



ZIMBABWE

BUDGET SPEECH

'Towards a New Economic Order'

Presentation of the National Budget for 2018
to the
Parliament of Zimbabwe

7 December, 2017

By

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Minister of Finance and Economic Development

MOTION

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Government for the 2018 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].
3. Mr Speaker Sir, I am presenting the Budget Speech which is a summary of the full Budget Statement and the other elements of this Budget package are as follows:
 - Full Budget Statement;
 - Estimates of Expenditure; and
 - National Budget Highlights.

INTRODUCTION

4. Mr Speaker Sir, this 2018 National Budget has been formulated mindful of the urgent need to address challenges facing Zimbabwe.
5. Mr Speaker Sir, our country suffers from low business and investor confidence that has been making it difficult for us to attract inward

investment flows and, therefore, unable to generate adequate foreign exchange necessary for supporting economic activity.

6. The low confidence levels are a reflection of:
 - Unsustainable fiscal deficits;
 - Current account deficits;
 - Debt overhang;
 - Low business competitiveness; and
 - Low production across almost all the economic sectors.
7. As a result, we have experienced high levels of unemployment, de-industrialisation, rising informal sector activities, as well as foreign currency and cash shortages.

STATE OF THE ECONOMY

Overall Economic Growth

8. Mr Speaker Sir, notwithstanding the prevailing challenges, the economy remains on track to realise the projected 3.7% growth for 2017 driven by strong performance in agriculture, mining and electricity sectors.
9. In the outlook, overall real economic growth in 2018 is projected to be around 4.5% on the back of scaled up funding for agriculture and implementation of reforms that I will be presenting in this Statement.

Inflation Outlook

10. Mr Speaker Sir, price developments in the economy have now reversed, from previous experiences of deflation, to onset of rising prices.
11. In 2017, inflation is anticipated to average 3% which will be extended into 2018.
12. Mr Speaker Sir, Government will ensure that appropriate measures will be put in place to contain any inflationary pressures.

Balance of Payments

13. Measures in place have seen appreciable narrowing of the trade balance from US\$2 billion during the period January to September 2016 to US\$1.5 billion during the comparable period in 2017.
14. This follows the growth of exports to US\$2.5 billion during the period January to September 2017 compared to imports of US\$4 billion during the same period.

Banking Sector

15. Mr Speaker Sir, the banking sector remains stable on the back of adequate capitalisation, improved earnings and satisfactory asset quality.

16. I am glad that banking institutions continue to reduce their lending interest rates and bank charges to promote inclusive banking and access to financing by economic players.

Public Finances

Revenue Performance

17. Mr Speaker Sir, revenues in 2017 have out-performed target with collections for the period January to September 2017 amounting to US\$2.812 billion, against a target of US\$2.741 billion, resulting in a positive performance of US\$70.8 million or 2.6% of projected revenues.
18. By year end, total revenues are estimated to reach US\$3.9 billion, a 11.4% increase from US\$3.5 billion realised in 2016.

Expenditure Performance

19. Budget disbursements for the period January to September 2017 amounted to US\$3.33 billion, against planned disbursements of US\$3.11 billion.
20. Resultantly, Budget expenditure overruns of US\$217.5 million were experienced during the first nine months of 2017 fiscal year.
21. 2017 Budget expenditures to year end are projected to reach US\$5.6 billion, US\$1.5 billion higher than the budgeted US\$4.1 billion.

22. The projected revenue and expenditure outturn to year end gives rise to a Budget deficit of US\$1.7 billion, much larger than the originally envisaged US\$400 million.

Deficit Financing

23. In addition to the deficit of US\$1.7 billion, the 2017 Budget also has to provide resources to repay US\$1.2 billion maturing domestic debt obligations, mainly Treasury bill instruments.
24. Hence, total borrowing requirements for 2017 amount to US\$2.9 billion, comprised of financing of the Budget deficit of US\$1.7 billion, and debt repayments amounting to US\$1.2 billion.
25. Mr Speaker Sir, the financing gap has been funded from the domestic market, through issuance of Treasury bills and recourse to the Reserve Bank overdraft which forms of financing have serious implications for macro-economic stability.

NEW ECONOMIC ORDER

26. Mr Speaker Sir, it is, therefore, imperative that we urgently address our economic situation through the 2018 Budget by:
 - Restoring market confidence;
 - Instilling and upholding discipline in managing our public finances and the economy as a whole; as well as
 - Ensuring policy consistency, clarity, credibility and predictability.

27. The Budget makes a bold statement on the adoption of a paradigm shift '*Towards A New Economic Order*' drawing from the Inaugural Speech by His Excellency, the President, Cde. E. D. Mnangagwa on 24 November 2017.

RESTORING MARKET CONFIDENCE

28. Mr Speaker Sir, restoring market confidence remains extremely important to the country's recovery process.
29. Accordingly, we strive to institute measures necessary to deal with the following issues:
- Cash shortages including foreign exchange generation;
 - Unsustainable fiscal budget deficit;
 - Corruption and indiscipline;
 - International re-engagement;
 - Creating an investor-friendly business environment; and
 - Ensuring credibility in the conduct of 2018 harmonised general elections.

