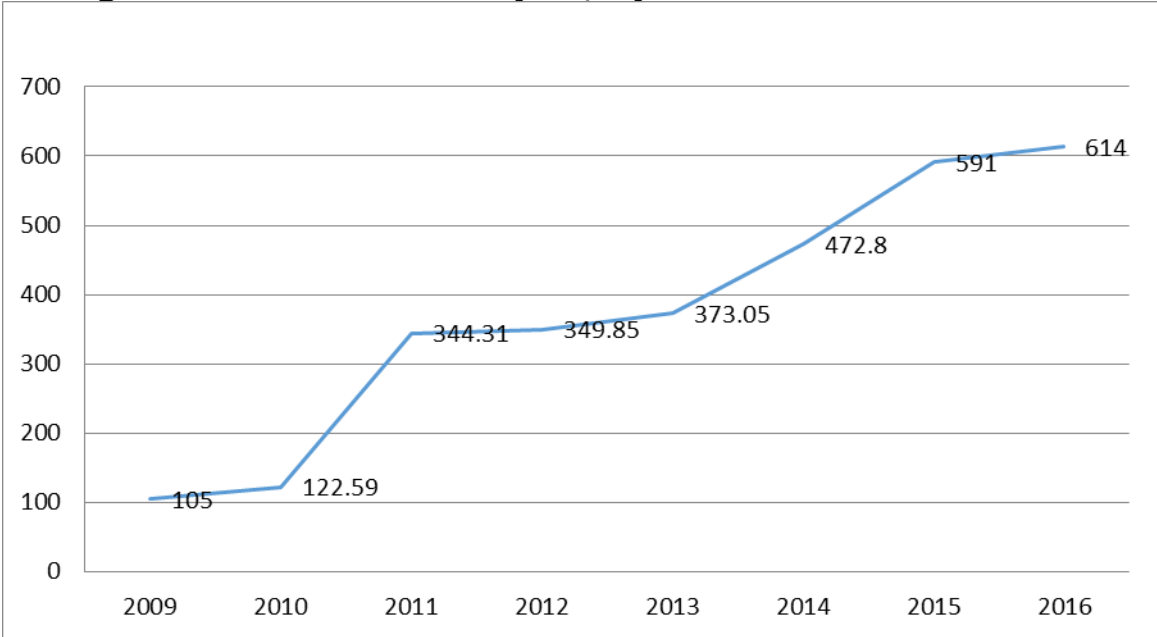
446. This project should leverage on the various tourism products already in existence, which include, among others, leisure, business, conferences, financial, medical, sports, religious, cultural, and education.
447. These tourism products require different facilities and, hence, the proposed Tourism Economic Zone should be designed in a manner that meets the different interests of these customer groups.
448. The project should bring immense benefits through expected growth in tourism arrivals, increase in tourism generated income and employment creation across the value chain.
449. Accordingly, drawing from international best practices, the necessary incentives and dispensations in the areas of taxation, duty, liberal visa regimes and exchange control regulations will be availed.

### **VIII. ENCOURAGING PRIVATE SECTOR INVESTMENT**

450. Mr Speaker Sir, Zim Asset recognises that investment is crucial to turn around the economy. More investment means more jobs and higher productivity.

- 451. In this regard, a friendly and conducive investment environment remains key for our economy to successfully compete and attract investment in the global market.
- 452. This is critical for us to raise foreign direct investment from the 2015 estimated levels of US\$591 million, and projections of US\$614 million for 2016.
- 453. SADC economies of South Africa, Zambia, and Botswana are registering foreign direct investment annual averages of US\$6 billion, US\$2 billion, and US\$1.8 billion, respectively.

**Foreign Direct Investment (US\$M).**



Source: Reserve Bank

- 454. It is against this background that Government has gone all out to improve on the economy's *Ease and Cost of Doing Business*, concluding outstanding BIPPAs, enhancing diaspora contributions, as well as mobilising lines of credit.

## ***National Competitiveness***

455. Mr Speaker Sir, one of the main obstacles to growth and development is the uncompetitive business environment.
456. A comprehensive study to critically interrogate the major cost drivers in the economy was undertaken, culminating in the launch of the National Competitiveness Assessment Report in October 2015.
457. The report benchmarks the country's performance on carefully selected global indicators against selected comparator country economies.
458. It further provides comparative analysis of the country's areas of competitive advantage, as well as major cost drivers such as labour, power, water, finance, transport, taxation and information communication technology.
459. Notable areas of competitive advantage identified in the report, include human resources, economic diversity, geographical location and abundant natural resources among others.
460. On the other hand, constraints to the country's competitiveness were identified as inefficiencies in the goods, labour and financial markets, slow uptake of new technology, high tax rates, infrastructure deficiency and multiplicity of business licences and levies.



461. This relates to charges of utilities and services offered by Government agencies, local authorities and public enterprises.
462. In order to address the constraints affecting the competitiveness of the economy, Government has already transformed the National Incomes and Pricing Commission to the National Competitiveness Commission, whose objective is to spearhead competitiveness as well as ease and cost of doing business reforms.
463. Operationalisation of the NCC will be expedited in 2016 to coordinate implementation of the National Competitiveness Assessment Report recommendations.

*EMA Levies*

464. Mr Speaker Sir, the current statutory fee for submission of Environmental Impact Assessment (EIA) documents is currently pegged at 1.5% of the project costs and the fees are payable upfront in terms of the provisions of Statutory Instruments 3 of 2011. The fee levels and structure are stifling investment into the country.
465. As part of improving the Ease and Cost of Doing Business, Cabinet has approved the following Environment Impact Assessment fees on a sliding scale and staggered payment as indicated in the table below:

**Environmental Impact Assessment Fees Adjustments**

Project Category	Current EIA	Proposed sliding	Level of environmental and social impact and	Staggered Payment terms of EIA (%) project costs)
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<b>y</b>	<b>Fees</b>	<b>scale fee</b>	<b>example of projects</b>	<b>Upon EIA submission</b>	<b>Upon Implementation</b>	<b>During implementation</b>
<b>A</b>	1.5% of project cost	US\$210.00	Small scale projects with minimal impact: small scale mining, small scale infrastructural development projects, SMEs etc	100%	nil	nil
<b>B</b>	1.5% of project cost	0.8% of the project cost	Moderate impacts e.g. Tourism infrastructure, commercial brick moulding, housing development etc	0.26%	0.26%	0.28%
<b>C</b>	1.5% of project cost	1% of the project cost	High negative impacts e.g. commercial entities, manmade lakes etc	0.33%	0.33%	0.34%
<b>D</b>	1.5% of project cost	1.2% of the project cost	Extremely High negative impacts e.g mining, ore processing, chemicals plants, tanneries, oil and gas exploitation. Impact can continue after decommissioning e.g. acid mine drainage	0.4%	0.4%	0.4%
<b>E</b>	1.5% of project cost	The maximum payable EIA fee shall be US\$2 million	EIA fee cap for all the categories from B to D	20%	20%	60%

Source: Ministries of Water

466. Mr Speaker Sir, a maximum cap of US\$2 million is applicable for projects that exceed the stipulated levels.

467. The new tariff schedules are effective with effect from 1 December 2015.

## **Water Tariffs**

468. Mr Speaker Sir, in order to leverage economic value, mobilise resources for maintenance of existing dams and to complete ongoing projects, Government has reviewed the raw water tariffs as follows:

### **Water Tariffs**

<b>Customer category</b>	<b>Current tariff (from 01/10/12 to date)</b>	<b>(from New tariff)</b>	<b>% change</b>
	US\$/ML)	US\$/ML	
<b>A2 Farmers</b>	6.82	5.00	-27%
<b>A1 Farmers</b>	5.00	3.00	-40%
<b>Communal Farmers</b>	4.50	2.0	-56%
<b>Industry</b>	9.45	9.45	0%
<b>Local Authorities</b>	6.00	6.00	0%
<b>Commercial Agriculture(Estates)</b>	9.45	12.00	27%
<b>Mining</b>	50.00	50.00	0%

Source: Ministry of Water

469. Mr Speaker Sir, the new water tariffs which take effect from 1 December 2015 should lead to more water uptake and usage, particularly for irrigation facilities.

### ***Ease of Doing Business Reforms***

470. Mr Speaker Sir, focused commitment on implementation of reforms pays dividends.

471. Zimbabwe's rank in the recently published 2016 World Bank Ease of Doing Business dramatically improved from 171 in 2015 to 155 out of 189 countries.

472. This is a result of efforts made on improving our policies and reforms in just the following two areas:

- *Getting Credit*, where the Zimbabwe ranked 79 from 90; and
- *Protecting Minority Investors*, where Zimbabwe moved from position 87 to 81.

473. If the country had embraced reforms in other critical areas which, keep stalling progress in attracting investment such as starting a business (182 from 179), paying taxes (145 from 142), trading across borders (100 from 99), among others, Zimbabwe would have leaped to the top 100 performers.

#### Ease of Doing Business Indicators

Topics	DB 2016 Rank	DB 2015 Rank	Change in Rank
<b>Starting a Business</b>	182	179	↓ <b>-3</b>
<b>Dealing with Construction Permits</b>	184	185	↑ <b>1</b>
<b>Getting Electricity</b>	161	160	↓ <b>-1</b>
<b>Registering Property</b>	114	114	No change
<b>Getting Credit</b> ✓	79	90	↑ <b>11</b>
<b>Protecting Minority Investors</b> ✓	81	87	↑ <b>6</b>
<b>Paying Taxes</b>	145	142	↓ <b>-3</b>
<b>Trading Across Borders</b>	100	99	↓ <b>-1</b>
<b>Enforcing Contracts</b>	166	166	No change

Source: 2016 World Bank Ease of Doing Business Report

474. On dealing with construction permits indicator, Zimbabwe scored 7 out of possible 15 points. This index measures the quality of building

regulation and its implementation and it constitutes 25% in the total ease of business ranking.

475. Similarly, under the getting electricity indicator, Zimbabwe scored 0 out of possible 8 points. This index measures the reliability of electricity supply, transparency of tariffs and price of electricity and it constitutes 25% in the DB16.
476. Registering property indicator constitutes 25% and Zimbabwe scored 8.5 out of possible 30 points on in the DB16. The index measures the quality of land administration systems.
477. On enforcing contracts indicator, Zimbabwe scored 5 out of possible 18 points. The index constitutes a third of the enforcing contracts indicator in DB16.
478. Aggressive implementation of ease of doing business indicators is worldwide in competition for investment, with many of our competing Sub-Saharan Africa economies making positive inroads in this area.
479. Hence, Sub-Saharan Africa also boasted half of the world's top 10 improvers, i.e. Uganda, Kenya, Mauritania, Benin and Senegal whose implementation of reforms saw them move up on the global rankings scale.
480. Hence, Mr Speaker Sir, we need to improve on the gains we are beginning to make. In this regard, we need to continue working on closing the gap in many key areas that impact the ease of doing

business, especially increasing access to reliable electricity and providing effective commercial dispute resolution and other areas as indicated above.

*Coordination of Doing Business Reform*

481. Mr Speaker Sir, implementation of the ease of doing business reform has been scaled up and is now being driven by the Office of the President and Cabinet, under the Rapid Results Approach.

482. For this purpose, Thematic Technical Working Groups under the following issues are now in place:

- Starting A Business;
- Paying Taxes and Trading Across Borders;
- Getting credit, and Resolving Insolvency;
- Enforcing Contracts and Protecting Minority Investors; and
- Registering Property and Getting Construction Permits.

483. The target date for overall completion of all major reforms is March 2016.

484. Implementation of the above is expected to improve Zimbabwe's ease of doing business ranking from 155 of 2016 to the top 100 by 2017, with further ranking improvements in the coming years.

***One Stop Shop Centre***

485. Mr Speaker Sir, there has been slow pace on the operationalisation of the Zimbabwe Investment Authority “*One Stop Shop Centre*” (*OSS*) owing to some reluctance on secondment of staff by relevant line ministries and departments.
486. In order to expedite this, a Ministerial Working Committee has been tasked to develop an appropriate model for an effective and vibrant One Stop Shop Investment Centre aimed at accelerating investment deals destined to the country.
487. The new ZIA OSS will take advantage of the E-Government platform and other ICT facilities to ensure quick decision making and processing of investment proposals.
488. The new framework will also resolve the challenges related to secondment of staff by line Ministries.
489. The transformation of the Zimbabwe Investment Authority (ZIA) into a true one stop-shop investment centre should streamline processing of investment applications, under a transparent and simplified policy framework.
490. For ease of access to information and to the benefit of investors, Government would publish the procedures of this process on Zimbabwe Investment Authority’s website.

### ***Indigenisation and Empowerment Framework***

491. Mr Speaker Sir, the position of indigenisation in the resources sector has been clarified on several occasions by His Excellency, the President, to reflect that the contribution of our designated entities towards our 51% shareholding will be effected through the resource being exploited, and at no monetary cost to the Government or the designated entities.
492. Consultations towards strengthening and clarifying the processes of implementing the indigenisation policies in the other sectors of the economy outside the resources sector have been completed.
493. To this end, the Minister of Youth, Indigenisation and Economic Empowerment, will be announcing and gazetting before Christmas the frameworks' templates and procedures for implementing the indigenisation policies in a manner that both promotes investment and eliminates discretionary application of the law.
494. Mr Speaker Sir, such measures will contribute immensely towards the ease of doing business in the country and will render the services sector of our economy conducive for foreign direct investment.

***BIPPAs***

495. To demonstrate commitment to providing a secure environment for investment, Zimbabwe is a signatory to a number of BIPPAs with different countries.



496. To date, Government has signed about 54 BIPPA's which are at different stages of compliance with the country's constitutional requirements.
497. Sixteen BIPPA's are still under negotiation, three are awaiting signature, 19 are awaiting ratification and nine have already been ratified.
498. Government has also reiterated its firm commitment to continue to negotiate BIPPA's with potential investment source countries in a bid to boost investor confidence, thereby attracting the much needed FDI.
499. Government is working to get outstanding Bilateral Investment Promotion and Protection Agreements (BIPPA's) with various countries signed.
500. The signing of BIPPA's is likely to increase investor confidence through creating favourable investment conditions.

### ***Special Economic Zones***

501. Government is currently crafting the necessary framework for the creation of Special Economic Zones.
502. It is envisaged that these enclaves help promote value addition and product beneficiation in line with Zim Asset, as well as regional industrialisation initiatives under the SADC and all umbrellas.

503. Already, Government has targeted industry and zones for SEZs, of which leather and textiles would be in Bulawayo; petro-chemicals, Lupane; tourism, the swathe of territory or corridor stretching from Victoria Falls-Gwayi–Binga–Kariba; finance, Victoria Falls; technology hub, Sunway City; and diamond cutting, Harare and Mutare.
504. Successful implementation of Special Economic Zones will attract increased foreign direct investment, that way increasing capacity utilization in the economy.

### ***Efficiency at Border Posts***

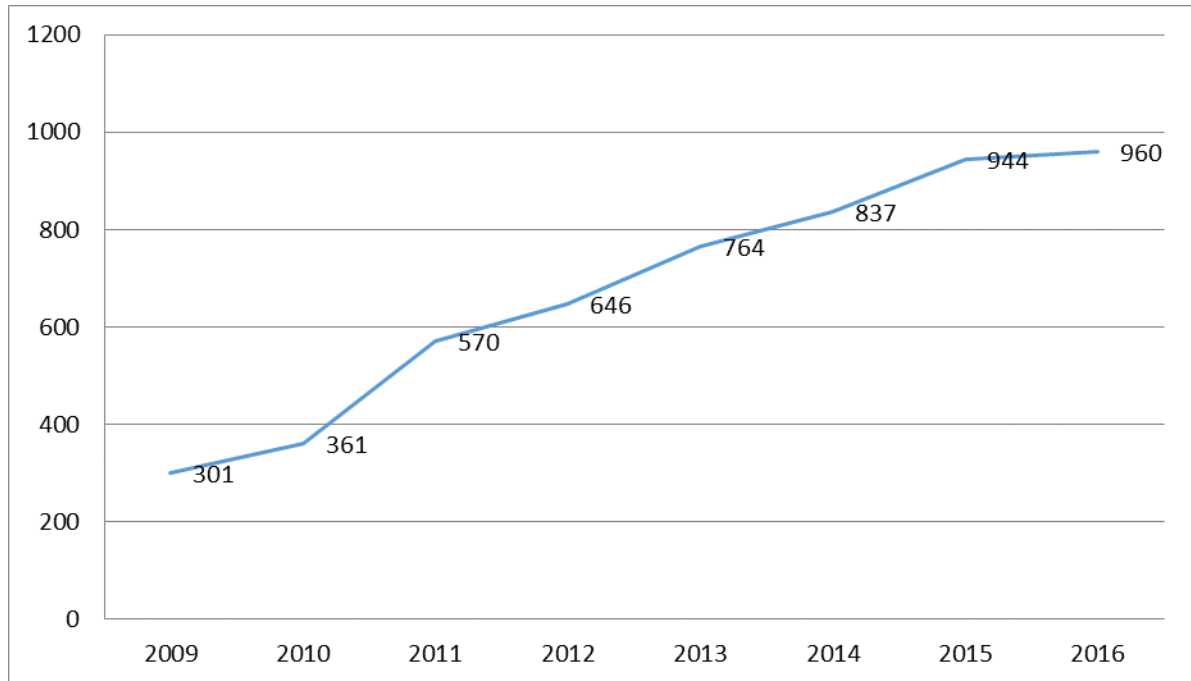
505. Efficiency at border posts is important for both exporters and importers' avoiding unnecessary costly delays and other administrative costs.
506. In response to stakeholder's outcry, Government will expedite the process of transforming border posts into one-stop centres.
507. Rationalisation and consolidation of all Government departments to one counter to save time and discourage corruption and leakages will be pursued.
508. In addition, extension of operating hours at main border posts of Chirundu and Livingstone to 24 hours will be considered in order to improve trade facilitation.

509. Similarly, the opening hours at the Kazungula Border Post with Botswana are being extended to 20:00 hours, from the current close of business at 18:00 hours.
510. Personnel manning Border posts will also be required to enhance post import inspections and act on tip-offs.

### ***Diaspora Remittances***

511. A number of policies to mobilise diaspora remittances as an important source of liquidity in the economy have been instituted.
512. Official diaspora remittances have been growing from US\$300 million in 2009 to more than US\$800 million in 2014 and are projected at about US\$960 million in 2015.
513. The increase is attributed to the improved confidence by diasporans in sending money, through the formal system.
514. This follows a review of the regulatory framework for Money Transfer Agents, including permission to remit funds outside the country.
515. The number of money transfer agencies has also increased in response to the increased inflows.

### **Remittances (US\$M)**



Source: Reserve Bank

516. In order to take advantage of this potential financing source, Government will finalise the National Diaspora Policy, which seeks to provide a comprehensive framework for harnessing diaspora remittances.

## **IX. UNLOCKING THE POTENTIAL OF SMEs**

517. Small to Medium Enterprises continue to play a key role in the economy, employing about 60% of the country's workforce and contributing about 50% of the country's Gross Domestic Product.

518. Therefore, Government will be paying close attention to this sector, with support on resolving the perennial challenges such as financing, infrastructure, technology, management and entrepreneurial skills as well as marketing.

519. The Zimbabwe Stock Exchange has also developed a regulatory framework and other supporting structures to embrace the SME market and these will be finalised in the first half of 2016.

*SME Incubation Centre*

520. At the outset, Mr Speaker Sir, let me commend the development assistance being offered by the Government of India.

521. Honourable Members may recall that in my 2015 National Budget, I announced that the Indian Government pledged machinery for an Incubation Centre in February 2012, to train SMEs entrepreneurs on various production and business management skills.

522. I am pleased to advise that Government received US\$557 883 worth of machinery comprising manufacturing, packaging, processing, and moulding equipment among others.

523. The renovation of the Incubation Centre, to house the machinery is underway, and the installation of machinery is expected to commence in March 2016.

524. Mr Speaker Sir, this support resonates well with His Excellency's Ten Point Plan for growth as well as the Zim-Asset's thrust of strengthening SMEs as a strategy for poverty eradication.

525. Furthermore, the 2016 Budget will provide support to the SMEs sector in the following key areas:

- SMEs industrial parks;
- Completion of Indo-Zim Common Facility Centres;
- SME bank (SMEDCO capitalisation);
- Entrepreneurial skills upgrading;
- Market access through business to business linkages and trade promotion;
- Cooperatives development;
- Promotion of value chains through SMEs; and
- Development of the SMEs formalisation strategy.

### ***Women Empowerment***

526. Notwithstanding resource constraints, the 2016 Budget prioritises women empowerment projects and programmes, especially in view of the fact that 52% of total population are women.

527. In considering various bids from line Ministries, Treasury was guided by the policy requirement for line Ministries to reflect gender mainstreaming in their Budgets, through gender specific Budget lines.

528. Hence, the Budget thrust is on carrying forward the various women empowerment projects and programmes in line with the above requirement as well as the Zim Asset objectives on value addition and poverty eradication.

529. Specific programmes to be pursued under this Budget include the following:

### *Capacity Building*

530. Mr Speaker Sir, the empowerment of women in 2015 was greatly hampered by the lack of financial resources.

531. Nevertheless, the following were achieved:

- 1 326 women were trained in small grain production and conservation agriculture;
- 44 women trained in horticulture production;
- 1 536 women trained in food processing;
- 1 309 women mobilised and are involved in animal husbandry (cattle, beef, goats chicken and beekeeping), with funding from a partner. Five women projects in agriculture were set up in Chivi, Gutu, Nyanga, Murewa and Mutoko Districts. A total of 300 women benefited from this funding;
- 2 450 women were sensitised on mining regulations;
- 43 women sensitised on the importance of environmental assessments; and
- 397 women trained on custom, border regulations amongst other issues; of which the majority were linked to markets, funded under the women development fund.

532. Mr Speaker Sir, I am pleased with progress being made by the Women Affairs Ministry on the above various training and capacity building programmes on gender mainstreaming.

533. These countrywide programmes covering line ministries, parliamentarians, local authorities as well as provincial and district structures are a key component for economic empowerment and poverty eradication.

#### *Women's Micro-Finance Bank*

534. Mr Speaker Sir, fiscal constraints had a drawback on speedy establishment of the Women's Bank as envisaged. This undermined funding of various planned women empowerment projects in agriculture, agro-processing, tourism, construction, ICT, trade, mining and other value adding activities.

535. Therefore, the Budget is proposing to allocate a further US\$5 million to advance implementation of this project, whose designs are already in place through KPMG facilitation.

536. Within this context, the Ministry of Women Affairs, Gender and Community Development has since appointed a consultant to work on the business plan for setting up a Women's Micro-Finance Bank of Zimbabwe.

#### *Community Development*

537. Promotion of community development projects is at the core of women empowerment strategy.



538. The respective Community Development Policy is being validated and focuses on promoting various income generating projects together with training in business planning, management, marketing among others skills acquired.
539. Realising the urgent need for energy in both rural and urban areas as well as limited electricity supply, the Ministry of Women Affairs will embark on use of renewable sources of energy such as biogas and solar.
540. Therefore, in 2016 the Ministry will assist communities in the 61 rural districts in the construction of biogas tanks, conscientise communities on the benefits of using clean energy and also train them in solar panel making under this fund.
541. For this purpose, I am, therefore, proposing an allocation of US\$500 000 for the Community Development Fund.
542. The line Ministry will intensify internal savings and lending and entrepreneurship development in all the 1 958 wards countrywide targeting 200 people per ward.
543. Mr Speaker Sir, other programmes to be prioritised in 2016 on women empowerment include dealing with gender based and domestic violence.

### ***Youth Empowerment***

544. Youth empowerment is crucial to the economy, especially as youths are the leaders of tomorrow.
545. Several strides have been made towards supporting Vocational Training Centres. To that effect, a substantial amount was released during the period January to September 2015, to support Kaguvi, Magamba and Chaminuka training centres, among others.
546. On 16th October 2015, Government also launched the Localised Empowerment Accelerated Fund (LEAF) which will be administered through normal banking channels at an interest rate of 10% per annum. This is in collaboration with 3 local financial institutions, namely CBZ, CABS and POSB.
547. LEAF is a US\$10 million loan scheme targeted at empowering the youth by supporting their business ventures.
548. Furthermore, the International Labour Organisation is supporting youth sponsored centres. The support targets youth training in business project management, business projects identification and marketing. Government will complement this effort through allocating US\$75 000 per administrative district.
549. Support for youth programmes will be strengthened in 2016, targeting programmes and projects that are more relevant to the current structure of the economy.

550. In that regard, US\$2.5 million will be earmarked to selected Centres, to be identified in conjunction with the Ministry of Higher and Tertiary Education, Science and Technology Development.

551. Furthermore, various initiatives and activities under the land reform programme will also priorities youth empowerment.

*Youth Enhancement Project*

552. Mr Speaker Sir, the Youth Enhancement Project with the support of the African Development Bank is progressing well.

553. A total of US\$0.6 million against an allocation of US\$1.135 million was disbursed as at 30 September 2015, with an additional US\$40,000 expected by end of year.

554. The project seeks to improve access to business information for the youth.

555. In this regard, the following have been achieved:

- 30% of the youth are accessing information on business opportunities; and
- Training of youths is in progress.

556. In 2016, US\$700,000 will also be disbursed towards the project.

**X. INFRASTRUCTURE DEVELOPMENT & UTILITIES**

557. Mr Speaker Sir, in my previous Budget Statements to this August House, I have alluded to the need for us to invest more towards infrastructure in order to unlock our economic growth potential and social progress.
558. The key areas include water, energy, housing, roads, hospitals, railways, ICT, irrigation and education infrastructure.
559. In a small way, and in line with our capacity, we have been able to implement a number of projects in various sectors with some positive impact on the economy.
560. Yet, a lot more still needs to be done to meet the high demand for public infrastructure provision.
561. For this, as already alluded to in the Zim Asset, combined efforts of Government and private sector players are required.
562. The proposals for financing of infrastructure for the 2016 National Budget, therefore, entail Government funding, supported by loan and development partner financing, as well as public entities' own resources.
563. Overall requirements for infrastructural development for 2016 amount to US\$2.7 billion, of which US\$1.1 billion has been allocated to be financed as follows:

- Tax revenues, US\$164.8 million

- Loan Financing, US\$545.4 million
- Public entities' own resources, US\$248.1 million;
- Development Partners, US\$64.9 million ; and
- Statutory Funds, US\$120 million

564. Mr Speaker Sir, the proposed infrastructure financing in 2016 for the respective sectors is as indicated in the Table below.

## Infrastructure Financing

SECTOR	SUB-SECTOR	REQUIREMENT FOR 2016	2016 FUNDING					
			APPROPRIATION	STATUTORY FUNDS	OWN RESOURCES	DEVELOPMENT PARTNERS	LOAN FINANCING	TOTAL
			US\$	US\$	US\$	US\$	US\$	US\$
<b>Energy</b>	Power Generation	501 638 000	4 300 000	-	79 399 000	-	321,277,318	404,976,318
	Transmission & Distribution	123 900 000		-	9,600,000		9,105,170	48,705,170
	Rural Electrification Programme	34 200 000	1 200 000	27 100 000	-	-	-	28,300,000
		<b>659,738,000</b>	<b>5 500 000</b>	<b>27 100 000</b>	<b>88,999,000</b>	<b>9,105,170</b>	<b>351,277,318</b>	<b>481,981,488</b>
<b>Transport and Communication</b>	Rail	652 450 000	3 000 000	-	10,000,000	-	-	13,000,000
	Roads	271 735 871	12 748 000	75 066 249	-	-	-	87,814,249
	Aviation	64 015 896	5 000 000	-	-	-	28,000,000	33,000,000
		<b>988 201 767</b>	<b>20 748 000</b>	<b>75 066 249</b>	<b>10,000,000</b>	<b>-</b>	<b>28,000,000</b>	<b>133,814,249</b>
<b>Water and Sanitation</b>	Dam Construction	122 188 453	25 900 000	-	-	-	-	25,900,000
	Water Supply for Small Towns	22 256 643	2 100 000	-	-	7,600,200	-	9,700,200
	Urban WASH	29 186 630	2 000 000	-	-	24,646,630	-	26,646,630
	Rural WASH	15 074 370	1 550 000	-	-	13,474,370	-	15,024,370
		<b>188 706 096</b>	<b>31 550 000</b>	<b>-</b>	<b>-</b>	<b>45,721,200</b>	<b>-</b>	<b>77,271,200</b>
<b>ICT</b>	Backbone Infrastructure	300 079 870		3 500 000	149 397,196	-	129,164,305	282,061,501
	E-Learning Programmes	6 791 650	700 000	3,991 650	-	-	-	4,691,650
	E-Government	61 151 602	12 505 000	-	-	-	-	12,505,000
		<b>368 023 122</b>	<b>13 205 000</b>	<b>7 491 650</b>	<b>149 397 196</b>	<b>-</b>	<b>129,164,305</b>	<b>299,258,151</b>
<b>Social Services</b>	Health	35 698 768	23 560 000	-	-	-	-	23,560,000
	Education	245 099 213	29 780 000	-	-	1,500,000	4,800,000	36,080,000
	Social Welfare	712 000	292 000	-	-	-	-	292,000
		<b>281 509 981</b>	<b>53 632 000</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>	<b>4,800,000</b>	<b>59,932,000</b>
<b>Housing Development</b>	Residential Housing Development			5 046 520	-	-	-	5,046,520
	Institutional Accommodation	105 281 188	33 093 000	5 315 000	-	-	-	38,408,000
		<b>105 281 188</b>	<b>33 093 000</b>	<b>10 361 520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,454,520</b>
<b>Agriculture</b>	Irrigation Development	58 036 400	7 022 000	-	-	8,560,000	32,200,000	47,782,000
		<b>58 036 400</b>	<b>7 022 000</b>	<b>-</b>	<b>-</b>	<b>8,560,000</b>	<b>32,200,000</b>	<b>47,782,000</b>
<b>TOTAL</b>		<b>2 649 496 554</b>	<b>164 750 000</b>	<b>120 019 419</b>	<b>248 096 196</b>	<b>64,886,370</b>	<b>545,441,623</b>	<b>1,143,493,608</b>

Source: Ministry of Finance and Economic Development

565. Mr Speaker Sir, the bulk of the above resources are earmarked for energy, US\$482 million, on account of power generation, transmission, distribution and rural electrification projects, meant to address the major power shortages that are undermining economic activity, as well as provision of basic social services in the country.
566. The severe load shedding regime facing the country challenges us to create the necessary policy environment for scaling up investments in power supply infrastructure, taking account of funding constraints, construction lead times, as well as operational requirements.
567. This should also include incentives for private sector participation through cost-reflective tariffs, effective revenue collection systems and measures to address operational efficiencies within the utilities.
568. In addition to energy, I propose US\$299.3 million for ICT backbone infrastructure, followed by US\$133.8 million towards transport infrastructure.

