



**ZIMBABWE**

## **THE 2015 MID-YEAR FISCAL POLICY REVIEW STATEMENT**

*“Enhancing Competitiveness Through Increased Productivity,  
Value Addition and Beneficiation”*

**PRESENTED TO THE PARLIAMENT OF ZIMBABWE  
ON THURSDAY, 30 JULY, 2015**

**BY**

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## I. INTRODUCTION

1. Mr Speaker, I rise to present the State of the Economy and the *Mid-Year Fiscal Policy Review* for 2015, complying with Section 7 (2)(a) of the Public Finance Management Act.
2. This requires the Minister responsible for Finance to “*provide full and transparent accounts, from time to time and not less than annually to Parliament, indicating the current and projected State of the Economy, the Public Resources of Zimbabwe and the Fiscal Policy of the Government.*”
3. Mr Speaker, let me begin by appreciating the guidance I continue to receive from His Excellency, the President, the Hon. Vice Presidents and my colleague Ministers.
4. Mr Speaker Sir, allow me also to commend and appreciate the immense oversight work of the various Parliamentary Committees, all with the objective of ensuring action and accountability over our various responsibilities.
5. I would also like to thank the many other dedicated and talented Zimbabweans, who made their contributions to this Review in various forms.

6. Furthermore, I want to thank the Governor of the Reserve Bank and his staff, officials in my Ministry and the rest of the public service, as well as captains of industry for their valuable inputs.
7. Mr Speaker Sir, the Mid-Year Fiscal Policy Review allows us scope and opportunity to take stock of some of the challenges encountered in implementing the Budget, and that way guiding policy intervention in the implementation of Zim Asset.
8. The Review is also a Statement of where we want to go and what requires to be done during the last half of 2015 to reinforce our recovery and development course.
9. Mr Speaker Sir, allow me, therefore, to begin by highlighting some of the key parameters of the 2015 National Budget.

## **II. KEY PARAMETERS OF THE 2015 NATIONAL BUDGET**

10. The 2015 National Budget was designed to reinforce Zim Asset as the basis for laying a solid foundation for accelerated growth and the creation of employment opportunities.

### ***Budget Framework***

11. The Macro-economic Framework underpinning the 2015 National Budget projected moderate growth of 3.2%, and average annual inflation of 0.2%.

12. The above framework was premised on the following assumptions:
- Stable macro-economic environment, supportive of overall economic activity;
  - Policy clarity, as well as consistent implementation of credible and predictable policies;
  - Mobilisation of requisite resources in support of various projects and programmes in both the public and the private sectors, as well as policy measures to enhance the competitiveness of our productive sectors;
  - Continued re-engagement with creditors, including implementation of the Staff Monitored Programme to resolve the external debt overhang and unlock new financing; and
  - Normal rainfall for the 2014/15 agriculture season.

### ***Cluster Performance***

13. Mr Speaker Sir, allow me to highlight the overview of implementation under the various Zim Asset clusters during the first half of the fiscal year.
14. Six months into the year, progress in the implementation of the 2015 National Budget as well as performance of the economy, has been mixed, with positive strides in some areas and deviations in others.

### *Food Security & Nutrition Cluster*

15. In order to sustain food security and improve nutritional standards in the country, Government in the 2015 National Budget highlighted some of the interventions necessary for the support of the 2014/15 summer cropping season.
16. These included targeted support for vulnerable households through the Presidential Input Support Scheme for the production of maize, small grains, cotton and livestock.
17. Government support was meant to be augmented by other financing options involving own financing, banking sector, contract arrangements, and also from some of the support indicated by cooperating partners.
18. Overall financial resources mobilised in support of agriculture was a total of **US\$1.2 billion** towards the 2014/15 season, of which US\$750 million was disbursed by the banking sector, and US\$60 million from the Budget.
19. In addition, rural communities also benefited from the Food and Agriculture Organisation coordinated facility amounting to US\$48 million. This supported extension advisory services and agricultural finance initiatives, aimed at reducing poverty, ensuring food security and good nutrition.

20. Mr Speaker Sir, lessons include the need for our interventions to focus on rewarding the farmer for production, with timely payment for grain sales to the GMB a key deliverable.

*Value Addition and Beneficiation Cluster*

21. Mr Speaker Sir, the 2015 Budget also sought out to facilitate economic transformation through leveraging the economy's diverse resources for sustainable economic and social development.
22. This is through beneficiation and value addition, an initiative now also embraced at the SADC regional level, and AU continental level.
23. To achieve this, Government targeted beneficiation of such minerals as gold, platinum, and chrome, among others.
24. Commendable strides are being made with regards to gold, diamonds and chrome. Platinum producers have also outlined a time-framed roadmap for set-up of domestic platinum refinery capacity.
25. In this regard, I am pleased to note and report that the respective mining houses' boards and shareholders – notably Unki, Mimosa and Zimplats – have made specific commitments.

26. Other supportive measures included the review of the mining fiscal regime, re-organisation of the diamond industry, plugging of leakages in mineral exports, introduction of Special Economic Zones, incubation of SMEs, among other initiatives.

*Infrastructure & Utilities Cluster*

27. In the Infrastructure and Utilities Cluster, a total resource envelope of US\$219 million has been channelled towards priority infrastructure projects during the period to June 2015.
28. This benefitted from a combination of reliance on own resources to the tune of US\$80.8 million; borrowings, US\$71.6 million; and cooperating partner support, US\$66.3 million.
29. Mr Speaker Sir, some of the progress realised in the implementation of projects was in the following areas:
- Water supply and sanitation, US\$61.5 million;
  - Energy and power supply, US\$49.9 million;
  - Transport, US\$51.4 million;
  - Information Communication Technology, US\$30.7 million;
  - Education infrastructure and equipment, US\$5 million;
  - Health infrastructure and equipment, US\$4.5 million; and
  - Irrigation infrastructure, US\$1.6 million; among others.

30. However, Mr Speaker Sir, there is still much more to be done to overcome the large shortfalls with regards to the overall targets of Zim Asset.

*Social Services Delivery Cluster*

31. Government also prioritised Social services in the areas of health, education, housing and social protection.
32. In the health sector, focus was on increasing access and utilisation of quality primary health care and referral facilities, while in education, priority was with regard to accessibility to basic education for every child.
33. Furthermore, expenditures for other various social programmes targeting vulnerable groups were also proposed.
34. To date, a total of US\$24.6 million was disbursed from the Budget in support of essential social services in health, US\$11.8 million; social protection, US\$5.6 million; education, US\$4.6 million; agriculture, US\$1.8 million; and others, US\$0.7 million.
35. The above Budget interventions were complemented by support from cooperating partners, whose interventions during this period were US\$217 million.

36. This targeted:

- Health, US\$140.5 million;
- Other cross-cutting programmes, US\$27.1 million;
- Education, US\$16.9 million;
- Governance and civil society, US\$13.5 million;
- Agriculture, US\$6.9 million;
- Humanitarian, US\$7.4 million; and
- Business and other service, US\$3.4 million;

37. Mr Speaker Sir, the above significant interventions by cooperating partners are a reflection of the progress that Government is making in its re-engagement with cooperating partners, notwithstanding the limitations that arise out of challenges related to sanctions and the overall external debt overhang.

*Fiscal Reform Measures Sub-Cluster*

38. In order to maintain momentum on ensuring fiscal sustainability, the Budget made a number of revenue raising measures, coupled with expenditure rationalisation interventions.

39. These focused on:

- Strengthening of the Public Finance Management System (PFMS);

- Consideration of measures to contain the high wage bill;
- Containing domestic arrears;
- Managing external borrowing; and
- Deepening the re-engagement process with external creditors, among others.

*Successor Staff Monitored Programme*

40. Mr Speaker Sir, Zim Asset also recognises that it is critical to strengthen re-engagement with the international financial community.
41. Central to this has been our Staff Monitored Programme (SMP) with the International Monetary Fund (IMF).
42. Mr Speaker Sir, let me reiterate that the SMP is a programme agreed between Government and the IMF, with the objective of strengthening implementation of policies to improve the economy's productive capacity. As such, we take full ownership of the SMP programme in the interest of our country.
43. In this regard, Honourable Members will recall that in my 2015 National Budget, I advised that Government had successfully negotiated a Successor SMP with the Fund, to be implemented over the 15 month period from October 2014 to December 2015.

44. I am pleased to advise that, during the first review of the Successor SMP conducted by the IMF over the period 25 February – 11 March 2015, Zimbabwe managed to meet all the agreed end December 2014 targets.
45. I indicate both the SMP Quantitative Targets and Structural Benchmarks in Tables 1 and 2 of the Annexure.
46. The second and third performance reviews of the Successor SMP will be for the periods end June and end December 2015, with the IMF staff mission for the second review scheduled over 31 August – 11 September 2015.
47. Mr Speaker Sir, notwithstanding the challenging fiscal environment, I am confident that we also met the second review Successor SMP end June 2015 quantitative targets and structural benchmarks.
48. The successful implementation of the SMP is enabling the country to build a credible track record of implementing comprehensive sound macro-economic policies, critical to re-engaging the international community.

*Public Administration, Governance & Performance Management*  
*Sub-Cluster*

49. To improve efficiency and the operating environment in both public and private sectors, implementation of the 2015 Budget has also been emphasising on:

- Finalising the review of our labour laws;
- Launching of the Code of Conduct;
- Reforms in other areas of '*Ease of Doing Business*'; and
- Support for both domestic and foreign direct investment.

50. Other measures were on:

- Reviewing of the Public Finance Management Act, with a view to incorporating public enterprises and local authorities;
- Decentralising and improving the public procurement system; and
- Promoting the Integrated Results-Based Management System.

### **III. GLOBAL ECONOMIC OUTLOOK**

51. Mr Speaker Sir, the above *Cluster* interventions are within the context of the major global developments which have a bearing on our economy.

## **Growth**

52. Global economic growth is projected at 3.3% in 2015, slightly lower than the 3.4% recorded in 2014.
53. The outlook for advanced economies is showing signs of improvement, owing to the boost to disposable incomes from lower oil prices, continued support from accommodative monetary policy stances and more moderate fiscal adjustments.
54. However, growth in emerging market economies is softening, reflecting an adjustment to diminished medium-term growth expectations, lower revenues from export of commodities, as well as country specific factors.

### **Growth Outlook %**

	2014	2015 Forecast	2016 Forecast
World Output	3.4	3.3	3.8
Advanced Economies	1.8	2.1	2.4
Emerging Economies	4.6	4.2	4.7
Sub-Saharan Africa	5	4.4	5.1
SADC	3.4	3.8	3.8

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

55. Growth in most emerging and developing economies is, therefore, projected to marginally decline to about 4.2% in 2015, from 4.6% in 2014.

56. Performance in China is expected to remain around a growth of 7% in 2015 from the 7.4% recorded in 2014, while that in India is projected to strengthen from 7.3% in 2014 to 7.5% in 2015.
57. Economic performance of the Indian economy is benefitting from recent policy reforms, increased investment and lower oil prices.
58. Growth in Sub Saharan Africa is projected to slightly recede to 4.4% in 2015 from 5% in 2014, with oil exporting countries being severely affected.
59. However, lower oil prices are expected to boost productivity and incomes in the non-oil producing countries.

### ***Global Inflation***

60. Inflation is projected to decline in 2015 in advanced economies, while picking up in most emerging market and developing economies.

#### **Prices (%)**

	2014	2015 projection	2016 projection
Advanced Economies	1.4	0	1.2
Emerging Market and Developing Economies	5.1	5.5	4.8

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

## **Commodity Prices**

61. Mineral commodity prices are projected to continue on the downward trend in 2015, posing potential risks for our export earnings from such minerals as gold and platinum.
62. Notwithstanding the fall in mineral prices, the country is likely to benefit from weak international prices for oil, wheat and maize, which are projected to remain low during the rest of 2015.
63. The weak prices are expected to reduce the country's import bill on grain and oil.

### **Commodity Prices**

Commodity	Units	2014	2015 Forecast	2016 Forecast
<b>a. Agriculture Commodities</b>				
Wheat	US\$/ton	284.9	235	238.3
Tobacco	US\$/kg	5	4.9	4.9
Maize	US\$/ton	192.9	175	179.1
Soya Beans	US\$/ton	492	410	420
Sugar (EU)	US\$/kg	0.37	0.30	0.31
<b>b. Mineral Commodities</b>				
Gold	US\$/oz	1266	1 175	1 156
Platinum	US\$/oz	1 384	1 100	1 135
Nickel	US\$/ton	16 893	13 000	13 572
Crude Oil, avg, spot	US\$/barrel	96.2	57.5	61.2

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

64. However, there are downside risks for sub-Saharan Africa, particularly with regards to prospects of lower exports due to decelerating growth in major trading partners, including in China.

65. The weakening of growth in this economic powerhouse threatens demand for our export products, further depressing commodity prices.
66. The tightening of global financing conditions is also affecting capital flows to our region.
67. Mr Speaker Sir, the above global developments and outlook offer both opportunities and risks for our economy. These, we should embrace as we implement the Budget to the remainder of 2015.
68. Allow me now to turn to prospects for overall economic performance.

#### **IV. OVERALL ECONOMIC PERFORMANCE**

##### ***Performance***

69. Overall performance during the first half of the year indicates some modest growth, particularly in the sectors of mining, manufacturing, tourism, construction, finances as well as public services.
70. However, their contribution to the original growth projection of 3.2% is being weighed down by the drought induced under-performance of agriculture.

71. Consequently, economic growth is now projected to decelerate to below the original target.

#### Sectoral Growth (%)

	2013	2014	2015	
			Original	Revised
Agriculture, Hunting and Fishing	-2.6	26.3	3.4	-8.2
Mining and Quarrying	11.7	-2.9	3.1	3.5
Manufacturing	-0.6	-5.1	1.2	1.6
Electricity and Water	5	5	2.5	-4.2
Construction	3.9	5.5	2.9	3.9
Finance and Insurance	11.3	7.2	3.7	4.4
Real Estate	0.7	-1.7	2.5	-1
Distribution, Hotels and Restaurants	3.9	3.6	4.7	5.1
Transport and Communication	7	0.9	4.1	3
Public Administration	3.4	4.4	1.9	1.5
Education	2.9	3	2.1	2.3
Health	0.5	5.9	2.1	3.2
Domestic Services	6	1.5	2	2
Other Services	-4.7	1	3	3
GDP at Market Prices	4.5	3.5	3.2	1.5

Source: MoFED, RBZ and ZimStat

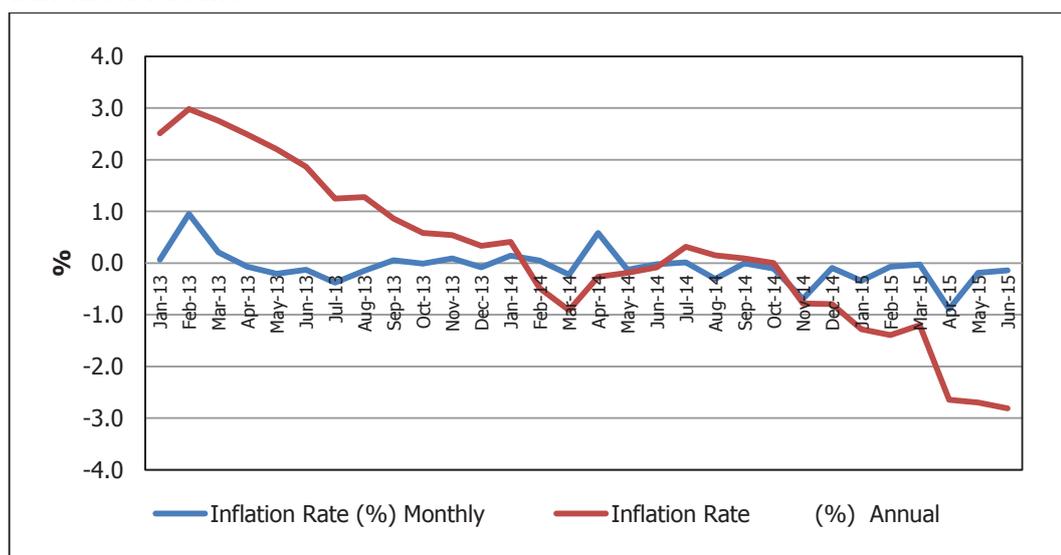
72. In 2015, the transport and communication sector is projected to register a positive growth of 3%, against 0.9% of 2014.
73. Deceleration in overall economic growth signifies the contribution of agriculture, and the need for drought proofing the economy given adverse effects of climate changes.
74. Mr Speaker Sir, slowdown in economic activity will have a bearing on our public finances, as well as the balance of payments.

75. This, in turn, undermines both domestic public and private investment which, respectively, are projected to contribute 2% and 11% to GDP in 2015.

### Prices

76. Inflation during the first half of the year remained negative, reaching -2.8% by end of June, while monthly inflation gained 0.05 points to record -0.14% from the May rate of -0.19%
77. Major price declines were pronounced in the categories of food and non-alcoholic beverages; clothing and footwear; housing, water, electricity, gas and other fuels; communication; recreation and culture; restaurants and hotels; and miscellaneous goods and services.

### Inflation Profile



Source: Ministry of Finance, ZIMSTAT

78. Price declines are expected to prevail during the remaining part of the year, with average annual inflation for 2015 now projected at -2% against the original projection of -1%.
79. Falling prices reflect in part, correction of domestic price structures, which had trended past hyper-inflationary pricing practices, relatively high labour costs, utilities, cost of borrowed capital, as well as other costs of *'doing business'*.
80. Mr Speaker Sir, the process of price alignment between Zimbabwe and those of its trading partners, particularly South Africa, should in the medium term boost the economy's competitiveness, as inefficient sectors are forced by the market to adjust or exit.

## **V. AGRICULTURE**

### ***Overall Performance***

81. Mr Speaker Sir, agriculture performance for the 2014/15 season was below expectations, owing to the combined effect of the late onset of rains and its poor distribution.
82. High cost of borrowed financing under the current environment of liquidity constraints was also an inhibiting factor.
83. The poor rainfall pattern not only resulted in some of the area under cropping having to be written-off, but also adversely affected the quality of some crops.

84. The impact was most severe on cereals, such as maize and small grains, as indicated below.

#### Cereals Hectarage

Crop	Area Planted	Write-off Area	Harvestable Area	% Written off
Maize	1 534 510	296 765	1 234 898	19
Sorghum	201 937	31 094	171 559	15
Pearl Millet	155 317	14 012	141 672	9
Finger Millet	25 292	264	26 105	1
<b>Total</b>	<b>1 917 056</b>	<b>342 135</b>	<b>1 574 234</b>	<b>18</b>

Source: First & Second Round Crop and livestock Assessment Report, 2015, Ministry of Agriculture

85. The impact of the drought, among other factors, reduced yields for both cereals and cash crops, such as tobacco, cotton and soya beans.