Cash Shortages including Foreign Exchange Generation

30. In our dollarised economy, foreign currency generation particularly exports is critical for liquidity. However,

notwithstanding improvement in export performance, the economy faces a mismatch between electronic balances in the banks and actual foreign currency available.

Cash Shortages

31. Mr Speaker Sir, Government is cognisant of the frustrations and hardships that our people are experiencing due to the prevailing cash shortages.
32. Mr Speaker Sir, the shortage of cash is a symptom of many challenges facing the economy. Therefore, adequately addressing this issue requires that we confront the underlying causes, particularly, low confidence that is negatively affecting the efficient circulation of cash in the economy.
33. Accordingly, in the short to medium term, our options revolve around:
 - Increased use of plastic and mobile money by enhancing and extending electronic payment platforms to rural areas;
 - Review of charges on plastic and mobile money transactions;
 - Promoting external inflows including diaspora remittances;
 - Importation of cash within our costs limits;
 - Enforce acceptance by traders of payments through plastic and mobile money; and
 - Review taxes on electronic payment systems to promote wider use.

Promoting Savings

34. Government proposes to restore public confidence in the financial sector by implementing the following measures in order to promote domestic savings:
- Improving the availability of cash for minimal withdrawals;
 - Improving interest rates on investments or deposits;
 - Reducing all service charges on all accounts; and
 - Introducing long-term investment instruments.

Foreign Exchange Generation

35. Mr Speaker Sir, exports remain the major source of the country's foreign exchange earnings and, therefore, liquidity. However, 86% of export proceeds are coming from mining and tobacco.
36. The following measures are proposed to grow and diversify the country's export basket:
- Fiscal incentives targeting other sectors such as horticulture, tourism and manufacturing outside mining and tobacco;
 - Plugging leakages in exports and export receipts;

- Expediting the removal of the identified export impediments which include intertwined regulations, multiple and fragmented export documentation points;
- Enforcing the pronounced amnesty on repatriation of externalised funds and assets; as well as
- Extending amnesty on depositing cash hoarded in-country at homes.

Unsustainable Fiscal Budget Deficit

37. Mr Speaker Sir, at the heart of the country's economic challenges is an unsustainable Budget deficit, whose financing through issuance of Treasury bills and recourse to the overdraft with the Reserve Bank is unsustainable.
38. The following measures are proposed to deal with the perennial problem of an unsustainable fiscal budget deficit:
- Adherence to fiscal anchors; and
 - Expenditure management measures.

Adherence to Fiscal Anchors

39. Mr Speaker Sir, concerned with fiscal indiscipline, Government will embrace and adhere to the following fiscal anchors:
- Manage the budget deficit for 2018 at below 4% of GDP;

- Reduce Public Debt to GDP ratio to a sustainable level of not more than 70%;
- Cap Government Borrowing from the Central Bank, to at most 20% of the previous year's Government revenues;
- Raise spending on Infrastructure to 15% of total expenditure in 2018 from the current 11%; and
- Reduce the share of Employment Costs as a share of total revenue to 70% in 2018 from 86% in 2017.

40. Central to adherence to the above *Fiscal Anchors* will be discipline and the political will to implement the necessary measures, avoiding arbitrary reversals of agreed Cabinet policy positions.

41. Mr Speaker Sir, implementation of expenditure management measures, most of which Cabinet had approved remains critical.

Expenditure Management Measures

42. In line with the 2018 Budget thrust of moving '*Towards A New Economic Order*', the following specific expenditure management measures are being proposed:

Public Services Structure

43. Mr Speaker Sir, I propose that the establishment of the public service and other State institutions be rationalised by removing duplications of functions and rationalising posts given a leaner Cabinet that has since been put in place.

Retirement

44. Many public officials continue to be engaged in the public service well beyond retirement age.
45. In this regard, from January 2018, Government will, through the Service Commissions, retire staff above the age of 65.
46. Furthermore, Government will also institute a voluntary retirement scheme.
47. Mr Speaker Sir, Government will speedily explore ways of supporting the retirees so that they can have a soft landing as they embark on their new lives.

Freeze on Recruitment

48. Mr Speaker Sir, the policy on the freeze of vacant posts in the public service has greatly assisted in containing the wage bill.
49. Government, for the 2018 financial year, will maintain the freeze on recruitment of non-critical staff across the board.

Dealing with Duplication of Functions

50. Mr Speaker Sir, Government is proceeding to implement the Cabinet decision to abolish 3 739 Youth Officer posts under the then Ministry of Youth, Indigenisation & Empowerment.

Fuel Benefit Levels

51. Mr Speaker Sir, Government is instituting measures to further reduce the fuel benefit for Senior Public Officers and standardise the benefit at equivalent levels across the service.