### ***Energy***

569. Mr Speaker Sir, the provision of US\$482 million I am presenting today in this Budget for investments in the energy sector will be financed through:
- Loan financing, US\$351.3 million;
  - ZETDC's own resources, US\$89 million;

- Development partners, US\$9.1 million;
- Statutory funds, US\$27.1 million; and
- Tax revenues, US\$5.5 million.

570. The proposed investments build upon the positive actions we have taken this year, which have seen us achieving *Financial Closure* on some of our key energy projects.

571. The Table below summarises the projects that have been earmarked for implementation in 2016.

### 2016 Targeted Energy Projects

NAME OF PROJECT	2016 FUNDING					
	TAX REVENUES	STATUTORY FUNDS	OWN RESOURCES	DEVELOPMENT PARTNERS	LOAN / PPP	TOTAL
	US\$		US\$	US\$	US\$	US\$
POWER GENERATION						
<b>Kariba South Extension</b>	-	-	32,329,000	-	100,098,318	<b>132,427,318</b>
<b>Hwange 7 &amp; 8 Expansion</b>	4,300,000	-	35,570,000	-	179,590,000	219,460,000
<b>Deka Pumping Stations and Pipeline</b>	-	-	-	-	16,589,000	<b>16,589,000</b>
<b>Bulawayo Repowering Project</b>	-	-	11,500,000	-	25,000,000	36,500,000
Sub-Total	<b>4,300,000</b>	-	<b>79,399,000</b>	-	<b>321,277,318</b>	<b>404,976,318</b>
TRANSMISSION AND DISTRIBUTION						
<b>Smart Metering</b>	-	-	-	-	30,000,000	<b>30,000,000</b>
<b>Transmission Network Expansion</b>	-	-	9,600,000	9,105,170	-	18,705,170
Sub-Total	-					<b>48,705,170</b>
<b>Rural Electrification Agency</b>						-
<b>Grid Extension, Solar and Biogas projects</b>	1,200,000	27,100,000	-	-	-	28,300,000
Sub-total	<b>1,200,000</b>	<b>27,100,000</b>	-	-	-	<b>28,300,000</b>
TOTAL	<b>5,500,000</b>	<b>27,100,000</b>	<b>88,999,000</b>	<b>9 105 170</b>	<b>351,277,318</b>	<b>481,981,488</b>

Source: Ministry of Energy

572. The above investments will be complemented by demand side energy efficiency and conservation measures that reduce losses from transmission, distribution and end-use inefficiencies.

### *Kariba South Extension*

573. The project remains on course for completion in March 2018, with the contractor having already completed excavations on *Adits 1 to 6*, including *Concreting of Crane Beam and Access Roads*, whilst manufacturing of both *Electrical and Hydro-Mechanical Equipment* is in progress.
574. Expenditures to date amount to US\$171 million, of which US\$120.1 million was a drawdown from the loan facility, and US\$50.9 million was from ZPC's own resources.
575. Programmed works for 2016 include *Excavation Works on the Intake, Tailrace Outfall and Surge Chamber*, as well as the manufacture of *Electrical and Hydro-Mechanical Equipment* whose requirement is estimated at US\$132.4 million.
576. Of this amount, US\$100 million will come from China Exim Bank, whilst ZPC will contribute US\$32.4 million.

### *Hwange 7 & 8 Expansion*

577. Mr Speaker Sir, I am pleased to announce to this august House that negotiations with China Exim Bank for the financing of the Hwange 7 & 8 Thermal Power Station project are progressing well, and *Financial Closure* is expected before the end of the year.



578. This project is expected to cost US\$1.45 billion, and entails the construction of a 600 MW power plant, and a new transmission line from Hwange to Marvel, through Insukamini.
579. Already, a total of US\$3 million has been invested towards such preparatory works as *Topographical and Geo-Technical Surveys* by ZPC, US\$1 million, and Sinohydro, US\$2 million.
580. An amount of US\$215.2 million is expected to be expended on the project to enable commencement of the works, with US\$179.6 million being disbursements from China Exim Bank and US\$35.5 million as ZPC's own contribution.

#### *Deka Pump Station*

581. Work on the Deka Pumping Station and River Water Intake System is being implemented 25% by local and 75% by Indian contractors.
582. Preparatory works that include *Surveys*, and *Environmental Impact Assessment* studies have been completed.
583. In addition, the refurbishment of the pumping station equipment through local contractors has also been completed.
584. Procurement of the Indian EPC contractor is expected to be completed by year end, enabling commencement of the major works in 2016.

585. An amount of US\$16.6 million is anticipated to be drawn from the India Exim Bank loan facility in 2016, targeting rehabilitation of the old pipeline, as well as construction of an additional pipeline.

586. Completion of the project will improve the capacity of the pumping station, critical for ensuring adequate water supply to Hwange thermal power station, the 7 & 8 *Expansion Project* and the local community

*Small Thermal Power Stations*

587. Honourable Members will recall that Government concluded and signed a loan facility amounting to US\$87 million with the India Exim Bank for the repowering of the Bulawayo Thermal Power Station on 27 October 2015.

588. The upgrading process entails introduction of efficient technology by replacing existing boilers and turbines with 2x60 MW Circulating Fluidized Bed Combustion boilers, and 2x60 MW turbo *Alternators*, among others.

589. This development will improve the generation capacity of the plant, from the current 30MW to 90MW, thereby contributing an additional 60 MW to our National Grid.

590. ZPC is now undertaking the procurement process and detailed designs, necessary for ensuring commencement of works in 2016.

591. An amount of US\$36.5 million will be channeled to the project in 2016, comprising of the US\$25 million drawdown from the facility and US\$11.5 million of ZPC's own resources.

592. With regards to Harare and Munyati Thermal Power stations, which require similar upgrades, project development works are still underway to achieve *Financial Closure* on the projects.

#### *Solar Power*

593. In order to take advantage of the abundance of solar energy in the country, ZPC has signed Engineering Procurement Construction (EPC) contracts for the construction of Insukamini and Gwanda solar plants with potential to generate 100MW each.

594. The parastatal is undertaking feasibility studies, necessary for the mobilisation of funds for the projects.

#### *Mini-Hydro*

595. Furthermore, the tender for the construction of the 30 MW hydro power plant at Gairezi has already been awarded, and fundraising activities are in progress.

#### *Emergency Power Station*

596. Mr Speaker Sir, the deficit arising from reduced generation output from Kariba Hydro Power station and the low reliability of Hwange

Thermal Power station calls for emergency power supply interventions to augment supplies into the economy.

597. In this regard, Government is looking at options of procuring rented diesel power, with potential to generate 200MW at short notice, and hence, provide relief to citizens.

### *Independent Power Producers*

598. A number of private sector players have shown interest in investing in new power generation plants in the country, with potential to provide additional output to the national grid.

599. The Independent Power Producers, who are at various stages of project development, are indicated in the Table below.

### **Independent Power Producers**

INVESTOR	NAME OF PROJECT	EXPECTED OUTPUT	STATUS
China Africa Sunlight Energy	Gwayi Power Station	600 MW	Mobilisation of funding
Southern Energy (Hwange)	Shangano Power Station (Hwange)	660 MW	Mobilisation of funding
PER-Lusulu Power	Lusulu Thermal Power Station (Binga)	2 000 MW	Mobilisation of funding
Nyangani Renewables	Pungwe C Power Station	3.72 MW	Construction Stage
Kupinga Renewable Energy	Kupinga Power Station	1.5 MW	Construction Stage

Source: Ministry of Energy

600. Government will provide the necessary incentives and regulatory approvals to enable consummation of the projects.

## *Transmission & Distribution Projects*



*The 20 MVA substation at Mpopoma Substation installed and commissioned on 12 November 2015*

### *ZIMFUND Phase II Emergency Power Rehabilitation Project*

601. Following the extension of the ZIMFUND mandate to October 2019, such preparatory works as project design and procurement on Phase II of the Emergency Power Rehabilitation Project are now underway.
602. As I indicated in my 2015 Mid-Year Fiscal Policy Review Statement, Phase II of the project will cost US\$32.8 million, and will target the rehabilitation of the transmission and distribution network, as well as Hwange Ash Plant, as indicated in the Table below.

Project		Allocation (US\$M)	Targeted Works
<b>Hwange Station</b>	<b>Power</b>	8.6	Coal and ash dust suppression, Dirty drains treatment, vacuum cleaning system & procurement of extractors
<b>Transmission Network</b>		17.1	Installation of power transformers at Marvel, Chertsey, Sherwood and Orange Groove substations

<b>Distribution Reinforcement</b>	3.3	Upgrading of Prince Edward substation and installation of communication equipment at Firle and Crowborough substations
<b>Power sector Investment Plan</b>	1.1	Preparation of power sector investment plan
<b>Other Project Costs</b>	2.7	Project design, procurement, supervision and auditing
Total	<b>32.8</b>	

Source: Ministry of Energy

603. Completion of the project will improve reliability of power services in Kwekwe, Gweru, Bulawayo, Mutare, Harare and Hwange.
604. The project will also improve operational efficiencies at Harare’s water and sewage pumping and treatment stations, through installation of new transformers, overhead lines and cables.
605. Furthermore, interventions at Hwange Ash Plant will reduce environmental pollution levels, as well as improved generation efficiency of the power plant, thereby ensuring consistent and reliable power supply for over 1.3 million households country-wide.

### *Rural Electrification*

606. Provision of electricity leads to the empowerment of rural communities, preservation of the environment, poverty alleviation, capacity building and employment creation, in line with Zim Asset.
607. Many other benefits that accrue also include the reversal of rural-urban migration, and creation of economic activities in downstream industries.

608. The Rural Electrification Programme, therefore, continues to act as a stimulus for development in disadvantaged areas of the country.

609. The major challenge faced by REA is inadequate funding for the programme.

610. The 6% electrification levy that REA gets through electricity sales and fiscal allocation by Government is not adequate to accelerate the programme or to sustain the momentum already gained by the programme.

611. However, notwithstanding financial constraints, the Rural Electrification Agency has so far electrified the following:

- 8 282 rural institutions and homes country-wide, of which 3 457 were primary and secondary schools;
- 808 rural health centres;
- 341 Government extension offices;
- 220 chiefs homesteads; and
- 3 456 business centres, small scale farms, villages and other institutions. In this figure, 424 institutions were electrified with solar system, while the balance was connected to the national grid.

612. As at 30 September 2015, US\$14 million had been channeled towards the Rural Electrification Programme, which has seen 383 public institutions and households being electrified countrywide.

613. The Table below shows the spread of some of the beneficiaries under the Grid Extension Programme during 2015.

Province	PUBLIC INSTITUTIONS					OWN FUNDED					Total	Target
	Prim School	Sec School	RHC	Govt Ext Offc	Chiefs	Bus. Centre	Farm	Village	Other			
Manicaland	30	15	8	3	0	2	4	2	7	71	99	
Mash Central	18	4	5	1	0	2	0	0	3	33	73	
Mash East	24	9	7	5	0	3	6	4	2	60	100	
Mash West	16	5	4	6	3	0	6	1	2	43	45	
Masvingo	16	8	3	1	0	3	0	3	6	40	75	
Mat North	23	10	5	3	1	2	1	0	1	46	45	
Mat South	25	4	0	1	0	0	1	1	3	35	45	
Midlands	27	9	11	0	1	0	1	6	0	55	73	
<b>Total</b>	<b>179</b>	<b>64</b>	<b>43</b>	<b>20</b>	<b>5</b>	<b>12</b>	<b>19</b>	<b>17</b>	<b>24</b>	<b>383</b>	<b>555</b>	

Source: Rural Electrification Agency

614. About 117 electrification projects are at various stages of implementation, while 4 634 more institutions will be connected to the national grid in the near future.

615. Furthermore, 12 public institutions located away from the electricity grid were electrified under the Solar Micro-Grid system, whilst biogas digesters were commissioned at 9 schools and 7 hospitals.

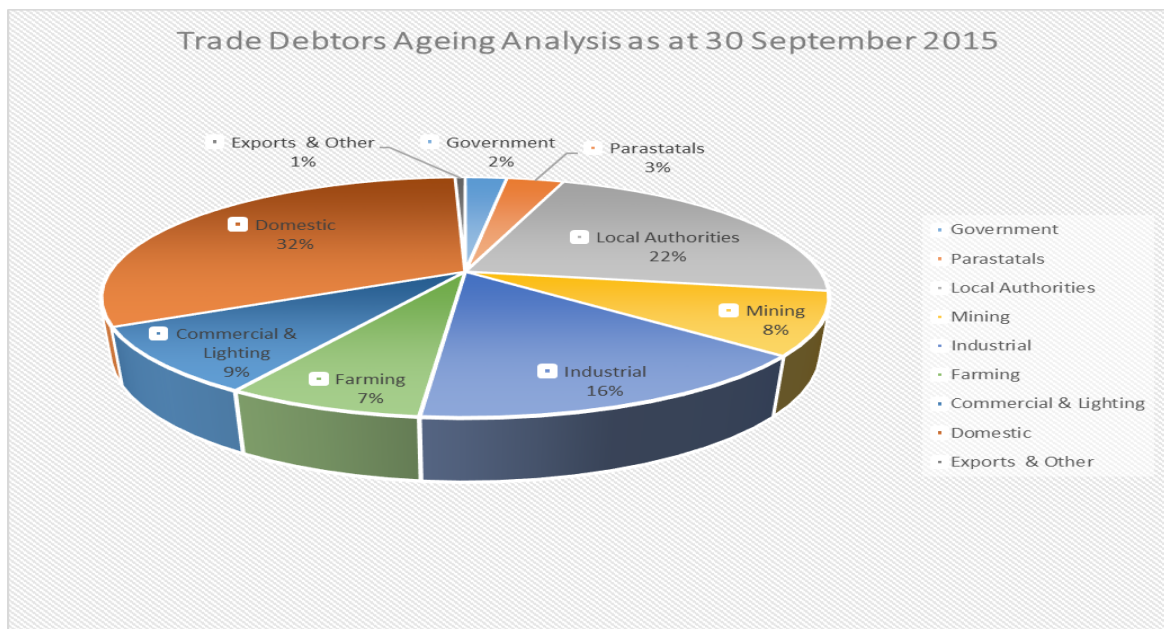
616. For the 2016 financial year, the Fund is earmarking US\$27.1 million, to be supplemented by US\$1.2 million in fiscal resources towards the Rural Electrification Programme, targeting Grid Extension, Solar Micro-Grid system and installation of biogas digesters.



## *Electricity Bill Arrears*

617. Mr Speaker Sir, the debtors' book for ZETDC as at 30 September 2015 stood at US\$1 billion and growing, thereby, undermining the parastatal's capacity to pay for emergency power supplies, undertake critical maintenance and develop new capacities for both generation and transmission infrastructure.

618. The Graph below shows the distribution of the debtors.



Source: ZETDC

619. Current initiatives aimed at attracting more private capital towards the sector, as well as sustain electricity supplies going forward will require regular and predictable revenue streams that can only be achieved when consumers timeously pay for the electricity consumed.

620. We need to inculcate in our people, a culture of payment for services consumed in order to ensure such services are sustainably provided in future.
621. In this regard, we urge ZETDC to engage all stakeholders in the sector in order to come up with strategies to clear the arrears, critical for sustaining electricity supplies as well as support current investment efforts.
622. On its part, ZETDC needs to take a more business approach towards installation of the pre-paid meters, a mechanism that also addresses the debtors situation.

### ***Information Communication Technology***

623. Mr Speaker Sir, evidence strongly suggests that increased ICT adoption can bring improved productivity to organisations.
624. It is estimated that when internet penetration rises by 10% in emerging economies, it correlates with an incremental Gross Domestic Product increase of one to two percent.
625. ICT is also general purpose technology that has wide-ranging effects throughout an entire economy, reshaping entire systems of production and distribution, and contributing to other social goods, including improving education and healthcare access and services.

626. Mr Speaker Sir, despite financial and infrastructure constraints, next year interventions in ICT will among other issues, include the establishment of *Data Centres*, completion of *Mile Connectivity*, establishment of *Community Information Centres* and extension of *E-Government Platform*.

627. An amount of US\$299.2 million will be invested in the sector in 2016, drawing largely from loan financing and public entities' own resources, targeted at expansion and upgrading projects. This is indicated in the Table below:-

NAME OF PROJECT	2016 FUNDING SOURCES					
	TAX REVENUES	STATUTORY FUNDS	OWN RESOURCES	DEVELOPMENT PARTNERS	LOAN / PPP	TOTAL
	US\$		US\$	US\$	US\$	US\$
Netone						
National Mobile Broadband Project	-	-	5 468 196	-	70 000 000	75 468 196
Universal Service Fund						
Construction of base stations		3 500 000				3 500 000
Digitisation Migration Project						-
ZBC broadcasting System & transmission Network	-	-	132 000 000	-	-	132 000 000
Sub-total	-	-	132 000 000	-	-	132 000 000
Tel-One						
Fibre optic Backbone infrastructure	-	-	459 000	-	14 075 165	14 534 165
Core Network	-	-	540 000	-	22 343 787	22 883 787
Access Network	-	-	4 620 000	-	22 745 353	27 365 353
Other support services	-	-	6 310 000	-	-	6 310 000

Sub-Total	-	-	<b>1 929 000</b>	-	<b>59 164 305</b>	<b>71 093 305</b>
E-Government						
<i>National Data Centre</i>	<i>5 400 000</i>	-	-	-	-	<b><i>5 400 000</i></b>
<i>Community Information Centre</i>	<i>550 000</i>	-	-	-	-	<b><i>550 000</i></b>
<i>School computer laboratories</i>	<i>150 000</i>	<i>3 621 650</i>	-	-	-	<b><i>3 771 650</i></b>
<i>Other e-government projects</i>	<i>3 050 000</i>	<i>370 000</i>	-	-	-	<b><i>3 420 000</i></b>
<i>Upgrading of ZIMRA Systems</i>	<i>4 055 000</i>	-	-	-	-	<b><i>4 055 000</i></b>
<b>Sub-total</b>	<b>13 205 000</b>	<b>3 991 650</b>	-	-	-	<b>17 196 650</b>
<b>GRAND TOTAL</b>	<b>13 205 000</b>	<b>7 491 650</b>	<b>149 397 196</b>	-	<b>129 164 305</b>	<b>299 258 151</b>

Source: Ministry of ICT

### *Net\*One Network Expansion Phase II*

628. Mr Speaker Sir, Net\*One is implementing Phase II of the National Network Broadband Project through a US\$218.9 million loan facility from China Exim Bank.
629. The project involves the expansion of the mobile network coverage to improve the network quality, increase the data speeds, as well as to expand network capacity to accommodate more subscribers.
630. Cumulative disbursements towards the project now stand at US\$118.1 million, with US\$52.4 million having been disbursed as at 30 September 2015. Equipment worth US\$98.3 million has been delivered and installed country-wide.
631. In 2016, it is expected that US\$75.5 million will be disbursed for further works.

### *Tel\*One Network Expansion*

632. Mr Speaker Sir, the Tel-One's Business Transformation Strategy is anchored on improving connectivity to clients by broadening the core network and upgrading its mobile broadband and customer management systems.

633. This year, and using own resources amounting to US\$11 million, Tel-One has been able to commission 14 *Multi-Service Access Node Sites*, expand the *Asymmetric Digital Subscriber Line* (ADSL) network, and connected 13 420 homes.

634. To capacitate the parastatal in its expansion and modernisation drive during 2016, Government is facilitating mobilisation of US\$98.6 million loan from China Exim Bank before the end of the year.

635. This amount will be channeled towards implementation of the following fibre optic projects:-

- Bulawayo – Beitbridge, US\$11.4 million;
- Bulawayo – Victoria Falls, US\$5.7 million;
- Mashonaland North upgrade, US\$4.8 million;
- Last Mile Connectivity, US\$37.2 million; and
- Infrastructure upgrade , US\$37.9 million.

636. The above resources will be complemented by Tel-One's own resources of US\$12 million, to be channeled towards connecting

homes and public buildings, US\$4.6 million, value added products to customers, US\$3.1 million, as well as procure and install various equipment, tools and accessories, US\$4.2 million.

*Zimbabwe Digital Broadcasting Migration*

637. Government is implementing the Zimbabwe Digital Broadcasting Migration Project, which commenced on 25 February 2015, aimed at replacing the current *Analogue Television Broadcasting System* to the new *Digital Broadcasting Platform* in line with the International Telecommunication Union requirement.
638. The project, estimated to cost US\$159 million, comprises of digitilisation of ZBC television studios and transmitter sites, construction of 24 additional transmitter sites, civil works as well as upgrading of systems and services, among others.
639. Head-end and satellite equipment, as well as civil works for two television studios have been completed, whilst 42 out of the 44 transmitter stations have been completed.
640. Equipment received to date amounts to US\$17.3 million, and includes head-end satellite uplink materials for towers and 2 studios, with installation for the first batch of 5 digital transmitters at an advanced stage of completion.

641. The project is expected to be complete by the last quarter of 2016. In this regard, the Broadcasting Authority of Zimbabwe has earmarked US\$132 million from the Broadcasting Fund for this purpose.

*E-Government Programme*

642. Mr Speaker Sir, the E-Government programme we are implementing, dubbed '*ZimConnect*', is aimed at allowing all Ministries, Departments and public entities to have flexibility in deploying e-applications online that reduce red tape, eradicate corruption and other institutional bottlenecks associated with the traditional methods of public service delivery.

643. The 11 e-applications, currently riding on the Public Finance Management System, will be launched during 2016 in order to bring Government services closer to the people.

644. Furthermore, the National Information Data Centre we are developing, will act as a central repository for public sector information and will anchor the E-Government Programme architecture.

645. I, therefore, propose to set aside US\$17.2 million for the E-Government programme, targeting the *National Data Centre*, *Communication Information Centres* and establishment of *Computer Laboratories* at schools.

646. Through the Universal Services Fund, 530 rural schools will be provided with e-learning facilities such as 50 student laptops, internet access and digital curriculum content, all at a cost of US\$3.6 million.

647. Furthermore, the Fund will establish tele-medicine for 10 rural health centres, which will facilitate access to tertiary health services for beneficiary communities.

648. Other on-going E-Government flagship programmes are in the following line Ministries:

<b>Ministry/Agency</b>	<b>Application</b>
Lands and Rural resettlement	Land management information system
Local Government, Public works and National Housing	Online Liquor License Application and Processing
Mines and Mining development	Online Application of Prospecting Licence
Justice, Legal and Parliamentary Affairs - Deeds and Companies Department	Online company registration and Deeds transfer
Economic Planning and Investment promotion - Zimbabwe Investment Authority	Online Investment project application and Processing
State procurement Board	E-procurement and contracts management.
Public Service Commission	Online human resources management Information system including E-recruitment
Health and Child Care - Chitungwiza Hospital	E-hospital Administration
Home Affairs - Immigration - Registrar General's Office	E-visa application , processing and travellers' clearance online passport application functional
Primary and Secondary Education	E-learning
Zimbabwe Revenue Authority	E-taxation(functional)
Higher and Tertiary Education, Science and Technology Development	High performance Computing Centre (functional)

## ***Water & Sanitation***



649. Mr Speaker Sir, the commissioning of the Mtshabezi Pipeline Project and the completion of the projects under Zim-Fund Phase I, among other projects, is a testament to the political will and concentrated efforts by both Government and development partners towards recovery and accelerated water supply and sanitation service delivery to our people.



**The three KSB pumps, with capacity to pump 720 cubic metres per hour were commissioned at Mtshabezi Pipeline Project by the Vice President, Hon E. D. Munangagwa on 17 October 2015.**

650. The interventions allow us to meet one of our Constitutional mandate of improving the quality of life of citizens, through provision of safe and reliable water and sanitation services.
651. Yet the sector continues to face a number of challenges, chief among them being the erratic power supply which continues to affect treatment and pumping plants, as well as insufficient financial resources to implement all the projects that can cover all those in need.
652. As a result, a large number of our people remain unserved, drawing water from unsafe sources, whilst the sanitation infrastructure is failing to cope with the ever increasing demand.
653. Our 2016 priorities in the water and sanitation sector will be anchored on consolidating and sustaining the gains achieved so far. Focus will be on scaling up efforts towards completion of on-going projects, whilst also supporting targeted new projects.
654. In this regard, the Budget, therefore, provides for investments amounting to US\$77.3 million, with US\$25.9 million being channeled towards dam construction and US\$51.4 million for rehabilitation and upgrading of water and sewer infrastructure, whose details are indicated in the Table below.

NAME OF PROJECT	2016 FUNDING SOURCES					TOTAL
	TAX REVENUES	STATUTORY FUNDS	OWN RESOURCES	DEVELOPMENT PARTNERS	LOAN / PPP	
	US\$		US\$	US\$	US\$	

Water & Sanitation						
Urban WASH						
<b>Rehabilitation of water supply and sewer facilities for Urban Local Authorities</b>	4 100 000	-	-	32 246 830	-	36 346 830
Rural WASH						
<b>Construction and rehabilitation of latrines, boreholes and rural water points.</b>	1 550 000	-	-	13 474 370	-	15 024 370
<b>Sub-Total</b>	<b>5 650 000</b>			<b>45 721 200</b>		<b>51 371 200</b>
Dam Construction						
<b>Dam construction and safety</b>	25 900 000	-	-	-	-	25 900 000
<b>Sub-total</b>	<b>25 900 000</b>					<b>25 900 000</b>
<b>TOTAL</b>	<b>31 550 000</b>			<b>45 721 200</b>		<b>77 271 200</b>

Sources: Ministries of Finance and Water

## ***Dam Construction Projects***

### *Tokwe Murkosi Dam*

655. Mr. Speaker Sir, implementation of the Tokwe Murkosi Dam project had been affected by the limited capacity of the Budget to finance the remaining works and the outstanding amounts due to the contractor.
656. Our efforts to mobilise resources from the private sector did not yield positive results.
657. I am, however, happy to report that following consultations between Government and the contractor, we have been able to pay US\$40 million to the contractor over August - November this year.
658. This has enabled us to liquidate some of the outstanding certificates as well as capacitate the contractor to mobilise and undertake the outstanding works estimated at US\$27 million, which include concreting of the right bank spillway, construction of gauging weirs,

risk lining of the outlet tunnel and electrification of gate shaft, among others.

659. Government, working together with the Infrastructure Development Bank of Zimbabwe is looking at options of mobilising additional private sector funding to complete the remaining works, leveraging on investments already made on the project.

660. Mr Speaker Sir, following the above payments, the requirements for outstanding amounts and remaining works is now much lower at US\$49.4 million.

#### *Marovanyati Dam*

661. Honourable Members will be aware that works on the Marovanyati Dam Project, meant to provide water to Murambinda Growth Point and surrounding communal irrigation schemes had stalled due to financial constraints.

662. The outstanding works for the project are expected to cost US\$33.3 million and are anticipated to be completed in 30 months from resumption of works.

663. I am proposing to allocate US\$8 million of fiscal resources to enable resumption of works on the project.

#### *Causeway Dam*

664. Mr Speaker Sir, I am also proposing to allocate US\$4 million for the construction of Causeway Dam to be constructed on the Macheke River about 64km from Marondera.

665. The dam will supply water to the new Marondera University, irrigate 1800ha of land as well as benefit neighbouring communities such as Svosve, Zviyambe, Dorowa and Chiduku communal areas.

666. ZINWA has already completed detailed designs for the project, as well as undertake Environmental Impact Assessment (EIA) studies.

*Water and Sanitation for Local Authorities*

667. Through this Budget, I propose to channel US\$2 million from tax revenues to targeted local authorities indicated in the table below:

<b>LOCAL AUTHORITY</b>	<b>ALLOCATION US\$</b>	<b>TARGETED WORKS</b>
Chinhoyi Municipality	900,000	Construction of a dedicated water supply line to Katanda and Orange Groove. Water treatment works rehabilitation and expansion
Hwange Local Board	300,000	Construction of 3.5km road rehabilitation of water and waste infrastructure, street lighting and establishing road signs
Mvurwi Town Council	200,000	Upgrading of water and sewer system infrastructure
Chipinge Town Council	300,000	Upgrading of water and sewer system infrastructure
Gwanda Municipality	300,000	Construction of a 5ML reservoir on Spitzkop Hill
<b>GRAND TOTAL</b>	<b>2,000,000</b>	

668. Furthermore, I propose to allocate US\$0.6 million through DDF for the rehabilitation of 240 boreholes and drilling of 56 new ones countrywide.

*Zim-Fund Phase II Water and Sewer Projects*

669. Mr Speaker Sir, the extension of the Zim Fund mandate to October 2019 is also meant to ensure implementation of Phase II Urgent Water Supply and Sanitation Rehabilitation Project.