#### Agricultural Production ('000' tons)

	weight	2009	2010	2011	2012	2013	2014	2015	
								Original	Revised
Tobacco (flue cured)	25.5	58.6	123.4	132.9	144.5	166.6	216.0	222.0	195.0
Maize	14.0	1,240.0	1,328.0	1,452.0	968.0	798.6	1,456.0	1,456.2	742.2
Beef	10.2	93.0	85.7	78.4	77.5	78.2	74.0	76.6	80.0
Cotton	12.5	211.0	270.0	250.0	350.0	143.0	143.8	156.4	90.0
Sugar cane	6.8	2,544.7	2,974.0	3,264.6	3,925.5	3,472.8	4,400.8	4,557.5	5,358.7
Horticulture	6.5	35.0	43.0	45.0	51.0	55.0	59.0	63.4	69.4
Poultry	4.8	42.0	46.9	65.3	69.0	102.7	138.1	89.1	151.0
Groundnuts	3.2	216.0	186.0	231.0	120.0	86.7	135.0	135.1	88.9
Wheat	3.6	48.0	41.5	53.1	33.7	39.2	58.7	29.0	58.7
Dairy (m lt)	2.9	56.3	58.8	63.0	67.2	65.6	66.7	67.9	67.9
Coffee	2.1	0.3	0.2	0.3	0.4	0.4	0.5	0.6	0.6
Soybeans	1.9	115.0	70.0	84.0	70.5	76.9	84.7	85.0	57.9
Tea	1.9	13.0	15.0	25.0	24.5	24.5	24.5	27.5	13.0
Paprika	1.1	3.0	4.0	3.5	4.0	4.5	5.0	5.5	5.5
Pork	0.8	7.1	7.1	8.9	9.1	9.4	8.4	10.0	10.0
Wildlife	0.6	56.0	56.0	47.0	48.0	49.0	49.0	51.0	51.0
Sorghum	0.6	181.0	132.0	95.0	64.8	69.2	136.5	140.1	39.7
Barley	0.4	40.0	44.0	44.0	44.0	47.2	19.5	18.0	18.0
Sheep & goats	0.3	3.2	3.2	6.4	8.3	7.6	8.0	4.9	10.3
Sunflower seeds	0.2	39.0	14.0	12.0	15.0	17.0	21.0	23.8	21.0

	weight	2009	2010	2011	2012	2013	2014	2015	
								Original	Revised
Ostriches	0.1	15.0	16.0	17.0	17.0	19.0	19.0	19.0	19.0
	100								
Growth (%)		31.1	33.5	8.4	4.3	0.0	26.3	3.0	-8.2

Source: TIMB, Zimbabwe Dairy Association, Ministry of Agriculture, AMA

86. Consequently, agriculture output is projected to decline by about 8.2% in 2015.

### *Maize*

87. The 40% decline in maize production reflected the combination of 296 765 hectares under maize which was written-off, from the planted hectareage of 1 534 510 hectares, and the impact of drought on productivity – from 0.85 tons per hectare in 2014 to 0.48.
88. The Table below summarises the changes in yields per hectare across all the Provinces.

#### **Maize Yield (tons/ha) by Province**

Province	2014/15	2013/14	%
Mashonaland West	0.93	1.28	-27
Mashonaland Central	1.05	1.27	-17
Mashonaland East	0.55	0.80	-31
Manicaland	0.43	0.80	-46
Midlands	0.27	0.68	-60
Masvingo	0.14	0.54	-74
Matabeleland North	0.18	0.60	-70
Matabeleland South	0.11	0.61	-82
Average	0.48	0.85	-44

Source: Second Round Crop & Livestock Assessment Report 2014/15 Season (22 April 2015)

### *GMB Grain Deliveries*

89. Mr Speaker Sir, the cereal deficit on maize production will have an impact on maize intake into the GMB towards its holdings of Strategic Grain Reserve.
90. However, indications are of deliveries higher than had been anticipated. Deliveries to the GMB as at 24 July 2015 were 26 950 tons valued at US\$10.5 million.

### *Strategic Grain Reserve Procurement*

91. Total Budget expenditures on grain procurement were US\$77.1 million during the first half of the year.
92. The bulk of this related to payment of maturing AMA bills worth US\$58.6 million. Direct payments to the GMB accounted for US\$18.5 million during the period January-June 2015.
93. Mr Speaker Sir, outstanding payments to farmers for deliveries of grain to the GMB stand at US\$29.2 million, down from US\$48.5 million in January 2015.
94. Therefore, Treasury will prioritise payments to farmers for both outstanding and new deliveries as a way of enhancing confidence in delivering to the GMB, in addition to capacitating farmers for the next season.

95. Payment of the outstanding US\$29.2 million will be undertaken and settled soon.
96. Mr Speaker Sir, Government requires that proceeds from grain sales out of the Strategic Grain Reserves be availed to Government for future support to agriculture. Unfortunately, this has not been happening, and I must register concern over this.

#### *Grain Importation*

97. Mr Speaker Sir, the cereal deficit this year necessitates that the country imports 700 000 tons of grain in order to ensure food security.
98. Already, the importation programme has begun with about 16 670 tons having been imported by Government. The imported maize will go a long way in supporting vulnerable households.
99. In addition, Government has issued permits for the importation of 819 704 tons of maize by grain merchants.
100. Against these permits, the private sector has so far imported about 101 716 tons of maize.

#### *Tobacco*

101. Tobacco growing continues to attract more small scale farmers owing to availability of funding, access to a structured market and viability prospects.

102. A total of 17 563 new entrants into tobacco growing were recorded for the 2014/15 season, to give a total of 97 452 tobacco farmers during the season.
103. This also increased the area planted, from 107 371 hectares in the previous season to 108 307 hectares in 2014/15.

#### **Tobacco Hectarage**

Province	2014/15	2013/14	%
Mashonaland West	39 959	32 008	25
Mashonaland Central	27 742	26 821	3
Mashonaland East	20 107	26 928	-25
Manicaland	19 457	20 420	-5
Midlands	531	830	-36
Masvingo	207	320	-35
Matabeleland North	1	20	-95
Matabeleland South	27	24	13
<b>Total</b>	<b>108 031</b>	<b>107 371</b>	<b>1</b>

*Source: Second Round Crop & Livestock Assessment Report 2014/15 Season (22 April 2015)*

104. Mr Speaker Sir, notwithstanding the increased tobacco hectarage, the 2014/15 season tobacco crop was adversely affected by the following:
- Delayed planting, due to the late onset of rains;
  - Heavy leaching, due to incessant rains received in some parts of the country;
  - Hailstorm incidences; and
  - Curing challenges, due to false and flush ripening of the crop.

105. Consequently, tobacco output is estimated to have declined to 195 million kilograms in 2015, from about 216 million kilograms realised in 2014.
106. Prices for the 2015 marketing season were also lower, compared to those realised in 2013 and 2014.
107. The low prices were, however, more pronounced in the lower quality grades, compared to the good quality leaf that registered minor price declines.
108. As at 24 July 2015, about US\$556.5 million had been realised from the sale of 192.5 million kgs of tobacco, at an average price of US\$2.94 per kg.
109. This compares to US\$666.1 million realised from the sale of 209.9 million kgs at an average price of US\$3.17 for the same period during the previous season. The drought affected the quality of leaf for this season.
110. The tobacco sales details to 24 July 2015 and the comparable period in 2014 are indicated below:

#### **Tobacco Sales**

Seasonal	Total Auction	Contract	24 July 2015	24 July 2014	% Change
Mass sold (kg)	46 533 092	145 946 708	192 479 800	209 883 878	(8.29)
Value (US\$)	113 157 971	453 361 089	566 519 060	666 140 027	(15)
Avg. price US\$/kg	2.43	3.11	2.94	3.17	(7.27)

*Source: Tobacco Industry Marketing Board*

111. Mr Speaker Sir, for our farmers to realise positive rates of return from growing tobacco it is vital that farmers be capacitated to produce higher yielding quality leaf grades.
112. In this regard, there is need for increased training and provision of extension services, particularly for the small scale farmer and the increased new entrants into tobacco production.
113. Training should not only focus on growing the tobacco, but also on enhancing curing and grading capacity.

#### *Beef Herd*

114. The livestock industry is a significant contributor to the growth and development of agriculture, through employment creation and income generation.
115. The current cattle herd stands at 5.48 million, up from 5.37 million during the past season.
116. The growth is attributable to increased calving, which increased from 49% in the 2013/14 season to 51% in 2014/15, benefiting from the good 2013/14 agricultural season, improved supply of stock feed and available pasture.

## National Herd

Province	Cattle	
	2014/15	2013/14
Mashonaland West	684 328	773 569
Mashonaland Central	506 892	509 289
Mashonaland East	618 072	566 893
Manicaland	660 899	629 901
Midlands	727 767	712 693
Masvingo	1 007 165	1 039 666
Matabeleland North	656 898	610 708
Matabeleland South	615 359	525 387
Total	5 477 338	5 368 105

Source: Second Round Crop & Livestock Assessment Report 2014/15 Season (22 April 2015)

### *Foot and Mouth Disease*

117. Mr Speaker Sir, major outbreaks of foot and mouth, as well as other livestock diseases, were experienced during the period to June.
118. Provinces particularly affected were Matabeleland North and South, Manicaland, Midlands and Masvingo.
119. Animal diseases and risk management interventions by Government facilitated importation of the necessary vaccines by the Department of Veterinary Services from Botswana.
120. Already, about US\$1.5 million has been disbursed towards the control of the foot and mouth disease, and further disbursement will be undertaken in line with disease control requirements.

121. Measures to realise full containment of the outbreak will have to be complemented by increased compliance with Veterinary guidelines over movement of cattle.
122. In this regard, Government is enforcing compliance, and appealing for discipline on the part of our farmers and abattoir operators.
123. This, Mr Speaker Sir, will be necessary for us to sustain growth of the national herd.
124. Furthermore, addressing challenges related to veld management, including containment of veld fires, access to water and improved veterinary extension services, will also be necessary.

### *Beef Slaughter*

125. The total number of cattle slaughtered in the formal abattoirs during the first half of 2015 stood at 125 688, compared to 121 326 during the same period in 2014.

### **Livestock Slaughtering**

	Cattle		Sheep & Goats		Pigs	
	2014	2015	2014	2015	2014	2015
January	19 338	19 614	1 258	1 623	12 094	8 455
February	18 313	19 830	1 437	2 707	10 254	9 341
March	19 773	21 272	1 521	2 660	12 887	11 177
April	21 044	20 994	974	2 125	11 595	9 939
May	21 676	21 039	1 372	1 709	11 995	12 033
June	21 182	22 939	1 426	2 247	10 533	12 260
<b>Total</b>	<b>121 326</b>	<b>125 688</b>	<b>7 988</b>	<b>13 071</b>	<b>69 358</b>	<b>63 205</b>

*Source: Ministry of Agriculture and Irrigation Development*

### *Sheep & Goats*

126. Mr Speaker Sir, a 63.6% growth was registered in the total number of sheep and goats slaughtered in the formal sector in the first half of the year.
127. During the period January–June 2015, sheep and goats slaughterings stood at 13 071, compared to 7 988 slaughtered during the same period in 2014.

### *Piggery*

128. However, the total number of pigs slaughtered in the formal sector declined to allow growth of the breeding herd.
129. In this regard, the total number of pigs slaughtered fell to 63 205, a 9.7% drop from 69 358 during the same period in 2014.

### *Dairy Herd*

130. Mr Speaker Sir, developments during the first half of the year have seen growth of 7% in the commercial dairy herd, which currently stands at 28 000, up from 26 000 at the end of 2014.
131. Growth in the dairy herd is benefitting from targeted interventions under the Dairy Revitalisation Programme being coordinated by the Department of Livestock Development.

132. This, Mr Speaker Sir, is being implemented in conjunction with the Zimbabwe Association of Dairy Farmers and milk processors, benefitting also from the 10 cents per litre milk import levy.
133. The dairy herd is projected to further increase to the end of 2015 by 22%, benefitting from importation of dairy heifers under the Dairy Revitalisation Programme.
134. As part of the measures to sustain further recovery of the domestic dairy industry, improving farmer viability will target the address of the following challenges:
- High cost of feed, due to low local output for both maize and wheat, necessitating importation of brans;
  - Poor yields of maize silage, an important on-farm grown dairy feed;
  - Skills capacity of new farmers, that compromise efficiency in farm management; and
  - Current outbreak of foot and mouth disease.
135. Addressing the above challenges will support the dairy industry's efforts to boost the dairy herd from the current 28 000 cows to peak targets of about 104 500.
136. At such herd levels, milk production of more than 300 million litres can be attained, against a national annual requirement of about 108 million litres.

### *Milk Production*

137. Mr Speaker Sir, growth in the dairy herd is benefitting milk production.

#### **Milk Production (litres)**

Month	2014	2015
January	4 586 860	4 689 649
February	3 971 596	4 115 212
March	4 510 930	4 605 699
April	4 571 788	4 573 994
May	4 604 768	4 762 847
June	4 515 240	
July	4 706 212	
August	4 856 577	
September	4 798 354	
October	4 888 311	
November	4 605 404	
December	4 863 035	
<b>Total/Targets</b>	<b>55 479 075</b>	<b>67 900 000</b>

*Source: Zimbabwe Dairy Services Association*

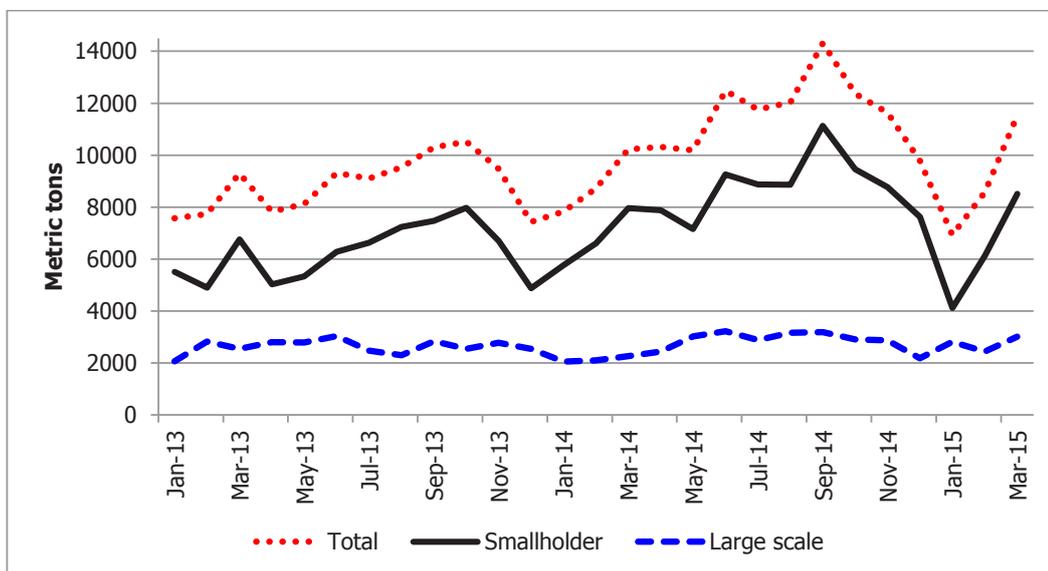
138. During the period January–May 2015, total milk production stood at 22.75 million litres, up from 22.25 million litres in the same period in 2014.
139. In line with this growth, annual milk production is expected to increase from 55.5 million litres produced in 2014 to 67.9 million litres in 2015.

### *Poultry*

140. Mr Speaker Sir, the poultry industry continues to benefit from the growing participation of smallholder farmers who now account for more than 70% of total chick sales.

141. The Graph below shows broiler production to March 2015.

### Broiler Meat Production



Source: Zimbabwe Poultry Association

142. In this regard, total broiler meat production during the period January-March stood at 27 015 tons, a 3.8% increase from 26 018 tons produced during the same period in 2014.

### Summer Crop Preparations

#### Crop Production

143. Timely preparation remains paramount for the success of the forthcoming 2015/16 agricultural season.

144. The agricultural programme for the 2015/16 summer crop targets a total of 2.1 million hectares for grain crops, of which 1.7 million hectares is for maize and about 485 000 hectares for small grains.

145. Cotton hectarage is estimated at 300 000 hectares, and the input requirements are as indicated in the Table below.

#### Inputs Availability

	Targeted Hectares	National Effective Demand (tons)	Local Inputs In Stock (tons)	Local Production + Imports Capacity Oct – Dec (tons)	Local Fertilizer Industry Capacity (tons)	Imports/ Surplus (tons)
Maize Seed	1 700 000	42 500	32 535	10 000	42 535	35
Small Grain Seed	485 000	3 000	2 752	-	2 752	(248)
Sub-total	2 185 000	45 500	35 287	10 000	45 287	(213)
Cotton Seed	300 000	6 000	8 000	-	8 000	(2 000)
Soya Bean Seed	40 000	3 600	4 300	--	4 300	(700)
Total	340 000	9 600	12 300	-	12 300	(2 700)
Compound D	2 225 000	300 000	52 430	243 570	296 000	(4 000)
Ammonium Nitrate	2 225 000	300 000	103 200	132 300	235 500	(64 500)
Sub-total	4 450 000	600 000	155 630	375 870	531 500	(68 500)
Lime	2 225 000	20 000	-	-	30 000	10 000

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

146. In order to ensure a successful 2015/16 agricultural season, it is necessary that supportive frameworks be put in place.
147. Accordingly, Government is coordinating all key stakeholders including cooperating partners, input suppliers, financiers and farmers in order to ensure adequate preparatory arrangements.

#### Financing

148. In terms of financing, Government intervention will be in line with its capacity, while also playing a facilitatory role in mobilising other resources from private sources in support of agriculture.

149. Accordingly, Government is working on arrangements to bring in private sector participation in agriculture financing.
150. Mr Speaker Sir, the overall crop and livestock financing requirements for the coming season is estimated at US\$1.7 billion, of which US\$1.3 billion is for crop production.
151. On its part, Government will primarily focus on supporting vulnerable household farmers through an input pack scheme.
152. In addition, in order to capacitate farmers in preparation for the 2015/2016 agricultural season, Government will also prioritise outstanding payments to farmers amounting to US\$29.2 million for the grain delivered during the 2014/15 marketing season.
153. Furthermore, payment for new deliveries to July 2015 of about 26 950 tons of grains valued at US\$10.5 million under the 2015/16 marketing season will be prioritised.

*Inputs Support for Vulnerable Households*

154. Mr Speaker Sir, input support to achieve food self-sufficiency at the household level targets 300 000 vulnerable households for the coming season.
155. The agriculture input support package is estimated to cost US\$28 million.

156. The Table below provides details of the scheme.

#### **Vulnerable Inputs Support Requirements**

Type of Input	Quantity tons	Price per ton US\$	Total Requirements US\$
Seed Maize	3 000	2 500	7 500 000
<b>Subtotal</b>	<b>3 000</b>		<b>7 500 000</b>
Compound D	15 000	640	9 600 000
AN	15 000	720	10 800 000
<b>Subtotal</b>	<b>30 000</b>		<b>20 400 000</b>
GMB Handling Charges	33 000	10	330 000
<b>Total Cost</b>			<b>28 230 000</b>

*Source: Ministry of Agriculture*

157. Mr Speaker Sir, the agriculture input support package will comprise of the following:

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

#### *Inputs Availability*

158. Mr Speaker Sir, it will be necessary, as we plan for the coming seasons, that we support increased domestic production of such agricultural inputs as seed, fertilizer, chemicals and other inputs.