Personal Issue Vehicles

52. In view of financing challenges, Mr Speaker Sir, Government is proceeding to review Personal Holder Vehicle Condition of Service as follows:

- Only one personal issue vehicle to Permanent Secretaries/equivalent grades;
- Commissioners and other equivalent positions to be issued with only 1 vehicle; and
- Principal Directors, Directors and Deputy Directors and their equivalents to be provided with loans to purchase vehicles instead of being issued with vehicles.

Foreign Business Travel

53. Mr Speaker Sir, measures to contain Budget expenditures, and conserve scarce foreign currency, will extend to a review of foreign business travel practices.
54. In this regard, the following measures will be implemented:

- Strict reduction in the size of delegations to levels that are absolutely necessary;
- Where there is diplomatic presence, Government will take advantage of this to realise representation in fora; and
- No first class travel will be permitted across the board save for the Presidium.

Foreign Service Bill

55. Currently Government is experiencing serious challenges in funding 46 embassies and consulates.
56. The annual Budgetary requirements are US\$65 million which is far above budget capacity, giving rise to arrears currently standing at US\$17.3 million.
57. Mr Speaker Sir, Government has resolved to downsize Diplomatic Missions, taking account of our current economic environment and affordability principles as follows:
- Reduce the number of Foreign Service Missions; and
 - Rationalise operational costs.

Role of Parents

Support for Early Childhood Development

58. Mr Speaker Sir, Government recognises the complementary role that parents play in the Early Childhood Development (ECD) Programmes.

59. However, the takeover of management and financing of ECDs is clearly beyond Government's current capacity.
60. Mr Speaker Sir, it is proposed that, the pending requests to recruit an additional 5 907 teachers at ECD level be shelved and pave way for parents and communities to continue supporting the provision of ECD services.

School Development Associations

61. Excessive Government interventions, which serve to undermine efforts by SDAs/parents to make contributions at their jurisdictions are being reversed.

Cost of Democracy

62. Funding of the Provincial and Metropolitan structures as set out in Chapter 14 of the Constitution is not sustainable.
63. Mr Speaker Sir, it is recommended that Political Parties represented in Parliament should consider in the future to amend the Constitution to lessen the burden on the fiscus.

Constitutional Commissions

64. Mr Speaker Sir, our Constitution bequeathed several independent Commissions. However, we now face high fiscal overheads as the majority have been set up on an executive basis.

65. Government is redressing this through reviewing relevant Circulars to make the majority of Commissioners become non-Executive and part-time, except in well-defined instances.
66. Day to day operations will revert to Secretariats which in some instances are also targeted for rationalisation and restructuring.

Public Enterprises Reforms

67. Mr Speaker Sir, it is now time for action under the '*New Economic Order*' for implementation of the long overdue parastatals enterprise reforms.
68. Government will implement the following measures to deal with the perennial challenges:
 - Close technically insolvent Parastatals which are not strategic;
 - Put some of the Parastatals under some Joint Venture/Public Private Partnerships arrangements; and
 - Commercialising non-strategic ones.
69. The full programme for these reforms shall be in place by end of March 2018.

Resuscitation of Cold Storage Company

70. Mr Speaker Sir, Cabinet has already taken a decision to resuscitate Cold Storage Company (CSC) by ceding 80% of Government's shareholding in CSC to the National Social Security Authority (NSSA).
71. In turn, NSSA will direct the resources towards resuscitation of the operations of CSC, in particular the resuscitation of the cattle scheme which is critical for increased beef production for domestic and export markets.

Local Authorities

72. Mr Speaker Sir, Government will enforce the Cabinet directive that compels Local Authorities to allocate 70% of their revenues towards service delivery and 30% towards employment costs.
73. Further, Government will no longer permit sale of land to raise resources to fund recurrent expenditures.

Corruption and Market Indiscipline

74. Mr Speaker Sir, Honourable Members of this House will recall the firm statement by His Excellency, the President underscoring the need to decisively deal with corruption and indiscipline.
75. To deal with this problem, Government proposes to:
 - Capacitate all agents mandated with the fight against corruption;

- Strengthen the Judiciary system to deal with cases of corruption;
- Promote the digitisation of financial services to make it more difficult for people to engage in dishonest and corrupt practices;
- Establish toll-free lines to facilitate reporting of any cases of corruption to the Office of the President and Cabinet, over and above the administrative levels; and
- Legislate a prohibitive penalty structure for various corruption offences.

76. Already, the cleansing has begun targeting unlawful and illegitimate deals and transactions, money laundering practices, externalisation of foreign currency and underground foreign exchange dealings, among other corrupt activities.

Re-Engagement and International Co-operation

77. Mr Speaker Sir, the 2018 Budget benefits from the commitments by His Excellency, the President, in particular, the commitment that Zimbabwe desires to get back into the global economy, honour its obligations as well as observe regional and international protocols.