670. This Project will be financed to the tune of US\$35.99 million, and targets water and sewerage infrastructure rehabilitation in Harare, Chitungwiza, Ruwa and Redcliff.

671. Preparatory work for the implementation of the project is underway, with the procurement process expected to be finalised by March 2016, paving way for the commencement of actual works in April 2016.

672. A total of US\$18 million is expected to be disbursed in 2016 to facilitate implementation of the project.

673. Completion of these projects is expected to benefit 1.9 million people in Harare, Chitungwiza, Redcliff and Ruwa through:

- Improved access to Municipal water supply;
- Improved collection efficiency and financial sustainability;
- Reduced environmental pollution from raw sewage; and
- Improved maintenance capacity of Municipalities.

*UNICEF Wash Programme*

674. Development partners, through the coordination of UNICEF with contributions from Australia, Denmark, European Union, Germany, Norway, Sweden and United Kingdom have been assisting 14 small towns under the Emergency Rehabilitation and Risk Reduction Programme.
675. The goal is to increase availability and access to quality water and sanitation services in the most disadvantaged districts and communities of the country.
676. The programme targets rehabilitation of water and sewage systems, hygiene promotion, institutional capacity development to facilitate sustainability, and stakeholder coordination to ensure optimal and cost effective use of resources.
677. An amount of US\$6.3 million was disbursed in 2015, with a commitment for a further US\$12.1 million to year end for the 14 local authorities of Bindura, Chipinge, Chiredzi, Chivhu, Gokwe, Gwanda, Hwange, Karoi, Mutoko, Mvurwi, Plumtree, Rusape, Shurugwi and Zvishavane.
678. An additional US\$6.6 million has been earmarked for implementation of the programme in 2016.

679. With regards to the Rural Wash Programme, UNICEF is also drilling new boreholes and rehabilitating broken-down boreholes in 33 districts in Mashonaland West, Midlands, Masvingo, Matabeleland North and Matabeleland South Provinces.
680. An amount of US\$16 million was spent in 2015 towards drilling of 520 new and repair of 5 165 existing boreholes as well as construction of 3 643 latrines.
681. An amount of US\$13.5 million will be availed through UNICEF in 2016, targeting construction and repair of 200 and 2 000 boreholes respectively; 3 000 latrines and sanitation facilities for 240 schools.

*Zimbabwe Reconstruction Fund*

682. The World Bank, under the Zimbabwe Reconstruction Fund (ZimRef) is supporting seven local authorities, namely Lupane, Guruve, Nembudziya, Gutu, Zimunya, Mataga and Madziva with US\$14 million targeted at restoring water and sanitation services at these centers which have not been adequately covered by previous interventions.
683. Support under the programme in 2016 amounts to US\$7.6 million targeting the following works:-

LOCAL AUTHORITY	TOTAL PROJECT COST US\$	2016 ALLOCATION	TARGETED WORKS
Lupane	2,969,900	1,930,435	Rehabilitation borehole system; installation of bulk water meters, extend reticulation for new and future connections
Guruve	1,507,300	979,745	Upgrading of water supply including replacement of pumps, and expansion of reticulation system to 700 stands



<b>Nembudziya</b>	2,569,433	899,302	Rehabilitate existing three boreholes & drill and equip three new boreholes; construct three pumping mains from new boreholes to elevated modular tank, reticulate residential suburb for 500 stands.
<b>Gutu</b>	949,175	332,211	Supply and install dosing equipment; pipe network rehabilitation including distribution mains, install bulk water meters, pipe connections; reinforce raw water transmission main
<b>Zimunya</b>	1,773,150	152,547	River intake works rehabilitation; installation of dosing equipment; replacement of pumping main; new water connections, rehabilitation of existing reservoirs and new reticulation and connections. Rehabilitation of wastewater system.
<b>Mataga</b>	1,576,400	551,740	Procure water bulk meters, procure diesel pump set, low lift and high lift pumps, construct, supply line for Gwayi-Mtange; treatment plant & new reticulation lines
<b>Madziva</b>	2,698,800	1,754,220	Upgrading of abstraction raw water pumps, chemical dosing pumps and equipment; install leak detection equipment; installation of clear water distribution line to primary school.
<b>GRAND TOTAL</b>	<b>14,044,158</b>	<b>7,600,200</b>	

### ***Transport & Communication***

684. Mr Speaker Sir, investments in the transport sector allow us to bridge geographic distances at affordable cost, thereby empowering citizens' access to economic opportunities, social spaces and services.
685. In this regard, I am happy to inform Honourable Members that, one of our flagship projects, the Victoria Falls Airport project, built at an estimated cost of US\$150 million, will be completed this month and commissioned by the end of the year.
686. Completion of the project will boost the airport's aircraft handling capacity and tourism into Victoria Falls by accommodating around 1.2 million passengers per annum compared to the existing capacity of 400 000.
687. Similarly, Government has completed Phase I of the Harare Airport road project, Save, Mbembesi, Little Sebakwe and Musavezi bridge approaches which have all improved the flow of traffic on these sections of the road network.



Completed **Little Sebakwe Bridge** and Approaches, on Chivhu-Nyazura Highway



**Musavezi Bridge**, Department of Roads conducting final surfacing, on Shurugwi-Mhandamabwe Highway

688. For the 2016 financial year, I propose to channel US\$135.8 million to the transport sector, financed from tax revenues, US\$20.7 million; retained funds, US\$77.1 million; own resources, US\$10 million, as well as US\$28 million in loan financing.

689. This is indicated in the Table below.

NAME OF PROJECT	2016 FUNDING SOURCES					
	TAX REVENUES	STATUTORY FUNDS	OWN RESOURCES	DEVELOPMENT PARTNERS	LOAN / PPP	TOTAL
	US\$		US\$	US\$	US\$	US\$
<b>ROADS</b>						
Trunk Roads	10 000 000	30 491 749	-	-	-	40 491 749
Bridge Construction	2 000 000	1 260 000	-	-	-	3 260 000
Local Authorities Roads	-	30 000 000	-	-	-	30 000 000
Rural Feeder Roads	748 000	6 000 000	-	-	-	6 748 000
Feasibility studies	-	1 000 000	-	-	-	1 000 000
Road Construction Equipment	-	3 314 500	-	-	-	3 314 500
Sub-total	<b>12 748 000</b>	<b>72 066 249</b>	-	-	0	84 814 249
<b>RAIL</b>						
Track Infrastructure	720 000	-	3 000 000	-	-	3 720 000
Traction and Rolling Stock	840 000	-	5 000 000	-	-	5 840 000
Signals and Telecoms	390 000	-	2 000 000	-	-	2 390 000
Yards & Workshops	600 000	-	-	-	-	600 000
ICT System Upgrade	450 000	-	-	-	-	450 000
Sub-total	<b>3 000 000</b>	-	<b>10 000 000</b>	-	0	13 000 000
<b>AIRPORTS</b>						
Victoria Falls Airport Upgrading	-	-	-	-	28 000 000	28 000 000
Harare International Airport (Runway)	5 000 000	-	-	-	-	5 000 000
Sub-total	<b>5 000 000</b>	-	-	-	<b>28 000 000</b>	<b>33 000 000</b>
<b>OTHER</b>						
Intergrated Transport Management System	-	3 000 000	-	-	-	3 000 000
Walvis Bay Dry Port	-	2 000 206	-	-	-	2 000 206
Sub-total	-	<b>5 000 206</b>	-	-	-	<b>5 000 206</b>

GRAND TOTAL	20 748 000	77 066 455	10 000 000	-	28 000 000	135 814 455
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## ***Road Projects***

690. Mr Speaker Sir, the road network is a critical socio-economic enabler that links our cities and towns, connecting people with jobs and businesses with markets. Besides stimulating socio-economic development, decent roads contribute to Government's efforts to reduce fatalities that continue to claim lives and leave many people disabled.
691. Whilst Government continues to devise financing strategies for improving our major highways, the current state of our urban roads is cause for concern as the continued deterioration in the network now requires costly rehabilitation programmes.



Mabvuku road over rail bridge

692. For the period to September 30, 2015 an amount of US\$8.5 million in fiscal revenues was ring-fenced and channelled towards specific road projects, ensuring progress and completion of some of the projects as alluded to above.



Mabvuku road over rail bridge

693. Similarly, through the Road Fund, US\$24.1 million, representing 50% of the budgeted funds had been disbursed by 13 November 2015 to Road Authorities as indicated in the Table below.

**ZINARA 2015 DISBURSEMENTS TO ROAD AUTHORITIES AS AT 13 NOVEMBER 2015**

ROAD AUTHORITY	ALLOCATION	DISBURSEMENT	% DISBURSED
Department of Roads (DOR)	12 000 000	6 000 000	50%
District Development Fund (DDF)	6 000 000	3 493 473	58%
Subtotal (DOR , DDF)	18 000 000	9 493 473	53%
<b>URBAN LOCAL AUTHORITY</b>			
Banket	192,000	47 964	25%
Beitbridge	232,000	116 207	50%
Bindura	253,000	176 451	70%
Bulawayo	899,000	499 618	55%

Chegutu	294,000	236 587	80%
Chinhoyi	315,000	157 526	50%
Chipinge	220,000	166 078	75%
Chiredzi	241,000	180 474	75%
Chirundu	176,000	88 134	50%
Chitungwiza	363,000	181 666	50%
Epworth	171,000	85,254.58	50%
Gokwe	233,000	116 465	50%
Gwanda	254,000	183 726	72%
Gweru	471,000	235 371	50%
Harare	1,304,000	977 692	75%
Hwange	208,000	103 807	50%
Kadoma	284,000	212 709	75%
Kariba	282,000	70 623	25%
Karoi	271,000	135,761.08	50%
Kwekwe	276,000	207,064.95	75%
Lupane	174,000	87,177.62	50%
Marondera	225,000	56,180.38	25%
Masvingo	345,000	172,454.16	50%
Mutare	339,000	169,738.36	50%
Mvurwi	177,000	112,188.87	63%
Norton	279,000	139,390.64	50%
Plumtree	194,000	96,800.66	50%
Redcliff	250,000	125,217.12	50%
Rusape	224,000	111,835.70	50%
Ruwa	167,000	83,749.96	50%
Shurugwi	216,000	108,047.14	50%
Victoria Falls	233,000	174,556.66	75%
Zvishavane	238,000	118,825.90	50%
<b>Subtotal for Urban Local Authorities</b>	<b>10,000,000</b>	<b>5,735,343.29</b>	<b>57%</b>
<b>RURAL LOCAL AUTHORITIES</b>			
Beitbridge	340,000	169,918.16	50%
Bikita	310,000	232,404.65	75%
Bindura	318,000	238,820.22	75%
Binga	432,000	215,917.96	50%
Bubi	324,000	80,894.07	25%
Buhera	338,000	169,080.48	50%
Bulilima	342,000	85,394.61	25%
Chaminuka	306,000	153,182.78	50%
Chegutu	359,000	89,750.00	25%
Chikomba	326,000	81,610.98	25%
Chimanimani	346,000	173,022.16	50%

Chipinge	309,000	154,734.78	50%
Chiredzi	330,000	165,000.00	50%
Chirumanzu	349,000	174,669.22	50%
Chivi	388,000	194,220.80	50%
Gokwe North	331,000	82,646.50	25%
Gokwe South	316,000	78,923.24	25%
Goromonzi	309,000	154,601.16	50%
Guruve	263,000	65,812.19	25%
Gutu	324,000	161,952.60	50%
Gwanda	368,000	184,240.74	50%
Hurungwe	367,000	183,528.98	50%
Hwange	401,000	200,523.88	50%
Hwedza	304,000	75,983.69	25%
Insiza	378,000	94,533.16	25%
Kusile	321,000	160,547.06	50%
Makonde	322,000	214,182.42	67%
Makoni	322,000	153,478.28	48%
Mangwe	361,000	180,651.10	50%
Manyame	337,000	168,304.48	50%
Marondera	317,000	158,440.04	50%
Masvingo	357,000	267,577.17	75%
Matobo	278,000	138,650.76	50%
Mazowe	288,000	143,955.58	50%
Mberengwa	336,000	252,000.00	75%
Mbire	293,000	73,208.60	25%
Mhondoro-Ngezi	321,000	160,416.00	50%
Mudzi	333,000	166,598.32	50%
Murewa	295,000	73,827.86	25%
Mutare	364,000	181,925.58	50%
Mutasa	363,000	181,409.30	50%
Mutoko	299,000	74,814.56	25%
Muzarabani	331,000	82,846.00	25%
Mwenezi	333,000	83,164.26	25%
Nkayi	371,000	92,627.85	25%
Nyaminyami	334,000	83,435.00	25%
Nyanga	384,000	191,864.54	50%
Pfura	296,000	147,750.78	50%
Runde	308,000	77,364.82	25%
Rushinga	317,000	158,743.26	50%
Sanyati	310,000	154,827.28	50%
Tongogara	309,000	77,364.82	25%
Tsholotsho	368,000	183,845.04	50%
Umguza	378,000	188,981.52	50%

UMP Zvataida	302,000	75,590.56	25%
Umzingwane	303,000	151,628.22	50%
Vungu	332,000	249,219.12	75%
Zaka	341,000	-	0%
Zibagwe	319,000	238,578.47	75%
Zvimba	394,000	196,870.00	50%
<b>Subtotal for Rural Local Authorities</b>	<b>20,015,000</b>	<b>8,846,055.66</b>	<b>44%</b>
<b>GRAND TOTAL</b>	<b>48,015,000</b>	<b>24,074,872.31</b>	<b>50%</b>

694. Mr Speaker Sir, I am proposing to allocate US\$84.8 million for the road sector, from both tax revenues and statutory funds. This will need to be complemented by other measures aimed at improving our urban road infrastructure.

*Trunk Roads*

695. Honourable Members will be aware that Government, in August 2015, amicably resolved the long outstanding legal dispute that had undermined the implementation of the Beitbridge-Harare-Chirundu Highway Dualisation Project.

696. The resolution of the dispute has allowed Government to plan and seek investors interested in the dualisation of the 971 km highway, to be implemented through *Public Private Partnership* arrangements.

697. With regards to other trunk roads, I propose to allocate US\$39.5 million in the 2016 Budget, from tax revenues and statutory funds, for rehabilitation and upgrading programmes, targeted at specific roads. This is indicated in the Table below:-



NAME OF PROJECT	2016 FUNDING SOURCES		
	TAX REVENUES	STATUTORY FUNDS	TOTAL
	US\$	US\$	US\$
ROADS			
Beitbridge - Harare - Masvingo Road	-	4,300,000	<b>4,300,000</b>
Beitbridge - Harare Road Dualisation	-	2,500,000	<b>2,500,000</b>
Bindura - Shamva	2,500,000	-	<b>2,500,000</b>
Chivhu - Nyazura	1,800,000	-	<b>1,800,000</b>
Bindura - Matepatepa	1,800,000	-	<b>1,800,000</b>
Norton - Murombedzi	900,000	-	<b>900,000</b>
Rusape - Nyanga	500,000	-	<b>500,000</b>
Ngundu - Tanganda	500,000	-	<b>500,000</b>
Kwekwe - Gokwe Road	-	800,000	<b>800,000</b>
Bulawayo - Victoria Falls	-	2,500,000	<b>2,500,000</b>
Bulawayo - Beitbridge	-	1,000,000	<b>1,000,000</b>
Dande River Bridge	-	760,000	<b>760,000</b>
Sanganu Drift	-	500,000	<b>500,000</b>
Birchenough Bridge Approaches	2,000,000	-	<b>2,000,000</b>
Rural Feeder Roads	748,000	6,000,000	<b>6,748,000</b>
Other Roads	2,000,000	8,391,749	<b>10,391,749</b>
GRAND TOTAL	<b>12,748,000</b>	<b>26,751,749</b>	<b>39,499,749</b>

698. The responsibility for maintenance of sections of major highways passing through our cities and towns lies with the Department of Roads. Local Authorities used to maintain the roads, with Government paying through maintenance grants.

699. On account of fiscal challenges, the condition of some sections of our major highways passing through cities and towns are now in a deplorable state, necessitating immediate intervention.

700. In order to address this situation, I propose to allocate US\$12 million, drawing from the Road Fund for the rehabilitation of the following sections of the trunk road network.

### **2016 Targeted Road Projects for Financing through Tax Revenues**

<b>PROJECT NAME</b>	<b>Tax Revenue US\$</b>
Road Construction	
Bindura - Shamva	2 500 000
Road Rehabilitation	
Chivhu - Nyazura	1 800 000
Bindura - Matepatepa	1 800 000
Road Resealing	
Norton - Murombedzi	900 000
Rusape - Nyanga	500 000
Ngundu - Tanganda	500 000
Bulawayo - Beitbridge	
Bridge Construction	
Birchenough Bridge Approaches	2 000 000
Outstanding Certificates	2 000 000
<b>Total</b>	<b>12 000 000</b>

*Source: Department of Roads*

### *Urban Local Authorities Roads*

701. Mr Speaker Sir, the current framework for disbursing funds to local authorities from the Road Fund is on an acquittal basis.
702. Despite disbursements from the Fund over the years, the local authorities' road infrastructure has continued to deteriorate with very little impact being realised from the disbursed funds.



Harare Airport Road

703. In order to improve on accountability and usage of resources from the Fund, I am proposing to ring-fence the resources centrally, with each local authority identifying specific roads to be implemented in any financial year.
704. Drawdowns from the Fund will be based on agreed programme of works for each road and based on submission of certified invoices for work done.
705. Furthermore, I am proposing to set up a robust monitoring and evaluation framework that will ensure quality, accountability and achievement of intended results.
706. In this regard, I propose to allocate US\$10 million from the Road Fund for rehabilitation and maintenance of specific urban roads in our urban centres.

707. Following consultations with relevant stakeholders, at most 30% of the above resources will be ring fenced for routine maintenance whilst 70% will be earmarked for specific roads.

### *Rail Projects*

708. Strategies aimed at mobilising resources for the capacitation of the National Railways of Zimbabwe (NRZ), including rehabilitation of the rail network, with an overall requirement of US\$1.9 billion, are still to bear fruit.

709. Using own resources, NRZ has so far this year, invested US\$6.87 million towards refurbishment of seven locomotives, 360 wagons, as well as reduce speed restrictions by 42.7 km against a requirement of 282 km.

710. Whilst the resources required to undertake the rehabilitation programme are huge, I propose to allocate US\$3 million from tax revenues, to be complemented by NRZ's own resources of US\$10 million towards rehabilitation of motive and tractive power, communication and signalling, track and yard infrastructure.

711. Mr Speaker Sir, recovery of the rail sub-sector requires that NRZ engages a technical partner able to bring new capital and technical ability. This calls for intensifying efforts on current engagement with potential partners and financiers outside the Government budget.

## *Aviation*

712. Mr Speaker Sir, as alluded to above, the completion of the Victoria Falls International Airport Upgrading project will boost the airport's aircraft handling capacity and tourism into Victoria Falls by accommodating around 1,2 million passengers per annum compared to the existing capacity of 400 000.



**The new Terminal Building at Victoria Falls Airport, expected to be commissioned before year end.**

713. Its completion will also allow us to focus on completing Phase 2 of the rehabilitation of Harare International Airport Runway Project, covering a length of 725 metres.

714. Through the Road Fund, ZINARA availed US\$0.5 million during 2015 from its Emergency Fund to cater for urgent works on the Harare International Airport Runway.

715. I, therefore, propose to allocate US\$5 million of fiscal resources in the 2016 Budget for this purpose.

*Community Ownership of Local Infrastructure*

716. Mr Speaker Sir, real development in communities occurs when the community engages in collective actions aimed at improving the social, economic, and environmental situation of their surroundings.

717. Some communities, on their own, have taken responsibility of their environment by using own resources to improve the conditions of community assets such as roads, schools, clinics, among others. As Government, we recognise and celebrate such initiatives as they bring a sense of ownership, critical for sustainability of services.

718. In this regard, I propose to allocate resources, coupled with a review of our by-laws that embrace the contributions of the community in common infrastructure and facilities development and maintenance.

719. Furthermore, our local authorities need to enforce local authority by-laws with regards to private players who destroy public infrastructure without restoring it to its original state.

## ***Housing Construction***

720. A major growth driver for the construction industry is housing, supporting the sector to register projected growth of 4.2% in 2016.
721. Mr Speaker Sir, even under the difficult economic environment, our population continues to show immense determination in developing decent houses for their families using own resources.
722. The current national housing back log stands at about 1.250 million units.
723. Under the National Housing Delivery Programme (2014 – 2018), the target is to deliver 313 368 fully constructed housing units or serviced stands, with the beneficiary being the main contributor, and Government providing land and bulk infrastructure services.
724. In order to meet this target, private developers and housing co-operatives were introduced to complement Government's efforts to provide affordable housing.
725. The Table below shows progress towards achievement of the above targets:-

**Progress on National Housing Delivery Programme**

PROVINCE	TARGETED SERVICED STANDS	PROGRESS			OUTSTANDING
		2014 SERVICED STANDS	2015 SERVICED STANDS	TOTAL SERVICED STANDS	

<b>Masvingo</b>	<b>20 269</b>	5 869	2 320	<b>8 189</b>	12 080
<b>Harare</b>	<b>105 935</b>	4 932	7 575	<b>12 507</b>	93 428
<b>Bulawayo</b>	<b>15 100</b>	4 459	2 171	<b>6 630</b>	8 470
<b>Mashonaland West</b>	<b>23 819</b>	4 050	4 094	<b>8 144</b>	15 675
<b>Midlands</b>	<b>56 760</b>	3 964	4 361	<b>8 325</b>	48 435
<b>Manicaland</b>	<b>21 830</b>	2 410	1 934	<b>4 344</b>	17 486
<b>Matebeleland North</b>	<b>28 772</b>			<b>1 164</b>	27 608
<b>Matebeleland South</b>	<b>12 500</b>	480	684	<b>1 699</b>	10 801
<b>Mashonaland Central</b>	<b>16 607</b>	396	1 303	<b>1 808</b>	14 799
<b>Mashonaland East</b>	<b>11 776</b>	262	1 546	<b>3 926</b>	7 850
		175	3 751		
<b>GRAND TOTAL</b>	<b>313 368</b>	<b>26 997</b>	<b>29 739</b>	<b>56 736</b>	<b>256 632</b>

Source: Ministry of Local Government, Public Works and National Housing

726. However, this spirit is being undermined by unscrupulous individuals, the so called 'Land Barons' who are illegally selling undeveloped stands that they do not own to individuals at high prices for their own benefit.
727. Audit reports have established that some housing co-operatives allocated land back in 2010 have not yet serviced it. Some developers have not even put up basic infrastructure like roads, water, sewage systems and social infrastructure despite collecting subscriptions since 2008.
728. As a result, around 30 000 members were duped of a cumulative US\$57 million.
729. I, therefore, applaud efforts being made by the Honorable Minister of Local Government, Public Works and National Housing for restoring order in the national housing delivery sector by ending the



malpractices of the self-anointed “Land Barons”, and unscrupulous land developers. This intervention is facilitating restoration of rule of law, thereby allowing sanity to prevail in the sector.

730. Going forward, Government has already taken a strong stance that such malpractices will not be tolerated and Government will evoke the full wrath of the law on offenders.

731. The Zimbabwe Republic Police is investigating and arresting land barons, and since August, 50 people have been arrested for illegally parcelling out State and Council land in Harare alone.

732. Furthermore, Government is also repossessing State land allocated to 200-plus private land developers and cooperatives that have not been able to develop the land over a long period of time.

733. For future sanitised housing land development, Government is going to partner contractors and building societies to put up infrastructure such as roads, water, social infrastructure such as schools, hospitals, clinics, sporting facilities and sewage systems.

734. In addition, housing cooperatives and private developers will only be allocated land after full assessment of their capacity to develop onsite and offsite infrastructure.

735. Developers will also be required to employ professionals, including town planners, in cases of sub-divisions.

736. Furthermore, Government is exploring the formulation of a policy to transfer all undeveloped urban State land onto the balance sheet of the Urban Development Corporation (UDCORP) in order for it to leverage its balance sheet for the mobilisation of resources required for servicing land for housing and industrial infrastructure development.

### *Solar for Housing*

737. As a strategy for conserving electricity, Zim Asset emphasises on use of alternative energy sources such as solar.

738. With regards to household consumption, geysers running on electricity are the most consumers of energy, while solar geysers provide the most cost effective method of providing hot water.

739. Using a solar geyser can save up to 40% of an average household water heating cost.

740. Hence, as a national cost saving strategy, future new housing schemes will be required to install solar geysers, and the Finance Act already provides tax incentives for importation of solar equipment.

741. Government will officially launch the national domestic solar water heating programme to promote the use of solar powered geysers. This will save about 300 megawatts.

### *Role of Corporates*

742. Corporates such as CABS, Old Mutual, IDBZ, Fidelity Life Assurance, CFI Holdings, NICOZ Diamond and ZIMRE Investment Properties, among others, are complementing Government efforts in mobilising resources for housing projects with the view of constructing 125 000 housing units by 2018 in line with Zim Asset.
743. Noticeable progress has been witnessed in IDBZ Marimba Housing Project, CABS Budiriro Housing Project, Sunway City, as well as construction of factory shell offices, shopping malls, distribution centres and memorial parks within the urban zones.

### *Public Amenities*

744. Mr Speaker Sir, our public Institutions will benefit from resources amounting to US\$38.3 million of which US\$33 million is drawn from tax resources and US\$5.3 million from Statutory Funds.
745. Honourable Members will recall the support by the Royal Danish Government amounting to US\$18 million for the construction and rehabilitation of 22 Law Courts, with a view to reducing congestion and backlog in our judicial system.
746. To date, 12 Court houses at Shurugwi, Chivi, Rutenga, Beitbridge, Nkayi, Victoria Falls, Binga, Mvuma, Zvishavane, Murambinda, Bindura and Goromonzi are under construction at a cost of US\$4 million.



A typical Court House with Legal Aid Offices, Victim Friendly Room, Child Testimony Room & Access ramps for disabled persons, built by the Royal Danish Government

747. The remaining 10 Courts are expected to be undertaken at a cost of US\$8.6 million and targeting Concession, Kariba, Kadoma, Karoi, Nyanga, Bikita, Zaka, Filabusi, Mberengwa and Kezi.

748. From our tax revenues, I propose to allocate US\$1 million in 2016 towards the rehabilitation of the Harare Magistrates Court.

749. The proposed provision of US\$33.1 million for institutional accommodation will cover construction and rehabilitation works at targeted institutions such as Lupane Composite Offices, CID Headquarters, Tomilson Flats as well as rehabilitation of various Government buildings.

### ***Joint Venture Projects***

750. Mr Speaker Sir, Government is strengthening public investment management to promote an open business environment on infrastructure projects.

751. To that end, Government has started building the necessary capacity in the public service, aimed at ensuring private sector participation in the delivery of public infrastructure services.

752. Different models are being considered by Government under this program, ranging from joint ventures, public-private partnerships to private sector infrastructure development projects.

753. The enactment of the Joint Ventures Act has been completed and provides the legal basis for procurement of joint venture projects. In support of this, Government will consider the provision of the necessary incentives for the consummation of the project.

754. Mr Speaker Sir, in order to promote and coordinate the implementation of joint venture projects as well as providing the necessary guidance and capacity to manage the process, a Joint Venture Unit will be established under my Ministry in 2016.

755. Specific projects being pursued for implementation through joint ventures are as indicated in the Table below.

SECTOR	PROJECT NAME
ENERGY	Batoka Hydro-electric Power Station Project
	Bangala, Tokwe Mukorsi, Manjirenji, Mazvikadei and Biri Mini-hydro projects

TRANSPORT	Beitbridge – Harare – Chirundu Road Dualisation Project
	Beitbridge – Bulawayo – Victoria Falls Dualisation
	Harare – Nyamapanda Road Dualisation
	Upgrading of Beitbridge, Chirundu, Forbes, Nyamapanda, Border Post
WATER & SANITATION	Kunzvi – Musami Water Project
	Muda - Nyatsime Dam Project
	Glassblock Water Supply Project
	Matebeleland Zambezi Water Project
	Kondo Dam & Hydro Water Project
SOCIAL SERVICES	Accommodation for students at State Universities
	Construction of primary and secondary schools infrastructure

756. Government is ready to provide the necessary incentives for the consummation of the above projects.

### ***Operationalisation of the Sovereign Wealth Fund***

757. Mr Speaker Sir, this year Government constituted the Board of the Sovereign Wealth Fund.

758. In terms of the Sovereign Wealth Fund Act, the Fund will be financed through a charge of up to 25% on royalty collections on mineral sales, as well as on special dividend on the sale of diamond, gas, granite and other minerals.

759. This, Mr Speaker Sir, will be implemented over time, and to operationalise the Fund, I propose to set aside US\$1 million towards administrative costs related to the setting up of the Sovereign Wealth Fund.

760. Meanwhile, an interim secretariat will provide the administrative functions, with the Accountant General providing oversight, while proper structures are being established.

## **XI. PUBLIC ENTERPRISES REFORM**

761. Mr Speaker Sir, in my presentation of the 2015 National Budget last year and the July Mid Term Fiscal Policy Review, I highlighted the need to expedite the Public Entities Reform Agenda, in view of the slow progress made over the past years.

762. By then, ten major public entities were identified and prioritised for initial reform.

763. State owned enterprises which have long been identified as a source of fiscal leakages due to their continuous loss making and over-reliance on Government grants and subsidies, are being comprehensively restructured, so as to reduce costs to the fiscus, enhance service delivery and improve accountability.

764. Currently, auditors have been engaged to carry out forensic audits into the operations of the Grain Marketing Board and the Cold Storage Company.