159. This will allow us to take advantage of local fertilizer industry installed capacity of 900 000 tons, comprising 660 000 tons of compounds and blends as well as 240 000 tons of ammonium nitrate (AN).

160. This is against current annual average requirements of about 330 000 tons. In the past, we used to consume 600 000 tons of fertilizers, all produced locally, except for about 20 000 tons or so of urea which was imported.

**Fertilizer Requirements (tons)**

	Installed Capacity	Requirements	Local Production	(Deficit) / Surplus
Compounds & Blends	660 000	200 000	360 000	160 000
AN	240 000	130 000	80 000	(50 000)
<b>Total</b>	<b>900 000</b>	<b>330 000</b>	<b>440 000</b>	<b>110 000</b>

*Source: Fertilizer Industry Estimates*

161. In the just ended season, 56% of the total fertilizer requirements were produced by local companies, of which 75 000 tons were AN and 110 000 tons compounds and blend fertilizers. The remainder of 44% was imported.

162. Capacity to produce compounds and blends required in the country is constrained by factors ranging from technology, high operational costs, electricity supply constraints and shortage of raw materials.

163. The Table below indicates capacity utilisation at the fertilizer producing companies:

## Fertilizer Producers

Company	Operational Status	Capacity Utilisation
Dorowa	Production of phosphate rock constrained by working capital.  Need for new equipment to improve efficiency.	10%
ZimPhos	Superphosphates production operational  Sulphur based acid plant being refurbished  Phosphoric acid plant mothballed  Superphosphates manufacture temporarily based on imported sulphuric acid.	8%
Sable Chemicals	Plant running on supported tariff  Imported ammonia supplements local production  Project to replace electrolysis in progress	33%
ZFC & Windmill	Granulation plants operational  Blending plants operational  Production constrained by raw material availability due to working capital and market constraint	30%

Source: Ministry of Industry and Commerce

164. For the coming 2015/16 season, the local fertilizer industry can supply 360 000 tons of fertilizers, comprising 200 000 tons of compounds and 160 000 tons of blends.
165. To enable full utilisation of the production capacity in the country, there is need for proper planning and early conclusion of contracts between the fertilizer producers and buyers, including Government.

166. These contracts can then be used by fertilizer companies to secure adequate financing as is happening in other countries such as Zambia.
167. However, it will be necessary for the country to plan for the importation of AN to the tune of 50 000 tons.
168. In addition, it would be necessary for Government to strengthen arrangements for monitoring local production levels in order to adequately inform import requirements.
169. Furthermore, maintaining the current arrangements ring-fencing power supply for Sable Chemicals will be necessary as it phases out the electrolysis process.

#### *Inputs Suppliers*

170. Timely payment to input suppliers capacitates them to adequately prepare for future production and, hence, availability of inputs on the local market.
171. Mr Speaker Sir, Budget expenditures towards inputs suppliers during the first half of the year amounted to US\$7.3 million.
172. However, owing to the current fiscal challenges facing Government, about US\$14.5 million relating to inputs supplied during the 2014/15 agricultural season remains outstanding as at end June 2015.

173. Government will, therefore, continue engaging the respective input suppliers with a view of early clearance of outstanding obligations.

*Stop Order Arrangements to curb Side Marketing*

174. Mr Speaker Sir, farmers also benefit from arrangements entered into with inputs suppliers, some of which would be under contract farming arrangements.

175. It is, therefore, critical that farmers honour their obligations arising from accessing such inputs.

176. In this regard, strengthening the stop order system for recovery of money against delivered inputs to farmers is necessary.

177. This should be extended to all commodities, including those farmers producing tobacco.

178. Failure will undermine potential support to farmers as is the experience with cotton, where high side marketing levels have broken contract farming relationships.

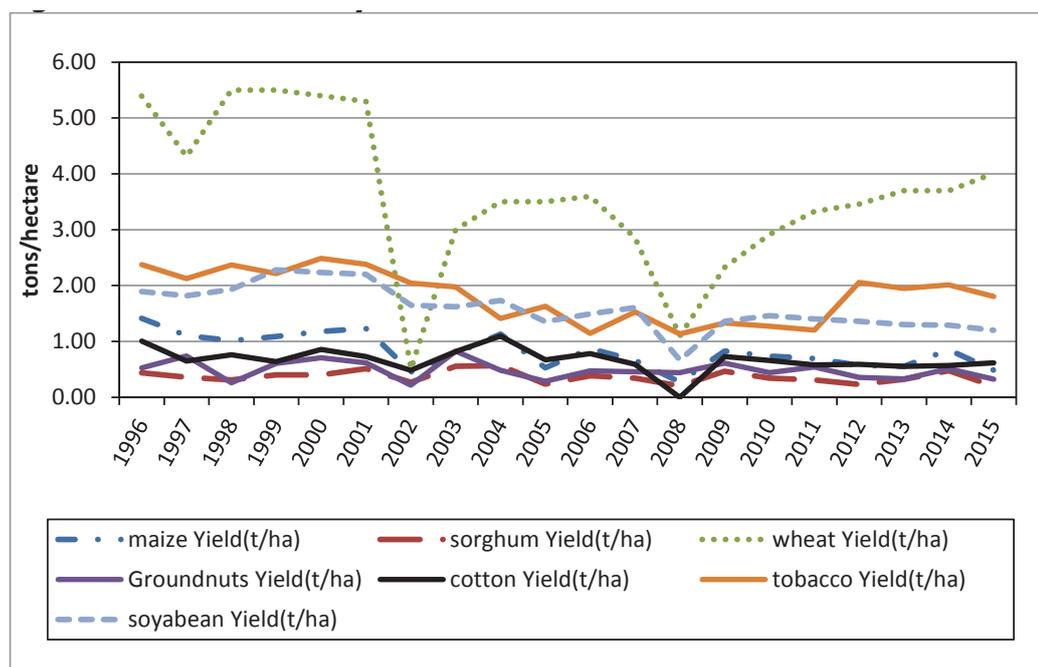
179. Similar experiences are emerging in the tobacco sector, and these need to be nipped in the bud before they also collapse large scale quality tobacco production.

## Inducing Productivity in Agriculture

### Farm Yields

180. Mr Speaker Sir, farmer viability is often compromised by producing at sub-optimal yield levels, with notable examples in cotton, maize, soya, wheat, among others.
181. This often leaves farmers requiring break even realisations that price our agricultural commodities out of not just the regional export markets, but even the local one.

### Agriculture Productivity



Source: Ministry of Agriculture

182. In this regard, enhancing productivity should take centre stage in our quest for a sustainable green revolution.

### *Contract Farming*

183. Mr Speaker Sir, contract farming arrangements also offer opportunity for improving individual farmer yields by capacitating smallholder farmers, including with maintenance of some of the critical local agriculture infrastructure.
184. This is through provision of access to finance, inputs, as well as specialised and targeted extension services, over and above Government research and extension services.
185. Government values and continues to support such arrangements by strengthening oversight, embracing the various agricultural commodities.
186. Farmer organisations need also to play their part, including in promoting twinning contract farming arrangements with private sector players, including the financial sector.

### *Agro-Value Chains*

187. Furthermore, contract arrangements between farmers and industry are an essential strategy for strengthening the agro value chain system, through guaranteeing markets for farmers and inputs for processors.
188. Strengthened agro value chain systems often guarantee commodity pricing structures that provide positive return to the farmer.

189. Mr Speaker Sir, notable examples where this model has demonstrated sustainable linkages between primary and tertiary sectors are the positive fruits being borne out of implementation of the *Cotton to Clothing* and *Leather Development* strategies.
190. The model of resuscitating and strengthening production value chains across sectors will, therefore, be replicated in other sub-sectors, together with matching fiscal incentives.
191. This, Mr Speaker Sir, is essential to building supportive pillars for sustained demand by our firms for primary produce.

#### *Agriculture Marketing Literacy*

192. Mr Speaker Sir, gains in our education system have seen the country achieve and register high literacy levels.
193. We, however, need to extend this to literacy with regards to farmers' knowledge over the marketing environment for their farm produce.
194. The farmer often loses out to middlemen even after producing and supplying quality farm produce.
195. Mr Speaker Sir, improving farmers marketing literacy should focus on access to information on markets, timing, and prices, among others.

*Land Owned by Public Entities*

196. Mr Speaker Sir, it will also be necessary that we improve agricultural productivity by also taking advantage of idle land owned by such entities as the Agriculture and Rural Development Authority (ARDA) and the Cold Storage Company (CSC).
197. In this regard, the 2015 National Budget advocated for initiatives with private partners targeted at ensuring full utilisation of all such arable land to invigorate agricultural productivity.
198. Mr Speaker Sir, meaningful progress has been made at ARDA, where joint ventures have been entered into, ring-fencing:
- 485 hectares under soya beans at Fair Acres farm;
  - 910 hectares to produce wheat at Antelope and Fair Acres farms;
  - 1 200 hectares under maize at Antelope and Ngwezi farms;  
and
  - 9 090 hectares under sugar-cane at Nandi, Middle Sabi and Chisumbanje.
199. Government is requiring other parastatals, such as the CSC, to develop similar arrangements.

### *Irrigation Development*

200. Mr Speaker Sir, boosting agricultural productivity will also require us to limit the exposure of farmers to dependence on erratic rainfall patterns.
201. Central to this is investment in irrigation development, taking advantage of the prevalent abundant water bodies in the midst of our farming districts.
202. Mr Speaker Sir, Government has invested heavily in dam construction, with outlays of more than US\$227 million since 2010.
203. This is meant to minimise reliance on rain fed agriculture, which is now being affected by the vagaries of climate change and erratic rainfall patterns.
204. However, some of our completed dams are lying idle as the requisite irrigation infrastructure has broken down or is non-existent.
205. Government is, therefore, prioritising rehabilitation and expansion of irrigation schemes, focusing on idle water in dams across the country.

206. However, of concern are challenges on the Budget which force us to spread thinly the limited resources that remain.

207. Hence, during the first half of 2015, an amount of only US\$1.6 million was availed towards commissioning of 10 irrigation schemes with potential hectarage of 427.

208. These schemes include the following:

#### **Targeted Irrigation Schemes**

<b>Project</b>	<b>Province</b>	<b>Hectarage</b>
Igudu	Mashonaland East	150
Sadza	Mashonaland East	5
Dangarendove	Mashonaland East	68
Honde	Manicaland	20
Shashe	Masvingo	30
Pollards	Matabeleland North	45
Hauke	Matabeleland North	40
Chesa Mutondwe	Mashonaland Central	25
Tsakare	Mashonaland Central	20
Machirori	Mashonaland West	24
<b>Total</b>		<b>427</b>

*Source: Department of Irrigation*

#### *Development Partner Support for Smallholder Irrigation*

209. Mr Speaker Sir, allow me to acknowledge the support of our development partners in irrigation development.

210. In this regard, the Food and Agricultural Organisation (FAO) is administering European Union support towards 20 smallholder irrigation schemes in Manicaland and Matabeleland South.

211. The project, which began in 2013, runs till 2017 at a cost of US\$7.8 million.
212. Mr Speaker Sir, I am pleased to announce that US\$1.2 million was disbursed during the first half of the year against a projection of US\$1.9 million for the entire 2015.
213. In addition, the Swedish Development Corporation is supporting 14 smallholder irrigation schemes with a programme budget of US\$6.3 million.
214. This support which began in 2014, and is also being administered through FAO, is targeting 545 hectares in Bikita, Gutu, Masvingo, and Zaka districts over the period to 2018.
215. Of this amount, US\$967 000 was disbursed during the first half of the year, against an implementation target of US\$1.5 million for 2015.

*Zhove Irrigation Scheme*

216. Mr Speaker Sir, I am pleased to report that the Kuwait Fund has reviewed the feasibility study we submitted for the development of Zhove Irrigation Scheme and expressed interest in co-financing the project.

217. The project is estimated to cost US\$35.7 million, of which Government will contribute 20%, that is US\$7 million, of the costs.
218. A total of 2 520 hectares are targeted for irrigation development under this project, and will benefit over 500 households in Beitbridge District.

*Tokwe Mukorsi Dam*

219. Mr Speaker Sir, completion of dam construction works at Tokwe Mukorsi will also support a large irrigation hectarage in the lowveld of Masvingo province.
220. Pursuant to this, Honourable Members will be aware of the significant progress that has been made with regards to completion of dam construction at Tokwe Mukorsi, notwithstanding challenges related to outstanding certificates.
221. I am, therefore, pleased to report that Government has structured a financial arrangement being coordinated by the Infrastructure Development Bank to the tune of US\$40 million to avoid further disruption to construction at site.
222. In this regard, construction work is set to be complete by March 2016.

*More Food International Mechanisation Programme*

223. Mr Speaker Sir, you will recall that Government secured a loan facility from the Brazilian Government for acquisition of agriculture machinery and equipment valued at US\$98.6 million under the More Food International Programme.
224. I am pleased to advise that, on 22 May 2015, His Excellency the President officially launched the More Food International Programme in Zimbabwe.
225. To date, US\$33 million worth of equipment has been received under the first tranche of US\$38.6 million.
226. Once again, Mr Speaker Sir, with regards to the implementation modalities for the project, I echo the sentiments I made in the 2015 National Budget Statement.
227. The equipment is not for free, and all beneficiary farmers are required to repay the facility through Agribank, to ensure sustainability of the programme.
228. The rates of interest are low, and there are no reasonable excuses for beneficiaries not to honour their repayment obligations.

## VI. MINING

### *Mineral Production*

229. Mr Speaker Sir, mining developments during the first half of 2015 indicate stronger performance to the end of the year, with mining growth projected above 3.5% against the initial projection of 3.1%.
230. The upward trend in mineral output during the first half of 2015 was largely on the back of significant increases in gold, nickel, platinum and palladium production.

### **Mineral Production**

	Jan	Feb	Mar	Apr	May	Jun	Cum to June	2015 Proj
Chrome \ton	18 123	23 894	15 273	8 956	13 795	16 008	96 049	500 000
Coal \ton	570 005	489 801	320 836	460 214	460 214	460 214	2 761 284	7 800 000
Cobalt \ton	28	32	37	27	30	31	186	344
Copper \ton	707	703	697	695	624	685	4 111	7 942
Gold \kg	1 231	1 293	1 656	1 479	1 465	1 669	8 794	17 500
Iridium \kg	39	39	37	40	34	38	227	523
Nickel \ton	1 222	1 502	1 716	1 282	1 293	1 403	8 419	17 000
Palladium \kg	804	824	767	819	693	781	4 688	9 600
Platinum \kg	1 022	1 042	955	1 031	869	984	5 903	12 000
Rhodium \kg	91	94	87	91	78	88	529	1 096
Rhuthenium \kg	81	82	79	83	70	79	475	945
Diamonds \carat	194 639	206 849	259 426	299 383	240 074	240 074	1 440 445	3 500 000

*Source: Chamber of Mines and Fidelity Printers (2015)*

231. Coal production, which was being hampered by antiquated equipment, should also benefit from re-capitalisation and acquisition of new mining equipment at Hwange.

232. Similarly, chrome production which was being undermined by declining in international prices is also set to go up, against the background of the recent dispensation to allow export of chrome.

### *Gold*

233. The recovery in the gold sector saw output over January-June 2015 rise to 8.8 tons, a marked 29.3% improvement from the 6.8 tons produced in the similar period of 2014.

234. Monthly production levels which began January 2015 at 1.2 tons were 1.7 tons by June.

235. Small scale producers delivered a total of 3.1 tons during the first half of 2015. This is a significant improvement from the 1 ton realised in the comparable period of 2014.

236. Sustaining the upward trend in overall gold production to the rest of 2015 should realise output projections of 17.5 tons for the year, an upward revision from 16 tons initially projected.

237. Mr Speaker Sir, improved deliveries by both small scale miners and primary producers, namely Caledonia, Bibboes, Rio-Zim and Blanket Mine, should underpin growth in gold production to year end.

### *Nickel*

238. Nickel output is expected at 17 000 tons, up from the initial projection of 16 760 tons, largely benefiting from production ramp-up at Bindura Nickel Corporation, the primary producer of nickel.
239. Bindura Nickel Corporation is expected to significantly increase nickel output, following the refurbishment of its plant and equipment, as well as the acquisition of new mobile plant equipment.
240. This should boost nickel production from the first half of 2015 output of 8 419 tons, marginally lower than the comparable period of 2014 which recorded 8 591 tons.
241. Mr Speaker Sir, however, the continued closure of Bimha Mine has meant absence of even stronger overall growth in nickel production to the end of the year.

### *Platinum*

242. Output for platinum continues to be weighed down by the closure of Bimha Mine, Zimplats' biggest underground mine, as well as subdued international prices.

243. Consequently, during the first half of 2015, platinum output declined to 5.9 tons, compared to 6.4 tons recorded during the same period in 2014.

### *Chrome*

244. Chrome output during the first half of 2015 is expected at 96 049 tons, against a revised annual projection of 500 000 tons.

245. The downward revision of chrome output from the initial projection of 700 000 tons is premised on the prevailing low global market prices for ferro-chrome.

246. The lifting of the ban on the export of raw chrome will see about 150 000 tons being exported, leaving about 350 000 tons for domestic smelting.

247. In this regard, the necessary export permits should be issued expeditiously.

248. While, small scale producers have welcomed the lifting of the ban on raw chrome, low prices of around US\$30 per ton are of concern.

249. This is notwithstanding the recent reduction in electricity tariffs from US\$0.08/kw to US\$0.067/kw as a way of cushioning chrome ore producers.

### *Coal*

250. Coal output for the first half is expected at 2.8 million tons, against an annual projection of 7.8 million tons. This is lower than the 3.2 million tons produced in the comparable period of 2014.
251. First half output was heavily weighed down by the significant decline in output at Makomo Resources, in reaction to drastic reduction in the demand for coal, particularly by its major buyer ZPC, who had accumulated stocks.
252. Nonetheless, coal output in the outlook should, as already alluded to, improve as production capacity at Hwange Colliery grow, with the company's tonnages projected to gradually rise to around 300 000 tons per month.

### *Hwange Colliery Equipment Facility*

253. Mr Speaker Sir, Government supported the purchase of mining equipment for Hwange Colliery, by guaranteeing the *Export–Import Bank of India's* US\$13.03 million line of credit to the company that was signed on 4 December 2014.
254. The equipment comprises excavators, bulldozers, water sprinklers, wheel loaders, tyre handler, motor grader, and a blast hole drill.

255. I am pleased to advise that equipment worth US\$12.7 million disbursed under this facility was commissioned on 19 June 2015 at Hwange Colliery.

### *Diamonds*

256. Mr Speaker Sir, the diamond sector has been disappointing, with significant decline in alluvial diamonds at the Marange diamond fields leading to reduced diamond output.

257. Diamond output for the first half of 2015 is estimated at 1.44 million carats, compared to 1.447 million carats recorded for the same period in 2014.

258. This, therefore, calls for expediting the diamond companies' consolidation process, leading to enhanced mining operations.

259. Diamond output for the entire 2015 is projected at 3.5 million carats, down from the initial projection of 6.5 million carats.

