

Submissions by the Commercial Farmers' Union of Zimbabwe in to the National Budget Consultations 2016/17

General Submissions

We are concerned that overall macro-economic performance is poor:

- Zimbabwe's ease of doing business rankings are low (Zimbabwe has slipped 4 places since last year from 157 to 161 out of 190 countries on the World Bank index)
- Zimbabwe's competitiveness ranking is also low (126 out of 138 on the Global Competitiveness index – World Economic Forum)
- There is significant uncertainty and a lack of trust in the authorities in respect of the bond notes export incentive scheme and the ongoing severe liquidity shortage.
- Foreign (and in some cases local) Investor perception remains low.

It is hoped that the 2016/2017 budget will comprehensively address these issues.

In view of the fact that agriculture is the life blood of Zimbabwe's economy, it is submitted that the thrust of the 2016/2017 National Budget should be towards improving the viability of primary agricultural production (particularly of row crops) and improving the competitiveness of agricultural value chains.

Viability of the production of various agricultural commodities remains constrained. The costs of production of agricultural commodities is slightly higher than our regionally counterparts such as Zambia and South Africa. However national average yields of various commodities in Zimbabwe are significantly lower than elsewhere in the region. Therefore the focus must be on interventions that lower costs and improve yields.

Proposed Intervention to improve Macro Economic Performance

The following are some of the interventions that require the urgent attention of policy makers which will improve macro-economic and agricultural performance if implemented:

Work together with multi-lateral funding institutions to develop and comprehensive rural development plan which provides for:

- The formal closure of the land reform and resettlement exercise. This will ensure certainty and improve agricultural investor perceptions.
- The putting in place of tradable, secure land tenure particularly on Model A2 farms. Interim GIS and GPS surveys of allocated land can provide for the speeding up of the process. This will enable farmers and agricultural investors to use rural land as collateral when accessing credit. It will also lower risk profiles and reduce the costs of finance and therefore the costs of production.
- The comprehensive finalization of the outstanding issue of compensation for acquired farms. This will create and strengthen investor confidence.

Reform the tax laws and regulations to promote investment. Improve the ease of doing business by simplifying tax laws and making them fairer and more just. For example ZIMRA tends to exploit technicalities to penalize tax payers even when the state has not been prejudiced.

Improve the ease of doing business generally by simplifying licensing requirements, reducing waiting periods and the number of steps involved in any process and promoting one stop shops for all permits and licenses. Introduce the silence is acceptance rule for business applicants. This means that if an authority does not respond to an application within a certain time frame the applicant can take it that the application is automatically granted. This will reduce backlogs and promote efficiency. In addition the use of ICT should be exploited to introduce on line compliance support services which are quick and efficient.

Proposed Interventions required to lower Costs of Agricultural Production

- Reduce the costs of ZINWA agreement water for Large Estates. Currently there is a disproportionate differentiation between the price of raw water used for irrigation between large Estates (US \$ 12.45) and A2 farmers (US \$ 5 per Mega litre). This is unfair and increases the costs of large scale production. In addition there is no written definition of what a large estate is and it becomes the discretion of ZINWA. In fact many of these so called large estates have leases or offer letters and therefore fall within the model A2 scheme. It is submitted that the ZINWA rate for Large Estates should therefore be brought into line with the rate for model A2 farmers.
- Zero rate VAT on all primary agricultural commodities and agricultural inputs. Presently some commodities are exempted, some are standard rated and some are zero rated. We submit that in the short terms the following standard rated commodities should be zero rated: sheep meat, Goat meat, Molasses
- Also exempt VAT on Electricity and water (ZINWA) for agricultural consumers since they are key inputs to agricultural production
- In addition the agricultural commodities exempted in the Value Added Tax (General) (Amendment) Regulation, 2016 (No.40) to enable producers to claim back their input taxes on capital expenditures.
- Reduce the costs of electricity to farmers by re introducing the subsidized Electricity tariff for Agricultural Customers. In addition the Rural Electrification levy can be reduced to lower the cost of electricity to agriculture and industry. This will improve competitiveness.
- It is submitted that a special scheme in terms of which Government foregoes a portion of tax in respect of Diesel sold to farmers. The fuel could be dyed and should only be used in tractors, and diesel generators and water pumps on farms.
- Instead of the blanket fee of US \$5 per hectare as a land rental and a payment towards the Rural District Council levy, it is submitted that a new model which accounts for the productive capacity of land be used to calculate a land use rental and a Rural District Council rate on a farm by farm basis. The variable factors would include the natural region the farm falls within, and the % of arable land which makes up the farm as well as proximity to water resources.

Measures to improve Agricultural Yields

Generally it is proposed that tax incentives should be used to leverage better agricultural practice and investments into irrigation equipment.

- Research Training and Extension are key areas which require resources. Government budgets need to provide adequately for these areas to improve Extension Officer to farmer ratios. In addition investments into ICT can be made to lower the costs of providing information to farmers.
- It is submitted that as a matter of policy all farmers should be required to be licensed and to join Farmers Union of their choice. To facilitate this it is proposed that a system be put in place where only registered and licensed farmers who are members of a farmers union should be extended any tax reliefs including selling their commodities zero rated and buying their inputs as 0 rated for VAT. Joining organised structures will enable the easier dissemination of information and training of farmers as well as improvement of their skills by participation in field days and other events.
- Access to land through the land reform programme particularly for A2 farmers, should include having received some formal training in agriculture or a proven track record of performance and experience.
- To mitigate against the effects of climate change, the development and rehabilitation of irrigation infrastructure is essential. It is proposed that Government introduce a 120% Special Initial Allowance on all investments into irrigations infrastructure, dam construction and borehole drilling in rural areas.
- Seed Houses should receive a special Initial allowance for investments into high yielding and drought tolerant seed varieties.
- Farmers who invest in smart farming technology such as drones, Satellite yield mapping etc. should also be given a Special Initial Allowance.

This is not intended to be exhaustive list of interventions they are a few suggestions which we believe will improve agricultural performance. It is hope that they can be viewed as discussion points which will assist Government to facilitate an enabling environment for farming businesses.