Debt and Arrears Clearance Strategy

78. Mr Speaker Sir, Zimbabwe will intensify and accelerate the re-engagement under the Lima process.

Political Re-Engagement

79. A deliberate strategy to engage USA, EU and UK at the highest political level will be pursued in order to open doors for international re-engagement.
80. Furthermore, engagement with persons or entities whose farms were protected under the BIPPA arrangements will be expedited. This will be done in line with the country's Constitution Chapter 16 Section 295(2).

IFIs Re-Engagement

81. Government will double its effort towards re-engagement with the World Bank, IMF, African Development Bank (AfDB) and European Investment Bank (EIB) and bi-lateral creditors.

Development Partners

82. Mr Speaker Sir, I would like to take this opportunity to recognise and appreciate all assistance our partners have been extending to Zimbabwe, and we invite development partners to intensify their support.

Creating an Investor-Friendly Business Environment

83. Mr Speaker Sir, the country has for a long time been experiencing low production across all sectors. Government will attract both domestic and international investments by implementing investor friendly policies that I will outline in turn.

Indigenisation and Economic Empowerment Act

84. Mr Speaker Sir, Government is, through the Finance Bill being submitted to this August House for the 2018 financial year, amending the Indigenisation and Empowerment Act, to bring the following into effect:

a) Extractive Sector

85. Mr Speaker Sir, the proposed amendments will confine the 51/49 Indigenisation threshold to only two minerals, namely diamond and platinum, in the '*extractive*' sector.
86. The 51/49 threshold will not apply to the rest of the extractive sector, nor will it apply to other sectors of the economy, which will be open to any investor regardless of nationality.

b) Reserved Sector

87. The *Reserved* sector is open to citizens of Zimbabwe only. For non-Zimbabweans, entry into the *Reserved* sector will only be by special dispensation granted by Government, if the proposed business:
- Creates employment;
 - Affords the opportunity for the transfers of skills and technology for the benefit of the people of Zimbabwe;
 - promotes the creation of sustainable value chains; and
 - Meets the prescribed socially and economically desirable objectives.
88. Those already in the Reserved Sector, except gold panning must register and comply with our laws.

Local Content Policy

89. Mr Speaker Sir, it is Government's objective to see accelerated economic growth driven by agricultural, extractive and industrial sectors. This approach ensures broadening and deepening of inter-linkages for the local procurement and supply of goods and services leading to development of new industries and increased capacity utilisation in existing ones.
90. It is in this context that Government is coordinating the preparation of Local Content Policy Framework. Such a policy is expected to stimulate local factors of production such as labour, capital, supplies of goods

and services, technology and research and development, all supportive of creating value in the economy.

Other Supportive Measures

91. Complementary measures that are critical for rebuilding confidence, boosting investment, and enhancing competitiveness, as well as stimulating economic activity include the following.
- Expediting the operationalisation of the three Special Economic Zones pilot projects, namely, Bulawayo, Sunway City in Harare and the Victoria Falls, as well as diamond cutting and polishing in Mutare;
 - Prioritisation of implementation of an array of Ease of Doing Business Reforms reliant on Parliament passing the outstanding Bills; and
 - Systematically addressing the underlying causes of high cost of doing business for competitiveness in line with regional standards;

BUDGET FRAMEWORK

92. Mr Speaker Sir, taking account of the confidence building stance and renewed commitment of Government to the implementation of economic reforms and measures I have articulated, Government is projecting the economic growth rate for 2018 at 4.5%.
93. With regard to public finances, it is proposed that from 2018, the Budget fully capture and account for all public revenue inflows and

expenditures, inclusive of revenue retentions. This is part of strengthening accountability and transparency over public resources.

94. Mr Speaker Sir, for 2018, Budget revenues are projected at US\$5.1 billion, comprising:

- US\$4.3 billion relates to Tax revenue;
- US\$237.2 million is accounted for by Non-tax revenue;
- US\$456.7 million retained revenue; and
- US\$100 million grants.

95. Mr Speaker Sir, expenditures are proposed at US\$5.8 billion, inclusive of US\$456.7 million under retentions.

96. The proposed breakdown is as follows:

	US\$M
Employment Costs	3 268.4
Interest	229.1
Other Recurrent Expenditures	1 083.5
Capital and Net Lending	1 162.4
Total	5 743.5

97. The above revenues and expenditures lead to a projected budget deficit of US\$672.3 million (3.5% of GDP) in 2018 from US\$1.7 billion (9.4% of GDP) in 2017.

Expenditure Priorities

98. Mr Speaker Sir, under the 2018 National Budget, it is important to note that we have to make provisions for the employment costs, preparation

and conduct of Harmonised Elections, and expanded agricultural programmes, 19% of total Budget towards development expenditure while making provision for programmes contained in the Interim Poverty Reduction Strategy (I-PRSP) relating to social services and poverty reduction initiatives.

99. Mr Speaker Sir, I now turn to expenditure proposals for 2018:

Proposed Estimates of Expenditure

100. Mr Speaker Sir, I have allowed for total Recurrent Expenditure of US\$4.6 billion, and US\$1.2 billion for Public Sector Investment Programme.