### ***Mining Reforms***

260. The 2015 National Budget made proposals on finalising some of the processes to unlock mining potential, and strengthening its monitoring framework.

261. The measures were also meant to promote value addition and beneficiation, and enhance accountability in the mining sector.

262. These included the following:

- Amendments to the Mines & Minerals Act to improve transparency and accountability;
- Establishing a Mining Fiscal Regime to coordinate mineral revenue collections by Government Agencies as well as local authorities so as to avoid unnecessary burdens on mining operations;
- Consolidation of the diamond sector, with a view of streamlining the number of companies operating in the sector. The ultimate objective is to enhance oversight, transparency and accountability in the diamond sector;
- Capitalisation of the Mineral Exploration Company in order to enhance exploration activities;
- Pursuing the value addition thrust, particularly on minerals such as gold, diamonds, platinum and chrome; and
- Funding of the newly established Sovereign Wealth Fund.

263. There is commendable progress on the above programmes, and the respective Departments will pursue and finalise the necessary outstanding activities during the second half of the year.

### ***Small Scale Mining Facility***

264. In line with the Zim Asset thrust towards empowering small scale miners Government, through the ZMDC, is negotiating a financial facility for provision of small scale mining equipment on credit.
265. Beneficiaries of the facility are small scale miners in gold, chrome, and tantalite minerals.
266. Significant progress has been made regarding modalities of the facility.

### ***Sovereign Wealth Fund***

267. Mr Speaker Sir, the Budget alluded to the establishment of the Sovereign Wealth Fund.
268. Accordingly, the Sovereign Wealth Fund is now fully constituted with a Board under the Chairmanship of Dr K. J. Moyana, former Governor of the Reserve Bank. With the Board in place, the Fund Manager will be appointed shortly.
269. The Office of the President and Cabinet, in conjunction with Treasury and the Central Bank, are spearheading the process of operationalising the Fund.

## **VII. INDUSTRY**

270. Mr Speaker Sir, the recovery of our manufacturing sector remains central to overcoming challenges related to export generation and job creation.

271. It is, therefore, critical that our policy interventions are informed by realism and depth in our appreciation of the challenges undermining the performance of industry.

272. As Honourable Members will be aware, there are several perennial challenges that continue to hinder the sector's competitiveness.

273. Mr Speaker Sir, it is acknowledged that some of our long established companies are failing to adjust to global developments, in terms of innovation, technology and competitiveness.

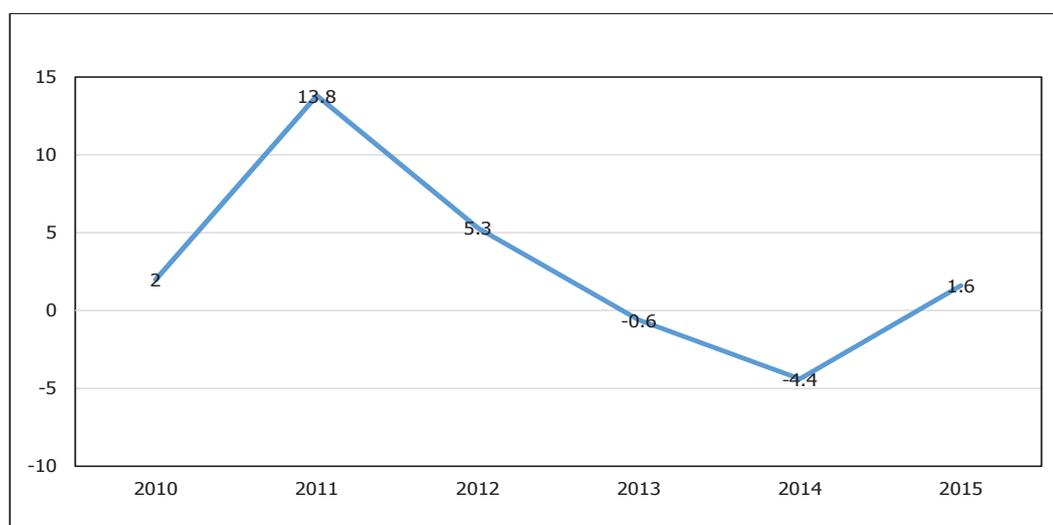
### ***Capacity Utilisation***

274. Mr Speaker Sir, while some firms are forced to either fold or operate below capacity, it is not all doom and gloom across our industries.

275. There are signs of resilience at some companies, with capacity utilisation increasingly contributing to overall recovery and growth of manufacturing.

276. Furthermore, there are also signs of the emergence of some new business firms.
277. In this regard, some of the interventions relating to review of some tariffs and import licencing that we put in place last year under both the 2014 Mid Term Fiscal Policy Review and the 2015 National Budget are starting to yield positive results for some sub-sectors.
278. Beneficiary sub-sectors include, oil expressers, poultry, dairy, clothing and tanneries.
279. Hence, Mr Speaker Sir, notwithstanding the challenges undermining domestic industrial production, the manufacturing sector is projected to grow by 1.6%, up from the initial projection of 1.2% in 2015.

#### Manufacturing Growth (%)



Source: Zimstat, MoFED and RBZ (2015)

280. The recovery, though still subdued, is on account of sub-sectors in foodstuffs, drinks, tobacco and beverages, textiles and ginning, clothing and footwear, non-metallic mineral products and other manufactured goods as indicated in the Table below.

### Manufacturing Index

	Weight	New Weight	2013	2014	2015 Proj
Foodstuffs	135	252	98.7	98.3	102.2
Drinks, Tobacco and Beverages	195	118	88.8	97.2	100.1
Textiles and Ginning	110	28	86.1	80.4	84.4
Clothing and Footwear	68	79	94.3	82.1	83.7
Wood and Furniture	31	24	104.8	104.4	101.2
Paper, printing and Publishing	64	68	104.0	101.3	96.3
Chemical and Petroleum Products	115	172	98.8	90.4	85.9
Non-metallic mineral products	23	46	121.6	131.1	142.9
Metals and Metal products	221	103	76.3	69.8	69.8
Transport, Equipment	30	20	100.7	61.8	64.8
Other manufactured goods	8	89	82.5	68.5	73.3
Manufacturing Index		999	94.7	90.6	92
Manufacturing Growth Rate			-4.6	-4.4	1.6

Source: Zimstat, MoFED and RBZ

281. The CZI Snap Survey during the first half of the year also indicates average capacity utilisation improving to 39.1% during the period January-May 2015.

282. This compares to 37.2% during the same period in 2014, signifying modest gains in some of the remaining resilient companies.

### ***Enhancing Industry Competitiveness***

283. The size of our economy, and its openness, requires that we address the prevailing high domestic cost production structures, including the cost of borrowing.
284. Mr Speaker Sir, with a population size of 14 million, we have to strive for businesses that are able to compete across our borders.
285. Failure to do that will condemn us to dependence on external competitors that benefit from economies of scale production levels.

### ***Sustainable Financing of Industry***

286. Mr Speaker Sir, we will not recover industry in the prevailing environment of double digit US dollar lending rates.
287. Borrowing costs remain high and inhibiting at averages upwards of 20% per annum and, thus, also a major source of high business costs and un-competitiveness.
288. Indeed, lessons from the experiences of the recovery and targeted stimulus packages in Europe, the United States and Japan underscore this.

289. The Reserve Bank is, therefore, engaging the banking community with a view to effecting concrete steps targeted at real reduction of the cost of lending.
290. The necessary measures which also seek to prioritise and re-direct lending to productive activities will be announced in the forthcoming Monetary Policy Statement.
291. Mr Speaker Sir, the main thrust is to avoid cosmetic tinkering of lending interest rates as this would only lead to further company closures, ballooning banks' non-performing loans, that way threatening failures.

*Micro Finance Lending*

292. In the case of micro-finance institutions, challenges with regards to access to finance often leave the borrower at the mercy of the lender, resulting in lending rates of as high as 10% per month being the norm.
293. This Mr Speaker Sir, when compounded, translates to rates of as high as 200% per annum, with low income earners being among those most affected. This includes small traders, including small and medium enterprises.

294. Hence, the intervention by the Reserve Bank will also highlight a clear strategy to cause lowering of interest rates.

*Other Domestic Cost Drivers*

295. In addition to the cost of borrowed capital, Zimbabwe's competitiveness *vis-à-vis* its trading partners remains low owing to high production costs related to key inputs.

296. The high production costs are also primarily driven by utilities such as power, water, labour, and raw materials, among others.

297. Power charges and water tariffs by ZINWA are too high for business, including farmers for whom inputs, water and power constitute over half of production costs.

298. ZINWA charges extend to borehole registration and fee requirements, as well as levying of communities and schools for accessing natural flowing water, serving to undermine some community empowerment initiatives.

299. The existence of a multiplicity of regulatory and licencing requirement fees exacerbates the situation.

300. Mr Speaker Sir, a recent study by the Reserve Bank confirms the extent of the un-competitiveness of domestic industrial

production, with estimates of US dollar prices in Zimbabwe indicating overvaluation of as much as 45%.

301. In the dollarised environment, the absence of exchange rate depreciation, as a policy instrument of adjustment, requires management of domestic cost structures in order to reduce the cost of local products so as to remain competitive.
302. Hence Government, through the Ministry of Industry and Commerce, is also spearheading the process of enhancing industry-wide competitiveness through a number of measures targeting containment of cost drivers.

#### *Power Tariffs*

303. About 60% of the national electricity supply is from hydro sources and is produced at average cost of 2 US cents per KW/h at Kariba.
304. The balance of about 40% electricity is generated from thermals at an average cost of between 8.14 US cents per KW/h and 16 US cents per KW/h.
305. Inefficiencies in the running of thermal power stations, also associated with ageing equipment make the domestic production of thermal electricity relatively expensive compared to regional counter parts, as indicated in the Table below.

306. The relatively high final tariffs levied to consumers of US9.86 cent per Kw/h is a blend of the Hydro and Thermal power stations costs.

### Electricity Tariffs

Country	Hydro Electricity Cost Per KW/h in US cents	Thermal Electricity Cost Per KW/h in US cents
Zimbabwe	2	Between 8.14 and 16
Mozambique	2	
Zambia	2	
South Africa	2.7	Between 2.7 and 4.7
DRC	2.5	
Botswana		Between 3.3 and 4
Ethiopia	3	

Source: Infrastructure Country Diagnostic Power Tariff Database: 2015

307. Moreover, in terms of distribution, commercial and industrial charges in Zimbabwe are relatively expensive at around US12.72 cents per kW/h and US9.83 cents per kW/h compared to regional average of US7.6 cents per kW/h and US3.5 per kW/h, respectively.

308. This development has rendered our commercial and industrial activities less competitive in that respect. In addition, inefficiencies by commerce and industry in the use of power have worsened the situation.

### Non Residential Tariff by Level of Consumption (US Cents)

Country/Demand	Commercial Level (kW/h) per Month				Industrial Level (kW/h) per Month	
	450	900	2 500	5 000	10 KVA	100 KVA
Mozambique	9.0	8.0	7.3	7.3	4.7	5.1
South Africa	11.4	7.7	4.7	4.7	2.7	2.7
Zambia	5.1	4.4	3.8	3.8	2.3	2.5

Country/Demand	Commercial Level (kW/h) per Month				Industrial Level (kW/h) per Month	
	450	900	2 500	5 000	10 KVA	100 KVA
Botswana	7.7	7.2	6.8	6.8	3.3	4.0
**Zimbabwe	12.72	12.72	12.72	12.72	9.83	9.83

Source: Infrastructure Country Diagnostic Power Tariff Database

\*\* Source: Zimbabwe ZERA Standard charge including Rural Electrification Levy of 6 %.

309. To increase the competitiveness of our productive sectors, the blend final tariff levied on productive sectors should consist of a higher proportion of hydro generated power *vis-à-vis* thermal generated power.
310. However, reliance on hydro power would also have to take account of challenges that arise in periods when rainfall patterns impact on water flows into our reservoirs. For this reason, Pungwe is currently generating at 3 MW against installed capacity of 15 MW.
311. A review of cost structures at thermal power stations is, therefore, essential as part of managing production costs and enhancing industry competitiveness.
312. Such a review would also extend power cost relief to other firms country-wide, in the same manner we supported chrome ore producers.
313. There is also, Mr Speaker Sir, a compelling case to refurbish the transmission and distribution networks to minimise the high losses.

### *Informalisation of Business*

314. Mr Speaker Sir, the growing informalisation of the economy and vending has also some of its roots in the difficulties that the unemployed have with regards to inhibitive costs and processes involved in setting up a business and trading.
315. I provide in Table 8 of the Annexure to this Statement a range of some of the regulatory and licensing fees an operator would face for the liquor and catering industry.
316. These, Mr Speaker Sir, range as follows:
- Certificate of Registration with local authority at a cost of US\$180 – US\$652 for a restaurant;
  - Local Authority Health Inspector’s Report at a cost of US\$400– US\$450;
  - Liquor Licensing Board at a cost of US\$220 for a Restaurant; and
  - Local Authority Licence Endorsement at a cost of US\$150– US\$862.
317. The above fees are over and above applicable rates and rentals, as well as utility bills that an entrepreneur would have to pay.

318. Hence, the outcry by transport operators, shop operators, catering and hospitality industry operators, among others.

*Labour Costs*

319. Mr Speaker Sir, the experience of growth models of newly industrialising countries' demonstrates the effectiveness of deliberate design and implementation of labour market and incomes policies that facilitate the competitiveness of domestic business in export markets.

320. This, however, requires that as a Nation we inculcate the discipline to accept the sacrifices inherent in foregoing current consumption for the benefit of better economic performance tomorrow.

321. I am, therefore, happy to acknowledge the progress that Business, Labour and Government have been making during the first half of the year with regards to labour market reforms under the auspices of the Tripartite Negotiating Forum.

322. This should allow companies to relate staffing levels to prevailing business operations, following the transition from the Zimbabwe dollar era to the multi-currency system which left many companies exposed to unsustainable staffing levels.

323. Some of the companies could not restructure because of the big severance packages that restructuring could have demanded, effectively meaning many companies were stuck with idle staff.

*Labour Market Flexibility*

324. Mr Speaker Sir, Zim Asset recognises the need for a win-win labour relations framework, a critical component in ensuring the ease of doing business.

325. In this regard, the recent ruling by the Supreme Court to the effect that “.... *the Employer and the Employee had a Common Law Right to Terminate an Employment Relationship on Notice*” is being reviewed in the context of protecting rights of the worker, while at the same time ensuring continued survival and viability of the businesses.

326. Mr Speaker Sir, any position of imbalance and in favour of one party to the contract is bound to bring negative implications to both parties.

327. A case in point relates to ZISCO Steel where the company has not been producing since 2008, but continues to accrue payroll liabilities which were US\$131.5 million as at 31 May 2015.

328. Mr Speaker Sir, we have similar experiences at Air Zimbabwe, National Railways of Zimbabwe, the Grain Marketing Board, among others.
329. In this regard, employment cost arrears at these entities are as follows:
- US\$140.1 million at the National Railways of Zimbabwe;
  - US\$136.4 million at Air Zimbabwe; and
  - US\$20 million at the Grain Marketing Board.
330. Mr Speaker Sir, such situations neither serve the interests of the employer nor the employee, as well as those of the taxpayer, as such entities become unattractive to any potential investor.
331. Therefore, the debate over the Supreme Court ruling, and the subsequent reforms to the Labour Act need to balance the interests of both employers and employees.
332. Mr Speaker Sir, the accent of the labour reforms should be on viability of production, benchmarking on labour practices in countries whose economies are experiencing rapid growth.
333. Let it be known that a flexible labour market is key to our economic recovery.

334. The economy, which is under sanctions, cannot afford the inefficiencies currently obtaining in the employment sector where workers accrue wages in circumstances where there is no production.

***Investment***

335. Mr Speaker Sir, Zim Asset targets with regards to overcoming the prevailing high levels of unemployment demand that our interventions focus on growing the economy, as we would not develop on the basis of donor aid charity.

336. In turn, transforming our abundant and diverse natural resource base in a big way requires access to capital, technology and access to global markets, which in the absence of domestic resource capacity would be addressed by foreign direct investment.

337. Given the growing number of countries wanting to do business with us, deliberate and targeted interventions to ensure that our investment and business laws are also accommodative of the interests of foreign direct investors become critical.

338. Furthermore, our investment drive should remain focused and consistent, if we are to take advantage of the growing interest to invest in our economy.

339. Mr Speaker Sir, failure to speak with one voice over critical policies, as well as failure to honour obligations, will not unlock new financing, condemning us to dependence on donor aid charity.

340. Already, the limited number of lines of credit that we are attracting is also on the basis of the small payments that we have been making.

*Access to Technology*

341. Mr Speaker Sir, the use of modern technology throughout the production system is a driving force for economic development that boosts efficiency and effectiveness.

342. In this regard, given our limited support for research, innovation, science and new technology, investment becomes central to bringing advanced technology to the country, over and above access to markets.

343. Hence, overcoming lack of capital flows through foreign direct investment and access to foreign lines of credit remains critical to addressing current reliance of our industry on inefficient production technologies, antiquated machinery and equipment, most of which were installed in the 1960s.

344. It is for this reason that in the implementation of Zim Asset, the 2015 Budget made centre-stage consistency of our investment rules and regulations, as well as clarity over our empowerment legislation.

*Ease of Doing Business*

345. Mr Speaker Sir, set up costs and processes are costly and cumbersome for businesses, contributing to the country remaining ranked lowly in terms of the ‘*Ease and Cost of Doing Business*’.

346. The latest 2015 Doing Business Rankings show that Zimbabwe’s competitiveness remains low at a rank of 171 out of 189, moving by only one point from 172 of 2014.

347. Areas which the country scored lowly were on starting a business, protecting minority investors, paying taxes, enforcing contracts and resolving solvency.

**Doing Business Indicators**

Topics	DB 2015 Rank	DB 2014 Rank	Change in Rank
Starting a Business	180	177	↓ -3
Dealing with Construction Permits	176	174	↓ -2
Getting Electricity	153	157	↑ 4
Registering Property	94	95	↑ 1

Topics	DB 2015 Rank	DB 2014 Rank	Change in Rank
Getting Credit	104	147	↑ 43
Protecting Minority Investors	87	84	↓ -3
Paying Taxes	143	140	↓ -3
Trading Across Borders	180	176	↓ -4
Enforcing Contracts	157	157	No change
Resolving Insolvency	148	147	↓ -1

Source: World Bank; 2015

348. Mr Speaker Sir, implementation of doing business reforms, although underway, is slow given the urgency of attracting investment into the country.
349. In addition, activities on these reforms have been fragmented, with a number of players claiming leading roles.
350. The Office of the President and Cabinet is, therefore, now seized with coordination and fast tracking implementation of the respective reforms.
351. For this task, Thematic Technical Working Groups, with representation from line Ministries, public enterprises and local authorities have been established, targeting to produce results by end of December 2015.