765. These audits, Mr Speaker Sir, will enable Government to make informed restructuring policy decisions.

766. To this end, Government is putting in place turnaround strategies for a number of parastatals.

767. The Table below shows the status in terms of reforms for individual public entities:

Public Entity	Status
<b>1. Grain Marketing Board</b>	<ul style="list-style-type: none"> <li>Auditing by Grant Thornton Chartered Accountants is currently in progress.</li> <li>Audit Report is expected by mid-December 2015.</li> </ul>
<b>2. Cold Storage Company Limited</b>	<ul style="list-style-type: none"> <li>EY Chartered Accountants are in the process of auditing.</li> <li>Audit Report is expected by mid-December 2015.</li> </ul>
<b>3. Air Zimbabwe (Pvt) Limited</b>	<ul style="list-style-type: none"> <li>Government is in the process of identifying a Strategic Partner.</li> </ul>
<b>4. TelOne</b>	<ul style="list-style-type: none"> <li>Turnaround Strategy approved by the Cabinet Committee on State Enterprises and Parastatal Development.</li> <li>Pursuing Lines of Credit to finance the replacement of the core network and expansion of the backbone fibre.</li> </ul>
<b>5. Agriculture and Rural Development Authority</b>	<ul style="list-style-type: none"> <li>ARDA is establishing joint venture partnerships for selected estates.</li> <li>To date 11 out of 20 Estates have entered into Joint Venture Agreements. These are Chisumbanje, Middle Sabi, Nandi, Fair Acres, Antelope, Ngwezi, Mkwesine, Jotsholo, Sedgwick, Doreen's Pride and Katiyo (Rumbizi and Chiwira Sections).</li> </ul>
<b>6. Civil Aviation Authority of Zimbabwe</b>	<ul style="list-style-type: none"> <li>Government is in the process of unbundling the Authority into a Regulatory and a Commercial entity.</li> <li>The Airport Management Company has already been registered as a private company.</li> </ul>
<b>7. National Railways of Zimbabwe</b>	<ul style="list-style-type: none"> <li>Government is in the process of identifying a Technical Partner.</li> <li>Government is courting investors for funding.</li> </ul>
<b>8. Zimbabwe National Water Authority</b>	<ul style="list-style-type: none"> <li>Government is finalising the turnaround strategy document for ZINWA for consideration by the Cabinet Committee on State Enterprise and Parastatal Development.</li> </ul>
<b>9. Zimbabwe Power</b>	<ul style="list-style-type: none"> <li>The Power Projects at Kariba and Hwange Power</li> </ul>



<b>Corporation</b>	<p>Stations are progressing well and projected to be completed by 2018.</p> <ul style="list-style-type: none"> <li>• These Projects will feed about 900MW into the National Grid.</li> </ul>
<b>10. Industrial Development Corporation of Zimbabwe</b>	<ul style="list-style-type: none"> <li>• The Turnaround Strategy is awaiting consideration by the Cabinet Committee on State Enterprises and Parastatals Development.</li> <li>• The entity will be transformed into a Development Finance Institution in line with the Zim Asset Blueprint.</li> </ul>

768. Mr Speaker Sir, where staff audits have been completed, tightening of employment controls will be enforced with management held liable for violations in their individual capacity.

769. In this regard, Government is finalising work on a Corporate Governance Bill which will establish corporate governance and performance principles for state owned enterprises.

770. This, Mr Speaker Sir, will be in place by the first half of 2016.

*Enterprises Corporate Governance*

771. Mr Speaker Sir, pending centralisation of control and the implementation in full of the reforms that have been proposed, responsible line ministries should ensure that State Enterprises under their jurisdiction comply fully with the National Code of Corporate Governance.

772. The key tenets of the Code of Corporate Governance include the following:

- Holding of Annual General Meetings; and
- Remittance to Treasury of 50% of after tax profits.

773. These, Mr Speaker Sir, are the bare minimum and all public enterprises will be required to adhere to them without failure.

*Industrial Development Cooperation*

774. The restructuring of the Industrial Development Cooperation of Zimbabwe, is pertinent given its role in industrial decentralization, value addition and technological advancement.

775. IDCZ has challenges regarding lack of capital, debt overhang and other operational constraints, with the subsidiaries operating below break-even point.

776. To achieve the turnaround of IDCZ, the strategy is to restructure through dilution of its legacy shareholding, part divesture in existing portfolios, remodelling economically uncompetitive business cases whilst developing endowment based investments.

777. This will entail engagement with strategic partners for the recapitalisation of IDCZ and the same model used in the takeover of

Olivine Industries by Surface Wilmar Investments may also be applied.

778. A proposal to transform IDCZ into a Development Finance Institution is being considered. This will be done through the operationalisation of the Industrial Development Fund, as already provided for in the IDC Act.

779. This is motivated by the need to resuscitate Zimbabwe's ailing industries, create employment opportunities and promote a significant increase in foreign direct investment into the economy.

#### *Zisco Steel*

780. The resuscitation of operations at Zisco Steel will have upstream and downstream benefits to the economy, hence, the need for Government to secure an investor as soon as possible through private placement.

781. Central to this will be the need to free the Zisco balance sheet of historical "*baggage liabilities*", including an accumulation of new obligations with regards to wages that arise on account of workers that are not producing anything, and are actually sitting at home or pursuing other engagements.

782. Accordingly, all contracts for Zisco employees will be terminated on a 3 month notice with effect from 1 December 2015.

783. Government will, therefore, through the Ministry of Industry and Commerce, be updating Honourable Members on the progress in engaging a new investor.

784. Mr Speaker Sir, we have lost much time on this matter.

### ***Performance Audits***

785. In view of the time needed to conduct forensic audits, Government will carry out performance audits in order to expedite the reform process.

786. I, therefore, propose to commit US\$2 million to the Office of Auditor General, to facilitate this process, which will also be supported by the World Bank.

787. I am also creating a dedicated Public Enterprises Reform and Monitoring Unit in the Accountant General's Department under my Ministry to:

- Vigorously monitor public entities performance;
- Proactively coordinate the implementation of restructuring reforms; and
- Analyse budgets and financial statements of public entities.

788. This will result in a systematic promotion and monitoring of compliance with the provisions of PFM Act by the Public Entities.

789. I will ensure that this unit is equipped with the requisite skills for the achievement of the objectives of increasing Public Enterprises' contribution to GDP, reduction of their dependence on the fiscus, improvement of service delivery and enhanced accountability.

*Auditor General Observations*

790. In the 2015 Mid-Term Fiscal Policy Review, I highlighted that Government was instituting measures to address concerns raised in the Auditor General's Narrative Reports.

791. The processes of amending the PFM Act to include monitoring and close oversight of public enterprises and local authorities is complete, and the PFM Amendment Bill was gazetted on 23 November 2015 and will soon be tabled in Parliament.

792. I propose to establish another unit within the Accountant General's Department mandated to analyse audit reports, enforce issues of compliance raised by the Auditor General and ensure that Government is responsive to issues raised by the Auditor General and this August House.

793. Mr Speaker Sir, the mandate of this other unit will also embrace compliance and accountability of Ministries and Departments in line with their obligations under the PFM Act with regards to public resources.

## **XII. SOCIAL SERVICES**

794. Mr Speaker Sir, the presentation of the 2016 Budget introduces the concept of implementing Programme Based Budgeting, which links appropriated funds to distinct deliverables and outcomes envisaged in Zim Asset.

795. As I have previously indicated, the social sector Ministries of Primary and Secondary Education, Health and Child Care and Public Service, Labour and Social Welfare were identified as the lead Ministries in the implementation of Programme Based Budgeting.

796. This was in recognition of the immediate need to improve on both the coverage and quality of social services, as well as strategically allocating our limited public resources to those service delivery programmes which are of greatest benefit to the community.

797. Linking appropriated funds to distinct deliverables and outcomes establishes a performance measurement framework that ensures monitoring of desired results, reporting on progress and feedback mechanism that informs policy and decision making.

### ***Programme Based Budgeting***

798. Programme Based Budgeting (PBB) entails the mapping of public expenditures according to programmes, a paradigm shift from the current arrangement of classifying appropriations by line items, which relate to inputs required to deliver services.

799. It is also a mechanism that will help Government in assessing the extent to which policy objectives are being met, through the use of performance information which is imbedded into the Estimates of Expenditure.
800. Specifically, Programme Based Budgeting aims at improving the prioritisation of expenditure in the Budget – helping, to allocate limited public resources to those programmes which are of greatest benefit to the community.
801. It further encourages line Ministries to improve the efficiency and effectiveness of service delivery.
802. Accordingly, Parliamentary and Audit oversight is not only focused on financial regularity, but also policy performance.
803. PBB is being rolled out on a phased approach, and this is the basis upon which Treasury has been working with the Ministries of Health and Child Care, Primary and Secondary Education and Public Service, Labour and Social Welfare on this reform initiative.
804. Accordingly, Mr Speaker Sir, I propose, therefore, to present, for tabling and approval, 2016 Estimates of Expenditure for the Ministries of Health and Child Care, Primary and Secondary Education and Public Service Labour and Social Welfare which are mapped according to programmes.

805. Mr Speaker Sir, going forward, Treasury intends to roll out PBB to all line Ministries on a phased approach by end of 2018, with the next phase embracing the following Ministries:

- Agriculture, Mechanisation and Irrigation Development;
- Local Government, Public Works and National Housing;
- Justice, Legal and Parliamentary Affairs;
- Women’s Affairs, Gender and Community Development;
- Higher and Tertiary Education, Science and Technology Development; and
- Youth, Indigenisation and Economic Empowerment.

806. Mr Speaker Sir, the 2016 Budget presentation for the social sector is, therefore, in line with Programme Based Budgeting.

### ***Education***

#### *Review of Curricula*

807. Mr Speaker Sir, the Value Addition and Beneficiation Cluster under Zim Asset requires the country to invest in human capacity development, emphasising on the production of learners with core competencies in the cutting edge fields of mathematics, engineering, science and technology and ICTs, thus enhancing the country’s productivity and innovation capacity.

808. In this regard, the review of curricula being undertaken by the Ministry of Primary and Secondary Education, offers the opportunity to:



- Address skills shortages in science and technology, mathematics and ICTs;
- Improve the quality and relevance of education, emphasising on Technical and Vocational Education and Training; and
- Promote social inclusion and cohesion, through the teaching of life skills.

809. Mr Speaker Sir, the Education Development Fund being administered by UNICEF disbursed US\$33.7 million towards funding the review of the national curricula for primary and secondary levels and development of an education policy.

810. For 2016, support under the Education Development Fund is projected at US\$24.4 million.

811. I propose to allocate US\$525 000 to support the implementation of the curricula blueprint approved by Cabinet in September 2015.

### *Teacher Capacity Development*

812. Mr Speaker Sir, the Teacher Capacity Development programme, launched by His Excellency, the President, in July 2014, is upgrading teachers' qualifications, focusing on a wide range of disciplines, including sciences, mathematics, curriculum research and development, education planning, building and design, languages and humanities.

813. The Teacher Capacity Development Programme is also addressing technical and vocational training needs.

814. Around 1 570 teachers are currently enrolled at our local universities.

815. Mr Speaker Sir, in support of this programme, I propose to allocate US\$535 000.

*Early Childhood Development*

816. Mr Speaker Sir, Early Childhood Development programme is the backbone of our country's formal educational system.

817. The attainment of desired learning outcomes at this level of education stands to benefit from the continued production of ECD teaching staff through our Teachers' Colleges, provision of age appropriate teaching and learning material and the progressive investment in infrastructure.

818. For the period January to September 2015, US\$295 000 was availed towards the procurement of teaching and learning materials.

819. An amount of US\$500 000 was also availed towards construction of classroom blocks and age appropriate ablution blocks.

820. For 2016, I propose to allocate US\$525 000 towards the procurement of teaching and learning materials, whilst earmarking US\$245 000 towards supervision and monitoring activities.

821. I further propose to allocate US\$1.36 million for the construction of more age appropriate infrastructure.

*Junior and Secondary Education Infrastructure Bonds*

822. Mr Speaker Sir, the infrastructure at most primary and secondary schools remains inadequate, resulting in students travelling long distances to school or shortening of learning periods because enrolments are so large that teaching-learning time has to be split between sessions.

823. Focus on school infrastructure should be on building class room blocks, laboratories, libraries, sporting facilities, student hostels and staff accommodation.

824. The Table below shows the schools' infrastructure requirements by province.

PROVINCE	SATELITE SCHOOLS		DECONGESTION SCHOOLS		NEW SCHOOLS		TOTAL
	PRIMARY	SECONDARY	PRIMARY	SECONDARY	PRIMARY	SECONDARY	
<b>Masvingo</b>	157	85	3	3	4	6	<b>258</b>
<b>Harare</b>	5	5	73	54	32	19	<b>188</b>
<b>Bulawayo</b>	3	6	17	14	20	9	<b>69</b>
<b>Mashonaland West</b>	210	159	26	12	22	6	<b>435</b>
<b>Midlands</b>	116	86	30	10	26	10	<b>278</b>
<b>Manicaland</b>	35	65	11	4	11	2	<b>128</b>
<b>Matebeleland North</b>	116	44	2	2	5	4	<b>173</b>
<b>Matebeleland South</b>	51	24	3	1	20	15	<b>114</b>
<b>Mashonaland Central</b>	103	84	27	22	33	6	<b>275</b>
<b>Mashonaland East</b>	42	29	27	8	22	10	<b>138</b>
GRAND TOTAL	<b>838</b>	<b>587</b>	<b>219</b>	<b>130</b>	<b>195</b>	<b>87</b>	<b>2,056</b>

Source: Ministry of Primary & Secondary Education

825. Hence, in complimenting Budget financing, Government will in 2016 vigorously pursue floating an infrastructure bond to be underwritten by School Development Association levies.

826. Indications are that with 3.2 million children in our primary and secondary schools, we can safely plan on revenue streams of upward of US\$30 million per term to service such bonds.

827. Mr Speaker Sir, indicative cash flows are indicated in the Table below:

Stream	Enrolment	Collectable building levy	Term (US\$ Million)			Total (US\$ Million)
			1	2	3	
<b>Primary</b>	2 000 000	@\$2 per term	4	4	4	12
<b>Secondary</b>	700 000	@\$5 per term	3.5	3.5	3.5	10.5
<b>Non-Formal Secondary</b>	500 000	@5 per term	2.5	2.5	2.5	7.5
<b>Total</b>	<b>3 200 000</b>		<b>10</b>	<b>10</b>	<b>10</b>	<b>30</b>

Source: Ministry of Primary & Secondary Education

828. Furthermore, in 2016, Government will focus on completion of the various education infrastructure currently under construction, which emphasises on newly resettlement farming areas.

829. For the period January to September 2015, US\$2.17 million was disbursed towards the construction of school infrastructure.

830. Mr Speaker Sir, I propose to allocate US\$3.9 million towards infrastructure development across our junior and secondary schools.

831. The quality of education services will also be strengthened through the continued procurement of teaching and learning materials, emphasising on mathematics, science and agricultural kits.
832. In this regard, up to the end of September 2015, US\$2.2 million had been disbursed towards procurement of teaching and learning materials as well supporting schools' supervision and monitoring.
833. Mr Speaker Sir, I propose to allocate US\$2.7 million in 2016.
834. Mr Speaker Sir, I advised in my Mid-Year Fiscal Policy Review Statement that Government had secured a Facility of US\$20 million from the OPEC Fund for International Development for the construction of schools in newly resettlement farming areas.
835. The project entails construction of 12 primary and 5 secondary schools and teachers' houses, as well as provision of relevant equipment and furniture for the targeted schools distributed as follows: -

Province	Schools		
	Primary	Secondary	Total
Mashonaland West	3	1	4
Midlands	1	1	2
Mashonaland Central	2	1	3
Masvingo	1	1	2
Matabeleland North	2	0	2
Mashonaland East	1	0	1
Manicaland	1	1	2
Matabeleland South	1	0	1

<b>Total</b>	<b>12</b>	<b>5</b>	<b>17</b>
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Source: Ministry of Primary & Secondary Education

836. The OFID project will be implemented in 3 phases over a period of 4 years at an estimated cost of US\$22 million, inclusive of the Government co-financing contribution of US\$2 million. The relevant loan agreement has been tabled in Parliament for the necessary ratification.

837. In 2016, a total of US\$5.4 million will be disbursed, with Government contributing US\$600 000.

### *Higher and Tertiary Education Infrastructure Bonds*

838. Mr Speaker Sir, our State Universities, Polytechnics, Teachers Colleges and other Tertiary State Institutions require investment in physical infrastructure that includes staff and student accommodation, lecture theatres, laboratories, workshops, sporting facilities, administration blocks and student service centres.

839. However, given the current Budgetary constraints, such investments remain largely underfunded, translating into huge accommodation and facilities' deficits at our tertiary institutions.

840. The Table below shows the status of student accommodation facilities at State Universities.

STATE UNIVERSITY	STUDENT ENROLMENT CAPACITY	CURRENT ENROLMENT	IN HOSTEL	IN NEED OF ACCOMODATION	HOSTELS REQUIRED
University of Zimbabwe	14 330	10425	4200	10130	14
National University of science and Technology	8 454	7,938	182	8,272	12
Bindura University of Science education	2 880	7,049	398	2,482	4
Midlands State University	32 080	21,980	3,840	28,240	40

Chinhoyi University of Technology	10,499	6,009	117	10,382	15
Great Zimbabwe University	18900	12,035	1,488	17,412	25
Lupane State University	5 156	2901	0	5,156	7
Harare Institute of Technology	4 200	1636	484	3,716	5
Marondera University of Agriculture Technology	10 449	0	0	10,449	15
Gwanda State University	10 449	0	0	10,449	15
Manicaland State University	10 449	0	0	10,449	15
<b>GRAND TOTAL</b>	<b>127 846</b>	<b>69,973</b>	<b>10,709</b>	<b>117,137</b>	<b>167</b>

Source: Ministry of Higher and Tertiary

### *Proposed Infrastructure Bond for Higher and Tertiary Institutions*

841. Mr Speaker Sir, challenges due to lack of fiscal resources have continued to inhibit optimal provision of infrastructure facilities in our institutions of higher and tertiary education.

842. Government will, therefore, in 2016 vigorously pursue arrangements for the financing of infrastructure through issuance of an infrastructure bond, to be underwritten by rentals paid by students and staff.

843. If we are to assume monthly payments of US\$100 per student for the current accommodation rentals, the total monthly cash flows amount to US\$17.3 million as indicated in the Table below.

Institutions	Student Accommodation			Staff Accommodation	
	Number of Hostels	Students in need of accommodation	Number of hostels required	Staff with institution accommodation	Additional houses/stands requires
State Universities	10 709	117 137	182	287	16 082
Polytechnics	3 620	27 786	126	264	3 209
Teachers College	8 153	28 244	106	583	2 069
<b>Total</b>	<b>22 482</b>	<b>173 167</b>	<b>414</b>	<b>1 134</b>	<b>21 360</b>

Source: Ministry of Higher and Tertiary

844. Development of the necessary financial instruments to raise these resources will have to be for longer maturities, in particular relating potential rental incomes to students and staff accommodation.

845. To enhance market acceptance, the following features will be provided:

- Government guarantee;
- Prescribed asset status; and
- Liquid asset status.

846. As part of the security of the bond, a sinking fund will be created, ceded and escrowed to ring fence receivables.

### ***Health***

847. Mr Speaker Sir, our investment in the public health care system is yielding positive returns.

848. The 2014 Zimbabwe Multiple Indicator Cluster Survey report highlights notable gains, inclusive of:

- A reduction in the maternal mortality ratio, from 614 per 100 000 live births in 2010 to 581 per 100 000 live births in 2014;
- A reduction in the infant mortality rate, from 57 to 55 per 1 000 live births;
- An increase in vaccination coverage, from 64% to 69% for children between 12 to 23 months; and



- A reduction in malaria incidence, from 58 per 1 000 population in 2009 to 39 per 1 000 population in 2014.

849. Mr Speaker Sir, we need to consolidate on these gains.

*Public Health*

850. Mr Speaker Sir, malaria still remains a preventable public health challenge.

851. I propose to allocate US\$1 million in support of the Malaria Indoor Residual Spraying programme, as well as Pre-elimination of Malaria programme, covering the malaria prone zone of Matabeleland North, Matabeleland South, Midlands, Masvingo and Mashonaland West.

852. Mr Speaker Sir, Non-Communicable diseases and conditions continue to pose a growing public health challenge.

853. Diabetes, hypertension, cardio-vascular conditions, cancer and mental health conditions continue to afflict a growing number of Zimbabweans.

854. Mr Speaker Sir, I propose to allocate US\$1.5 million towards improving the capacity of our public health facilities to screen and diagnose these conditions and diseases through the training of health workers, procurement of diagnostic equipment and consumables as well as advocacy towards healthy lifestyles.

*Primary Health care*

855. Mr Speaker Sir, we shall continue investing in low cost high impact primary care interventions which focus on community health and preventive care.

856. The notable success I have alluded to above bears testimony to the efficacy of these interventions.
857. The 2015 Budget has availed US\$4.8 million towards the provision of maternal and child health services.
858. Mr Speaker Sir, I propose to allocate an amount of US\$7 million in the 2016 Budget.
859. An additional US\$575 000 will be allocated towards the construction of five rural health centres, namely Chibila, Siyabuwa, Munemo, Dhongamuzi and Mbuya Maswa.

#### *Hospital Care*

860. Mr Speaker Sir, Government is progressively strengthening the capacity of our district, provincial and central hospitals which respond to referrals as well as offer specialised care.
861. In this regard, US\$12.7 million was disbursed to Government Hospitals and Health Centres including Grant Aided Institutions in support of their operational requirements.
862. Mr Speaker Sir, I propose to allocate US\$13.7 million in 2016 as support towards the provision of medical services.
863. Mr Speaker Sir, a total of US\$8.2 million was disbursed during the period to end of September 2015 for the refurbishment, upgrading and modernisation of our health facilities country-wide.

864. Resources amounting to US\$3.9 million were disbursed to Central hospitals for the rehabilitation of infrastructure, including laundry equipment, gas piping and water reticulation systems.
865. Mission hospitals, District and Provincial hospitals received US\$3.8 million towards the refurbishment of infrastructure and various construction works.
866. In this regard, I propose to set-aside US\$23.2 million towards on-going works.
867. The infrastructure rehabilitation programme at Central hospitals will be funded to the tune of US\$5.6 million.
868. Included in this provision is US\$1.3 million earmarked for the procurement of laundry equipment and other medical equipment.
869. With regards to the refurbishment of district and provincial hospitals, I have set aside US\$5.3 million.

### *Medical Equipment*

870. Honourable Members may recall that, in 2013, Government signed a Loan Facility with China Exim Bank worth US\$100 million for the purpose of procuring medical equipment, critical for re-establishing the referral system.
871. To date, drawdowns amounting to US\$81.9 million have been effected and medical equipment with an estimated value of US\$28.3 million has been received in the country.

872. This equipment has been installed and commissioned at:

- 5 Central hospitals;
- 7 Provincial hospitals;
- 44 District hospitals;
- 30 Mission hospitals;
- 3 Rural health centres, and
- 2 Urban poly-clinics

873. Installation of other equipment such as CT scans, MRI machines and digital X-ray machines is still work in progress as they require room preparations.

874. The last disbursement of US\$10 million on the Facility is expected to be disbursed in 2016.

875. In this regard, I have allocated US\$10 million from tax revenues for this purpose.

*Kuwait Fund*

876. Mr Speaker Sir, the Kuwait Fund for Arab Economic Development has since availed a grant amounting to US\$1 million earmarked for the preparation of technical, economic feasibility study and detailed designs for the construction of two 140 bedded district hospitals in Harare with full supporting services.

*Health Development Fund*

877. During the period January – September 2015, UNICEF disbursed US\$31.2 million, under the Health Development Fund towards the strengthening of the health system, procurement of essential medicines and equipment.
878. Of this amount, US\$12.9 million was availed by the European Union under the 11th EDF, with the balance of US\$18.8 million availed by other Development Partners which include Canada, DFID, Ireland Norway and Sweden.
879. In 2016, a total of US\$75.8 million will be made available under the Health Development Fund, of which the EU will contribute US\$59.2 million with the balance to be availed by other above mentioned development partners.

### **XIII. DEVELOPMENT PARTNER SUPPORT**

880. Mr Speaker Sir, allow me to acknowledge and commend the support that development partners continue to play a complementary role to Government's efforts in the implementation of our development programmes and projects.
881. I have already alluded to development partners' initiatives in the areas of public finance management, agriculture, energy, water and sanitation, health, youth and women empowerment, governance and institution building in transparency and accountability.

BI-LATERAL DEVELOPMENT PARTNER SUPPORT		
Development Partner	2015 Projection	Jan - Sep 2015 Actual
AUSTRALIA	15 600 000	7 789 576
CHINA	22 862 500	14 406 349
DENMARK	31 009 551	13 063 681
EUROPEAN UNION	54 547 290	38 212 324
GERMANY	9 831 595	4 473 514
INDIA	1 000 000	702 637
JAPAN	4 975 656	4 770 000
NETHERLANDS	1 608 844	3 139 885
NORWAY	20 000 000	14 760 000
SWEDEN	19 783 292	16 860 265
SWITZERLAND (SDC)	8 600 970	6 907 924
UKAID	139 280 907	97 387 081
USAID	84 764 459	64 496 015
TOTAL	<b>419 250 462</b>	<b>286 969 221</b>

Source: Ministry of Finance

882. Mr Speaker Sir, of the US\$630 million projected Development Partner support for 2015, disbursements to September 2015 amounted to a total of US\$427 million.

MULTI-LATERAL DEVELOPMENT PARTNER SUPPORT			
Development Partner	2015 Projection	Jan - Sep 2015 Actual	2016 Projection
AfDB	14 511 000	4 666 141	8 225 507
FAO	726 947	831 130	180 000
Global Fund	155 948 568	100 902 030	57 570 949
ILO	119 227	122 856	75 000
IOM	280 000	174 695	-
ITU	300 000	52 700	-
UN Women	1 123 020	1 196 320	-
UNDP	6 594 750	4 578 373	1 822 730
UNESCO	149 000	195 750	-
UNFPA	2 933 431	1 703 852	-
UNICEF	7821 648	11 971 183	864 855
UNIDO	190 000	100 000	-
WHO	4 996 913	5 980 340	3 468 500

<b>World Bank</b>	15 350 000	8 000 000	-
Total	<b>211 044 504</b>	<b>140 475 370</b>	<b>72 207 541</b>

Source: Ministry of Finance

883. Of the disbursed amount, US\$287 million was from bilateral partners, whilst US\$140 million were contributions from multilateral partners.

*New Country Programmes of Cooperation*

884. Mr Speaker Sir, I am pleased to inform the august House that our accelerated re-engagement efforts clearly spelt out under the economic blue print, Zim Asset are bearing further fruits.

885. As I have reported earlier, Government has since signed various Agreements with both bilateral and multilateral partners during the year 2015, whose programmes and projects are already in implementation.

886. Mr Speaker Sir, these included the following:

- The 11<sup>th</sup> EDF, 2014-2020, for Euro 234 million with the European Union;
- The Zimbabwe Reconstruction Fund Multi-donor Trust Fund administered by World Bank, for US\$36.1 million;
- The Zimbabwe-ADB Country Addendum, for US\$107.8 million; and
- The Zimbabwe – JICA Cooperation, for US\$15 million, among others.

887. I am pleased to report that Government has jointly collaborated with the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA) and subsequently came up with new Country Programmes of Cooperation for the period 2016 – 2020, which have since been approved this year by their Executive Boards.

888. The above Country Programmes are supporting some of the key Zim Asset priorities within the operational framework of the Zimbabwe United Nations Development Assistance Framework (ZUNDAF) 2016 – 2020.

889. Honourable Members will recall that the ZUNDAF outcomes are as follows:

- Food and Nutrition Security;
- Gender Equality;
- HIV and AIDS;
- Poverty Reduction and Value Addition;
- Public Administration and Governance; and
- Social Services and Protection.

890. The estimated resource envelopes for the above three new Country Programmes are as follows:

- Zimbabwe - UNFPA Country Programme, US\$98.5 million;



- Zimbabwe - UNDP Country Programme, US\$195.5 million; and
- Zimbabwe - UNICEF Country Programme, US\$600million.

891. In the same vein the support will significantly contribute towards attainment of the Sustainable development goals.

#### **XIV. FINANCIAL SECTOR STABILITY**

892. Mr Speaker Sir, commendable progress has been achieved with respect to restoration of stability and confidence in the financial services sector, following monetary and financial sector reforms.

893. The financial system is now safe and sound, and is now in a position to play its role with regards to financial intermediation through savings mobilisation, and channelling domestic savings in support of Zim Asset.

894. As Honourable Members will recall, the objectives of the reform measures in the financial sector targeted the following, among others:

- Restoration of financial sector stability;
- Confidence in the financial system;
- Strengthen supervision and surveillance;
- Mobilise domestic savings;
- Credit creation; and
- Financial inclusion.

### *Financial Sector Legislation*

895. Government has already approved critical amendments to the Reserve Bank and Banking Acts, aimed at further strengthening the legal and regulatory framework and, reducing financial sector vulnerability.

896. The amendments include:

- Establishment of credit reference bureaus and a credit registry within the Reserve Bank;
- Establishment of Zimbabwe Asset Management Company which has already started purchasing collateralised non-performing loans to effectively manage non-performing loans; and
- Creation of civil and criminal liability for abuse of depositors' funds, negligence or recklessness conduct of banking business and for breach of statutory duties of directors and senior managers of banking institutions.

897. In addition to amendments to the Banking Act, Government is also amending the Insurance Act, Insurance and Pensions Commission Act; and the Pension and Provident Fund Act.