101. Mr Speaker Sir, further to the above, the estimates proposals include retained revenues estimated at US\$434 million following the decision to appropriate through the Consolidated Revenue Fund.

102. I have to indicate upfront that employment costs account for US\$3.2 billion, while other operational expenditures and interest payment amount to US\$1.1 billion and US\$229.1 million, respectively.

103. Mr Speaker Sir, the proposed allocation under the Public Sector Investment Programme seeks to increase investment towards rehabilitation and maintenance as well as new investments needed for recovery of our productive sector and overall economic growth.

104. Mr Speaker Sir, I am pleased that through this Budget, we are on the path of re-orienting the Budget towards developmental expenditures.

105. The PSIP budget will be complemented by resources from the following sources:

- Loans and Public Private Partnership arrangements;
- Statutory funds;
- Public entities; and
- Development partners.

106. Mr Speaker Sir, PSIP allocations are towards interventions in the strategic areas of energy, transport (roads rail and aviation areas), water and sanitation, information communication technology, irrigation development and housing (including institutional buildings).

Irrigation Development

107. The 2018 Budget will continue to emphasise on irrigation rehabilitation and development.

108. Therefore, resources will be provided for the development of master plans and feasibility studies to ensure optimal utilisation of existing and idle water bodies, targeting 200 hectares per Administrative District per year over the next ten years.

Vocational Training Centres

109. Vocational training centres are important in creating economic opportunities for empowering our youth.
110. As at end 2016, 209 000 students sat for their "O" level examinations, whilst 40 000 sat for "A" level examinations. At "O" level, 175 000 fail to proceed to "A" level, whilst 5000 of those who sat for "A" level fail to proceed to tertiary education.
111. In that regard, a total of 180 000 students from both "O" and "A" level are "thrown" into the streets every year.
112. The 2018 Budget proposes to lay a foundation for the establishment of Vocational Training Centres in every Administrative District, throughout the country.
113. The centres will establish the framework for empowering youths through training in various vocations, which will form the basis for entrepreneurship and self-employment, critical for economic development.

Sport

114. Government should begin to lay a strong foundation to establish a vibrant sport industry that will provide livelihoods and employment to many of our young people.
115. Therefore, the 2018 Budget will set aside resources for the establishment and development of sporting facilities and infrastructure

ensuring that over a period of 10 years, each Province and Administrative District will have multipurpose sporting facilities.

116. It is also critical that the 2018 Budget prioritises modernisation of existing national stadia to attain international standards such as the introducing of bucket seats.

117. This will ensure that Zimbabwe meet regional and international standards, which are pre-requisite to host sporting events at such levels.

Financing of Housing Developments

118. Mr Speaker Sir, Government has capitalised the Infrastructure Development Bank of Zimbabwe (IDBZ) to work with the Urban Development Corporation as well as local authorities in identifying land, servicing and developing the land for residential accommodation ensuring establishment of onsite and offsite infrastructure.

119. The current practise whereby land barons parcel out land which does not belong to them is unacceptable and must stop. On this basis, in order to deal with disorderly housing development and protect members of the public, Government is adopting a zero tolerance on "Land Barons".

Bonus

120. Treasury will honour the commitment already made to pay the 2017 bonus during the first half of 2018.

Harmonised General Elections

121. Mr Speaker Sir, His Excellency, the President has pronounced that our elections will be held as per schedule.
122. Accordingly, the 2018 Budget proposes provision of resources necessary for conduct within our Constitutional order, of credible Harmonised General Elections, critical for restoration of confidence in our economy.
123. A provision of US\$132.2 million is made under the Budget.

Vote Allocations

124. Relating the recurrent expenditure to individual Vote, the estimate of expenditure are dominated by Primary and Secondary Education, Lands, Agriculture and Rural Resettlement, followed by Defence, Security and War Veterans and Home Affairs and Culture, thereafter.
125. Mr Speaker Sir, I hereunder provide the proposed Vote allocations:

Vote Appropriations	(US\$)
Primary and Secondary Education	905,593,000
Lands, Agriculture and Rural Resettlement	497,381,000
Home Affairs and Culture	435,471,000
Defence, Security and War Veterans	420,364,000
Health and Child Care	408,910,000
Finance and Economic Development	332,892,000
Higher & Tertiary Education, Science and Technology Development	316,954,000
Office of the President and Cabinet	231,974,000
Labour and Social Services	213,407,000
Justice, Legal & Parliamentary Affairs	124,374,000
Local Government, Public Works and National Housing	121,351,000
Zimbabwe Electoral Commission	104,001,000
Transport and Infrastructural Development	87,501,000
Environment, Water and Climate	85,595,000
Parliament of Zimbabwe	57,227,000
Foreign Affairs and International Cooperation	49,667,000
Women and Youth Affairs	39,769,000
Industry, Commerce and Enterprise Development	30,210,000
Information, Media and Broadcasting Services	26,901,000
Public Service Commission	19,666,000
Judicial Services Commission	18,979,000
Energy & Power Development	13,323,000
Sport, Arts and Recreation	11,689,000
Information Communication Technology and Cyber Security	10,528,000
National Prosecuting Authority	7,289,000
Mines & Mining Development	6,522,000
Zimbabwe Land Commission	6,412,000
Tourism and Hospitality Industry	5,138,000
Audit Office	5,058,000
Council of Chiefs	3,400,000
Zimbabwe Anti-Corruption Commission	3,351,000
Human Rights Commission	3,341,000
Zimbabwe Gender Commission	1,836,000
Zimbabwe Media Commission	1,423,000
National Peace and Reconciliation Commission	1,399,000
TOTAL	4,608,896,000