352. Mr Speaker Sir, the Thematic Technical Working Groups are as follows:

### Thematic Technical Working Groups

Technical Working Group (TWG)	TWG Chair	Tasks
Starting a Business	Ministry of Industry and Commerce	<ul style="list-style-type: none"> <li>• Introduce standardised company incorporation forms and articles of association for new company registration.</li> <li>• Review the Companies Act and City By-Laws.</li> </ul>
Getting Credit and Resolving Insolvency	Bankers Association of Zimbabwe	<ul style="list-style-type: none"> <li>• Establish a comprehensive, online collateral registry.</li> <li>• Create a regulatory framework for licensing, supervising, training and accrediting insolvency practitioners.</li> </ul>
Paying Taxes and Trading Across Borders	Ministry of Finance and Economic Development	<ul style="list-style-type: none"> <li>• Combine filing and payment for the manpower development duty, standards development levy and social security contributions.</li> <li>• Consider using risk-based tax audits.</li> </ul>
Dealing with Construction Permits and Registering Property	Ministry of Local Government, Public Works and National Housing	<ul style="list-style-type: none"> <li>• Offer standardised transfer deed documents and make them available at the Registrar of Deeds Office.</li> <li>• Ensure building inspections and approvals are risk-based.</li> </ul>
Protecting Investors and Enforcing Contracts	Ministry of Economic Planning and Investment Promotion	<ul style="list-style-type: none"> <li>• Revise Company Act to increase disclosure obligations in annual reports in case of related-party transactions.</li> <li>• Allow shareholders owning less than 10% shares in a company to sue directors, directly or on behalf of the company.</li> </ul>

Source: Ministry of Economic Planning and Investment Promotion

353. Mr Speaker Sir, realising tangible deliverables will require that the Thematic Working Groups remain focused and results oriented, if the country is to register positive milestones on the ease of doing business, that way improving our rankings towards the top 10 reformers in the next Doing Business Report.

*One Stop Shop Investment Centre*

354. The current fragmented approach on investor engagement as well as investment processing has sent different signals to potential investors.

355. The One Stop Shop Investment Centre that was launched in December 2010 has failed to effectively carry out its mandate owing to challenges related to primarily administrative obstacles.

356. These primarily relate to secondment of staff by line Ministries and other organisations, fragmented licensing systems, processes and legal framework.

357. The Office of the President and Cabinet is coordinating interventions on addressing these bottlenecks, also taking advantage of the already launched E-government programme, which synchronises and facilitates on-line processing of investment applications.

### *Special Economic Zones*

358. The 2015 National Budget emphasised the urgency of establishing special economic zones as a strategy for enhancing investment into the country.
359. Respective zones and industries have been identified and these include:

#### **Identified Zones**

<b>Industry</b>	<b>Zone</b>
Leather and Textiles	Bulawayo
Chemicals	Lupane
Tourism and Finance	Victoria Falls
Technological Hub (ICT)	Sunway City
Diamond Cutting	Harare/Mutare

*Source: Ministry of Economic Planning*

360. Government is now working on the supportive legal framework to operationalise the strategy.

### *Bilateral Investment Protection and Promotion Agreements*

361. Zimbabwe is a signatory to a number of Bilateral Investment Protection and Promotion Agreements (BIPPAs) with different countries.
362. To this end, the Government has signed about fifty-four (54) BIPPAs which are at different stages towards compliance with our Constitutional requirements.

363. Sixteen (16) BIPPA's are still under negotiation, three (3) are awaiting signature, nineteen (19) are awaiting ratification and nine (9) have already been ratified.
364. Going forward, as a priority area, Zimbabwe will continue to negotiate BIPPA's with potential investment source countries in a bid to boost investor confidence, thereby attracting the much needed FDI.
365. It is also important that we honour our obligations under the various concluded BIPPA's in order to foster a conducive environment for investment in the country.
366. Mr Speaker Sir, the Government acknowledges, as enshrined in the Constitution, its obligations with regards to compensation to any person whose property rights were protected under a BIPPA and whose agricultural land was acquired by the State.
367. I am, therefore, pleased to advise that Government remains committed to honour such obligations.
368. Already, Government has opened dialogue with The Netherlands Foreign Trade and Development Ministry over outstanding differences on the issue of compensation in respect of Dutch farmers affected by our land reform in accordance with the BIPPA concluded in December 1996.

### ***Containment of Imports***

369. Mr Speaker Sir, over-reliance on imports is not all related to production of un-competitively priced goods.
370. Cheap and low quality imports, in particular, are creating an uneven playing field and, hence, suppressing the full recovery of a number of our firms.
371. Over and above this, the emergence of vending of cheap, low quality and smuggled imports is further choking both our producers and retailers, in addition to limiting inflows into the fiscus.
372. Hence, in the implementation of the 2015 Budget, Government continuously interacts with business across the various sectors, including agriculture, with a view to ensure that the review of the import tariff structure allows for sustainable economic development of our country.
373. I will, therefore, be proposing some measures as part of this Mid-Term Fiscal Policy Review to contain over-reliance on imports that are threatening the very survival of domestic production.

### ***Buy Zimbabwe***

374. Resuscitation of our local industries will also immensely benefit from public preferential support through developing appetite for locally produced goods and services.

375. The switching from consumption of imported products to local, should not compromise quality and competitiveness on the part of domestic producers.
376. Mr Speaker Sir, Government will demonstrate its own support for the Buy Zimbabwe Campaign through public sector procurement arrangements as well as other tariff measures which seek to level the playing field.

*Abuse of ZIA Licences*

377. There are cases where investor licences are abused when some investors undertake activities such as, retailing and wholesaling of imported cheap products, for which they are not licensed.
378. Mr Speaker Sir, such abuses and ventures into reserved sectors is an avenue of outflow of foreign exchange by these foreign investors.
379. This defeats the intended objective of attracting investment that creates wealth, employment and transfers technology.
380. Therefore, the Zimbabwe Investment Authority (ZIA) and respective local authorities will be supported in strengthening their capacity to monitor approved and registered investments in order to ensure that investors are sticking to the approved business plans.

### *Import Licences by Government Agencies*

381. Mr Speaker Sir, there have been cases of abuse of bona fide issued import licences by some Government Departments.
382. In some instances, the abuse is to benefit businesses operated by senior Government officials or affiliated business colleagues.
383. This undermines capacity utilisation in such sectors of the economy as oil expressers and the dairy industry where local production is sufficient to meet demand.
384. Mr Speaker Sir, in order to ensure transparency and accountability, Government is, therefore, implementing a raft of measures to restrict and tighten on the issuance of such import licences, and these will be strictly enforced.

### ***Support to SMEs***

385. Mr Speaker Sir, Government has made efforts to support small and medium enterprises through mobilisation of affordable funds for capital expenditure and working capital needs from development partners.
386. This resonates well with the Zim Asset thrust of strengthening SMEs to facilitate economic empowerment and poverty eradication for our people.

### *US\$3 Million BADEA Facility*

387. As advised in the 2015 National Budget, Government signed a US\$3 million facility with the Arab Bank for Economic Development in Africa (BADEA) for the Small and Medium Enterprises Development Corporation on 22 October 2014.
388. The facility is expected to contribute towards improving access to finance by micro, small and medium scale enterprises.
389. Mr Speaker Sir, I am pleased to report that the facility became effective on 25 March 2015, with the first drawdown of US\$290 000 expected before the end of August 2015.

### *SMEs Incubation*

390. Furthermore, Honourable Members will recall that the Indian Government pledged, in February 2012, a US\$1 million grant for the supply of machinery for an Incubation Centre in Waterfalls with the objective of training SMEs entrepreneurs.
391. I am pleased to advise that, Government has received US\$449 637 worth of machinery for the *Incubation Centre* comprising of manufacturing, packaging, processing, and moulding equipment, among others.

### *SME Exchange*

392. Mr Speaker Sir, you will recall that the 2015 Budget Statement had targeted the launch of the SME Exchange for the first half 2015.
393. The delay in launching the SME Exchange was to essentially allow for stakeholder consultations on the coverage of SMEs targeted for listing.
394. The framework for the SME exchange has generally been agreed to by stakeholders, and the exchange will operate as the Zimbabwe Emerging Enterprise Market under the ZSE, using its infrastructure to save on operational costs.
395. To date, *Listing Rules* for the SME Exchange have been developed, and are receiving final stakeholder input.

### *Women Empowerment*

396. Mr Speaker Sir, our women are a significant economic entrepreneurial force, whose contributions at household and national level are immense.
397. Women produce and provide a range of goods and services, generating essential income for households and the economy.

398. However, besides financing, one major challenge is access to markets which is critical for providing working capital and supporting uninterrupted production.
399. Government, therefore, continues to prioritise training in project management as well as marketing skills.

### *Youth Empowerment*

400. According to the 2012 Population Census, our youth represent the majority of the population. They are also the future leaders and drivers of our economy.
401. It is in this regard that Government, during the second half of the year, will prioritise support towards Vocational Training Centres to enable respective institutions to impart productive life skills to the youth, that way empowering them to effectively play their role in the economy.

## **VIII. TOURISM**

402. Mr Speaker Sir, this year the tourism sector is projected to grow by 5.1%, buoyed by aggressive destination marketing efforts.
403. In this regard, tourist arrivals, though marginally down during the first quarter, are projected to reach 2 million tourists by year end, from 1.8 million in 2014, implying a 6% growth.

404. Investment in marketing our tourism facilities has seen the country getting a number of accolades and endorsements such as the New York Times ‘Global 52 must visit rating’, which saw Zimbabwe being ranked number 15.
405. The marginal decline in arrivals during the first quarter of the year to 387 557 from 388 732 during same period last year, was also against the background of contagion effects of the outbreak of Ebola, which unfortunately has been perceived as affecting the entire continent of Africa.

#### First Quarter Arrivals

Source Market	2014	2015	% Change
Mainland Africa	337 695	343 644	2%
America	13 089	10 294	-21%
Asia	6 309	5 441	-14%
Europe	26 082	21 496	-18%
Middle East	1 000	1 072	7%
Oceania	4 557	5 610	23%
<b>Total</b>	<b>388 732</b>	<b>387 557</b>	<b>-3%</b>

Source: ZTA

406. This affected other key destinations in the region, with arrivals to South Africa declining by 6.8% during the same period.
407. The fall of the rand against the US dollar has also affected travel and expenditure patterns of the South African source market, which traditionally has accounted for over 70% of Zimbabwe’s tourists.

408. Hence, the tourism industry is considering development of a three-tier pricing system to drive regional and domestic tourism as a means to foster inclusivity.
409. Congestion at our Border entry points, mainly Beitbridge, is also inhibiting travel.

*Tourism Satellite Account*

410. Mr Speaker Sir, to accurately measure the contribution of tourism to overall economic performance, the industry is now taking positive steps to introduce a Tourism Satellite Account in Zimbabwe.
411. As part of this process, a Visitor Exit Survey being spearheaded by the Ministry of Tourism and Hospitality Industry is currently underway at selected Border posts to collect data required for the development of the country's inaugural Tourism Satellite Account.

*Uni-Visa Regime*

412. Mr Speaker Sir, Zimbabwe and Zambia have launched a Uni-Visa project which allows for seamless travel by tourists within the territories of the two countries using a single visa for a period of 30 days.

413. It is envisaged that this initiative will result in increased tourist arrivals and revenue through downstream expenditure.

414. As at 31 May 2015, a total of 15 816 visitors had been issued with the Uni-Visa as shown in the Table below:

#### **Uni-Visa Issuances**

<b>Port</b>	<b>Total</b>
Harare International Airport	65
Kazungula Land Border-Zambia	1 019
Kazungula Land Border-Zimbabwe	2 474
Livingstone International Airport	6 519
Lusaka International Airport	526
Victoria Falls International Airport	4 499
Victoria Falls Land Border -Zambia	242
Victoria Falls Land Border –Zimbabwe	472
<b>Total</b>	<b>15 816</b>

*Source: Immigration Department*

415. The pilot phase has, however, been extended by a further 6 months to consolidate the gains of the programme.

416. Botswana, Namibia and Angola are expected to join in the project in the next 6 months, while other countries in SADC will follow suit thereafter.

417. The country's openness for tourism is also supported through promotion initiatives that include targeted periodic reviews of the country's visa regime, that way further facilitating tourism arrivals.

418. This will be complimented by Government initiatives towards compliance with the 2020 International Civil Aviation Organisation targets over development of e-passports, e-visas and e-borders.

*Tourism Investment*

419. Mr Speaker Sir, realisation of the targets of a 15% contribution to GDP by the year 2020 in our National Tourism Policy will require further investment in tourism.

420. This initiative includes the envisaged tourism and financial services Special Economic Zone around Victoria Falls.

*Air Travel*

421. Mr Speaker Sir, also contributing to the recovery of tourism is our 'open skies' policy, now paying dividends through expansion of improved services in domestic, regional and international air transport.

422. Air Zimbabwe, the national flagship, has registered expansion through resuscitation of old routes such as Harare–Kariba–Victoria Falls, and Harare–Bulawayo–Victoria Falls, among others.

423. The national airline has also launched the Harare–Lusaka route and is scheduled to start flying other routes such as Harare–Lubumbashi, Harare–Dar-es-Salaam before the year ends.

424. Besides the national airline, there are 13 other passenger airlines and 2 cargo lines that are now landing at Harare Airport, with initiatives to facilitate entry of additional airlines.
425. Mr Speaker Sir, attraction of new airline capacity into the country is also benefitting from Government investments in further upgrading of our airport infrastructure, following completion of J.M. Nkomo Airport and some of the rehabilitation works at Harare.
426. Upgrading of the Victoria Falls Airport is progressing well, with most of the works on the runway almost complete. Development of Kariba and Buffalo Range airports is also on the table.

## **IX. INFORMATION COMMUNICATION TECHNOLOGY**

427. Mr Speaker Sir, technology developments are requiring both ICT mobile and fixed operators to adapt their business models to embrace migration from voice to data internet services, with pricing models in line with global best practices. Failure to adapt will lead to decline in revenue realisations.
428. Measures supportive of overall growth in telecommunications include the following:
- Adoption of the converged licencing framework to attract further investment;

- Development and implementation of a National Broadband Plan;
- Implementation of infrastructure sharing on a cost recovery basis across all utility sectors by adopting a dig-once policy; and
- Increased investment by the Universal Service Fund.

429. In this regard, Mr Speaker Sir, TelOne, Powertel, and Africom stand to benefit from consolidation of some of the infrastructure investments, including the fibre optic backbone.

### ***ICT Projects***

430. Mr Speaker Sir, during the first half of 2015, there were a number of lined up investment programmes by mobile and fixed operators.

431. Major ICT projects during the first half of the year were the following:

- Net\*One Network Expansion Phase II;
- Tel\*One Fibre Optic;
- ZBC Analogue to Digital Migration; and
- E-Government.

432. Mr Speaker Sir, expenditure towards Information, Communication Technology projects during the first half of the year amounted

to US\$30.7 million, with financing from a combination of own resources, US\$9.6 million; and loan financing, US\$21.2 million.

433. Project implementation was as follows:

*Net\*One Network Expansion*

434. As Honourable Members will recall, the Net\*One Network Expansion Phase II Project at a cost of US\$218.9 million begun in late 2014.

435. This expansion project is meant to improve coverage and rollout Greenfield sites covering 2G, 3G and 4G.

436. So far, implementation of the project has seen US\$86 million being disbursed to the contractor since inception of the project.

437. To date, core network and software equipment worth US\$65 million has been received and is currently being installed in all the country's 10 provinces.

438. Of the US\$86 million, US\$21 million represents disbursements during January to June this year.

*Tel\*One Fibre Optic*

439. Mr Speaker Sir, TelOne has covered much ground with regards to investing in broadband internet infrastructure.

440. This has seen TelOne complete the Fibre to the Home project, which enables residents in areas where there is no copper infrastructure to access service and enjoy super-fast broadband at competitive tariffs.
441. This is now covering a number of suburbs in Harare and other provincial centres, with capacity to connect over 15 000 homes in the following areas:
- Mount Pleasant Heights;
  - Prospect Park;
  - Mainway Meadows;
  - Zimre Park;
  - Ruwa;
  - Mimosa Park in Zvishavane; and
  - Turf Village in Ngezi.
442. Further roll out of Fibre to the Home project is almost complete in other areas that include Madokero, Westgate Area D, Goodhope and Tynwald North.
443. Other internet projects that have been completed to date include TelOne's Asymmetric Digital Subscriber Line (ADSL) broadband Phase 3 project providing 17 520 ports.

444. In addition, TelOne has commissioned the Harare–Kariba–and Plumtree 10 Gigabit per second (Gbps) Transmission Links and also launched the TelOne Metro Wi-Fi.
445. Mr Speaker Sir, rollout of services to other cities and towns is in progress.

### ***Site Acquisition and Approvals***

446. Mr Speaker Sir, currently the legal process for acquiring Base Transceiver station site is quite lengthy, requiring 6 months for private land and 12–18 months for public land. This slows down infrastructure development.
447. In this regard, local authorities will be required to reduce the approval period as part of the “improving the ease of doing business reforms”.

### ***E-Government***

448. Mr Speaker Sir, Budget support channelled towards e-government projects amounted to US\$3.1 million.
449. Of this, US\$2.7 million benefitted ZIMRA for the on-going computerisation of the tax and customs administration systems, such as the Client Self Service System.

450. The balance of US\$0.4 million went towards operationalisation of the High Performance Computer project with the University of Zimbabwe.

### ***ZBC Digitalisation***

451. Mr Speaker Sir, Honourable Members will be aware of the International Telecommunications Union 17 June 2015 deadline for all broadcasting services to have migrated from analogue to digital.

452. The country embarked on the digitalisation project in February 2015, following the signing of a contract between the Broadcasting Authority of Zimbabwe and Huawei Technologies of China.

453. The project is being financed through a US\$200 million facility mobilised from the licensing of a Digital Dividend Spectrum by the Broadcasting Authority of Zimbabwe.

454. To date, a total of US\$15.5 million has been spent on the project, with the following activities having been undertaken:

- Identification of 24 new transmitter sites;
- Access roads for 11 transmitter sites and foundation works on 6 new transmitter sites;
- Equipment room expansion for 7 out of the 8 rooms;
- Transmitter site antenna de-installation for 5 out of the 6 sites;

- Power installation and upgrade of 38 out of the 44 transmitter sites;
- Completion of renovations for head-end equipment, radio and television studio rooms;
- Renovations of radio and television studio rooms;
- Training of personnel on the operation and maintenance of the digital broadcasting equipment;
- Pre-shipment inspection conducted for all the procured equipment; and
- Delivery of equipment worth about US\$7.2 million.

455. Mr Speaker Sir, the Digital Migration Project, which is now expected to be completed in March 2016, will provide a state of the art platform for the delivery of broadcasting services, increase capacity and access to television and radio services in the country.

## **X. FINANCIAL SECTOR**

### ***Banking***

456. Mr Speaker Sir, the financial sector remained generally stable during the first half of the year in spite of the constraints in the operating environment.

457. The stability of the financial sector follows various initiatives implemented by Government and the Reserve Bank, in collaboration with various key stakeholders, aimed at promoting banking sector soundness and bolstering confidence.

*Reserve Bank Capitalisation*

458. These measures, Mr Speaker Sir, included capitalisation of the Reserve Bank to the tune of US\$110 million using long dated debt instruments.