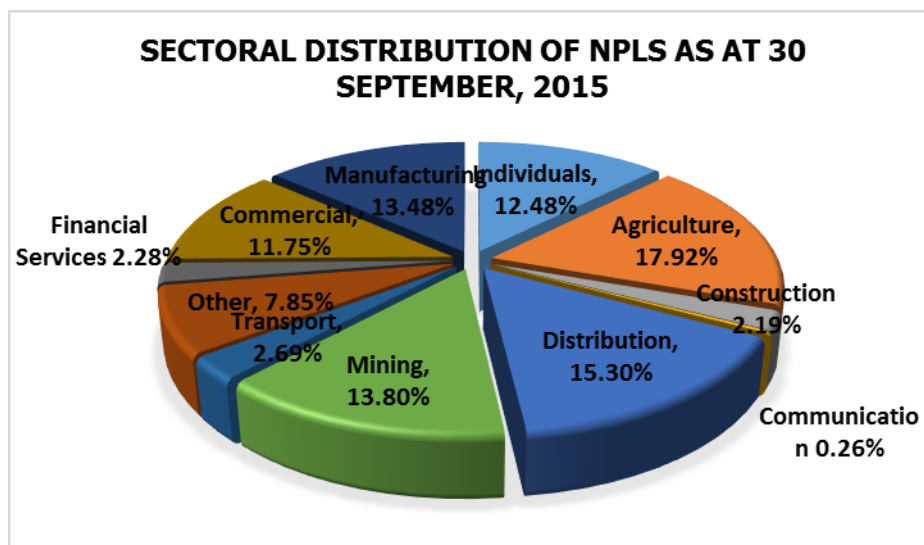
898. The amendments to the Banking Act and the Reserve Bank Act have already been tabled in this august House.

899. The amendments to the above Acts are to strengthen regulation and supervision of the insurance and pension sectors as well as realign with international standards.

*Resolution of Non-Performing Loans*

900. The Zimbabwe Asset Management Company (ZAMCO) was established to resolve the challenge of Non-performing Loans (NPLs) in the banking system.

901. The sectoral distribution of NPLs by category of borrower as at 30 September 2015 is as follows:



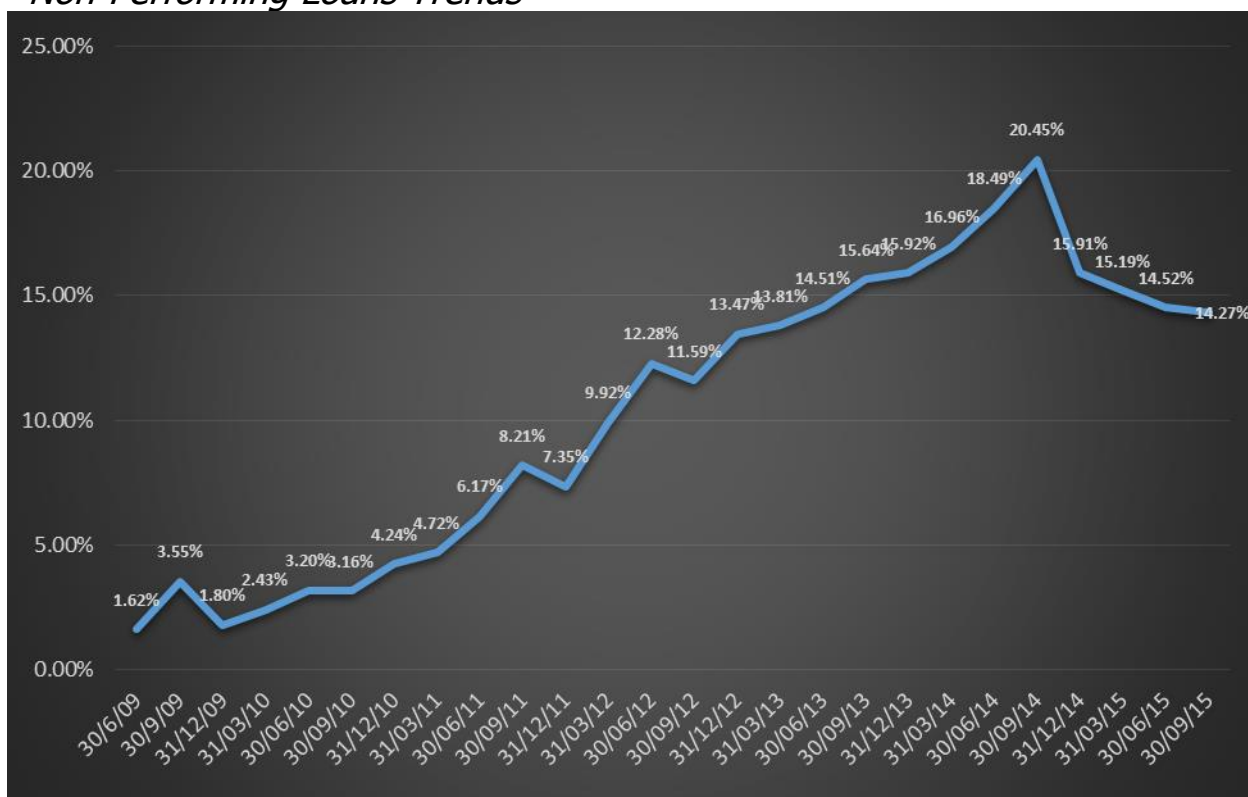
Source: Reserve Bank

902. ZAMCO is already purchasing qualifying NPLs from banking institutions, and thereby cleaning the banks' balance sheets and resuscitating industry and commerce.

903. To date, ZAMCO has purchased a total of more than US\$256.4 million worth of eligible NPLs.

904. As a result, the ratio of NPLs to total loans has declined from a peak of 20.45% in June 2014 to 14.27% as at end September 2015.

### *Non-Performing Loans Trends*



Source: Reserve Bank

905. The acquisition of non-performing loans by ZAMCO should also facilitate the resuscitation of the following companies:

- Cottco;
- RioZim;
- Cairns Foods;
- Border Timbers;

- Hwange Colliery;
- Astro Motors; and
- Cold Storage Company.

906. Mr Speaker Sir, ZAMCO will implement appropriate debt relief and debt restructuring measures in the acquisition of NPLs, a development that is envisaged to play an integral role in the resuscitation of distressed companies.

#### *Credit Reference System*

907. Mr Speaker Sir, amendments to the Banking Act have also been made to allow for the licencing of private credit reference bureaus and the establishment of the Central Registry by the Central Bank.

908. The Banking Act amendments for the establishment of the Credit Registry are already going through Parliament.

909. A Credit Reference System, which houses an effective credit information database will help in limiting escalation of NPLs and bank failures arising from credit risk exposures.

910. This is also going to maximise opportunities for the credit provision market by removing information asymmetry.

911. In addition, it is anticipated that this will increase financial innovation as more products will be made available on the market such as

promotion of credit cards, mobile money products, financial inclusion products, among others.

912. The Reserve Bank will finalise the Credit Registry in 2016 so that all borrowers are vetted for credit worthiness for purposes of managing non-performing loans at acceptable levels by June 2016.

913. Furthermore, the Reserve Bank is working towards establishment of a Collateral Registry to facilitate registration and administration of collateral security, including movable assets.

914. Already, the Reserve Bank has sent bids for tender for the firms that have been identified to supply the Credit Reference software

#### *Streamlining Minimum Capital Requirements*

915. The Reserve Bank has revised Minimum Capital Requirements in a 3-tiered approach, as follows:

- Tier 1 - \$100 million;
- Tier 2 - \$25 million; and
- Tier 3 - \$7.5 million.

916. The tier system ensures financial sector stability, with banking institutions embarking on classes of business most suited to their capital structure.

#### *Infrastructure Development Bank*

917. With regards to the Infrastructure Development Bank, Honourable Members will be aware that Government cleaned up its balance sheet in an endeavour to facilitate the Bank's role in partnering Government in delivering infrastructure development in the country.

918. Pursuant to this, Government will be further recapitalising the Infrastructure Development Bank to the tune of US\$20 million during 2016.

*Resolution of Troubled and Insolvent Banks*

919. Mr Speaker Sir, a financial sector freed of troubled and distressed banks is necessary to boost public and investor confidence in the banking sector.

920. To this end, the Reserve Bank comprehensively resolved the challenge of distressed banks by end-June 2015.

*Multi-disciplinary Financial Stability Committee*

921. A Multi-disciplinary Financial Stability Committee was established, comprising the Reserve Bank and the other financial sector regulatory bodies, Deposit Protection Board, Insurance and Pension Commission (IPEC), as well as Government and other stakeholders.

922. Through this Committee, regular and periodic financial stability assessments are undertaken, resulting in the publication of a Financial Stability Report.

### *Exchange Control Liberalisation*

923. Mr Speaker Sir, review of exchange control facilitated smooth movement of food exports, while also assisting monitoring of food imports in relation to domestic production capacity.
924. Other reforms were also targeted at facilitating timeous and free movement of goods and capital.
925. Where necessary, some exchange control measures were consolidated with similar requirements from other regulatory authorities, particularly in relation to approval processes for external loans and equity investments.
926. To facilitate inward bound external resource flows, the limit on the amount of external loans that can be approved at bank level was increased to US\$10 million.
927. In addition, participation by foreign investors in the domestic bond and money markets was increased to 100%, in addition to improvement in the ease of entry and exit conditions on the primary and secondary markets.
928. In the same vein, participation on ZSE listed companies by Zimbabweans in the diaspora was increased to a level of 100%.



### *Financial Inclusion*

929. The latest 2014 FinScope consumer survey indicates that the proportion of population accessing formal financial services increased from 38% in 2011 to 69% in 2014.
930. This is still lagging behind other regional partners such as South Africa and Mauritius, at 75% and 85%, respectively.
931. In order to harness deposits and promote long term savings, Government is drafting the National Financial Inclusion Strategy which will be implemented in 2016.
932. This should also culminate in a SMEs Finance policy, to help unlock financing for SMEs through the exploration of alternative collateral security options that are acceptable to banks and micro-finance institutions.
933. The Reserve Bank is spearheading this in close collaboration with key stakeholders.
934. Within the Strategy, Government is advocating for improved financial and other support to Small and Medium Enterprises, which are critical vehicles for poverty eradication, inclusive growth and economic transformation. Access to finance had remained a perpetual constraint to their operations.

935. The thrust of the financial inclusion policy is to ensure that the unbanked public is banked, and for banking institutions to design products that do not exclude many people.

936. This should have the objective of improving financial intermediation, addressing the needs of specific segments of the population which are financially excluded, notably, Micro, Small and Medium Enterprises, Women and Youth, among others.

### *Lending Rates*

937. Mr Speaker Sir, I am pleased to report that banking institutions have aligned their lending rates with interests rate guidelines provided in the July 2015 Monetary Policy Statement of the Reserve Bank, following an agreement with the Bankers Association.

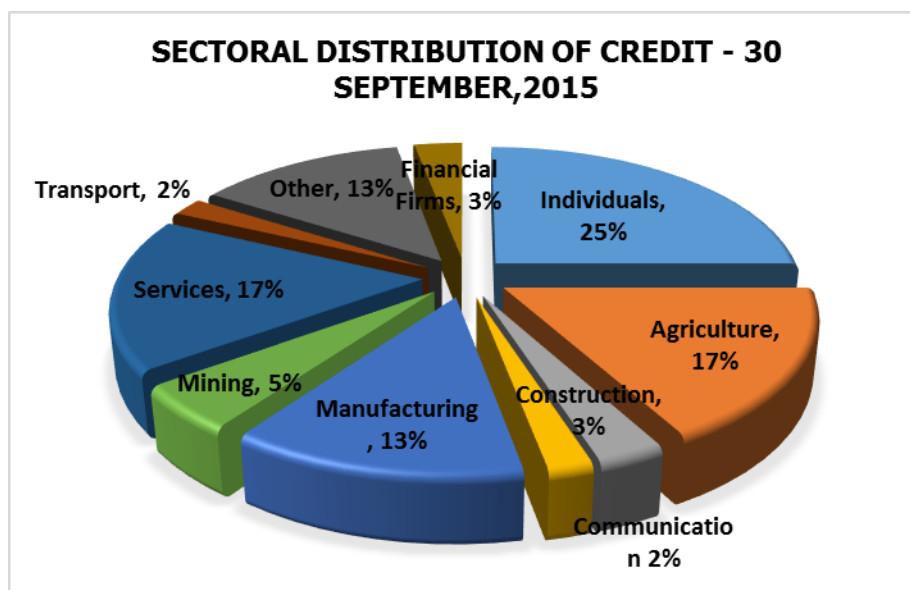
938. This has contributed to the reduction in borrowing costs for companies, from above 35% to within 6-18%.

939. The interest guidelines issued by the Reserve Bank are consistent with rates of interests on the Euro-bonds raised by some of the regional countries.

940. Mr Speaker Sir, the Reserve Bank will continue to monitor the levels of lending rates being charged by banking institutions through on-going supervisory activities.

941. In addition, the Bank is also urging banking institutions to continuously re-orient their lending portfolios in favour of productive sectors of the economy.

942. Developments to September 2015 indicate recovery in domestic credit, following the coming on board of ZAMCO and AFTRADES.



Source: Reserve Bank

943. However, banking sector lending to the private sector remained skewed largely towards individuals as indicated in the chart above.

### *Interbank Trading*

944. With the assistance of cooperating development financial institutions, in particular Afreximbank, a US\$200 million AFTRADES Facility was created.

945. AFTRADES is a financial instrument with lender of last resort characteristics, used to mobilise domestic resources from the surplus banks to deficit banks.

946. Mr Speaker Sir, latest submissions from the Reserve Bank indicate that a total of US\$141.8 million AFTRADES bonds had been mobilised from surplus banks, with US\$102.3 million being accessed by institutions in deficit.

#### *Issuance of Bond Coins*

947. Government introduced bond coins in response to a national challenge of lack of competitiveness, due to rounding up of prices by business because of lack of small denomination coins under the multiple currency system.

948. The bond coins have proved popular, and have resulted in the reduction of prices, particularly in the lower end retail sectors.

949. Demand for bond coins has also been rising, following the continued depreciation of the South African rand, whose coins had dominated lower end transactions since the adoption of multiple currency system.

950. To date, the Bank has issued about US\$13.567 million worth of bond coins, in various small denominations, and more coins will be provided in line with demand developments. Already, additional coins worth US\$6 million have been ordered.

951. Mr Speaker Sir, the public accesses bond coins from the Central Bank through banks. In order to improve distribution, the Reserve Bank will announce in its Monetary Policy Statement arrangements to broaden the interface to also embrace other bulk customers, to include retailers, transport operators, among others.

952. This will eliminate the current scenario, where the travelling public often resorts to purchase bond coins from street “money vendors”. Reports of individuals parting with a dollar to access 90 cents bond coinage have been made.

*Demonetisation of the Zimbabwe Dollar*

953. In order to restore public confidence on the continued use of the multi-currency regime, Government launched the demonetisation programme on 15 June 2015, which ended on 30 September 2015.

**Demonetisation**

<b>Purpose</b>	<b>Amount Budgeted (US\$)</b>	<b>Amount Paid Out (US\$)</b>	<b>% Paid</b>
Z\$ Account Holders	15 828 364	7 252 160	45.8
Walk-in Cash Customers	3 345 597	740 788	22.1
Closed Banks	826 038	826 039	1.00
<b>Total</b>	<b>20 000 000</b>	<b>8 818 987</b>	<b>44.1</b>

Source: Reserve Bank

954. Mr Speaker Sir, the amount converted at closure of the demonetisation exercise as at end-September 2015 amounted to US\$8.8 million.

955. The breakdown of individual bank pay outs to account holders is contained in Annexure 3.

### *Treasury Bills*

956. Market players and other stakeholders have expressed sentiments on the process of soliciting as opposed to the normal competitive system embraced worldwide.

957. Hence, effective 2016, Treasury bill issuances will be through the open tender system and the results will be announced to the public to promote transparency.

### ***Non-Bank Financial and Capital Markets***

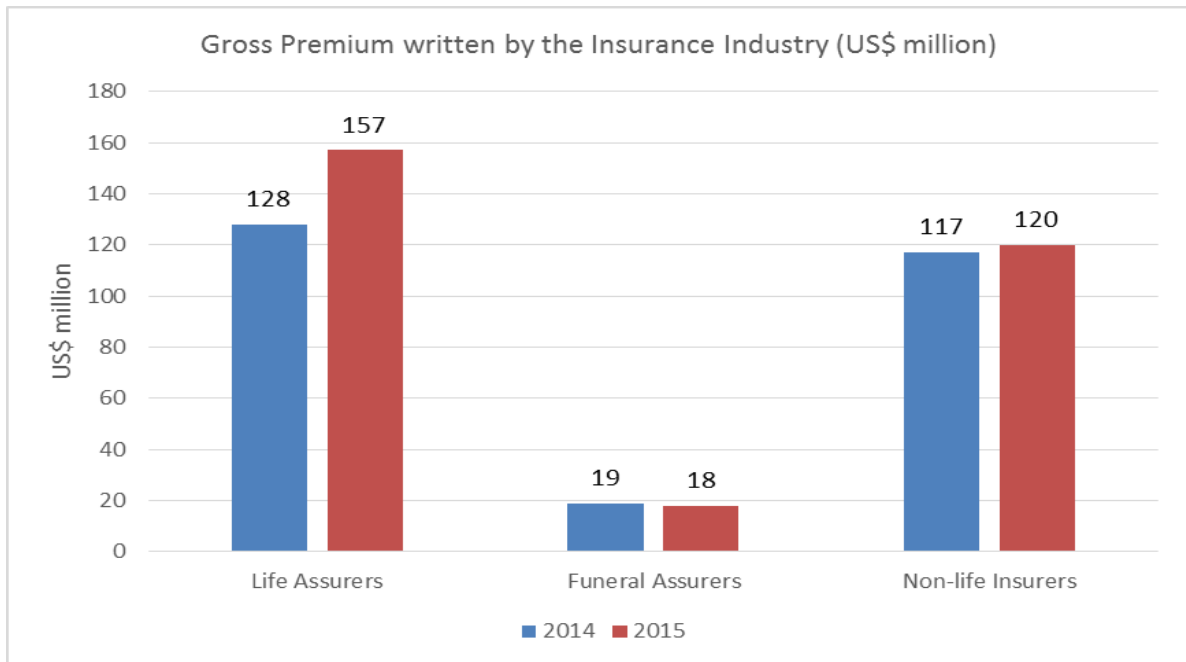
958. Other than banking sector reforms, Government is also initiating a number of measures to strengthen other capital markets including insurance and pension, stock exchange and securities market.

### *Insurance and Pensions*

959. Mr Speaker Sir, the performance of the insurance and pension sector has largely remained depressed owing to low economic activity, legacy issues emanating from the conversion of insurance and

pension policies from Zimbabwe dollar to US dollar values and liquidity challenges, among others.

960. Total gross premiums written increased by 11.6%, from US\$264 million to US\$295 million for the first six months ending 30 June 2015 compared with the same period in 2014 as shown in the table below.



961. The positive growth was mainly driven by aggressive marketing of funeral products by life assurers.

#### *Amendments to Pensions and Insurance Legislation*

962. Mr Speaker Sir, the draft Bills for the insurance and pension industry are being finalised, taking into account stakeholders inputs.

963. The Bills include the Insurance and Pension Commission Bill, Pensions and Provident Funds Bill, and the Insurance Bill.

964. The Bills are expected to be presented in the August House in the first quarter of 2016.

*Interface Information Technology System*

965. The Insurance and Pension Act mandates the insurance and pension industry to file returns on the performance of the industry to the regulator. The filed returns are used by the regulator to generate quarterly and annual reports.

966. Currently, the insurance and pension industry file returns manually, and this delays the analysis and generation of the reports by the regulator.

967. In view of the above, IPEC will be introducing an Interface IT system that would enable the pension and insurance industry to electronically file returns as well as allow the production of real time reports for prompt decision making.

968. The implementation of the new system is expected to take place in the second half of 2016.

*Compliance with the Insurance Act*



969. Honourable Members will be aware that the current insurance legislation restricts placing of insurance business offshore, in respect of risks arising in the country, unless authorised by the regulator.
970. However, a significant number of foreign businesses are placing local insurance business offshore without exhausting local capacity and getting the approval of the Regulator. This practice has worked against the efforts to develop and grow the insurance industry.
971. In order to enhance compliance with legislation as well as support the local insurance industry to benefit from mega investment deals, it is critical that Government effect deterrent penalties for incidents where an investor, insurer or insurance broker has flouted the provisions of the insurance legislation.
972. I, therefore, propose to review the fine, from level 6 to 14 on the Standard Scale of Fines or a penalty equivalent to the sum assured, whichever is high.
973. Furthermore, protection of consumers from predatory insurance companies that do not provide products that are in line with international best practices will be necessary.

#### *Compliance with Prescribed Asset Requirement*

974. Honourable Members will recall that in 2010, Government re-introduced the prescribed asset ratios for insurance and pension funds, including NSSA, taking into account the improvement in the

macro-economic environment and the improved cash flow position of the industry.

975. Notwithstanding the current liquidity challenges and legacy issues relating to the conversion from Zimbabwe dollar, it is disheartening to note that compliance levels have remained low despite repeated efforts to engage the industry.

Prescribed Assets: 30 June 2015

<b>Class of Business</b>	<b>Minimum Compliance Level</b>	<b>Prescribed Current Level</b>	<b>Compliance Level</b>
Short Term	5%		2%
Life Offices	7.5%		3%
Pension Funds	10%		4%

Source: Ministry of Finance

976. In order to ensure compliance by the industry, I propose to introduce a raft of measures that include review of qualifying assets for calculation of prescribed assets, agreed road map on compliance between IPEC and industry players, as well as deterrent penalties which include cancellation of operating licences.

*Review of Minimum Capital Requirements*

977. In the 2015 National Budget, I expressed the need for an upward review of the minimum capital requirements for the insurance sector to improve underwriting capacity and contain insurance business within the country.

978. In line with this objective, I increased the minimum capital requirements for both life and non-life reinsurers in my 2015 Mid-term Fiscal Policy Review Statement.

979. Given the dynamic nature of the financial services sector and the need for adequate capital that is commensurate with risks involved as well as assumed in insurance business, I propose an upward review of minimum capital requirements for short term and life insurers by 31 December 2016 as follows:

### **Minimum Capital Requirements**

<b>Class of Business</b>	<b>Current (US\$)</b>	<b>Proposed (US\$)</b>
Short Term Insurers	1 500 000	2 500 000
Life Assurance	2 000 000	5 000 000
Funeral Assurance	1 500 000	2 500 000

Source: Ministry of Finance

980. In addition, the Insurance and Pensions Commission (IPEC) will, in the first quarter of 2016, be reviewing the qualifying assets for minimum capital requirements to improve asset quality.

### *Pension Commutation*

981. Mr Speaker Sir, my office is inundated with pension commutation appeals by retrenchees and pensioners facing tough economic conditions, following the conversion of insurance and pension policy values from the Zimbabwe dollar to the US dollar.

982. The increase in appeals has also been exacerbated by increased retrenchments.
983. In order to release the lump sum pension income to the hands of retrenchees and pensioners to start income generating projects, I propose to review the minimum sum of pension that the trustee can wholly commute from US\$360 per annum to US\$600 per year.
984. Furthermore, the IPEC Board will be, in the new year, reviewing the criteria for granting commutations in exceptional circumstances.

*Conversion of Insurance and Pensions Values*

985. Government established a Commission of Inquiry into the conversion of insurance and pension values from the Zimbabwe dollar to the US dollar. The objective is to determine whether there was fairness in the conversion process.
986. Information gathered from the public will be used to determine an appropriate compensation and value entitlement for former and current insurance and pension subscribers.
987. The hearings as well as other submissions, will run from 30 October to 3 December 2015.

*Securities Market*

988. The performance of the Zimbabwe Stock Exchange (ZSE) has remained depressed since the beginning of the year, owing to illiquid conditions and high trading costs, among others.
989. The main-stream index opened the year at 162.79 points, and had declined to 131.93 points by end September 2015, while market capitalisation fell by 20% from US\$4.33 billion to US\$3.44 billion over the same period.
990. Mr Speaker Sir, the on-going efforts by Government to grow the economy, underpinned by positive sentiments arising from accelerated re-engagement with the international financial institutions, augurs well for the recovery of market activity at the ZSE from 2016.
991. In the interim, it is necessary that measures be instituted to lower trading costs, and broadening the variety of products offered on the market.

*Alternative Trading Platform*

992. A well-developed financial and capital market offers a variety of products to all walks of life.
993. Companies that are not listed, but have securities, can trade in the *Alternative Trading Platform* market, for example Community Share Ownership Trusts and Employee Share Ownership can be traded in this market.

994. The Securities and Exchange Commission of Zimbabwe has developed guidelines to be used to regulate this market, and have circulated them to stakeholders for input, before they are gazetted in the first quarter of 2016.

#### *Bond Market*

995. As alluded to in the previous Budget, the bond market plays a pivotal role in the mobilisation of resources for long term capital projects which have the potential to generate future revenue streams.

996. Currently, there is large scope of trading bonds and Treasury bills in the market, given that Government and private players are actively participating in the market.

997. Government is, therefore, considering resuscitating the bond market through the ZSE, allow efficient trading of these bonds, as well as improve resource mobilisation for developmental projects.

#### *Issuance of Government Securities*

998. Mr Speaker Sir, I have already alluded to the introduction of issuance of Treasury Bills through regular public auctions through the Reserve Bank, a system that also facilitates determination of money market rates.

999. As we try to ease pressure on the Budget and to meet financing requirements for our infrastructure, Treasury will be issuing longer term instruments such as bonds.

1000. In order to improve transparency and confidence in the trading of Government securities, as well as ensure that the return on the securities reflects market conditions, issuance of securities will also be in the manner of the auction system.

*African Trade Insurance Agency*

1001. Mr Speaker Sir, Zimbabwe applied for membership in the African Trade Insurance Agency (ATI) in 2010 and signed the Membership Agreement in 2011.

1002. The ATI Membership Agreement has been ratified by Parliament and the Instruments of Ratification are awaiting signature by the President.

1003. To complete the membership process, Zimbabwe is expected to contribute a minimum capital subscription of US\$15 million, of which US\$5 million will be a grant from African Development Bank and US\$10 million from banks and the private sector.

1004. Zimbabwe stands to benefit significantly from ATI membership as it offers unique products, among them, sovereign risk guarantee,

political risk insurance, terrorism risk insurance, reinsurance and co-insurance, given the negative perceptions about the country as a high risk investment and business destination.

1005. The proposed membership is expected to immediately unlock total investment and trade flows amounting to at least US\$900 million.

1006. Mr Speaker Sir, allow me therefore to appreciate the support of the African Development Bank towards Zimbabwe's ATI membership.

*Securities and Exchange Commission Penalties*

1007. Mr Speaker Sir, the Securities and Exchange Commission Act currently provides for penalties and fines of up to level 10 or a fine not exceeding US\$700 as per Standard Scale of Fine.

1008. These penalties and fines are not deterrent enough, and in most cases are not commensurate with the gravity of capital market offences.

1009. In other jurisdictions, capital markets legislation provides for stiffer penalties, including longer custodial, as well as compensation to the aggrieved, for failure to comply with listing rules.

1010. I, therefore, propose to amend the Securities and Exchange legislation to allow the regulator to charge administrative penalties that are commensurate with the offences committed.



1011.This, in line with regional best practices, will target curbing manipulation of capital markets rules, false or deceptive practices, as well as unprofessional conduct of securities market players.

## **XV. GOVERNMENT FINANCES**

1012.Mr Speaker Sir, the 2015 Budget confronted a number of challenges, primarily as a result of narrow fiscal space against huge operational and development requirements.

1013.With persistent revenue under-performance, Government was forced to delay, postpone, or defer implementation of a number of necessary expenditures linked to important operations, projects and programmes.

### ***Revenues***

1014.Mr Speaker Sir, last year I proposed a Budget of US\$4.1 billion for the fiscal year 2015, consistent with our original economic forecasts for the year.

1015.However, owing to economic slowdown also against the background of drought and lower commodity prices, we have had to review revenue projections to US\$3.54 billion by year end.

1016. Under-performance was experienced on Customs duty, Royalties, Value Added Tax, Corporate Income Tax and Non Tax Revenue.

1017. This development led to accumulation of arrears on unavoidable expenditures, and slow-down in implementation on a number of capital development projects.

1018. Day to day operations of Ministries and Departments were also not spared, with all of them experiencing both late, as well as reduced disbursements.

1019. Cumulative revenue collections for the period January to September 2015 amounted to US\$2.633 billion, with tax revenues accounting for US\$2.523 billion, while non-tax revenue contributed US\$105 million.