REVENUE MEASURES

126. Mr Speaker Sir, the revenue measures that are being proposed seek to consolidate the gains realised by local industry through support measures provided by Government, improve the tax administrative system, thereby enhancing tax collection, as well as provide *Relief to Taxpayers*.
127. The measures also seek to facilitate formalisation of informal business operations.

Support to Industry

128. Government has, over the years, provided support to local industry, through duty free importation of capital equipment, raw materials, as well as levelling the playing field between imported and locally produced goods.
129. In order to consolidate the gains being realised by local industry, Government will enhance and also renew the following support measures:-

Manufacturing Industry

Furniture Manufacturers

130. Extend the list of raw materials that can be imported under the Furniture Manufacturer's Rebate and also remove mattresses from the Open General Import Licence.

Dairy Industry: Suspension of Duty on Powdered Milk

131. Extend the suspension of duty facility on milk powder in order to augment insufficient domestic production of raw milk, for a period of twenty four months.

Cement Manufacturing Industry

Customs Duty on White Cement

132. Ring-fence importation of white cement used in the production of tile adhesive by approved manufacturers at a reduced duty rate of 5% from US\$100 per tonne. .

Ton Clinker

133. Remove ton clinker from the Open General Import Licence in order to support local production.

Textile Industry

134. Increase Customs Duty on Cotton Fabric from 10%, to 30% plus \$2.50 per kilogram, with effect from 1 January 2018 and also introduce a Fabric Specification Declaration Form that will be used in the verification of fabrics.

Clothing Manufacturers' Rebate

135. Extend the facility by a period of a further two years.

Luggage Ware Manufacturers' Rebate

136. Extend the rebate facility for a period of two years beginning 1 January 2018.

Suspension of Excise Duty on Raw Wine

137. Extend the ring-fenced excise duty free importation of raw wine for another period of twelve months and also increase the quantity of imported raw wine under concession from 30 000 to 90 000 litres.

Soap Manufacturers

138. Extend rebate scheme to include selected inputs such as caustic soda, sodium carbonate and silicate, among other base chemicals.

Tourism Industry

Rebate of Duty on Capital Goods Imported by Tourism Operators

139. Extend rebate of duty on capital goods imported by tourism operators and suspension of duty on motor vehicles imported by safari operators for a further period of two years.

Support to Anchor Companies

Agriculture

140. *The Anchor companies or firms* concept integrates commercial farming and smallholder farmer outreach, providing farmers with access to inputs, agronomic advice, and markets.
141. In support of such partnerships, I propose a 150% allowable deduction on expenditure related to technical and support services availed to smallholder farmers by anchor farmers.

Manufacturing

142. Extend the concept of anchor firms to manufacturing companies that sub-contract the production of goods to small and medium enterprises.

Suspension of Customs Duty on Luxury Buses Imported by Approved Importers

143. Extend the ring-fenced suspension of duty on the outstanding quota of luxury buses by a further 1 year

Power Generation

144. In view of the anticipated surge in demand for electricity, consistent with the growth trajectory expected under the new economic dispensation, I propose to exempt power generation projects from Corporate Income Tax for the first 5 years of operation, with effect from 1 January 2018.

145. Thereafter, a corporate tax rate of 15% will apply.

Tyre Retreading

146. In order to enhance the viability of the tyre treading industry and affordability of tyres, I propose to ring-fence 150 000 tyre casings imported by approved tyre retreaders at a lower rate of duty of 15%, with effect from 1 January 2018.

Health Sector

147. Government, with effect from January 2016, introduced a rebate of duty on capital equipment imported by the mining, manufacturing, agriculture and power generation sectors.
148. In order to improve citizens' access to quality health facilities, I propose to extend the rebate of duty facility on capital equipment imported by approved medical institutions and practitioners, with effect from 1 January 2018.

Micro Enterprises

149. During Budget consultations, Treasury officials had opportunity to receive input from some of the representatives of the Apex Council of Sector Associations of informal traders as represented by the likes of Ms Agnes Magunje, Mr Arthur Muromba and Mrs Charity Mandishona, among others.
150. In order to address some of these challenges, I propose to ring-fence US\$2.5 million of the US\$5 million projected to be raised from presumptive taxes during the 2018 fiscal year towards support of initiatives to facilitate transition of informal traders and vendors to formal businesses.
151. The remaining US\$2.5 million will be channelled towards on-lending to Small and Medium Enterprises.