459. In the 2014 National Budget Statement I had outlined the roadmap towards capitalisation of the Reserve Bank as follows:

- Assumption of the Reserve Bank debt of US\$1.35 billion by Government to free up the Reserve Bank Balance Sheet;
- Issuance of debt instruments to banks and other creditors; and
- Mobilisation of US\$150 million to US\$200 million.

460. Mr Speaker Sir, I am pleased to report that the road map has largely been implemented.

461. The passing of the Reserve Bank Debt Assumption Bill by this August House during the first half of the year provides the legal basis for debt take over by Government.

462. In line with the road map for capitalisation of the Reserve Bank announced in the 2014 Budget, Treasury has to date securitised Reserve Bank debt amounting to US\$603.8 million as part of the debt takeover by Government.

### *Capitalisation of Banks*

463. With regards to other banks, the banking sector's aggregate core capital base increased from US\$753.3 million reported as at end June 2014 to US\$899.1 million as at June 2015.

464. The increase in the aggregate core capital position was largely attributed to retained earnings and fresh capital injections at some banking institutions.

465. As at 31 March 2015, a total of 13 out of 16 operating banking institutions were in compliance with the prescribed minimum capital requirements. This excludes the POSB who are exempt in terms of the POSB Act, and Tetrad which is under provisional judicial management.

466. Mr Speaker Sir, in May 2015 Government recapitalised Agribank and ZB Bank Limited to the tune of US\$30 million and US\$20 million, respectively.

467. Hence, both institutions are now compliant with the minimum capital requirements for commercial banks. Furthermore, plans are also underway to merge ZB Building Society into ZB Bank.

*Further Re-capitalisation*

468. Mr Speaker Sir, with regards to further re-capitalisation of banks, the 2015 National Budget Statement highlighted that banking institutions were required to submit their re-capitalisation plans to the Reserve Bank.

469. In this regard, individual banks indicate the preferred strategic group in which they would prefer to operate, effective December 2020.

470. I am informed, Mr Speaker, that most banking institutions indicated a preference for the Tier 1 segment and are already instituting various measures to ensure compliance with the minimum capital requirement of this segment of US\$100 million.

*Amendments to the Banking Act*

471. Mr Speaker Sir, I am also pleased to report that there has been progress with regards to proposals to amend the Banking Act.

472. Stakeholder inputs have been incorporated into the *Bill* which is awaiting submission to Parliament.

473. The proposed amendments to the Banking Act are designed to:
- strengthen the supervisory and regulatory framework;
  - enhance corporate governance and risk management systems;
  - enhance protection of depositors; and
  - strengthen the framework for the resolution of troubled banks.

*Resolution of Non-Performing Loans*

474. Mr Speaker Sir, credit risk has remained a key component of the profile of banking institutions, with the ratio of non-performing loans to total loans ratio high at 14.52% as at end of June 2015.
475. High credit risk in the banking sector is attributed to a combination of exogenous factors impacting on the performance of borrowers, as well as endogenous factors relating to credit risk management practices at some banking institutions.
476. The lack of an effective credit information sharing mechanism also compounded credit quality in the banking sector.
477. Against a background of high levels of non-performing loans, the Reserve Bank has instituted some holistic measures to resolve this.

478. The initiatives include establishment of the Zimbabwe Asset Management Corporation (ZAMCO), and creation of a Credit Reference System.
479. Mr Speaker Sir, ZAMCO has begun acquiring eligible non-performing loans in the banking sector and it is envisaged that this process will cleanse banks' balance sheets of toxic assets, which have hampered the institutions' underwriting capacity.
480. The acquisition of non-performing loans will help strengthen banks' balance sheets and provide them with the liquidity to fund valuable projects, and making them attractive to access cheaper sources of funding.
481. This is expected to reduce the cost of funding, concomitantly translating into reduced lending rates.
482. Mr Speaker Sir, the Governor of the Reserve Bank will provide detailed updates regarding the resolution of non-performing loans in his forthcoming Monetary Policy Statement.

*Treasury Bill Maturities*

483. Mr Speaker Sir, Treasury mobilised US\$205 million as at 30 June 2015 to support Government priority expenditures.

484. Government has, to date, timeously paid all Treasury bill maturities as they fall due.

*Infrastructural Development Bank of Zimbabwe Debt*

485. Mr Speaker Sir, you will recall that the Infrastructural Development Bank of Zimbabwe (IDBZ) inherited a legacy debt amounting to US\$38 million from the Zimbabwe Development Bank.

486. The debt, which had adversely affected the Bank's credit worthiness and capacity to access lines of credit, has since been transferred to the Zimbabwe Asset Management Company (ZAMCO).

487. IDBZ now has a clean balance sheet and the Bank's capital position increased from a negative US\$6.4 million in 2013, to a positive US\$32.3 million as at 31 December 2014 IDBZ *Audited Financial Statements*.

488. The Bank now has the capacity to mobilise both domestic and foreign resources towards funding infrastructure.

489. Already, Mr Speaker Sir, performance at the IDBZ, has seen the institution successfully declaring and paying dividends to Government as follows:

### Dividend Payout

Year	Amount (US\$)
2010 Financial Year	427 354
2011 Financial Year	432 970
2012 Financial Year	432 970
2013 Financial Year	436 198

Source: Ministry of Finance and Economic Development

490. With regards to the financial year ended 31 December 2014, the IDBZ has declared a dividend amount of US\$218 000 to Government.
491. In the same vein, Mr Speaker Sir, allow me to also acknowledge the dividend declarations by the Peoples Own Savings Bank (POSB).
492. The Peoples Own Savings Bank declared and paid the following dividend amounts to Government.

### POSB Dividend Payout

Year	Amount (US\$)
2011 Financial Year	1 027 388.88
2012 Financial Year	618 011.50
2013 Financial Year	Nil (the Bank made a loss)
2014 Financial Year	313 021.00

Source: Ministry of Finance and Economic Development

493. In this regard, I urge other parastatals which are haemorrhaging the fiscus to emulate these two institutions that have demonstrated commitment to maximise shareholder value.

### *Credit Reference System for the Financial Sector*

494. To complement ZAMCO's efforts, notable progress has been registered towards establishment of a Credit Reference System to help manage indebtedness by borrowers, that way reducing occurrence of non-performing loans.
495. The Reserve Bank has established a dedicated *Credit Reference Registry* Unit within its Banking Supervision Division with a mandate to spearhead the operationalisation of the credit reference system.
496. The Unit will coordinate the collection and data base maintenance of credit information from all banking and micro finance institutions for the credit registry.
497. The credit registry is mandated to promote efficient, timely and accurate credit information sharing, thereby enhancing credit risk management, governance systems and fostering credit discipline in the market.
498. The credit registry will go a long way in addressing information asymmetry in the credit market thereby reducing over indebtedness in multi banked clients.

499. Modalities are underway to operationalise the National Credit Registry, including the legal framework and guidelines for the accreditation of independent Credit Reference Bureaux, and the funding requirements for acquisition of the Credit Reference System.

*Inter-bank Trading*

500. Mr Speaker Sir, the Reserve Bank is unable to fully discharge its lender of last resort function owing to inadequate capitalisation.

501. In order to revive the inter-bank market, AfreximBank has extended a US\$100 million Afreximbank Trade Debt-Backed Securities (AFTRADES) facility to facilitate inter-bank lending.

502. I am pleased to advise that the facility became operational on 19 March 2015.

503. It is anticipated that this inter-bank facility will be an interim measure until the Central Bank becomes capacitated to play its lender of last resort function.

504. Mr Speaker Sir, the resumption of the inter-bank facility through the AFTRADES facility should facilitate unlock deposits held by surplus banks and stimulate interbank trading.

### *Supervision*

505. Mr Speaker Sir, I am informed that as part of its 5-year strategic plan to 2020, the Reserve Bank will foster financial sector stability through strengthening and modernising the macro-prudential financial sector regulation, supervision and surveillance mechanisms.
506. These financial stability measures, Mr Speaker Sir, will go a long way in complimenting the various confidence building initiatives currently underway in support of the realisation of Zim Asset targets.

### *Supervision of IDBZ*

507. Honourable Members will recall that in my 2015 Budget Statement, I indicated that work was in progress to bring the IDBZ under the supervision of the Central Bank.
508. I am pleased to report that the Infrastructure Development Bank of Zimbabwe is now under the supervision of the Reserve Bank, effective 2 January 2015.

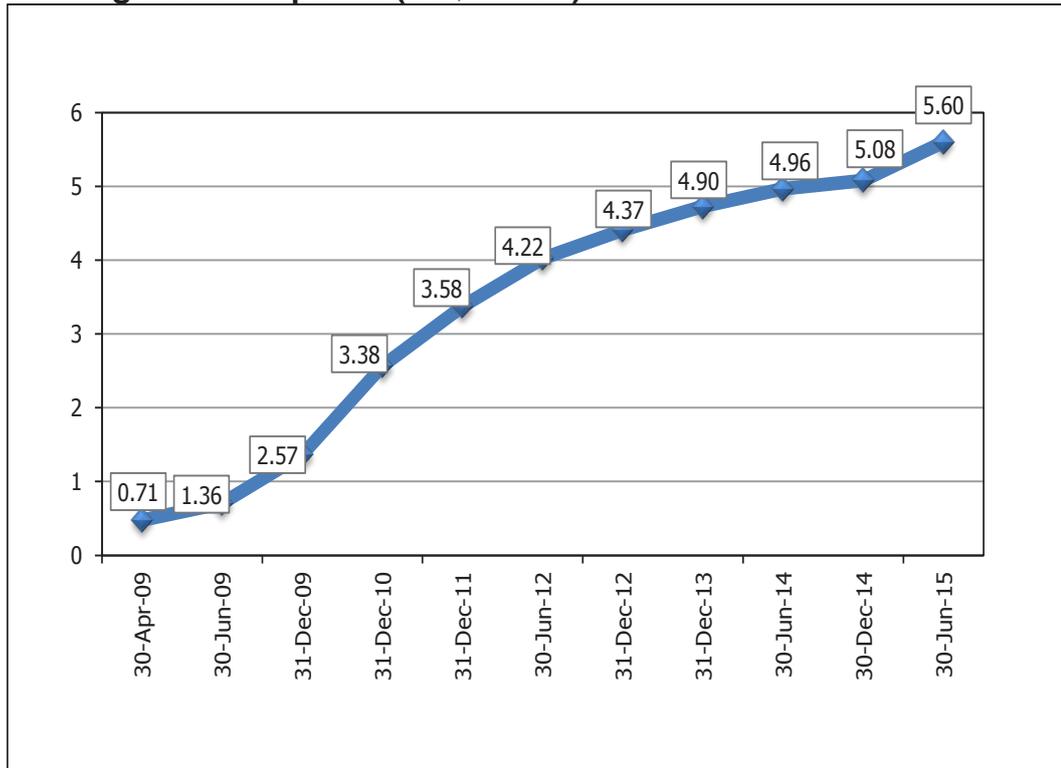
### *Banking Sector Deposits*

509. Mr Speaker Sir, banking sector deposits have gradually increased since the introduction of the multi-currency system, largely attributable to increased public confidence in the banking system.

510. The deposits increased by 14.2% from US\$4.9 billion in June 2014 to US\$5.6 billion as at end June 2015.

511. The Graph below profiles the growth trend in deposits since 2009.

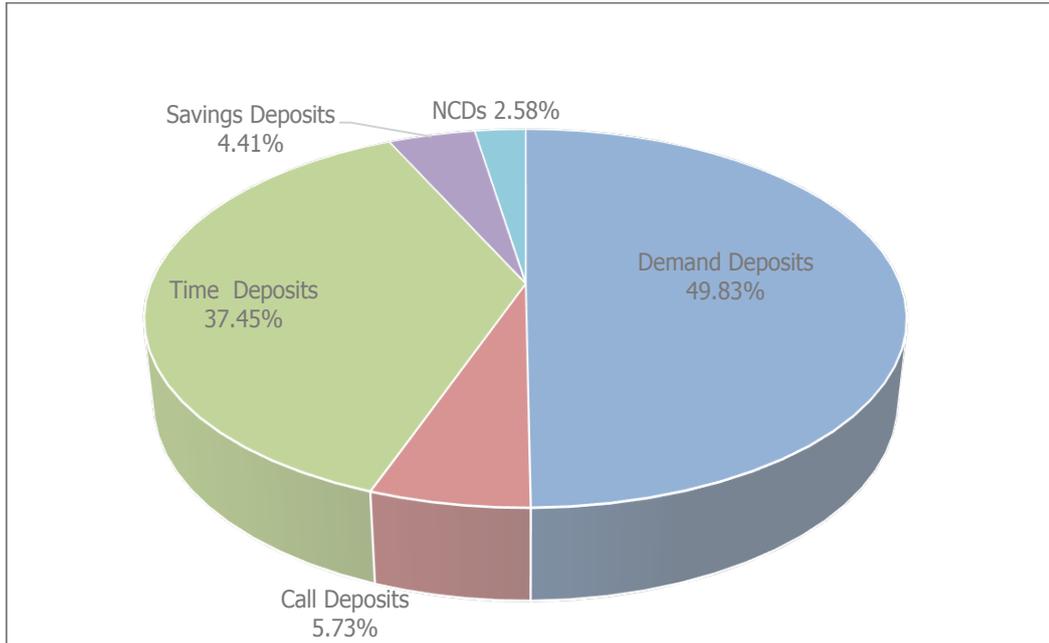
**Banking Sector Deposits (US\$ billion)**



Source: Reserve Bank of Zimbabwe

512. Mr Speaker Sir, banking sector deposits continue to be dominated by demand deposits, which account for over 50% of total deposits as indicated below.

### Composition of Deposits



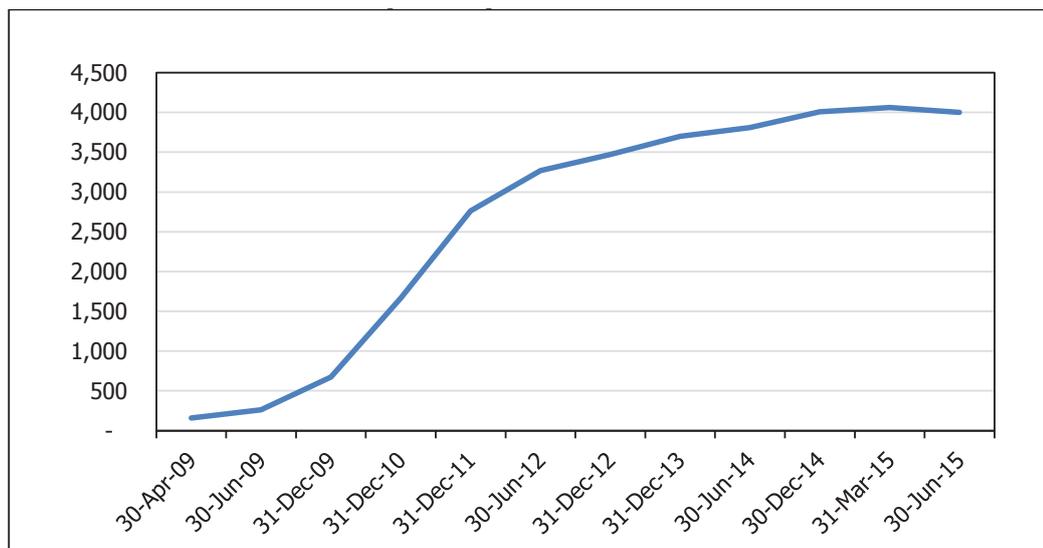
Source: Reserve Bank of Zimbabwe

513. The pre-dominance of demand deposits, Mr Speaker Sir, means that the banking institutions have limited capacity to fund long-term investment projects, which are critical to the turnaround of our economy.
514. This underscores the need to accelerate the various confidence building measures underway.

### *Banking Sector Lending*

515. Banking sector loans and advances grew from US\$3.8 billion in June 2014 to US\$4 billion by June 2015.
516. The Graph below depicts the upward growth trajectory in total loans and advances since June 2009.

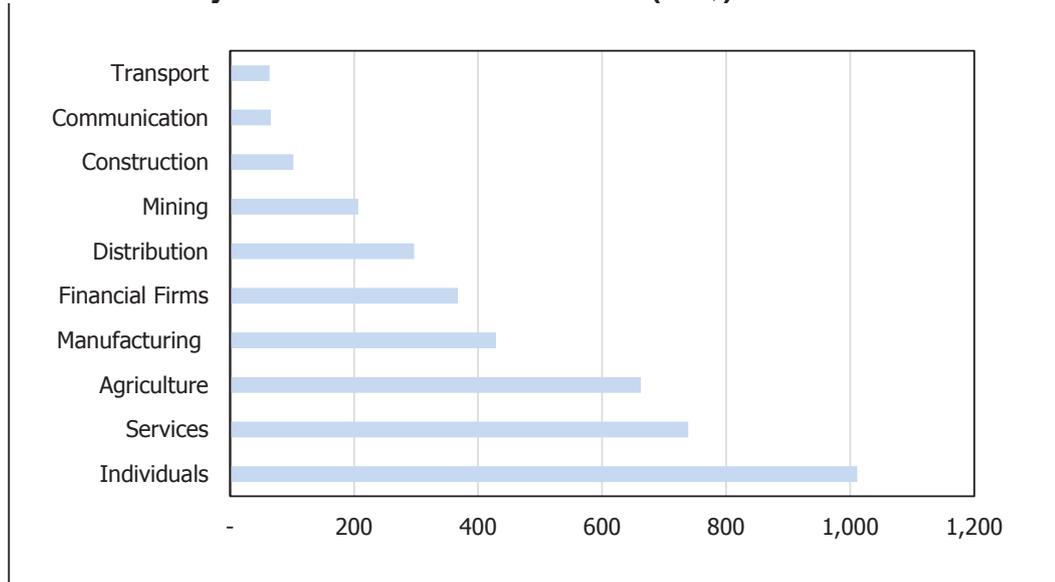
### Total Loans and Advances (US\$ m)



Source: Reserve Bank

517. Mr Speaker Sir, the banking sector's lending remains largely skewed towards individuals.
518. The relatively low level of lending to the manufacturing sector and insignificant lending to capital intensive sectors such as construction, communication, and mining is largely a reflection of the lack of capacity of banking institutions to provide long-term funding.
519. Furthermore, viability challenges in the manufacturing sector, which is reeling under capacity utilisation constraints, also accounts for the relatively low lending.
520. The sectoral breakdown of total loans and advances is shown below:

### Sectoral Analysis of Loans and Advances (US\$)



Source: Reserve Bank

### *Mobile Money and Electronic Based Payment Systems*

521. Mr Speaker Sir, findings from the 2014 FinScope Consumer Survey show that financial inclusion increased by 18% since 2011.
522. This improvement was driven mainly by mobile money and other electronic payment systems, such as card based payments.
523. Furthermore, the Survey established that 45% of adult Zimbabweans use mobile money services and the majority reside in rural areas.
524. The growth of mobile money is a commendable development that is transforming the lives of rural people, bringing financial services to the doorstep of mostly unbanked communities.