1020. The Table below shows revenue performance for the period January to September 2015:

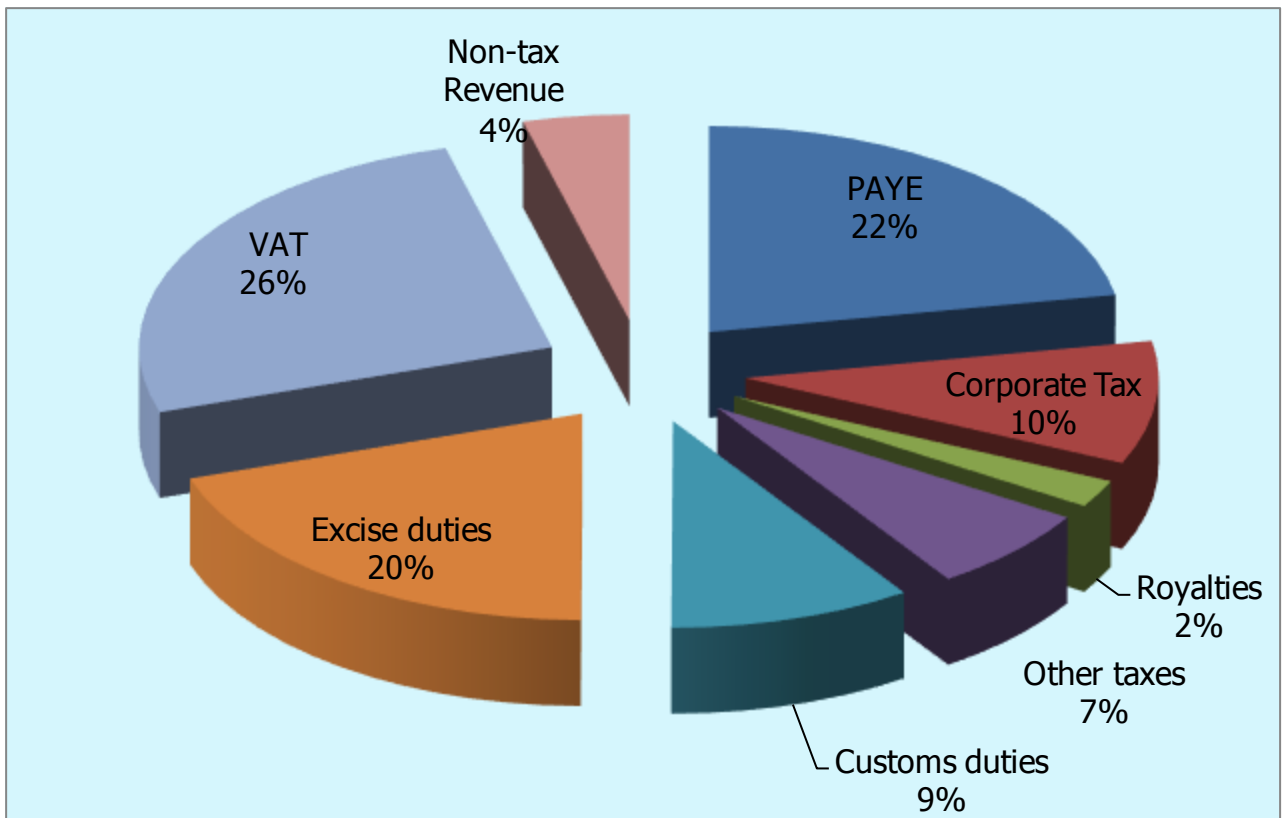
**Revenue Performance (US\$m)**

<b>Item</b>	<b>Revised Target January - December</b>	<b>Jan – Sept Outturn</b>
<b>Tax Revenue</b>	<b>3 406</b>	<b>2 523</b>
<b>Personal Income Tax</b>	810	579
<b>Corporate Tax</b>	348	263
<b>Other Direct Taxes</b>	204	184
<i><b>Of which Royalties</b></i>	80	53
<b>Customs Duty</b>	328	237
<b>Excise Duty</b>	695	527
<b>VAT</b>	901	685

<b>Other Indirect Taxes</b>	120	80
<b>Non tax Revenue</b>	<b>137</b>	<b>105</b>
<b>Total</b>	<b>3 543</b>	<b>2 633</b>

Source: Ministry of Finance

1021. The Pie Chart below shows the contribution of major revenue heads to total revenue for the period January to September 2015.



Source: Ministry of Finance

### *Value Added Tax*

1022. The contribution of the revenue head has declined from an average of 30% of total revenue during the 2012 and 2013 fiscal years to the current 26%.

1023. The decline is largely attributed to a significant increase in VAT refunds, which Treasury is addressing through enhanced audits and risk profiling, as well as reduction in the schedule of VAT zero-rated and exempt items.

### *Excise Duty*

1024. While all other revenue heads under-performed, excise duty is performing exceptionally well, having already recorded US\$527 million for the nine months, which is US\$105 million higher than targeted.

1025. The positive performance of excise duty is largely attributable to the upward review of excise duty on petrol and diesel, from US\$0.35 and US\$0.30 per litre, to US\$0.45 and US\$0.40 per litre in January 2015.

### *Mining Royalties*

1026. The poor performance of royalties highlights the impact of lower global metal prices on mineral output, and consequently revenue collections.

### ***Expenditures***

1027. Mr Speaker Sir, the slow-down in economic activity, which has undermined revenue collection, has correspondingly adversely impacted on the implementation of budgeted national programmes and projects, including the delivery of critical public services.

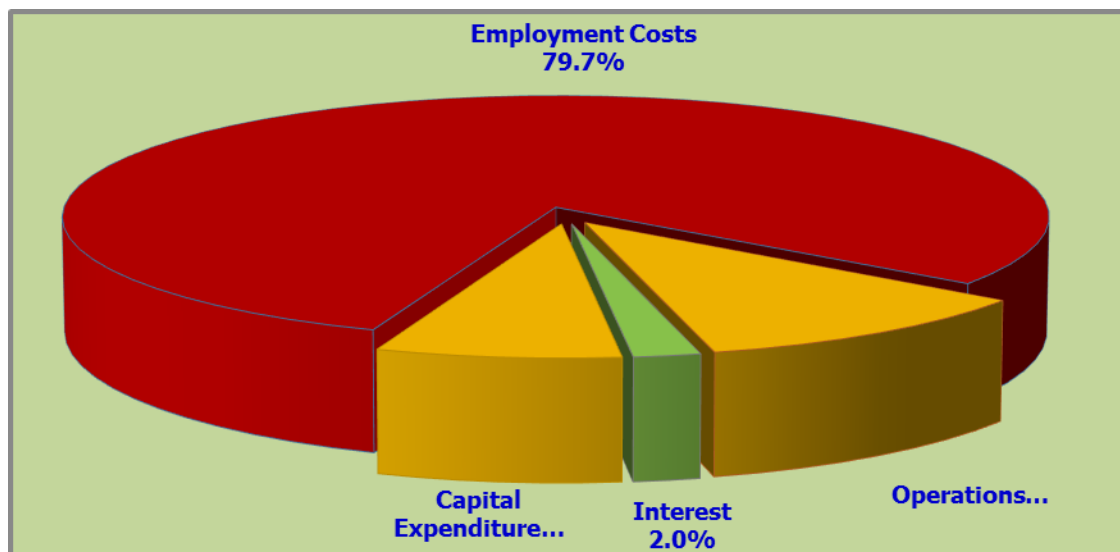
1028. Budget expenditure for the period January to September 2015 amounted to US\$3.297 billion, including US\$400.9 million towards the re-payment of some of the country's loan obligations.

<b>Expenditures</b>	<b>Budget Estimate</b>	<b>Budget Outturn</b>
	<b>US\$m</b>	<b>US\$m</b>
<b>Employment Costs</b>	3 317.0	2 309.3
<b>Operations</b>	384.7	315.2
<b>Interest</b>	72.3	58.6
<b>Capital Expenditure</b>	341.0	213.1
Total Expenditure & Net Lending	<b>4 115.0</b>	<b>2 896.1</b>
<b>Loan Repayments</b>	463.4	400.9
Overall Expenditure	<b>4 578.4</b>	<b>3 297.0</b>

Source: Ministry of Finance

1029. Recurrent expenditures continue to account for disproportionate share of total expenditure and net lending, with 80% being accounted for by employment costs.

***Expenditure and Net Lending: Jan – Sept 2015***



Source: Ministry of Finance

### ***Budget Financing of ZIM-ASSET Clusters***

1030. Mr Speaker Sir, against the background of weak revenue inflows, US\$189.8 million was directed towards implementation of the various Zim Asset programmes and projects.

<b>Cluster</b>	<b>Budget</b>	<b>Outturn</b>	<b>Outstanding Support</b>
	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>
Food Security and Nutrition	77.5	28.8	48.7
Social Services and Poverty Reduction	125.2	44.3	80.9
Infrastructure and Utilities	127.7	20.1	107.6
Cross Cutting Issues	108.2	96.7	11.5
<b>Total</b>	<b>438.5</b>	<b>189.8</b>	<b>248.7</b>

Source: Ministry of Finance

### ***Supplementary Budget***

1031. In my Mid-Year Fiscal Policy Review Statement, I intimated that some Votes for the 2015 Budget will incur additional expenditures over and above originally approved appropriations, necessitating revision of the 2015 Budget.

1032. Additional Provisions amounting to US\$253 million are required to cater for inescapable expenditures relating to:

- Crop inputs support, US\$10 million;
- Employment costs, US\$36.8 million;

- Procurement of grain, US\$42.6 million;
- Tokwe Mukorsi dam, US\$55 million; and
- Operational requirements for line Ministries, US\$108.6 million.

1033. The US\$253 million additional expenditures is being financed through cutbacks on projects and programmes which could not be implemented, largely due to cash flow constraints that will be felt across Ministries.

1034. Overall expenditures for 2015, taking account of the additional provisions will, therefore, remain within the revised Estimated Revenue outturn of US\$3.5 billion.

#### *Employment Costs*

1035. The 2015 National Budget has had to contend with carryover expenditures relating to 2014 bonus and other employment related obligations of US\$165 million. These could not be fully met during the 2014 financial year, on account of cash flow constraints.

1036. The additional requirement of US\$36.8 million on account of employment costs relates to the following:

<b>Vote</b>	<b>Amount (US\$)</b>
Parliament of Zimbabwe	193 000
Health and Child Care	15 079 000
Primary and Secondary Education	18 035 000
Youth, Indigenisation and Economic Empowerment	714 000
Home Affairs	1 709 000

Public Service Commission	626 000
Macro-Economic Planning and Investment Promotion	197 000
Welfare Services for War Veterans, Ex Political Detainees and Restrictees and War Collaborators	270 000
<b>Sub Total</b>	<b>36 823 000</b>

### *Grain Procurement*

1037. As part of the measures to boost our strategic grain reserves and empower our farmers to reinvest in agriculture, Government prioritises payment of local grain deliveries to the Grain Marketing Board.

1038. In this regard, payments under the strategic grain reserve from the Budget during the year amounts to US\$83.6 million. This included payments for maturing AMA bills issued last year and channelled towards payment of farmers during the 2014/2015 Agricultural Marketing season

1039. Also included in the above amount are costs of US\$5 million for maize imports from the Zambia Food Reserve Agency, which were made under a 50 000 metric tonnes facility to supplement our local production.

1040. Taking into account the Budget provision of US\$41 million, an additional US\$42.6 million is required to cover the shortfall.



### *Agriculture Inputs Support Programme*

1041. In order to ensure food security at household level, Government continues to provide inputs support to vulnerable households.
1042. Taking into account outstanding payments to input suppliers for the previous season of US\$19 million and projected requirements for the new season, the Budget provision of US\$20 million will need to be supplemented by additional provisions of US\$10 million.
1043. Part of the input requirements for the new season, such as top dressing fertilizers will, however, be met from the 2016 Estimates of Expenditure.

### *Tokwe Mukorsi Dam*

1044. Mr Speaker Sir, as already alluded to in this Budget presentation, Government has so far mobilised US\$44.1 million for the project, to cover part of the outstanding certificates, whose overall requirement stood at US\$62 million as at end July 2015, as well as ensure the contractor moves back to site.
1045. The remobilisation by the contractor will facilitate completion of the remaining works on the project, estimated to cost US\$27 million. To cover the financial requirements of the remaining works, and part of

the outstanding certificates, Government targets to mobilise US\$35 million before year end.

1046. Taking into account the original provisions on the Vote, an additional US\$55 million will be required in support of the project.

*Ministries' Operational Requirements*

1047. Mr Speaker Sir, consistent with Section 5 of the Appropriation (2015) Act 2014, I have managed to re-allocate resources to the Ministries that were created after presentation of the 2015 National Budget from those Ministries where the functions had been transferred from.

1048. However, additional resources amounting to US\$58 million will be required to fully capacitate the newly created Ministries as well as cater for other Government operational requirements to year end.

1049. Furthermore, and in line with our objectives of ensuring that Government pays for services rendered, I have committed an amount of US\$39 million towards payment of utility bills already incurred by Ministries and Government departments to service providers.

1050. Mr Speaker Sir, the political developments since January this year necessitated the holding of 24 Parliamentary and 12 Local Councils by-elections whose costs, at US\$6.5 million to date, have exceeded the budgeted amount of US\$4.6 million.

1051. Accordingly, additional resources amounting to US\$1.9 million will have to be set aside to cater for this expenditure requirement.

1052. Mr Speaker Sir, I now place the Supplementary Estimates of Expenditure for the service of Zimbabwe during the year ending December 2015 on the Table for consideration by this august House.

1053. I accordingly move the Motion for an Appropriation (Supplementary) Bill in order to regularise the Budget Estimates for 2015.

### ***Rationalisation of the Public Service***

1054. Mr Speaker Sir, Cabinet noted with concern during its Third Meeting of 10<sup>th</sup> February 2015 that wage expenditures of over 80% of the Budget are leaving little room for development expenditures.

1055. Pursuant to redressing this, Cabinet resolved "that consideration be given to some rationalisation of the country's Public Service Establishment in order to cut down the size of the wage bill".

1056. In this regard, Cabinet directed the Minister of Public Service, Labour and Social Service to proceed with the rationalisation of the country's Public Service Establishment in conjunction with the Minister of Finance and Economic Development, as well as the various line Ministers.

1057. Mr Speaker Sir, Cabinet recently considered the recommendations of this Inter-Ministerial consultative process, which drew input from the Civil Service Human Resource and Payroll Systems Audit Report undertaken by the Public Service Commission, and has accordingly approved implementation of various rationalisation measures which will unlock savings of around US\$14.2 million per month from the 2016 Budget.

### Wage Bill Savings

Proposed Measures		Projected Monthly Savings	Projected Annual Savings
		US\$	US\$
<b>1</b>	Rationalisation of Youth Officer posts at Ward Level	1,611,509	19,338,108
<b>2</b>	Rationalisation of the Ministry of Youth's Harare and Bulawayo Metropolitan Provincial Structures	32,339	388,068
<b>3</b>	Rationalisation of the Ministry of Women Affairs Harare and Bulawayo Metropolitan Provincial Structures	34,046	408,552
<b>4</b>	Rationalisation of Extension Worker Structures at the Ward Level in the Agricultural Sector	2,514,320	30,171,840
<b>5</b>	Rationalisation of Ministry of Local Government's Provincial and District Office Structures for Harare and Bulawayo Metropolitan Provinces	65,852	790,224
<b>6</b>	Reviewing Vacation Leave Policy in the Education Sector	3,932,772	47,193,264
<b>7</b>	Reviewing Manpower Development Leave Policy	830,772	9,969,264
<b>8</b>	Rationalisation of Student Teacher Allowances	2,159,288	25,911,456
<b>9</b>	Withdrawing Support to Non-Formal Education	111,324	1,335,888
<b>10</b>	Withdrawing Support from Funding Bridging Programmes Offered by Tertiary Colleges	13,462	161,544
<b>11</b>	Non-payment of Remuneration to Teachers at Trust Schools	1,650,048	19,800,576
<b>12</b>	Retirees on Annually Renewable Contracts	450,000	5,400,000
<b>13</b>	Reducing Employment Cost Obligations to Grant Aided Institutions	793,417	9,521,000
			-
	Total	14,199,149	170,389,784

1058. Mr Speaker Sir, this will, once fully implemented, translate into an annual Budget saving of US\$170.4 million. Additional savings are anticipated from expenditures on our foreign Missions.

1059. The rationalisation will address the following:

*Duplication of Functions*

1060. A review of line Ministries' structures by the Public Service Commission revealed overlaps and duplication of functions, especially at the ward level.

1061. There are overlaps and duplication of functions in the coordination of Government developmental programmes, provision of agricultural extension services and provision of local government services.

1062. The rationalisation of functions across line Ministries should realise savings of around US\$4.3 million per month.

*Vacation and Manpower Development Leave*

1063. The Public Service Commission will be reviewing the provision of vacation leave in the education sector, and manpower development leave service-wide.

1064. Existing policy provisions entail Government assuming additional employment cost obligations that arise, for instance, from the engagement of replacement teachers in the case of a serving teacher going on vacation leave.

1065. The review of the current policy on Manpower Development Leave (MDL) will remove the obligation by Government to pay salary and allowances during the period of study by a Member.

1066. Accordingly, we envisage to generate savings on the wage bill of around US\$4.8 million per month.

#### *Allowances to Students*

1067. Mr Speaker Sir, part of our wage bill obligation arises from the engagement of students undergoing training in various sectors of the public service. Examples include student teachers and nurses.

1068. Observations from the payroll revealed that there is a disparity on the rates paid out to students undergoing training in various sectors of the public service.

1069. The rationalisation of rates payable to all cadres undergoing training will realise savings estimated from around US\$2.2 million per month.

#### *Teaching Services*

1070. Mr Speaker Sir, Government is currently paying salaries and allowances for teachers employed at Trust schools across the country.

1071. This is notwithstanding that these schools have additional capacity to pay their teachers through the fees levied on parents, which in some cases amount to around US\$3 000 per term per student.

1072. This is amply demonstrated by the much higher additional salary payment awards that the Trust schools make to their teachers, over and above remuneration by Government.

1073. Government will cease to be responsible for paying salaries for teachers employed by Trust schools with effect from 1 January 2016.

1074. This measure will realise savings of around US\$1.65 million per month.

*Bridging Programmes by Tertiary Colleges*

1075. Mr Speaker Sir, the Budget has been supporting the payment of allowances to lecturers and teachers for teaching services provided to students undertaking bridging 'O' Level classes, especially in mathematics and science subjects and non-formal education at tertiary colleges and secondary schools, respectively.

1076. Government will immediately cease funding such arrangements, further reducing our wage bill obligations by around US\$125 000 per month.

*Grant Aided Institutions*

1077. Mr Speaker Sir, Government is currently responsible for meeting employment costs obligations of various Grant Aided Institutions even in instances where some of these institutions generate and retain

revenues from revenue streams other than from the Consolidated Revenue Fund.

1078. Mr Speaker Sir, I accordingly propose that Grant Aided Institutions to be identified by my Ministry and with capacity to assume this responsibility do so effective 1 January 2016.

1079. This is anticipated to generate savings of around US\$800 000 per month.

#### *Management of Recruitment*

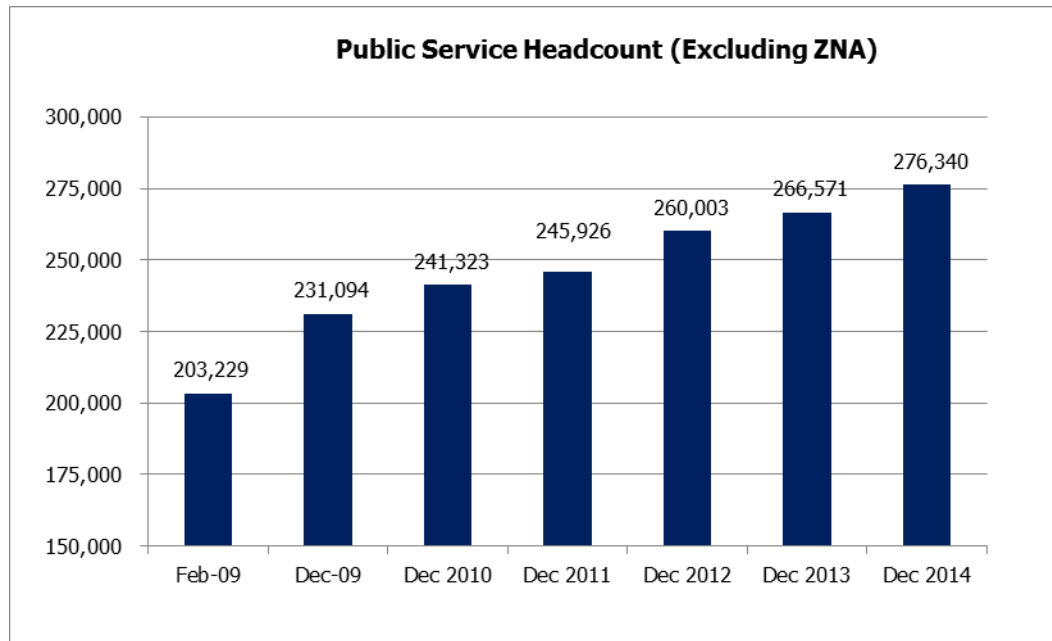
1080. The principle of containing the size of the Public Service has already been accepted by Government, which in 2011 introduced a policy of a general freeze on recruitment.

1081. However, notwithstanding this policy thrust, employment numbers have been on an upward trend.

1082. Developments on the ground have seen the numbers of the overall establishment under the current multicurrency environment grow from 203 362 in February 2009 to 276 163 by December 2014, a 35.8% growth rate.

1083. The above numbers exclude the ZNA, where growth in numbers has also been experienced.





1084. This development shows that implementation of measures to restrain recruitment have not been successful in containing the growth in employment numbers and, hence, employment costs.

1085. It is, therefore, critical that Government rationalises the size of the public service establishment.

1086. This will require functional review of all Ministries, identifying core structures and critical posts. A right-sizing exercise should be combined with a human resources strategy focused on training and redeployment of excess skills across Ministries and departments.

1087. Furthermore, a monthly monitoring framework will be introduced to monitor staff levels per grade in each Ministry to facilitate better planning and cash management.

1088. To make the management on new recruitment more binding and effective, any recruitment done outside the Cabinet approved framework will not be paid any salary and allowances.

### ***Public Finance Management***

1089. Government has made significant strides to amend the Public Finance Management Act and Office of the Auditor General with a view to strengthening Treasury oversight of parastatals and local authorities.

1090. In this respect, Government continues to strengthen Public Finance Management by reviewing its Public Finance Management Act 2010, which governs external borrowing in the country.

1091. In this regard, the IMF and World Bank have provided Technical Assistance to the country in the area of strengthening Public Finance Management Systems.

1092. Strengthening the control and management of public resources will go a long way in ensuring sound public debt management and responsible borrowing. This will in turn assist in avoiding the previous costly mistakes of accumulating debt to unsustainable levels.

### ***Treasury Oversight on Statutory Funds***

1093. In order to enhance transparency and accountability over Statutory Funds and other Retentions authorised by Treasury, Government is directing all such entities to open bank accounts with the Reserve Bank and transfer all balances to central bank accounts by 31 January 2016.

1094. Failure by an entity to comply with this directive will result in the revoke of retention authority.

### ***Public Service Pension Fund***

1095. Mr Speaker Sir, Cabinet has adopted the principle of migrating from a Pay-As-You-Go to Defined Benefit Pension arrangement to ensure long term financial sustainability.

1096. Furthermore, a decision to re-introduce employee pension contribution at the rate of 7.5% of pensionable emoluments from December 2015 was made.

1097. This is consistent with Section 6 of the Public Service (Pensions) Regulations, 1992 which provides that serving members shall contribute at the rate of 7.5% of their pensionable emoluments.

1098. Mr Speaker Sir, this is an important step towards implementing a funded Defined Benefit Pension Scheme arrangement under which both the Government and employees jointly contribute towards

pensionable emoluments in respect of members' pensionable service in the future.

### ***Public Enterprises Wage Bill***

1099. Mr Speaker Sir, given that it is a long established fact that our state enterprises have long ceased to yield value for the State and the economy, the rationalisation of their employment costs will also be enforced.

1100. At this critical juncture, it is of great concern that a number of them continue to incur employment costs with respect to long redundant staff complements.

1101. This is true in the case of Air Zimbabwe, IDC, ZBC, ZISCO Steel, CSC, NRZ, and GMB, among others.

1102. There are immediate savings to be realised if the decision is taken to shed off all non-essential personnel. Taking this action will immediately stop accumulation of salary arrears and other related staff costs.

1103. Going forward, our State owned enterprises need to observe the golden rule that a maximum of 30% of revenues should be set aside for remuneration, whilst 70% goes towards service delivery.

1104. Measures to contain employment costs at Public Enterprises will be within the context of the restructuring and re-organisation currently being considered on an individual institution basis by the Cabinet Committee on State Enterprises and Parastatal Development.

1105. The specific recommendations arising out of such reviews will be tabled before Cabinet for its consideration on a case by case basis.

### ***Local Authorities Service Delivery***

1106. Mr Speaker Sir, Honourable Members are very much aware of the various service delivery challenges facing local councils countrywide, which are largely due to capacity constraints against the background of inappropriate cost structures and slowdown in revenue collections.

1107. Government, through the Minister of Local Government, Public Works and National Housing, is challenging local authorities to realign their costs structures in line with revenue streams.

### ***Cost Structures and Efficiencies***

1108. Mr Speaker Sir, the human resources cost structures of local councils has in a majority cases been the biggest impediment to service provision.

1109.Hence, Government requires local authorities to comply with the 30/70% remuneration guidelines in managing human resources costs in councils, along the same lines as state controlled entities.

1110.This, Mr Speaker Sir, should be a priority for councils in 2016 to align the salaries and wages of their workforces to the economic realities of the current times.

1111.Councils need to inspire rate payers by demonstrating visible cost managements, particularly with regards to human resources and procurement.

1112.Meaningful recovery of service delivery is dependent upon improved and sustained financial management efficiency which the country now demands.

#### *Compliance with Municipal Dues*

1113.Mr Speaker Sir, as Government works with local authorities to realign their cost structures and improve on service delivery, it will also be necessary that we strengthen the culture of compliance with statutory dues, critical for municipalities to fulfil their mandates.

1114.In this regard, Government notes the initiatives to introduce prepaid revenue collection arrangements in electricity are already contributing positively towards cash flows to the Zimbabwe Electricity, Transmission and Distribution Company.

1115.Hence, there are opportunities for collaboration with regards to sharing of ICT collection platforms, that way maximising use of existing ICT infrastructure.

1116.This prepaid system will align services delivery to revenue collections, that way avoiding incidences of debt accumulation.

1117.Mr Speaker Sir, I am proposing that the initial phase embrace compulsory prepaid meters for industry, commerce and low density.

### *Municipal Funding*

1118.Mr Speaker Sir, over the years, and the world over the appetite to fund municipal council projects by banks, pension fund, fund managers and other institutional players has always been high.

1119.Where resources are being put to good use, Treasury has facilitated local authorities' financial instruments through granting of such money market features as prescribed asset status.

1120.I am, therefore, calling on local authorities to develop bankable projects and programmes for financial support through issuance of Municipal bonds.

## **XVI. REVENUE MEASURES**

1121. Mr Speaker Sir, the revenue measures that I am proposing seek to enhance revenue collection, provide relief to taxpayers as well as improve efficiency in tax administration.

1122. The measures also seek to enhance the competitiveness of local industry by lowering the cost of production, thereby enabling local companies to increase capacity utilisation.

1123. This will be further complemented by measures aimed at curtailing importation of non-essential goods.

## **REVENUE ENHANCING MEASURES**

### **Value Added Tax (VAT)**

#### *VAT Exemption on Selected Goods*

1124. Mr Speaker Sir, zero rated goods and services undermine the tax base and also increase the cost of tax administration.

1125. However, upon introduction of VAT in 2004, Government zero rated a number of basic commodities, that include bread, mealie-meal and brown sugar, among others, in order to lower the price and provide relief to consumers, particularly low income households.

1126. The list of zero rated goods has expanded over the years to include the whole value chain, from inputs to finished products, for example, soya bean to soya meal and cooking oil.



1127. Mindful of the need to broaden the tax base and also to cushion low income households against high prices, I propose to exempt from VAT, goods that include protective clothing, milk, eggs, vegetables, fruits, rice, cereals and margarine, with effect from 1 January 2016.

*VAT Fiscalised Recording of Taxable Transactions*

1128. Honourable Members will recall that, during the 2015 Mid Term Fiscal Policy Review, I advised that in order to realise the full benefits from the VAT Fiscalised Recording of Taxable Transactions project, ZIMRA was going to set up a platform to receive data from fiscal devices to enable monitoring of transactions in real time.

1129. ZIMRA has made progress in setting up a platform to receive data from the devices. However, installed fiscalised devices to the platform have not yet been connected to the platform.

1130. In order to finalise this important project, a Project Monitoring Committee chaired by the Chairperson of the Zimbabwe Revenue Authority Board is being set up with effect from 1 December 2015.

1131. The Committee will be comprised of the Ministry of Finance and Economic Development, ZIMRA and co-opt suppliers of fiscalised devices on a need basis.

***Transfer Pricing***

1132. In order to counter base erosion and profit shifting arrangements arising from business transactions between related parties, Government introduced transfer pricing regulations based on the arms length principle.

1133. However, the current transfer pricing regulations do not provide sufficient guidance on reporting procedures for taxpayers engaged in transactions with related parties.

1134. In order to enhance the effectiveness of transfer pricing rules, it is proposed to amend the current regulations in order to provide taxpayers with sufficient guidance on the tax treatment of transactions between related parties.

1135. This will assist to stem illicit financial flows which have a negative impact on development and also improve the transparency required to attract Foreign Direct Investment.

1136. This measure takes effect from 1 January 2016.

## **TAX RELIEF MEASURES**

### ***Rebate of Duty on Capital Equipment***

1137. Mr Speaker Sir, in support of industry retooling, Government removed customs duty and also provided a VAT deferment facility on importation of industrial and capital equipment.

1138. Notwithstanding the above measures, the VAT obligation remains payable. It is, thus, necessary that Government reduces the cost of importing capital equipment for plant upgrade, refurbishment and new projects.

1139. I, therefore, propose to extend a rebate of duty on capital equipment imported by the mining, agriculture, manufacturing and energy sectors, for equipment valued at US\$1 million and above, with effect from 1 January 2016.

1140. Capital equipment imported under the facility will not be liable to Customs Duty and VAT.

### ***Royalty on Gold***

1141. Mr Speaker Sir, in order to ensure the viability of gold producers following the decline in international prices, Government, reviewed downwards the royalty rate on gold produced by primary producers from 7% to 5%, with effect from 1 October 2014.