152. Of the ring-fenced amount for informal traders and vendors, US\$2 million will be used to finance construction of affordable premises, whilst US\$0.5 million will be earmarked for purchase of machinery by Sector Associations registered with the Ministry of Industry, Commerce and Enterprise Development.

Obligations under the SADC Trade Protocol

153. In view of the progress realised from interventions to resuscitate some industries, I propose to reduce tariff rates on selected goods in line with SADC Trade Protocol.

Revenue Enhancing Measures

Export Tax on Un-beneficiated Minerals

154. Cognisant of investment that has already been made by some platinum mining houses towards attaining milestones in the agreed road map, I propose to further defer implementation of the export tax on un-beneficiated and semi-beneficiated platinum to 1 January 2019.

155. I further propose to reduce the export tax from 15% to staggered rates between 1% and 5% depending on the level of beneficiation.

Lithium and Dimensional Stones

156. I propose to impose an export tax of 5% on the gross value of exported lithium which can fetch between \$15 000 and \$20 000 after first level beneficiation.
157. I further propose to impose a staggered export tax on the export of un-beneficiated dimensional stones to rates between 1% and 5%.

Deductions Allowable against Taxable Income

Removal of Input VAT from Deductible Expenditure

158. I propose to disallow the input VAT component from deductions allowable in the determination of taxable income in order to minimise revenue loss to the fiscus.

Prepayments

159. I propose to apportion prepaid expenses in the determination of taxable income, in order to ensure that expenses are accounted for in the period which they are incurred.

Levy on Sport Betting

160. I propose to levy 5% of gross takings by bookmakers in order to mobilise resources to upgrade community recreational centres.

Ports of Entry and Routes: Designation of Rutenga as a Port of Entry

161. In order to safeguard revenue to the fiscus, I propose to designate Rutenga as a Port of Entry, with effect from 1 January 2018.

Relief Measures

Amnesty for Interest and Penalties on Outstanding Taxes

162. In recognition of the economic challenges experienced over the past decade, I propose an amnesty for interest and penalties on outstanding taxes accrued prior to 1 December 2017, for taxpayers that come forward and settle their tax obligations within the period ending 30 June 2018.

Withholding Tax on Tobacco

163. In order to ease the tax burden on tobacco farmers who are contributing to export earnings but are experiencing viability challenges, I propose to exempt registered buyers of tobacco from the requirement to withhold the 10% tax, with effect from 1 January 2018.

VAT Withholding

164. In order to minimise cash flow challenges on VAT registered operators, I propose to review the VAT withholding rate from 10% to 5% of the value of taxable supplies.

165. Furthermore, VAT withholding tax will not apply on transactions between compliant VAT registered taxpayers who would have been appointed as withholding agents.

VAT on Capital Equipment arising from Change of Policy

166. In order to mitigate the impact of the VAT liability on affected suppliers, I propose that the *Deeming Provision* shall not apply where change of use is emanating from Government policy.

VAT Exemption on Goat and Sheep Meat

167. In order to level the playing field, I propose to exempt goat and sheep meat from VAT.

Thin capitalisation

168. In order to support capitalisation initiatives, I propose to exclude locally contracted debt from the Prescribed Ratio of three to one, on condition that the Parties involved are unrelated.

169. Furthermore, in order to avoid manipulation of financial statements through inflating equity, I propose to define equity to include issued and paid up share capital, un-appropriated profits, reserves, realised reserves and interest free loans from shareholders.

Capital Allowances on Housing, Hospitals and Schools Incurred by Special Mining Lease Holders

170. In order to uplift the living standards of mining communities and also retain skilled labour force, I propose to review the allowances as follows:-

- Staff housing, from US\$10 000 to US\$25 000
- Schools, hospitals, clinics and nursing homes, US\$150 000

Value Addition and Beneficiation: Royalty on Un-beneficiated Raw Diamonds

171. I propose to amend the legislation to provide for a price discount on diamonds sold to domestic firms that are engaged in beneficiation activities, with effect from 1 January 2018. The price discount will be equivalent to the value of the diamond royalty forgone.

Duty on Commercial Tyres

172. In the absence of a local producer of commercial tyres, I propose to ring-fence importation of 100 000 tyres at a lower duty rate of 15% for the first quarter of 2018.

Interest on Penalties

173. In order to give relief to companies, I propose to repeal interest on the Penalty.

Review of Mining Fees and Charges

174. In line with reforms to lower the cost of doing business and promote sustainable operation of mining companies, I propose a downward review of ground rental fees in retrospect from \$3 000 to \$225 per hectare per annum.

Fees on Cancellation of Export Bill of Entry

175. I also propose to reduce the fee from the current US\$50 to US\$10, where an export order has been cancelled, with effect from 1 January 2018.