## Transactional Activities

Payment Stream	2014	Half year ending June 2014	Half year ending June 2015
Values (US\$)			
RTGS	43 829 602 421.76	19 843 429 606.91	22 112 905 562.02
Cheque	131 792 666.05	65 116 715.42	72 371 341.34
Point of Sale	1 527 569 974.85	668 790 673.98	816 938 702.17
ATMS	3 187 773 684.27	1 438 308 337.09	1 796 090 104.75
Mobile	3 634 399 816.87	1 543 194 615.71	2 138 212 826.16
Internet	1 222 999 076.82	556 567 837.44	686 331 800.29
<b>Total</b>	<b>53 534 137 640.63</b>	<b>24 115 407 786.55</b>	<b>27 622 850 336.74</b>
Volumes			
RTGS	2 256 868	1 126 945	1 091 164
Cheque	366 117	184 406	178 320
Point of Sale	13 992 964	6 762 216	6 823 653
ATMS	12 142 928	5 598 441	6 532 005
Mobile	178 514 997	76 114 193	104 187 506
Internet	408 189	173 865	255 954
<b>Total</b>	<b>207 682 063</b>	<b>89 960 066</b>	<b>119 068 602</b>

Source: Reserve Bank

525. Mr Speaker Sir, the growing role of mobile money calls for strengthening consumer protection, including cost of transacting through the platform, among others.
526. In this regard, amendments to the Banking Act will also embrace mobile financial services as a class of business adequately regulated by the Reserve Bank.

### *Other Banking Sector Reforms*

527. As part of on-going efforts to promote safety and soundness of the financial sector, Mr Speaker Sir, a number of measures are being instituted.

528. The Reserve Bank will outline in detail all the other various measures in the forthcoming Monetary Policy Statement.

### *Women's Bank*

529. Honourable Members will recall that the 2015 National Budget already has a provision of US\$5 million seed money to initiate set up of the Women's Bank.

530. The Ministry of Women's Affairs, Gender and Community Development is working with key stakeholders to establish the Bank, with the procurement process to appoint a consultant who will assist in setting-up the Bank being finalised.

### ***Securities Market***

531. Mr Speaker Sir, the performance of the Zimbabwe Stock Exchange in the first half of 2015 was generally depressed.

532. This was mainly attributable to the following factors:

- low disposable incomes and weak aggregate demand;
- reduced foreign investor participation;
- poor performance by listed companies;
- liquidity challenges which had an adverse impact on retail participation;
- increased activity on the debt market creating an alternative investment market for institutional investors; and

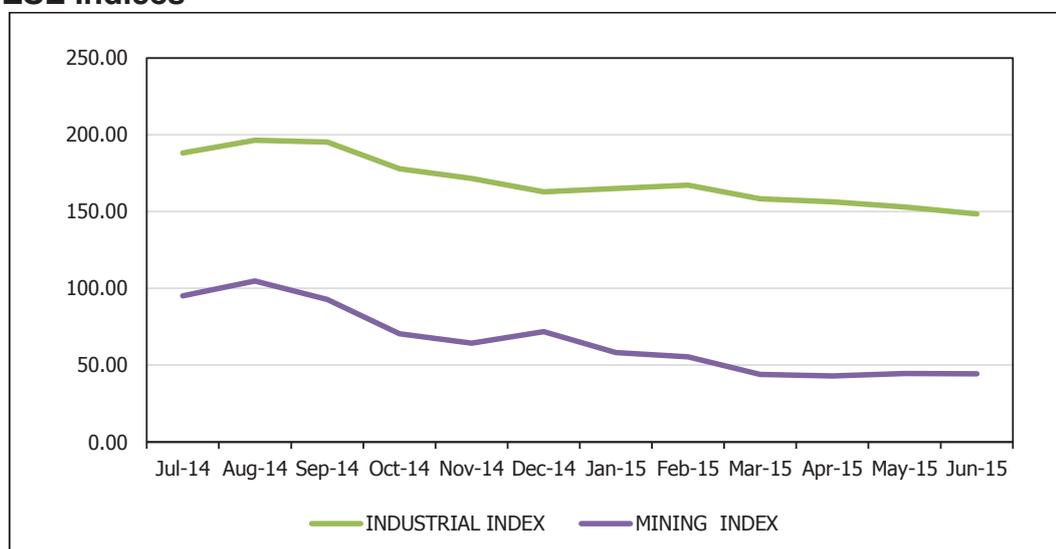
- growing fears of continuous deflation, negatively affecting returns on equities.

533. The industrial index opened the year at 162.79 points and marginally increased to 167.13 points in February 2015 before trending downwards in the consecutive months and closing the first half weaker at 148.30 points.

534. This represents an 8.8% decline during the first half of 2015.

535. The mining index suffered heavy losses during the first half of the year as it declined by 38.2% from 71.71 points at the beginning of the year 2015 to 44.30 points as at 30 June 2015.

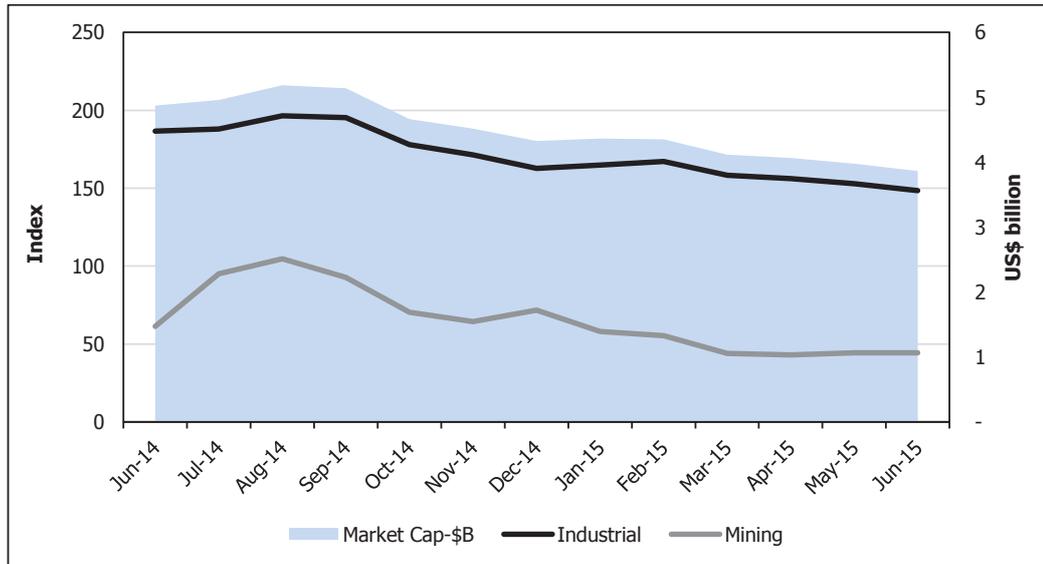
### ZSE Indices



Source: ZSE

536. Consequently, market capitalisation decreased from US\$4.3 billion in January 2015 to a three year low of US\$3.9 billion, reflecting underlying challenges in the economy.

## ZSE Performance



Source: ZSE

537. Mr Speaker Sir, three counters namely, ABC Holdings Limited, TA Holdings Limited and Astra Industries Limited delisted during the period under review whilst one new listing for Pro-plastics Limited was recorded.

538. The de-listings are mainly as a result of operational challenges facing some listed companies and failure to meet disclosure requirements for the ZSE.

539. Mr Speaker Sir, notwithstanding the above challenges, the following positive milestones have been achieved:

### *Demutualisation of the Zimbabwe Stock Exchange*

540. Mr Speaker Sir, with demutualisation, the Zimbabwe Stock Exchange is now registered as a private company, with

Government and stock brokers having shareholding of 32% and 68%, respectively.

541. The shareholding will further be reduced to 16% and 34%, respectively, with the remaining 50% being split between a soon to be identified technical partner and the investing public through an *Initial Public Offer* (IPO).

#### *Automated Trading System*

542. However, with regards to automation, which had a target date of March 2015, technical hiccups meant delays.
543. These have since been resolved, and I am pleased to report that the online trading system of the ZSE went live on Monday 6 July 2015.
544. This development will bring efficiencies in the trading of shares and, thus, increasing the volume of trades in the long run.

#### *Central Securities Depository*

545. The Central Securities Depository, which went live in September 2014, has to date dematerialised shares worth US\$1.368 billion, which translates to approximately 35.4% of the current ZSE market capitalisation.

546. The Central Securities Depository will be interfaced with the automated trading system, to have a complete system for trading and settlement of shares.

547. Settlement of all active counters on the ZSE is now being done electronically.

*Review of ZSE Listing Requirements*

548. Mr Speaker Sir, I am pleased to further advise that the review of the Listing Rules for the ZSE has been finalised and will be gazetted in the third quarter of 2015.

549. The Rules will, among other issues, improve corporate governance on the ZSE.

550. In addition, the ZSE, in collaboration with other stakeholders, is finalising Listing Rules for the SME Exchange that will operate as the Zimbabwe Emerging Enterprise Market (ZEEM).

*Listing of Government Debt Instruments*

551. Mr Speaker Sir, in order to stimulate the capital markets, I am proposing that all Government and parastatals bonds be listed on the ZSE.

552. The debt market is an ideal platform for Government to source long term funding for infrastructural projects.

553. Government, through the Reserve Bank, will also facilitate the registration of rating agencies in the country to ensure that the listed bonds would have been rated.

### ***Insurance and Pensions***

#### *Review of Minimum Capital Requirements*

554. Honourable Members will recall that in my 2015 National Budget Statement, I expressed the need for an upward review of minimum capital requirements for the insurance sector to improve underwriting capacity and contain insurance business outside the country.

555. In this regard, Mr Speaker Sir, I am proposing an upward review of the minimum capital requirements for re-insurers as indicated below:

#### **Minimum Capital Requirements (US\$)**

<b>Class of Business</b>	<b>Current Minimum Requirements</b>	<b>Proposed Minimum Capital Requirements</b>
Short term Reinsurers	1 500 000	5 000 000
Life Re-assurers	1 500 000	5 000 000

556. The Insurance and Pensions Commission (IPEC) will soon be announcing the modalities for the upward review.

*Review of Levies Charged by IPEC*

557. Mr Speaker Sir, the Insurance and Pensions Commission currently lacks capacity to adequately supervise the industry owing to limited technical, human and financial resources.
558. In order to improve the regulatory capacity of IPEC, especially on-site supervision, I propose an upward review of levies being charged to industry players.
559. The new levies will be gazetted by the fourth quarter of 2015.

*Amendments to Insurance and Pension Legislation*

560. The Insurance and Pension Amendment Bills are currently receiving stakeholder input.
561. The Bills are expected to be introduced in Parliament during the last half of the year.

*Commission of Inquiry on Conversion of Insurance Policies and Pension Benefits from Zimbabwe Dollar to United States Dollar Values*

562. Mr Speaker Sir, notwithstanding the time lapse, I am pleased to advise that His Excellency the President has, in terms of the Commissions of Inquiry Act [Cap 10:07], appointed a Commission of Inquiry on the conversion of pensions and insurance benefits from Zimbabwean dollars to United States dollar values.

563. The institution of an inquiry will serve to provide the insurance and pensions sector with a transparent process to inquire into the aforesaid conversion.
564. The terms of reference of the Commission of Inquiry were published in the Government Gazette of 24 July 2015.
565. The Inquiry shall be held for a period of nine (9) months, with the possibility of a three (3) month extension, where-after a report shall be produced.
566. The Commissioners are expected to commence work beginning of the fourth quarter of 2015.
567. The Commission of Inquiry comprises nine commissioners, chaired by Mr Justice G. L Smith (Retired).
568. Mr Speaker Sir, the findings of the Inquiry should address concerns with regards to perceptions of lack of fairness in the conversion process.

*Membership to Africa Trade Insurance*

569. Honourable Members will recall that my 2015 Budget Statement mentioned the progress that Zimbabwe had made on attaining African Trade Insurance Agency (ATI) membership.

570. ATI membership will enhance the country's capacity to borrow from international financial markets by significantly reducing the country's sovereign risk premium arising from negative perception by the international community.
571. I am pleased to announce that Government has since secured US\$4 million from the African Development Bank towards the minimum capital subscription of US\$15 million.
572. The balance is being mobilised from local private financial institutions during the last half of 2015.
573. Furthermore, the Ministry of Industry and Commerce has initiated the ratification process which is expected to be finalised before the end of the year.

### ***Financial Sector-Wide Issues***

#### *Financial Deepening and Inclusiveness*

574. Mr Speaker Sir, a sound and inclusive financial sector is key to economic development.
575. Consumer protection and financial literacy are important pillars towards building an inclusive financial sector.
576. In this regard, I am proposing the development of a Financial Inclusion Policy with a view to improve the policy, supervision and

regulatory environment for a wider access to financial services by the low-income population.

577. The Financial Inclusion Policy will also be informed by results from the 2014 FinScope Repeat Survey, the currently underway Making Access Possible exercise launched on 9 June 2015, as well as general developments in the financial markets.

578. In addition, Government and the Reserve Bank, in conjunction with other stakeholders, are instituting various initiatives aimed at deepening the financial system through diversification and improvement of financial products in the market.

579. The envisaged implementation of strategies to enhance financial inclusion levels in the country will promote inclusive economic growth and development, and this is particularly in view of the “new economy”.

*National Financial Consumer Protection Policy*

580. Mr Speaker Sir, I am proposing the development of a National Financial Consumer Protection Policy whose objective will be to provide an overall framework for the protection of consumers of financial services products.

581. In this regard, the World Bank is offering us Technical Assistance on *Consumer Protection* and *Financial Literacy* aimed at

developing a National Financial Sector Consumer Protection and Financial Literacy Framework and strategies.

582. The policy will seek to coordinate fragmented consumer protection efforts being pursued by different financial sector regulators.

583. In addition, the proposed financial Consumer Protection Policy will complement current efforts to protect the public through the Consumer Protection Bill spearhead by the Ministry of Industry and Commerce.

*National Financial Literacy Strategy*

584. Mr Speaker Sir, the dynamic nature of financial services requires that we improve consumer literacy on the range of financial products, embracing new instruments.

585. In this regard, development of a National Financial Literacy Strategy will also draw from findings of the FinScope Consumer Surveys of 2011 and 2014.

586. The proposed National Financial Literacy's Strategy will empower and protect the transacting public by enhancing knowledge and understanding, that way facilitating informed investment decisions.

## ***Anti-Money Laundering***

### *FATF Monitoring*

587. Honourable Members will recall that Zimbabwe has been under monitoring by the Financial Action Task Force (FATF) since June 2011, owing to strategic deficiencies that were observed in the country's Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) regime.
588. Following the enactment of some legislation that addressed the identified deficiencies, I am pleased to advise that Zimbabwe was removed from FATF monitoring on 28 February 2015.
589. Thus, Mr Speaker Sir, the country is no longer considered to be among higher risk jurisdictions with strategic deficiencies in its AML/CFT legal framework.

### *National Risk Assessment*

590. Mr Speaker Sir, you will recall that the previous Budget Statement announced that Government had started a Money Laundering and Terrorism Financing National Risk Assessment process.
591. As part of strengthening AML/CFT systems in the country, a National Risk Assessment exercise was carried out between June 2014 and May 2015.

592. Treasury, in collaboration with key Government Ministries and Departments, will roll out a number of measures to plug leakages amounting to US\$1.8 billion that is being lost annually through smuggling, illegal dealing in gold and precious stones, corruption, fraud, tax evasion, and externalisation, among others.

593. In this regard, I am urging all stakeholders to play their part in implementing the post National Risk Assessment Detailed Action Plan with a view to plug leakages identified in the economy.

*National Anti-Money Laundering and Combating of Financial Terrorism Policy Strategy*

594. Mr Speaker Sir, following the National Risk Assessment process, Government developed an Anti-money Laundering/Combating of Financial Terrorism Policy Strategy for the period 2015-2018.

595. The Strategic document gives policy direction and strategy for addressing weaknesses in the country's Anti-Money Laundering/Combating Financing of Terrorism regime.

596. The Policy Strategy seeks to implement recommendations of the National Risk Assessment Report and those that will come out of the 2nd Round Mutual Evaluation process by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

*ESAAMLG Second Round Mutual Evaluation*

597. Mr Speaker Sir, you will recall that Zimbabwe underwent the 1<sup>st</sup> Round of Mutual Evaluation by the Eastern and Southern Africa Anti-Money Laundering Group in 2006.
598. Having completed the 1<sup>st</sup> Round Mutual Evaluation of all its 18 Member States, ESAAMLG is now conducting the 2<sup>nd</sup> Round Mutual Evaluation process effective 2015.
599. Accordingly, an onsite visit to Zimbabwe by ESAAMLG assessors was conducted over the period 13-24 July 2015.
600. The Mutual Evaluation Report of Zimbabwe will be tabled for review at the March 2016 ESAAMLG Task Force of Senior Officials Meeting for adoption by the September 2016 Council of Ministers.

**XI. EXTERNAL TRADE AND BALANCE OF PAYMENTS**

***Exports***

601. Mr Speaker Sir, in the current dollarised environment, exports are an important source for liquidity, accounting for over 50% of the total.
602. Data from ZimStat indicates a 0.4% growth in export receipts for the six months, January-June 2015.

603. Total exports for this period amounted to US\$1.23 billion, compared to US\$1.22 billion recorded in the corresponding period in 2014.

#### Exports Receipts (US\$)

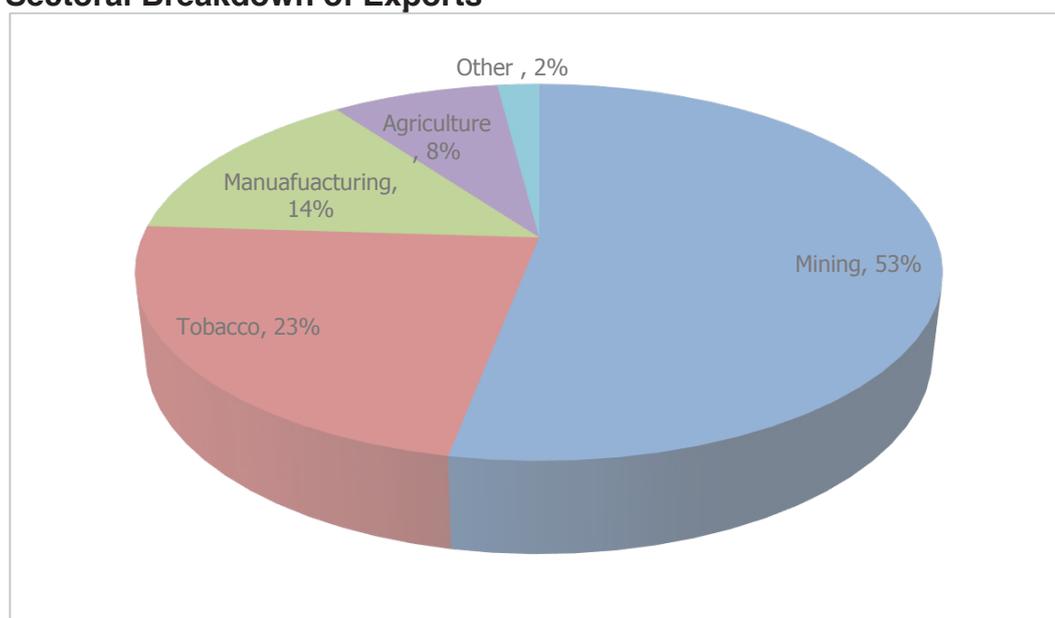
Month	2014	2015
January	278 197 743.08	267 020 357.00
February	192 465 778.71	260 790 962.82
March	156 413 792.87	188 755 985.50
April	178 995 577.75	185 693 609.05
May	184 239 672.47	137 891 305.41
June	238 007 287.98	192 902 551.80
<b>Total</b>	<b>1 228 319 852.86</b>	<b>1 233 054 771.58</b>

Source: ZimStat, 2015

604. Mineral exports, at US\$653 million, continue to dominate the exports basket, followed by tobacco US\$321 million among others.