1142. The outlook for 2016 points to depressed international mineral prices for most commodities, albeit with a marginal rebound for some minerals, with the exception of gold. This will further exacerbate the viability of most producers.

1143. There is, thus, need for additional incentives to encourage gold production.

1144.I, therefore, propose to introduce a reduced royalty rate of 3% on incremental output of gold using the previous year's production as a base year, with effect from 1 January 2016.

1145.Since incremental production will only be accounted for by the end of the following year, mining houses that qualify will benefit from the scheme through a tax credit which will be used to pay future tax obligations.

### ***Mining Fees and Charges***

1146.Government, in 2014, reviewed downwards mining fees and charges in order to enhance the viability of the mining sector as well as promote investment in prospecting and exploration activities.

1147.However, in order to promote formalisation of illegal mining, marketing of minerals and advance the beneficiation agenda, in line with the 10-Point Plan for Economic Reform as enunciated by His Excellency, the President, it is necessary to further review selected fees and charges.

1148.The review process will be carried out in consultation with the Ministry of Mines and Mining Development and other relevant stakeholders.

1149.The new fees and charges will take effect from 1 January 2016.

### ***Tax Exemption on Long Term Deposits***

1150. Mr Speaker Sir, the ability of financial institutions to support productive sectors through provision of long term funding is being undermined by the short term nature of deposits.

1151. In order to encourage long term savings, I propose to exempt from tax, interest earned on deposits with a tenure of more than 12 months.

1152. This measure takes effect from 1 January 2016.

### ***Pension Commutation***

1153. The current legislation provides for exemption from income, tax on a third of the total value of the pension or annuity commuted by an individual who has attained the prescribed age of 55 years.

1154. In terms of Pension Fund rules, a member who is retrenched before attaining the prescribed age of 55 years is deemed to be a pensioner and is allowed to commute a third of the total value of the pension or annuity.

1155. However, the commutation is subject to tax.

1156. Due to the current economic challenges, a number of employees are being retrenched before attaining the prescribed retirement age of 55

years. Most of these employees, however, have minimal opportunities to be re-employed.

1157. Consequently, pension proceeds have, thus, become the only source of investment income available to these retrenched employees.

1158. In order to provide relief to retrenched employees who have not yet attained the prescribed retirement age, I propose to exempt a minimum value of US\$10 000 or one third of the total value of the pension or annuity up to a maximum of US\$60 000.

1159. Future pension payouts accruing to these retrenched employees will, however, not benefit from the income tax exemption.

1160. This measure takes effect from 1 January 2016.

## ***Insurance***

### *Value Added Tax on Short Term Insurance*

1161. Mr Speaker Sir, Government introduced Value Added Tax (VAT) on short term insurance transactions, specifically premiums and agency fees with effect from 1 September 2015.

1162. However, due to economic challenges, the industry has witnessed a decline in the uptake of insurance products and a growth in premium

debtors, which amounted to 49% of the gross written premium up to the third quarter of 2015.

1163. In view of the constrained capacity of the industry, as evidenced by failure by some players to settle obligations to policy holders, it is necessary to review the scope of the tax.

1164. I, therefore, propose to limit the VAT payable on short term insurance to commission earned on the buying and selling of insurance policies by brokers and agents of insurance and reinsurance firms.

1165. This measure takes effect from 1 January 2016.

#### *Stamp Duty on Policies of Insurance*

1166. Stamp duty is levied on any policy or certificate of insurance or any other document which is in the form of a guarantee, fidelity, security or surety bond, at a rate of US\$0.05 for every dollar worth of premiums paid up to a maximum of US\$100 000.

1167. This measure was effected from 1 February 2009.

1168. However, due to oversight by insurance companies and brokers and laxity on the part of the tax administration authority, insurance companies continued to collect stamp duty at the rate of US\$0.01 for every dollar worth of premiums, instead of US\$0.05.

1169. As a result, these companies incurred a tax liability of over US\$45 million over the period 2009 to July 2015, when the anomaly was corrected.

1170. Although Government does not condone non-compliance, retrospective application of the Stamp Duty will render most insurance firms insolvent, since the industry is already experiencing serious liquidity challenges due to non-payment of premiums by clients, thus, posing a systemic risk within the sector.

1171. I, therefore, propose to reduce Stamp duty on policies of insurance in retrospect to US\$0.01, with effect from 1 February 2009 to 30 July 2015.

1172. As a quid pro quo, insurance companies have pledged to subscribe to bonds amounting to US\$30 million in support of infrastructure development.

### ***Tobacco Levy on Growers***

1173. Honourable Members will recall that the tobacco levy on growers was re-introduced at a rate of 1.5% of the selling price, with effect from 1 January 2015, in order to finance reforestation activities.

1174. In recognition of the potential impact of the *El-Nino* induced drought on tobacco output, I propose to reduce tobacco levy from 1.5% to 0.75%, with effect from 1 January 2016.



### ***VAT Zero-Rating - Soya Bean***

1175. In order to ensure affordability of basic goods, most agricultural products were zero rated for VAT purposes. Soya bean was, however, excluded from the list of zero rated goods.

1176. However, farmers continued to operate on the assumption that soya bean was zero rated for VAT purposes. As a result, no VAT was collected on sales of the commodity.

1177. Due to the oversight by farmers and laxity on the part of ZIMRA, farmers accumulated a huge tax liability between the period February 2009 and August 2012. This has potential to drive farmers out of business or constrain their productive capacity.

1178. In support of the continued cultivation of soya bean, which is a critical input in the production of cooking oil and stock feeds, I, propose to provide relief to farmers through zero rating of soya bean for the period 1 February 2009 to 31 July 2012.

### ***Offsetting Refunds Across Tax Heads***

1179. Mr Speaker Sir, the VAT legislation provides for any refunds due to a taxpayer to be set off against outstanding tax liabilities on other revenue heads such as the Income Tax, Customs and Excise Duty, among others.

1180. However, this provision has not been extended to other tax statutes. Consequently, refunds are being paid out to taxpayers who have outstanding tax obligations in other tax heads, to the detriment of revenue collections.

1181. I, therefore, propose to provide for the set off of any tax refunds against tax liabilities assessed on other tax heads through amendment of the Income Tax, Capital Gains, Customs & Excise and the Revenue Authority Acts.

1182. This measure takes effect from 1 January 2016.

### ***Withholding Tax on Contracts***

1183. Mr Speaker Sir, where a registered taxpayer fails to withhold or to pay to the Commissioner any amount required to be withheld from a payee, the Income Tax legislation provides that the taxpayer shall be liable for the payment of the amount not withheld.

1184. However, the legislation does not provide recourse for the registered taxpayer to recover the amount not withheld from the payee.

1185. I, therefore, propose to amend the legislation to enable the withholding agent to recover from the payee, the principal amount that should have been withheld.

1186. The recovery, shall not, however, extend to penalty and interest charges, which will remain the responsibility of the withholding agent.

1187. This measure takes effect from February 2009.

## **EFFICIENCY IN TAX ADMINISTRATION**

### ***Transit Fraud***

1188. Mr Speaker Sir, transit fraud which involves the evasion of customs duty and taxes or avoidance of existing import restrictions or prohibitions through the abuse of the transit procedures under which goods passing through the country, has become rampant.

1189. Transit fraud is mainly perpetrated by a syndicate of transporters and officials operating at ports of entry.

1190. Under schemes of transit fraud, goods which include cooking oil, fuel, clothing and fresh produce, among others, purported to be in transit for destinations outside the country, end up being offloaded onto the local market.

1191. Whereas, Government has made tremendous effort in resuscitating industry, improving livelihoods of small scale farmers, ensuring the

health and safety of consumers and enhancing revenue collection, this has, however, been undermined mainly by transit fraud.

1192. In order to mitigate the adverse effects of transit fraud, Government announced the intention to implement an electronic cargo tracking system that uses electronic seals and transmitters to monitor transit cargo.

1193. Government, in collaboration with the African Development Bank will implement the first phase of the electronic cargo tracking system during the first half of 2016.

1194. In the interim, Government will continue to vigorously enforce existing regulations that provide for the forfeiture to the State, any motor vehicle used in perpetuating transit fraud.

### ***Clearance of Goods Transported by Hired Carriers***

1195. Mr Speaker Sir, there has been an increase in informal transport carriers mainly through Beitbridge Border Post, transporting and clearing imported goods on behalf of cross border traders.

1196. These transporters unlawfully clear commercial consignments duty free through remission or rebate of duty facilities, in collaboration with local residents or other travellers.

1197. Although the informal transport carriers play a significant role in facilitating trade, they however, in most cases transport undeclared and unlicensed goods, such as fruits and vegetables, in contravention of the required standards.

1198. This has grossly undermined growth of the local industry, health and safety standards, revenue to the fiscus as well as crowding out bona fide transporters.

1199. I, therefore, propose that consignments transported on behalf of third parties be cleared under commercial importations as opposed to private importations, with effect from 1 January 2016.

### ***Advance Cargo Manifest***

1200. Furthermore, in order to reduce clearance time and also minimise incidences of under or non-declaration of goods, I propose to extend *Advance Passenger* and *Cargo Manifest* to road and rail transport carriers.

1201. Failure to adhere to the requirements of the manifest, which include description, quantity and value of goods, among others, will attract a fine of not less than US\$5 000, payable by the transporter.

1202. This measure takes effect from 1 January 2016.

### ***Travellers' Rebate***

1203. The Travellers' rebate is a duty free allowance granted on goods imported into the country by a traveller once per calendar month.

1204. The rebate is granted, provided that goods are properly declared, not for resale or of a commercial nature and the value of goods does not exceed US\$300.

1205. Notwithstanding the noble intention behind the travellers' rebate to grant relief on travellers' personal effects, it is, however, being abused by informal traders to import commercial consignments duty free.

1206. Consequently, efforts made by Government to revive local industry and safeguard revenue inflows to the fiscus are being undermined.

1207. I, therefore, propose to review downwards the duty free allowance to US\$200 per calendar month, in order to complement efforts to resuscitate local industry, with effect from 1 January 2016.

### ***Remission of Duty***

1208. Mr Speaker Sir, the Customs and Excise Act provides for remission of duty on any single consignment of goods where the free on board value does not exceed the prescribed amount of US\$50.

1209. The facility is available for goods imported by a person returning to the country on the same day he or she departed. This policy thrust, thus, mainly benefits persons who reside within the Border Post areas.

1210. The remission of duty facility has, however, been abused to import commercial consignments duty free on behalf of cross border traders, wholesalers and retailers.

1211. I, therefore, propose to limit the remission of duty to a daily allowance of US\$10, with effect from 1 January 2016.

### ***Automated Verification of Travellers for Rebate of Duty***

1212. Mr Speaker Sir, I have already alluded to the rampant abuse of the travellers' rebate to clear commercial consignments at Border Posts.

1213. The abuse of the rebate is mainly arising from the use of a manual system to verify whether a traveller has utilised the facility during a calendar month. The manual verification is also administratively cumbersome, given the volume of traffic that transits through the Border Posts.

1214. In order to minimise abuse of the travellers' rebate, it is imperative that ZIMRA installs an IT system that is capable of timeously detecting the frequency of travel for purposes of the travellers' rebate.

1215. I, therefore, propose that the above IT system be installed by June 2016.

### ***Efficiency at Beitbridge Border Post***

1216. Mr Speaker Sir, the Beitbridge Border Post is one of the busiest inland ports in Sub-Saharan Africa, which links the Northern and Southern Corridor, hence, is the hub for international trade within Southern Africa.

1217. As a result, significant volumes of traffic, averaging 500 vehicles and 10 000 travellers pass through the Port on a daily basis.

1218. The Border Post, however, lacks capacity in both soft and hard infrastructure, that includes information technology and inspection bays, among others, to deal with high volumes of traffic.

1219. Bona fide travellers are, thus, experiencing serious inconveniences taking an average of 6 to 18 hours to complete immigration and customs formalities. It also takes about 3 days for commercial traffic to be cleared.

1220. Whereas the Border Post should facilitate trade, the delays in clearance of cargo and travellers, have however, resulted in increased cost of doing business and ultimately the cost of goods and services.

1221. Furthermore, this has created opportunities for rent seeking activities, whereby travellers end up paying bribes in order to speed up clearance procedures or avoid paying duty.



1222. For example, recent investigations revealed glaring discrepancies, whereby a declared export consignment of chickens in South Africa destined for Zimbabwe, could not be accounted for by ZIMRA.

1223. Whilst Government is in the process of upgrading Beitbridge Border Post to international standards, it is necessary to put in place interim measures to alleviate the current challenges and also take advantage of the strategic position of the Border Post.

1224. In this regard, Treasury will identify a company to install a Closed Circuit Television System that will be used to monitor adherence to border procedures by ZIMRA and other agencies.

1225. The company will report to the Chairperson of the ZIMRA Board and the Minister.

1226. Furthermore, Government will engage an independent Border Post expert to reorganise Beitbridge Border Post. The Expert will work in collaboration with ZIMRA customs officials and report to the Chairperson of the ZIMRA Board.

1227. This measure will be implemented during the first quarter of 2016.

*Removal of Unauthorised Persons from the Customs Controlled Area*

1228. Whereas only licensed agents should operate within the Customs Controlled Area, there however, has been a proliferation of vendors, beggars and unlicensed clearing agents (touts), who solicit for business from travellers. This fuels congestion and corruption at ports of entry.

1229. Security forces will, thus, remove vendors, beggars and unlicensed clearing agents from the Customs Controlled Area with immediate effect.

#### *Green Routes*

1230. In order to ease congestion at ports of entry, Government adopted the green route concept which allows fast movement of travellers with nothing to declare.

1231. However, the measure has not been implemented. ZIMRA will, thus, be required to implement the green route concept at all border posts in order to ease congestion, with immediate effect.

#### *Single Window Facility*

1232. Honourable Members will recall that Government introduced an Electronic Single Window Facility which entails coordination and cooperation among all agencies involved in regulatory requirements at the ports of entry.

1233. Under the Single Window Facility, all fees and charges will be collected by the Zimbabwe Revenue Authority, thereby facilitating fast clearance of cargo and movement of travellers.

1234. The Zimbabwe Revenue Authority will implement this measure during the first quarter of 2016.

### *Authorised Economic Operators*

1235. In order to facilitate fast clearance of commercial goods, Government adopted the concept of Authorised Economic Operators (AEO).

1236. Under the AEO concept, tax compliant operators are prioritised through simple customs clearance procedures and also subjected to less stringent physical examinations.

1237. Regulations to operationalise the AEO concept will be put in place by 31 December 2015.

### *Parking in Controlled Areas*

1238. Travellers undertaking immigration and customs formalities are allowed free parking space within the customs controlled area for a period of not more than three hours, thereafter a fine of US\$2 per

hour up to a maximum of US\$20 is payable or alternatively, imprisonment for a period not exceeding six months.

1239. Despite the current penalty regime, travellers continue to use parking facilities, whilst engaging in other business activities outside the customs controlled area. This has partially contributed to congestion at ports of entry.

1240. I, therefore, propose to remove the limit of US\$20 applicable on the penalty of US\$2 for each hour or part thereof that a vehicle is parked in excess of the permissible parking time.

1241. This measure will apply on customs controlled areas at all Border Posts, with effect from 1 January 2016.

### ***Penalties on Cancellation of Bills of Entry***

1242. The current legislation provides for a fine on cancellation of a bill of entry or amendment of errors arising from initial registration of entry by clearing agencies.

1243. Clearing agencies, however, opt to cancel and duplicate registration of the same entry, in an endeavour to avoid higher fines that may arise from amendment of errors on initial registration of entry. This results in clogging of the ZIMRA ASYCUDA system.

1244.I, therefore, propose to increase the cancellation fee from US\$10 to US\$50, in order to minimise duplicate entries into the ZIMRA ASYCUDA system, with effect from 1 January 2016.

### ***Alignment of Operating Hours at Kazungula Border Post***

1245. Whilst the operating hours at Kazungula Border Post commence from 8a.m to 5p.m, the Border Post in neighbouring Botswana operates from 6a.m to 8p.m.

1246. In order to enhance flow of commercial traffic, thereby facilitating trade, I propose to align the operating hours to those of Botswana at Kazungula Border Post, with effect from 1 January 2016.

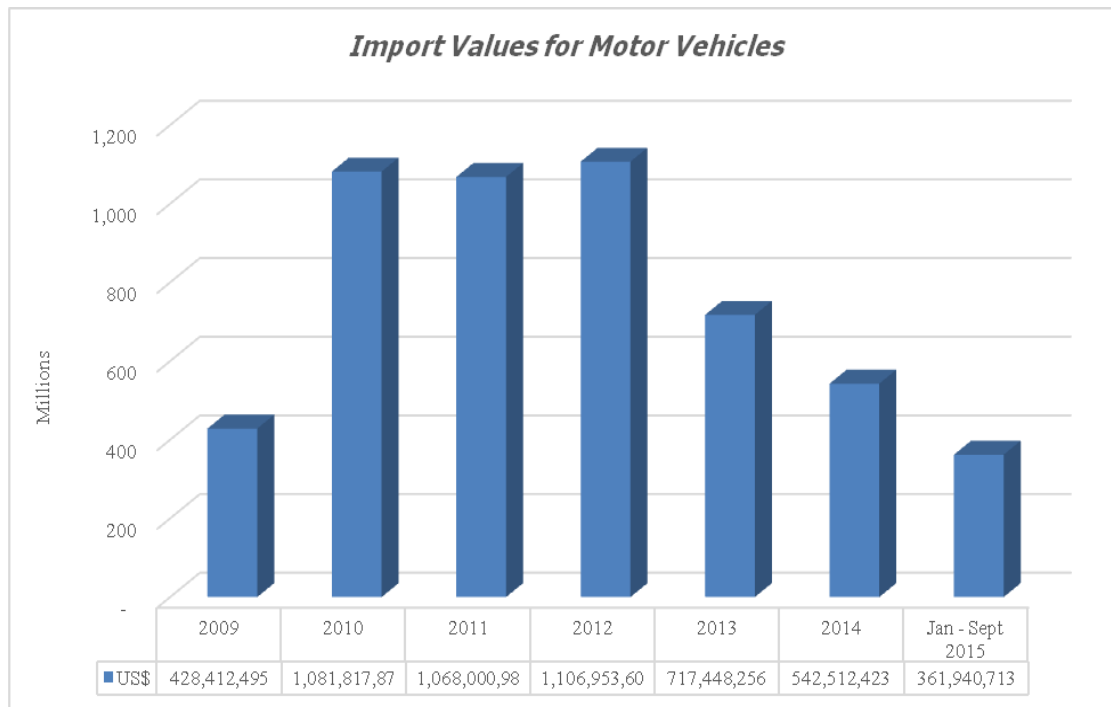
## **MEASURES IN SUPPORT OF THE PRODUCTIVE SECTORS**

### ***Motor Industry***

#### *Duty on Motor Vehicles Imported by Government*

1247. Mr Speaker Sir, in support of the local motor vehicle industry, Government availed modest protection on a selected range of motor vehicles. These include double cabs, buses, passenger and light commercial motor vehicles.

1248. Consequently, there has been a decline in importation, particularly of passenger motor vehicles. The graph below shows the value of motor vehicle imports for the period 2009 to September 2015:



1249. Although the local motor vehicle industry has potential to manufacture light commercial vehicles and buses, this has, however, been impeded by challenges that include limited access to working capital, antiquated machinery and unfair competition from subsidised imports.

1250. Notwithstanding the directive issued by the Office of the President and Cabinet through Circular Number 16 of 2011, compelling purchase of motor vehicles from local assembly plants, Government Departments and Parastatals, however, continue to import motor vehicles.

1251.I, therefore, propose to remove selected motor vehicles and buses imported by Government and School Development Associations from the Duty Free Certificate Facility, in order to facilitate implementation of the Cabinet Circular and also empower the local motor industry.

1252.This measure takes effect from 1 January 2016.

*Duty on Canopies and Drop Side Panels*

1253.Despite the huge potential to manufacture canopies and drop side panels, local production is currently subdued due to competition from imports.

1254.I, therefore, propose to increase duty on imported canopies and drop side panels from 10% to 40%, with effect from 1 January 2016.

***Luggage Ware Manufacturers***

1255.Mr Speaker Sir, the luggage ware manufacturing sector is facing viability challenges due to high cost of production, hence is unable to compete against imported products, which benefit from preferential regional arrangements.

1256.Whereas the sector at its peak, employed over 4 000 workers, this has declined to about 150 employees. The sector is labour intensive,

hence its revival will contribute immensely to employment creation, in line with the ZIM-ASSET agenda.

1257. The bulk of the raw materials used in the manufacture of luggage ware are imported, hence customs duty levied impacts negatively on competitiveness of the finished products.

1258. I, therefore, propose to introduce a manufacturer's rebate to approved manufacturers for a period of two years, with effect from 1 January 2016.

1259. Duty free importation will be extended to inputs, which include polyester fabric, lining material, metal rivets, wheels and sewing thread, among others.

### ***Agricultural Implements Manufacturers***

1260. Manufacturers of agricultural implements produce a range of animal drawn implements such as ploughs, harrows, cultivators and planters.

1261. Consequently, Government introduced customs duty on selected imported agricultural implements in order to enhance the competitiveness of local producers.

1262. Traders are, however, taking advantage of the lower duty on spare parts to import ploughs in kit form. The kits include a plough beam, which constitutes a major component of the plough.

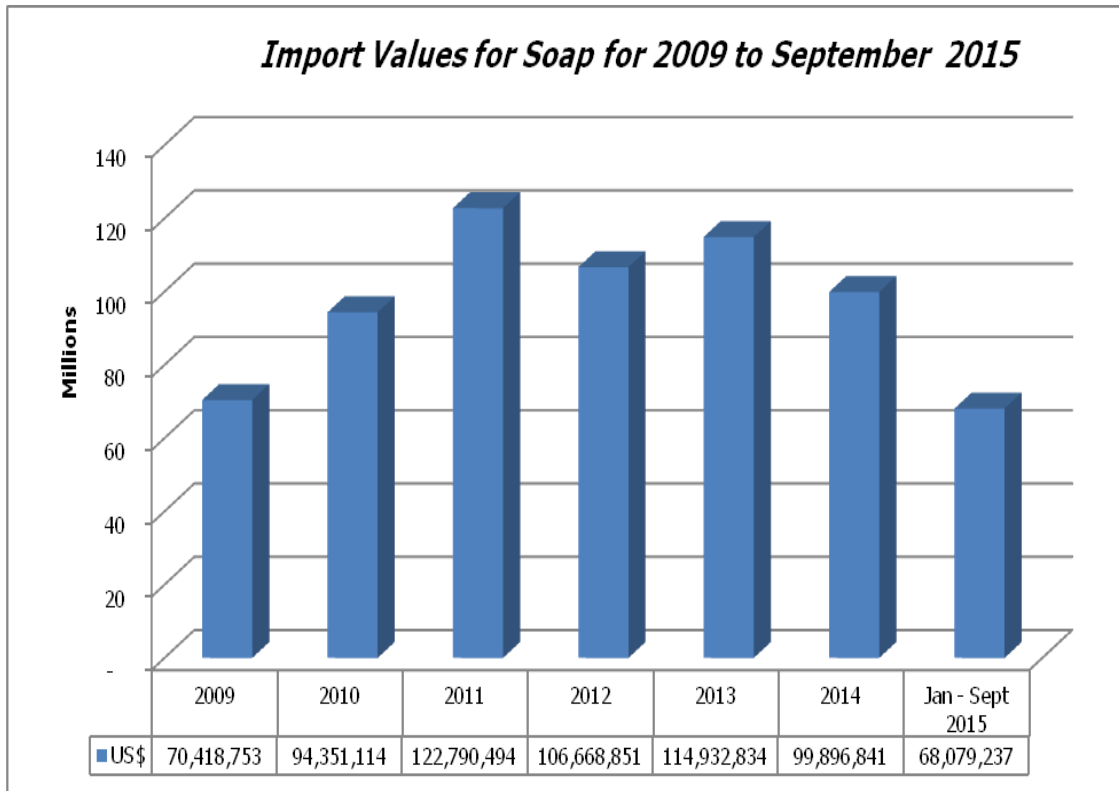


1263. In order to level the playing field between locally produced and imported finished products, I propose to introduce a specific duty of US\$5 per kilogramme on plough beam, with effect from 1 January 2016.

### ***Soap Manufacturers***

1264. Mr Speaker Sir, imports of bath and laundry soaps continue to dominate the local market, despite the capacity to produce locally and measures instituted to discourage importation.

1265. The graph below shows the value of imported laundry and bath soaps during the period 2009 to September 2015.



1266. Notwithstanding efforts by the local industry to improve the product quality, price and range, competitiveness has been undermined mainly due to the depreciation of currencies of major trading partners against the United States Dollar. This has undermined efforts to revive the local soap manufacturing industry.

1267. In order to level the playing field between imported and locally produced soap, I propose to introduce a specific duty of US\$0.50 per kg, with effect from 1 January 2016.

### ***Textile Industry***

1268. In order to improve competitiveness of the textile manufacturing industry, Government introduced a Manufacturers' Rebate on critical inputs imported by approved textile manufacturers.

1269. The textile manufacturing industry has capacity to value add semi-processed fabric, thereby creating employment.

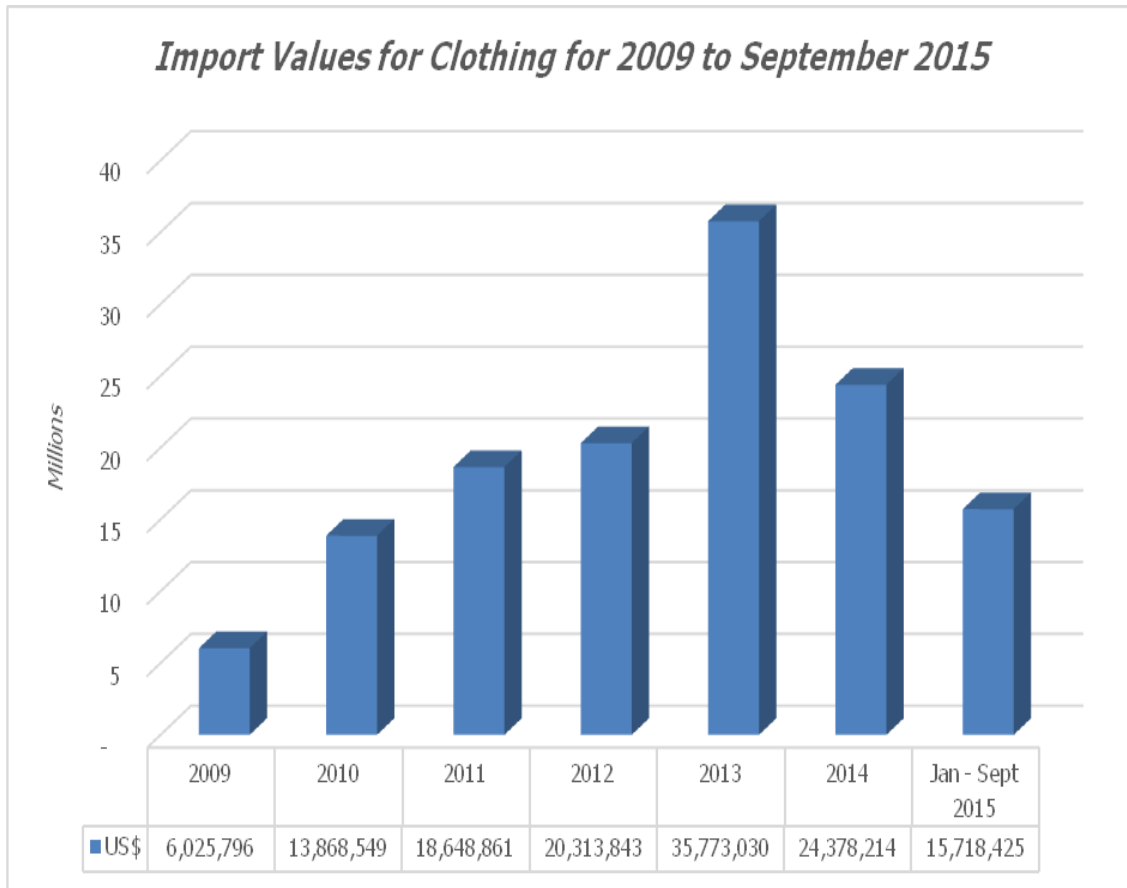
1270. However, there is no incentive for value addition, since the semi-processed and finished fabric attract the same rate of duty.

1271. I, therefore, propose to increase duty on selected fabric that can be produced locally from 10% to 40% + US\$2.50/kg, with effect from 1 January 2016.

#### *Clothing Manufacturers' Rebate*

1272. Mr Speaker Sir, the Clothing Manufacturers' Rebate that Government introduced in 2013 is beginning to yield benefits as evidenced by enhanced competitiveness, increased employment, investment and capacity utilisation.

1273. Consequently, the value of imported clothing has over the years declined significantly, as shown on the graph below:



1274. The Clothing Manufacturers Rebate is an anchor to the continued revival and sustainable growth of the clothing industry.

1275. I, therefore, propose to extend the rebate of duty on imported raw materials for use in the manufacture of clothing by a further period of two years.

1276. I further propose to include selected additional inputs which include buttons, zips and clothing labels, among others, under the Clothing Manufacturers' Rebate facility.

1277. This measure takes effect from 1 January 2016.

## ***Tourism Industry***

### *Rebate of Duty on Capital Goods Imported by Tourism Operators*

1278. Honourable Members will recall that in 2009, Government introduced duty free importation of capital equipment by tourism operators to enable the refurbishment, expansion and modernisation of hotels, lodges and conference facilities.