Efficiency in Revenue Administration

Interface with Government Payments System

176. I propose to interface Government Payments System with the Mobile Money Platforms through which Treasury can monitor, in real time, daily Departmental revenue receipts in order to enhance transparency.

Re-organisation of Beitbridge Border Post

177. Government acknowledges the need to ease entry and exit of tourists and travellers, improve trade facilitation and revenue collection efficiency at Beitbridge Port of Entry.
178. I, therefore, propose to implement short term measures with a view to re-organisation of Beitbridge Border Post.

179. These will include:-

- Connect electronic manifest control system to the ASYCUDA World Server;
- Connect mobile scanners to ASYCUDA World Server in order to enable real time entry and timely acquittal of goods;
- Conduct searches at a single bay by all Border Agencies, thereby minimising delays and inconveniences arising from multiple searches;
- Construct a customs barrier that is accessed through an electronic control;
- Install an electronic system that sequences and notifies the next person to be served;
- Construct a shed for storage of seized vehicles; and
- Construct a clearance booth and post signage.

Restoration of Order in the Customs Controlled Area

180. In order to eliminate inefficiencies due to congestion arising from activities of unauthorised persons operating at Beitbridge Border Post, and also drawing from the new dispensation, as enunciated by His Excellency, the President, I propose extension of *Operation Restore Legacy* by the Zimbabwe Defence Forces, to Beitbridge Border Post, in order to restore order.

181. The Zimbabwe Defence Forces command structures will, therefore, with immediate effect coordinate with other security agencies removal of touts, vendors and beggars from the Customs Controlled Area.
182. I further propose to demarcate the pathway for pedestrians entering and exiting the Customs Controlled Area, in line with best practice in the region.

Ports Authority

183. Pending the establishment of the National Ports Authority, I propose to designate the Zimbabwe Revenue Authority as the Lead Agency, which coordinates operations of Border Posts, in order to avoid discord, since multiple agencies operate at the Border Posts.

Bonded Warehouses

184. Importers have taken advantage of limited ZIMRA administration capacity to monitor *Bonded Warehouses*, hence generate fraudulent documentation which purportedly show that proprietors would have provided space and bond surety for imported goods, thereby prejudicing the fiscus of revenue.
185. In order to countervail this malpractice, I propose to provide for *Private and Public Bonded Warehouses*.

Pre-clearance of goods

186. In order to ease congestion, I propose mandatory pre-clearance of commercial cargo transported by road, with effect from 1 February 2018.
187. This policy will also apply where a transporter consolidates consignments imported by private individuals.

Temporary Exportation of Motor Vehicles

188. In order to counter fraudulent activities involving the issuance of number plates to imported vehicles that would have been purportedly temporarily exported, I propose to automate the recording of vehicles exported temporarily.

Penalty for Failure to Report Malfunctioning or Theft of Fiscal Devices

189. In order to promote compliance in the use of fiscal devices, I propose to impose a penalty of US\$25 per device per day, up to a maximum of 181 days, for failure to report malfunctioning or theft of fiscal devices within eight hours.
190. I further propose to impose a fine not exceeding Level 7 of the Standard Scale of Fines or imprisonment for such a period not exceeding twelve months where the maximum period of 181 days has lapsed.

Development Partners

191. Rebate of Duty on Goods Imported by Development Partners under an Aid or Technical Cooperation Agreement

Value Added Tax on Locally Purchased Goods

192. As already pledged by His Excellency, the President, during his inauguration speech, definitive steps to re-engage the international community are underway.

193. It is anticipated that cooperation with *Development Partners* will be broadened, thereby increasing projects that will be implemented.

194. I, therefore, propose to extend the *Value Added Tax Refund* facility on goods locally purchased for use on *Approved Projects* by all Development Partners.

195. The refund facility will also be provided to *Agents* who are contracted by such Development Partners.

196. Furthermore, in order to expedite completion of projects, refunds will be processed within a period not exceeding 30 days.

Reduction of Mineral Royalties for Platinum

197. In line with the principles of equity and fairness in the taxation system, Government committed in April 2017 to align the royalty rates to 2.5% as part of the 2018 Budget measures.
198. I, therefore, propose to regularise royalty rates for platinum on all platinum group mining companies with effect from 1 April 2017, until August 2019.

CONCLUSION

199. Mr Speaker Sir and fellow Honourable Members of the National Assembly and the Senate, I conclude by commending the full 2018 National Budget Statement and hereby laying the 2018 Estimates of Revenues and Expenditures on this table.
200. I give that the proposals thereunder amply reflect the '*New Economic Order*' espoused by His Excellency, the President, and a reflection of our Government's commitment to get our economy speedily back on track.
201. Mr Speaker Sir, the '*New Economic Order*' requires the positive support and participation of all stakeholders including labour, business, civil society as well as our regional and international partners.
202. I, therefore, make the plea that this support be accompanied by critical goodwill.

I Thank Your