1279. However, due to limited access to capital, the tourism sector has not been able to fully take advantage of the rebate scheme.

1280. I, therefore, propose to extend the rebate of duty for a further period of two years, with effect from 1 January 2016.

### *Suspension of Duty on Motor Vehicles Imported by Safari Operators*

1281. Government in 2009, also put in place a suspension of duty facility to enable Safari Operators to replace ageing fleet of game drive vehicles.

1282. Although a significant number of safari operators have benefited from the facility, some have, however, not been able to benefit from the incentive scheme, due to financial challenges.

1283. I, therefore, propose to extend the suspension of duty facility for a further period of two years, with effect from 1 January 2016.

### *Suspension of Duty on Wheat Flour*

1284. Government increased customs duty on wheat flour from 5% to 20% and also ring-fenced 5 000 metric tons per month of wheat flour imported by approved bakers for blending purposes at a lower rate of duty of 5% with effect from 1 August 2012.

1285. Consequently, capacity utilisation of the milling industry has increased and imports of wheat flour have also declined.

1286. Notwithstanding the improved wheat flour production, there is, however, need to import flour for blending purposes, in order to enhance the quality of bread as well as maintain the price of bread at competitive levels.

1287. I, therefore, propose to extend the facility for a further period of twelve months and reduce the wheat flour quota from 5 000 to 4 000 metric tonnes per month, in line with the utilisation capacity of approved importers, with effect from 1 January 2016.

1288. In order to improve local milling capacity, the facility will cease to apply after 31 December 2016.

### *Suspension of Duty on Powdered Milk Imported by Approved Manufacturers*

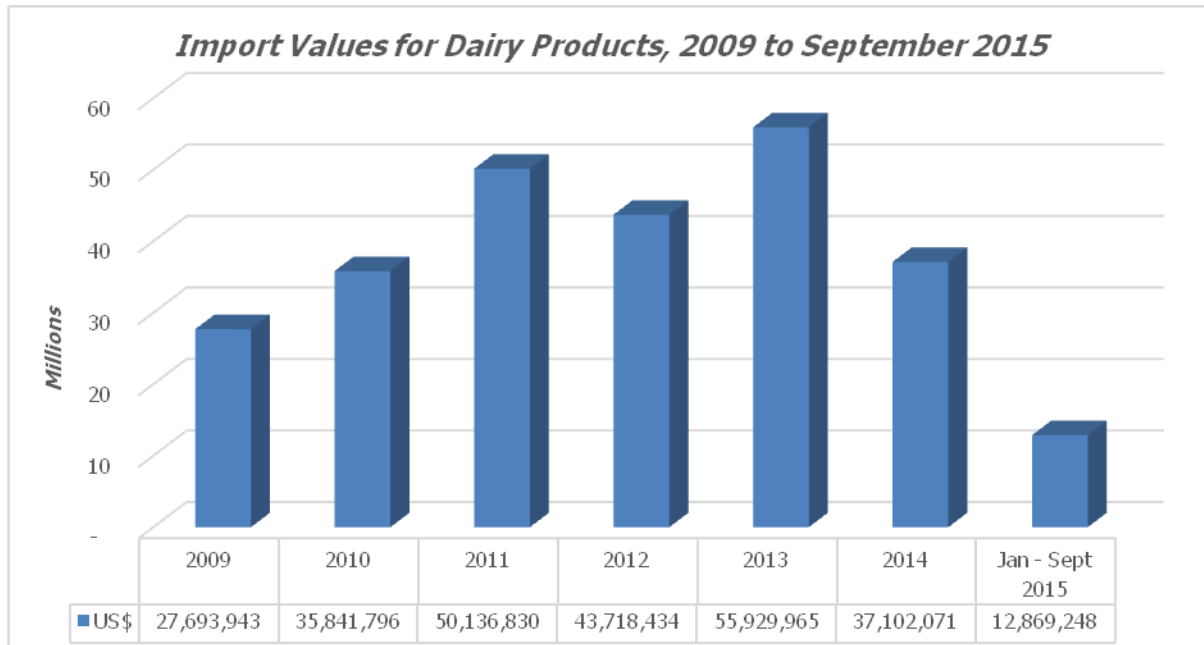
1289. Mr Speaker Sir, Government introduced a number of measures in order to promote growth and development of the local dairy industry. These include removal of selected dairy products from the Travellers' Rebate and duty free importation of full cream and skimmed milk powder by approved dairy processors, among others.

1290. The dairy sector has also embarked on a Dairy Revitalisation Project to import heifers, thereby increasing the output of raw milk.

1291. Consequently, new processors have entered into the dairy industry and about US\$21.9 million has been invested in new and modern processing plants, capable of producing a wider product range, during the period January to September 2015.

1292. The value chain of the dairy industry has also been strengthened, hence imports of finished dairy products have declined.

1293. The graph below shows the values of imported dairy products for the period 2009 to September 2015:



1294. Despite improved supplies of raw milk, this however, remains insufficient due to increased demand, particularly for the production of the expanded product range. There is, thus, need to augment local supplies with imported milk powder.

1295. I, therefore, propose to extend the ring-fenced duty free importation of milk powder to approved dairy processors by a further two years, with effect from 1 January 2016.

1296. I, further, propose to register new dairy processors to benefit under the suspension of duty on powdered milk facility.

### ***Other Administrative Measures***

#### *Fines on Traffic Offences*



1297. Mr Speaker Sir, high levels of carnage continue to be witnessed on the country's road. Most of the carnage is a result of human error arising from failure to observe road traffic regulations.

1298. Some motorists, particularly, commuter omnibus and 'mshika-shika' drivers continue to risk the lives of passengers and other motorists due to negligent driving.

1299. The most common offences committed include, proceeding against red robots, overtaking against white solid lines, driving on the wrong side of the road, dropping passengers at undesignated points and failing to stop when instructed to do so by the police, among others.

1300. Whereas, road traffic fines are meant to be a deterrent for criminal behaviour, the current standard scale of fines which was last reviewed in 2009, does not however, promote safety and discipline on the roads. The traffic fines are also generally lower than those obtaining in the region.

1301. I, therefore, propose to review the level of road traffic fines to begin from level 2 and end at level 4 of the standard scale of fines, with effect from 1 January 2016.

1302. The table below shows selected examples of levels of fines.

Level	Type of Offence	Current	Proposed	Proposed
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<b>of Scale</b>		<b>Fine (US\$)</b>	<b>Fine (US\$)</b>	<b>Level of Scale</b>
<b>1</b>	Double Parking No stopping, no parking, no left or right turn Leaks of fuel and oil Discard rubbish from vehicles Spitting in or from vehicles	5	10	2
<b>2</b>	Fail to signal slow down, stop or turn right or left Cutting corner or turning right Encroach over white lines at a robot Proceed against amber robot Abusive behaviour	10	20	3
<b>3</b>	Proceed against red robot Overtaking over solid white line No Drivers Licence Foot brake not working	20	100	4

### ***Excise Duty on Second Hand Motor Vehicles***

1303. Mr Speaker Sir, a special excise duty of 5% is levied on the assessed value of second-hand motor vehicles sold, transferred or otherwise disposed of to any person.

1304. However, high excise duty assessments and lack of transparency in the valuation of second hand motor vehicles for purposes of excise duty, has resulted in most buyers failing to or deferring transfer of ownership of motor vehicles.

1305. In order to promote transparency in the determination of excise duty and also ease the administrative burden on ZIMRA, I propose to introduce flat rates of excise duty as follows:

***Excise Duty on Second Hand Motor Vehicles***

<b>Number of Years</b>	<b>Engine Capacity</b>	<b>Proposed Excise Duty Rate (US\$)</b>
<b>0 – 4</b>	1 000 cc	300
	1 001 – 1 500	400
	1 501 – 2 000	500
	2 001 – 2 500	600
	2 501 – 3 000	600
	3 001 – 3 500	600
	Above 3 501	600
<b>5 – 10</b>	1 000 cc	150
	1 001 – 1 500	200
	1 501 – 2 000	250
	2 001 – 2 500	300
	2 501 – 3 000	400
	3 001 – 3 500	400
	Above 3 501	400
<b>11 – 15</b>	1 000 cc	75
	1 001 – 1 500	100
	1 501 – 2 000	150
	2 001 – 2 500	200
	2 501 – 3 000	200
	3 001 – 3 500	200
	Above 3 501	200
<b>16 – 20</b>	1 000 cc	50
	1 001 – 1 500	75
	1 501 – 2 000	100
	2 001 – 2 500	150

	2 501 – 3 000	150
	3 001 – 3 500	150
	Above 3 501	150
<b>Above 20</b>	All Engine Capacity	50

1306. This measure takes effect from 1 January 2016.

*Revenue Monitoring*

1307. Mr Speaker Sir, in order to facilitate monitoring of revenue flows to the fiscus, thereby expediting decision making, ZIMRA will install a dashboard in the offices of the Minister, Secretary to the Treasury, Revenue and Tax Policy Department of the Treasury and the ZIMRA Board Chairperson.

1308. The Dashboard will be set up by 31 December 2015.

*African Tax Administration Forum (ATAF)*

1309. The ATAF, which the country joined in 2009, provides a platform for cooperation to enhance administrative capacity of African Tax Authorities with a view to improve domestic resource mobilisation, combat tax evasion and avoidance.

1310. In order to enjoy the full benefits of membership, the country is required to ratify the agreement establishing ATAF.

1311.I, therefore, propose to amend the relevant legislation to facilitate the ratification of the ATAF.

## **XVII. GOVERNANCE AND PERFORMANCE MANAGEMENT**

1312.Modernisation of Government, improvement of general administration, governance and performance management are pivotal to successful implementation of Zim Asset.

1313.The objective is to ensure effective formulation, implementation, co-ordination, monitoring and evaluation of policies and projects in harmony with the programme.

1314.Furthermore, the objective is also to ensure that Government systems are acceptable to citizens, through the provision of good governance and services in an efficient and effective manner.

### *Modernisation and Civil Service Reform*

1315.Government has developed and launched the Client Service Charter, which provides a list of services and other activities being offered by various line Ministries.

1316.The Charter is now being rolled out throughout Government by the Office of the President and Cabinet, and will also be available online to ensure rigorous interface between Government and its citizens, in pursuit of quality service delivery.

1317. Furthermore, in order to improve personnel efficiency, the Public Service Commission has rationalised human resources in line with staff capacities and qualifications for effective and efficient service delivery.

1318. This is also being linked to efforts on improving working conditions for civil servants.

### *Public Procurement*

1319. Honourable Members will be aware that Government undertook to review the role of the State Procurement Board (SPB) as part of the Zim Asset measures for a more efficient and transparent public procurement system, supportive of improved service delivery.

1320. The reforms of the SPB are in compliance with the Constitutional provisions for a new Public Procurement Act, and it is expected that by mid-2016 a new bill on Public Procurement will be ready for assent by His Excellency, the President.

1321. This will be preceded by the following activities:

- Preparation of the draft Bill by Government, with assistance from technical partners and experts; and
- Submission of the Bill to Parliament for debate.

1322. Mr Speaker Sir, the main goal of the reform process is to decentralise the procurement of goods and services to Ministries, parastatals and

state enterprises including local authorities, and allow the SPB to perform a regulatory function, ie supervision, monitoring and evaluation.

1323. In view of this devolution of procurements functions, an intensive capacity building exercise of public sector agencies will be conducted to enable them to meet the new requirements of the public procurement.

1324. This, Mr Speaker Sir, also includes support to the new SPB which will be performing a regulatory function, with procurement decentralised to Ministries.

1325. Support will also be provided to the SPB to set Procurement Standards and Compliance Guidelines as part of the SPB's regulatory function.

1326. As part of the transitional process, the current SPB is no longer accepting new applications after 30 October 2015.

1327. In order to limit the administrative gap, Government is engaging a transitional State Procurement Board for oversight of procuring entities.

1328. This will be supported by amendments to the Procurement Regulations to facilitate:

- Devolution of procurement awards to procuring entities;

- Removal of tender limits to allow procuring entities to award tenders under the supervision of the SPB;
- Inclusion of procurement plans and budgets to ensure value for money procurement; and
- Inclusion of monitoring and evaluation mechanism of contracts by the SPB during the transition.

1329. Mr Speaker Sir, the termination of the current SPB will necessitate the appointment of a new State Procurement Board soon.

1330. Allow me, therefore, to acknowledge the support of the World Bank and the African Development Bank, with the World Bank agreeing to provide US\$1.6 million support for:

- Consultative workshops for legal review;
- Development of the new procurement bill;
- Designing institutional arrangements for the SPB and procuring entities; and
- Preliminary work for the E-procurement project.

1331. Mr Speaker Sir, support of US\$1.3 million from the African Development Bank will also benefit legal reforms, capacity development and acquisition of ICT equipment.

*Performance Accountability*



1332. In addition, Government is also aligning performance contracts for Senior Government Officials in the public sector to the Results Based Budgeting framework.

1333. The objective is to improve performance and accountability of the respective officials.

*Strengthening Institutions of Transparency and Accountability*

1334. Mr Speaker Sir, Government signed a Grant Protocol of Agreement with the African Development Bank's ADF on Strengthening Institutions of Transparency and Accountability on 24 August 2015, amounting to US\$2.9 million.

1335. The main beneficiaries are Parliament and the Office of the Auditor-General, with allocations of US\$1.47 million and US\$0.87 million, respectively.

1336. In this regard, a projected US\$420 000 will be disbursed by December 2015, and a further US\$600 000 in 2016.

1337. In addition, the EU under the 11<sup>th</sup> European Development Fund has also availed US\$11 million in support of governance and institution building, targeting Parliament, the Judiciary, the Immigration Department, and the Zimbabwe Electoral Commission as well as Constitutional alignment.

1338. The European Union has also committed US\$7.5 million for strengthening the capacity of the National Authorising Office to coordinate development partners' support.

1339. Mr Speaker Sir, the project is expected to improve transparency and accountability in the public sector through building capacity and effectiveness of these institutions in order to carry out their oversight mandate.

*Strengthened Institutions*

1340. Within the context of broader policy reforms, Government will continue to strengthen its institutions by aligning its policies and regulations to the Constitution.

1341. Strong institutions will assist improve transparency and accountability of public entities.

*Governance Institutional Support Project*

1342. Mr Speaker Sir, the Governance and Institutional Support Project received US\$1.2 million from the African Development Bank as at 30 September 2015, with an additional US\$1.5 million to be disbursed in 2016.

1343. The project seeks to improve transparency and effectiveness in public finance and economic management.

### *Corporate Governance*

1344. The National Code on Corporate Governance, ZIMCODE, launched in April 2015 provides a framework for corporate conduct for both the public and private sectors.

1345. Key elements of the Code relate to accountability and transparency, thereby combating corruption in the public and private sectors.

1346. Corporate disclosure, communication and mechanisms for creating trust between shareholders, boards, management and employees are also features of the Code.

1347. Government is enforcing compliance of this Code by line Ministries, all parastatals and state enterprises, local authorities and private sector entities.

1348. Furthermore, in order to strengthen the above Code, the Public Sector Corporate Governance Bill has been developed, and is currently being considered for promulgation into an Act during the 3rd Session of the 8<sup>th</sup> Parliament.

### ***Zimbabwe Reconstruction Fund***

1349. Mr Speaker Sir, the World Bank-administered Zimbabwe Reconstruction Fund (ZIMREF) is in line with our national development priorities and is augmenting Government efforts to

strengthen public financial management, improve the doing business environment, enhance reforms of parastatals and other State-owned enterprises, as well as enhancing monitoring of the implementation of Zim Asset, among other areas.

1350. As of September 2015, pledges by Development partners to the Fund amount to US\$36.1 million, of which US\$13.17 million has already been disbursed into the World Bank account.

1351. To this end, I would like to thank the contributing partners and urge them to scale up their contributions, as well as call upon other partners to consider also contributing to the Fund.

1352. Mr Speaker Sir, I am pleased to advise the House that to date, the following projects under ZIMREF are currently on-going:

- Results-Based Budgeting Technical Assistance (US\$1.35 million);
- Public Procurement Modernisation (US\$1.6 million); and
- Poverty Monitoring and Zim Asset Monitoring and Evaluation Technical Assistance (US\$3 million) projects.

1353. It is also encouraging to note that although the funds are not coming through the national Budget, some of the projects are recipient-executed, that is they make use of our Government systems.

1354.I hope other partners will follow suit, which I believe will eventually lead to more support coming through the Government machinery.

## **XVIII. ANTI-CORRUPTION THRUST**

1355.Mr Speaker Sir, Government reiterates zero tolerance for corruption in all sectors of the economy in order to foster good governance.

1356.Given that corruption has permeated every fabric of our national life and character, and is now in our blood as it were, and reminded of a translation of a Shona saying, "If you chase two rabbits at the same time, you never catch any", it is imperative that we develop strategies that identify the most damaging forms of corruption.

1357.Accordingly, Government's anti-corruption thrust in 2016 will target wide spread corruption through inflated and unrealistic pricing of goods and services sourced through the public procurement system, and leakages at our country's borders.

### ***Leakages at Borders***

1358.Mr Speaker Sir, there are challenges with revenue leakages at border posts due to smuggling and corruption, with such activities depriving the fiscus of resources that should be deployed towards national infrastructure development and service delivery.

1359. Government is putting in place various measures to deal with the scourge. Implementation of some of these will be immediate, while others will require investment and time.

*Immediate Measures*

- Establishment of transparent systems for handling goods, vehicular and human traffic passing through our borders, including adherence to the principle of "First Come, First Served";
- Installation of Closed Circuit Cameras at all critical points across the country's points of entry;
- Introduction of Client Timeline Service Registers;
- Automation of systems at all border posts, parallel to CCTV coverage; and
- Visible Clients Public Notices of processes and timelines for delivery of various border posts services.

1360. Mr Speaker Sir, harnessing Information Communication Technology not only speeds up service delivery processes, but also optimises use of online platforms which minimise physical interface between service providers and their clients, which ordinarily creates opportunities for corrupt practices.

1361. These measures should be in place by the first half of 2016.

***Procurement & Inflated Pricing***

1362. Mr Speaker Sir, with respect to public procurement, rent seeking activities and behavior increase the cost of implementing projects and service delivery.

1363. Corruption challenges in this area are being addressed through a review of the governing framework and institutional arrangements to enhance transparency and accountability.

1364. As already alluded to, the conduct of procurement transactions will be devolved to the procuring entity level, while the State Procurement Board will have a framework setting and monitoring role to ensure procuring entities operate within the agreed parameters. This will deal with the potential conflict of interest that arises from the Board's current dual transacting and oversight roles.

1365. The devolution will concurrently improve timeliness and efficiency in concluding procurement transactions by allowing managers the latitude to make procurement decisions within frameworks set by the State Procurement Board, while making such managers directly accountable for decisions.

1366. These will be complemented by provisions for:

- Review mechanisms to facilitate verification of bidders' capacity;
- Publication of all contract awards and prices;
- Publication of mandatory progress and contract completion reports; and
- Reconciliation of above reports to budgets and timelines, to foster transparency and accountability.

1367. Government will also embrace the e-procurement platform to minimise opportunities for corrupt practices, while getting access to a wider selection of potential suppliers.

*Anti-Corruption Agencies*

1368. Mr Speaker Sir, efforts are underway to adequately capacitate the Anti-Corruption Agencies to effectively discharge their mandates in accordance with the provisions of the Constitution of Zimbabwe.

1369. Furthermore, appointments of the Commissioners of the Anti-Corruption Commission should be announced soon, following their interviews conducted by Parliament in line with the Constitution.

**XIX. SUSTAINABLE DEVELOPMENT GOALS**

1370. Mr Speaker Sir, the implementation of our National Budgets will also be against the background of our obligations with regards to the post 2015 Sustainable Development Goals.



1371. These will guide the global development agenda for the period 2015-2030, following their adoption by the UN Summit in September 2015.

1372. Mr Speaker Sir, the post 2015 Sustainable Development Goals comprise of 17 goals and 169 targets.

1373. The full list of the Sustainable Development Goals is contained below.

**Sustainable Development Goals**

Goal 1	End poverty in all its forms everywhere
Goal 2	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
Goal 3	Ensure healthy lives and promote well-being for all at all ages
Goal 4	Ensure inclusive and equitable quality education and promote life-long learning opportunities for all
Goal 5	Achieve gender equality and empower all women and girls
Goal 6	Ensure availability and sustainable management of water and sanitation for all
Goal 7	Ensure access to affordable, reliable, sustainable, and modern energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal 10	Reduce inequality within and among countries
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12	Ensure sustainable consumption and production patterns
Goal 13	Take urgent action to combat climate change and its impacts
Goal 14	Conserve and sustainably use the oceans, seas and marine resources

	for sustainable development
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

1374. Mr Speaker Sir, the above SDGs are clearly in line with our Zim Asset objectives, and Government will be prioritising their implementation from 2016.

1375. Government has constituted a National SDG Technical Committee comprising of stakeholders from Government, civil society, business, and the development partners to superintend their implementation.

1376. The Technical Committee will coordinate implementation to ensure that the targets are met timely, with the National Progress Report being produced annually.

## **XX. CONCLUSION**

1377. Mr Speaker Sir, recent developments have shown that our concerted and focused attention in addressing impediments to the growth and development of our country are yielding positive results, fostering confidence in our people, investors and global stakeholders.

1378.The progress made, thus far, with the ease of doing business reforms, the Staff Monitored Programme and strengthening fiscal management, among others, has contributed to improvement in our international rankings and enhanced prospects for debt and arrears clearance.

1379.I have no doubt that we should see further improvement in our rankings, given the ongoing strong reform efforts in this area.

1380.We need to consolidate on these efforts and sustain the gains that we have made so far by implementing supportive measures in other areas.

1381.I am convinced that if we continue to chart this course, we will significantly improve the standard of living of our people even to levels higher than those of our regional counterparts in the not too distant future.

1382.Mr Speaker Sir, I commend the 2016 National Budget to the House, and I lay the Estimates of Expenditure on the Table.

1383.I thank you.

**HARARE**

26 November 2015

## **Annexure 1: Budget Framework**

	2015 Budget Estimates			2016 Budget Framework
	Original	Outturn to 30 September	Projected Outturn to December	
	US\$m	US\$m	US\$m	
<b>Total Revenue</b>	<b>3,990.0</b>	<b>2,632.7</b>	<b>3,592.8</b>	<b>3,850.0</b>
Tax Revenue	3,763.0	2,523.2	3,406.0	3,740.0
Non-Tax Revenue	227.0	109.5	186.8	110.0
<b>Total Expenditure Including Loan Repayments</b>	<b>4,578.4</b>	<b>3,297.1</b>	<b>4,340.2</b>	<b>4,434.3</b>
<b>Total Expenditure &amp; Net Lending</b>	<b>4,115.0</b>	<b>2,896.2</b>	<b>3,824.5</b>	<b>4,000.0</b>
<b>Employment Cost</b>	<b>3,317.0</b>	<b>2,309.3</b>	<b>3,105.9</b>	<b>3,191.0</b>
Civil Service	2,160.6	1,558.4	2,083.4	2,048.2
Foreign Missions	32.4	11.8	18.1	20.4
Grant Aided Institutions	500.6	342.1	464.5	499.0
Pension	477.6	318.4	437.8	477.6
PSMAS	120.0	78.3	101.7	120.0
NSSA	25.2	-	-	25.2
Funeral Expenses	0.6	0.3	0.5	0.6
<b>Recurrent Operations</b>	<b>384.7</b>	<b>315.2</b>	<b>361.4</b>	<b>384.0</b>
<b>Interest</b>	<b>72.3</b>	<b>58.6</b>	<b>91.8</b>	<b>110.0</b>
Domestic	72.3	51.6	74.9	88.8
External	-	7.0	16.9	21.2
<b>Capital Expenditure</b>	<b>341.0</b>	<b>213.1</b>	<b>265.4</b>	<b>315.0</b>
<b>Budget Balance [1]</b>	<b>(125.0)</b>	<b>(263.5)</b>	<b>(231.7)</b>	<b>(150.0)</b>
<b>Primary Balance [2]</b>	<b>(52.7)</b>	<b>(204.9)</b>	<b>(139.9)</b>	<b>(40.0)</b>
<b>Loan Repayments</b>	<b>463.4</b>	<b>400.9</b>	<b>515.7</b>	<b>434.3</b>
Domestic	463.4	335.0	434.5	288.0
External	-	66.0	81.2	146.3
<b>Overall Balance [3]</b>	<b>(588.4)</b>	<b>(664.4)</b>	<b>(747.4)</b>	<b>(584.3)</b>
<b>As a % of Total Expenditures Excluding Loan Repayments</b>				
Employment Costs	80.6%		81.2%	<b>79.8%</b>
Operations and Maintenance	9.3%		9.4%	<b>9.6%</b>
Interest	1.8%		2.4%	<b>2.7%</b>
Capital Expenditures	8.3%		6.9%	<b>7.9%</b>
<b>Notes:</b>				
<b>[1] Total Revenues less Total Expenditure &amp; Net Lending excluding Loan Repayments.</b>				
<b>[2] Total Revenues less Non-Interest Expenditure. The adjusted end December 2015 SMP target is US\$145.3 million.</b>				
<b>[3] Total Revenues less Total Expenditure &amp; Net Lending including Loan Repayments.</b>				

## **Annexure 2: Estimates of Expenditure**

	Projected Outturn to December	2016 Provisional Estimates
Vote Appropriations	US\$	US\$
Office of the President and Cabinet	205,317,310	178,966,000
Parliament of Zimbabwe	21,664,829	20,255,000
Public Service, Labour and Social Services	100,806,025	173,888,000
Defence	337,417,210	357,665,000
Finance and Economic Development	17,775,411	27,866,000
Audit Office	2,040,557	4,050,000
Industry and Commerce	12,612,679	17,465,000
Agriculture, Mechanisation and Irrigation Development	201,492,483	145,089,000
Mines & Mining Development	4,768,427	5,964,000
Environment, Water and Climate	88,048,808	33,242,000
Transport and Infrastructure Development	24,647,482	38,870,000
Foreign Affairs	13,269,034	36,795,000
Local Government, Public Works and National Housing	46,799,090	45,640,000
Health and Child Care	311,925,890	330,789,000
Primary and Secondary Education	866,445,437	810,430,000
Higher & Tertiary Education, Science and Technology Development	270,638,187	304,235,000
Youth, Indigenisation & Economic Empowerment	37,475,992	17,401,000
Home Affairs	373,972,276	395,854,000
Justice, Legal and Parliamentary Affairs	101,006,182	118,819,000
Media, Information and Broadcasting Services	3,166,960	3,982,000
Small and Medium Enterprises and Cooperative Development	3,317,262	5,363,000
Energy and Power Development	1,148,477	6,810,000
Women Affairs, Gender & Community Development	7,746,366	13,113,000
Tourism & Hospitality Industry	4,124,383	2,722,000
Information Communication Technology, Postal and Courier Services	2,952,583	6,257,000
Lands and Rural Resettlement	6,328,550	9,253,000
Judicial Services Commission	12,576,461	15,518,000
Public Service Commission	16,028,837	19,205,000
Sports & Recreation	5,985,463	4,202,000
Macro-Economic Planning & Investment Promotion	2,329,183	6,155,000
Welfare Services for War Veterans, Detainees, Restrictees and War Collaborators	7,295,513	20,831,000
Rural Development and Preservation of Cultural Heritage		14,227,000
Other Appropriations:		
Zimbabwe Revenue Authority	122,760,000	117,560,000
Reserve Bank of Zimbabwe	24,000,000	24,000,000
Unallocated Reserve		65,647,000
<b>Vote Appropriations Total</b>	<b>3,257,883,346</b>	<b>3,398,128,000</b>
<b>Debt Service: Interest Bill</b>	<b>90,199,133</b>	<b>110,000,000</b>
<b>Pension</b>	<b>437,800,000</b>	<b>477,600,000</b>
<b>Other Constitutional &amp; Statutory Appropriations:</b>	<b>38,637,428</b>	<b>14,272,000</b>
Salary & Allowances: Constitutional Appointees	14,469,178	14,272,000
Refunds of Revenue	17,613,484	
Borrowing Related Costs	6,554,766	
<b>Total Expenditure &amp; Net Lending</b>	<b>3,824,519,908</b>	<b>4,000,000,000</b>
<b>Repayment of Loans</b>	<b>515,668,966</b>	<b>434,329,000</b>
	295	
<b>Total Expenditure &amp; Net Lending Including Loan Repayments</b>	<b>4,340,188,874</b>	<b>4,434,329,000</b>

### Annexure 3: Demonetisation: Individual Bank Settlements

Bank	Verified Balances	Total Disbursed by RBZ	Total Paid Out by Bank	% Paid **	No. of Accounts Paid by Bank
BancABC	86 636	86 636	84 294	97	148
MBCA	646 878	580 092	580 092	90	2 650
Ecobank	191 439	191 439	161 104	84	194
Stanbic	2 706 445	2 227 446	2 227 446	82	16 271
Standard Chartered	900 600	900 600	699 822	78	24 335
Barclays	1 605 739	1 082 581	1 082 581	67	51 518
POSB	1 249 625	624 812	569 015	46	113 329
NMB Bank	130 315	65 158	51 001	39	4 749
ZB Bank & Building Society	939 691	469 846	357 594	38	61 750
AgriBank	609 314	304 657	169 693	28	32 714
FBC Bank & Building Society	715 004	357 502	168 770	24	13 563
CBZ Bank & Building Society	3 082 348	1 541 174	589 539	19	71 968
CABS	2 763 356	1 381 678	484 178	18	88 539
Metbank	185 610	92 805	27 032	15	1 492
<b>Total</b>	<b>15 813 000</b>	<b>9 906 425</b>	<b>7 252 160</b>	<b>46</b>	<b>483 140</b>