605. The sectoral breakdown of exports is indicated in the Pie Chart below.

#### Sectoral Breakdown of Exports

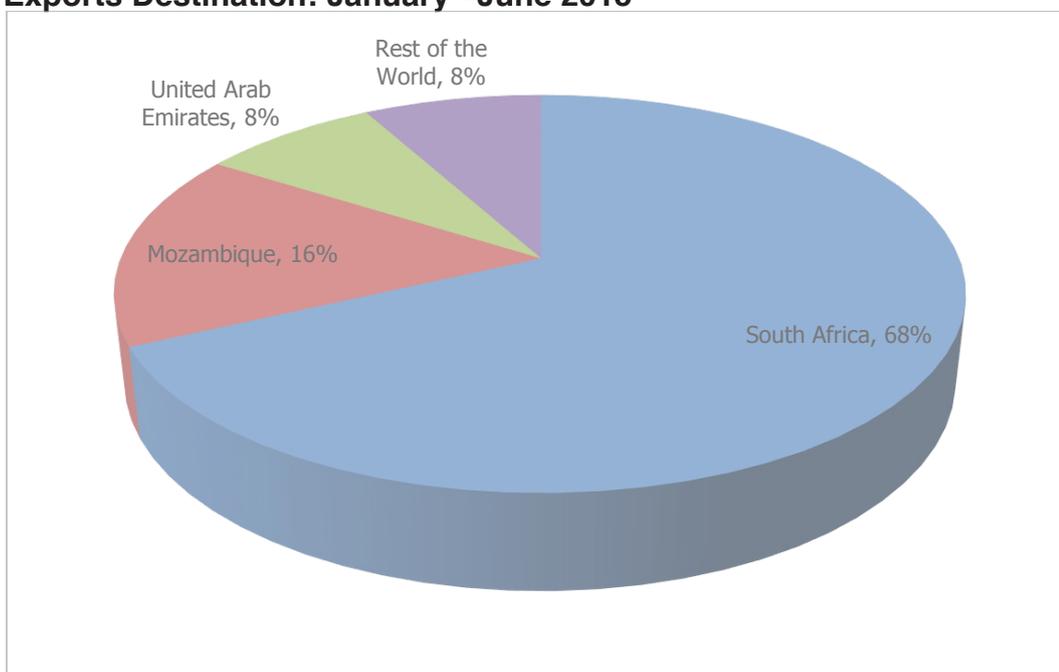


Source: ZimStat, 2015

606. Major mineral exports were gold, platinum group of metals and nickel, while key agricultural exports comprised of flue-cured tobacco and raw sugar.

607. In terms of trading partners, the country's major export market destinations were South Africa, accounting for 68%; Mozambique, 16%; and the United Arab Emirates, 8%.

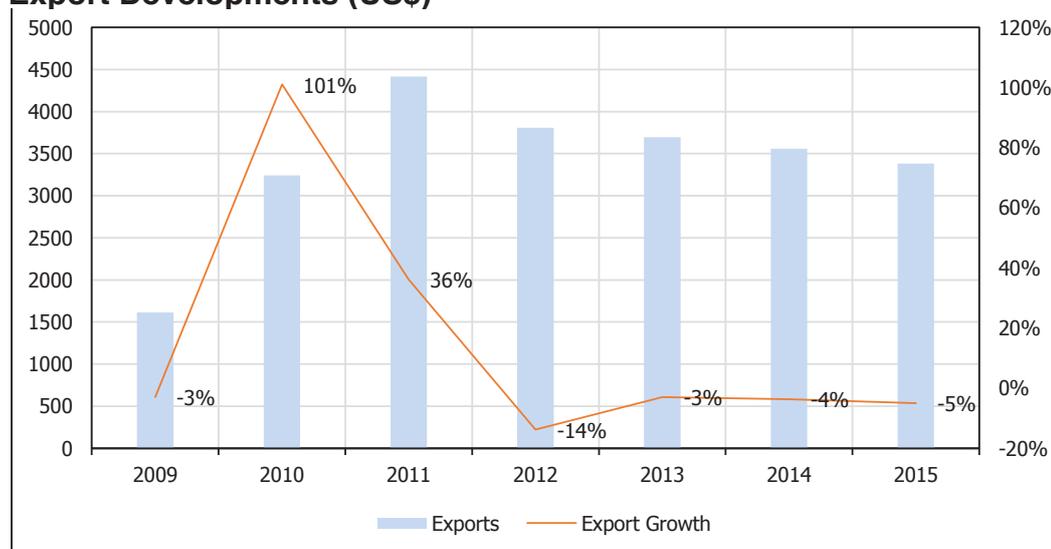
**Exports Destination: January –June 2015**



Source: ZIMSTAT, 2015

608. For the rest of 2015, exports are projected to decline by 5%, owing to softening commodity prices as well as some decline in agricultural output of our cash crops such as tobacco and cotton.

## Export Developments (US\$)



Source: RBZ, BOP, 2015

## Imports

609. Imports for the six months to June 2015 stood at US\$3.1 billion compared to US\$3 billion recorded in the corresponding period in 2014.

610. This, Mr Speaker Sir, represents a 2% increase in imports over the first six months of last year.

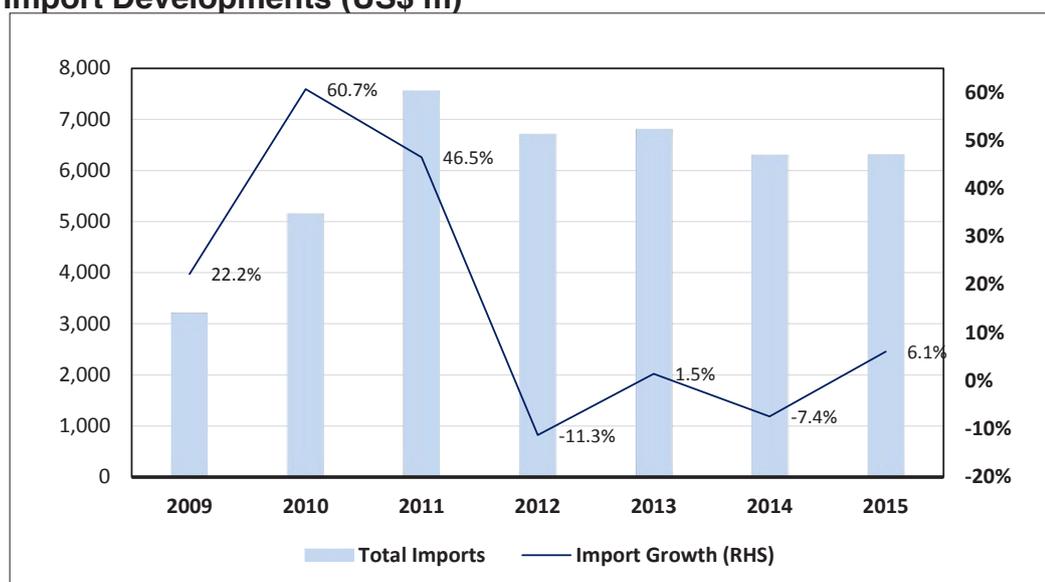
## Imports US(\$)

Month	2014	2015
January	487 819 582.57	538 124 910.64
February	478 794 479.89	503 084 161.49
March	499 943 511.22	529 084 460.45
April	491 606 257.48	465 892 773.90
June	510 058 767.96	473 375 364.50
July	528 100 342.45	555 077 091.55
<b>Total</b>	<b>2 996 322 941.58</b>	<b>3 064 638 762.53</b>

Source: ZIMSTAT, 2015

611. Food imports are projected to increase by 64% in 2015, mainly on account of maize, given the less than anticipated 2014/15 season harvest following the drought.
612. Imports of wheat are also projected to remain high in 2015, reflecting low domestic production levels, against the background of declining hectareage under the irrigated winter crop.
613. Major challenges include power supply interruptions, and the cost of power, among others.

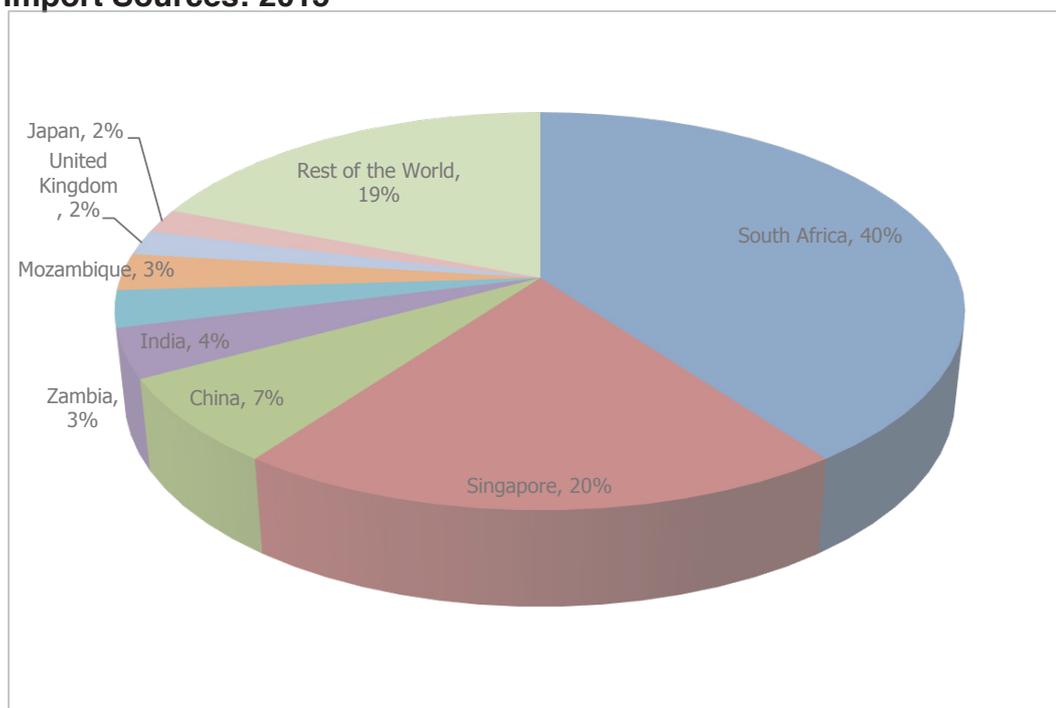
#### Import Developments (US\$ m)



Source: RBZ, BOP

614. Overall, imports growth is projected to be about 6% in 2015.
615. The major sources of imports during the first six months of the year were South Africa, 40%; followed by Singapore, 20%; and China, 7% and India, 7%.

## Import Sources: 2015



Source: ZIMSTAT, 2015

## Remittances

616. Mr Speaker Sir, in my 2015 Budget Statement I had reported diaspora remittances for the period January-October 2014 of US\$685.5 million. The outturn for the full year 2014 was US\$837.3 million.

### Remittances (US\$ m)

Receipt Code	2009	2010	2011	2012	2013	2014	2015 Jan-Jun
Individual Free funds - banking Channel	95.7	139.4	256.0	285.8	332.5	320.9	148.8
Remittances - MTAs	198.2	263.4	296.1	362.8	455.8	516.5	260.7
<b>Total</b>	<b>293.9</b>	<b>402.8</b>	<b>552.1</b>	<b>648.6</b>	<b>788.2</b>	<b>837.3</b>	<b>409.5</b>

Source RBZ; Exchange Control, 2015

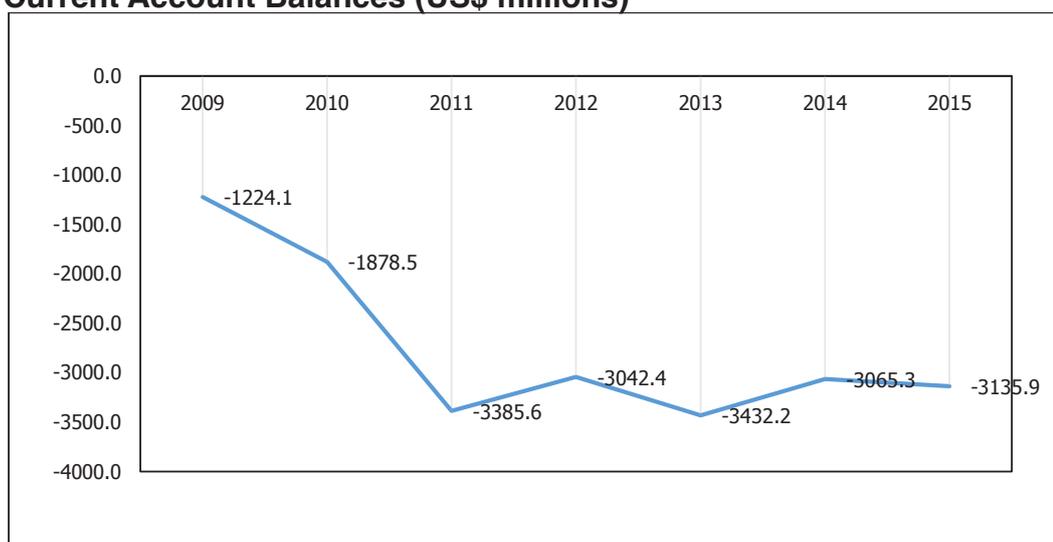
617. Remittances for the first half of 2015 were US\$409.5 million, up from US\$397.8 million for the same period last year.

618. This was on account of an increase in the number of people sending money through the formal system due to increased confidence in the money transfer agencies.
619. In addition, efforts are being made in re-directing remittances into developmental areas through incentives.

*Current Account*

620. Mr Speaker Sir, continued over-dependence on imports has meant persistent current account deficits since 2009, with the deficit projected at US\$3.1 billion this year, and financed mainly through private sector borrowing.
621. Our current account deficits have averaged 22% of GDP for the period 2009-2015, considerably higher than the SADC macro-economic convergence criteria thresholds of 9%.

**Current Account Balances (US\$ millions)**

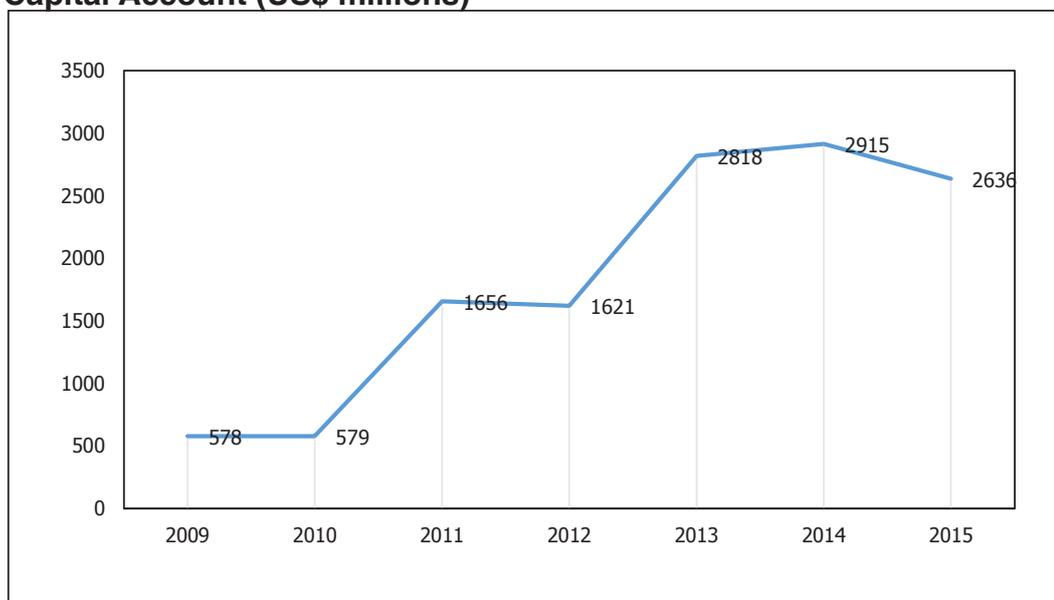


Source: BOP, RBZ; 2015

### *Capital Account*

622. Mr Speaker Sir, projections to year end indicate a capital account surplus of US\$2.6 billion, attributed mainly to offshore loans to the private sector.
623. The ideal would be non-debt creating inflows through foreign direct investment, as well as portfolio investment flows.

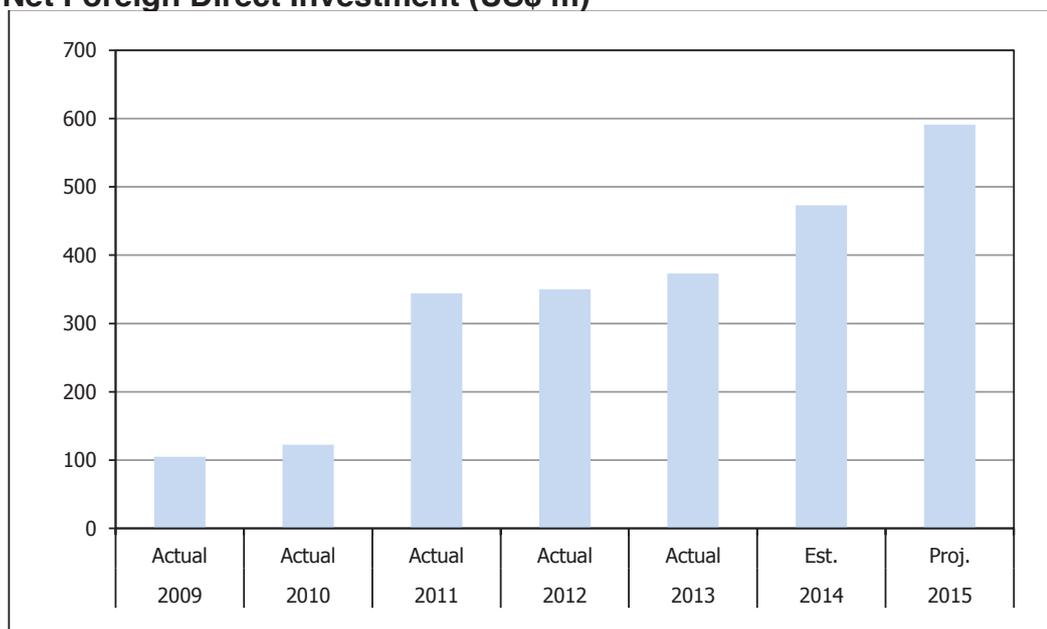
**Capital Account (US\$ millions)**



*Source: BOP, RBZ; 2015*

624. Foreign direct investment, although on the rise from US\$471 million in 2014 to the projected US\$591 million in 2015, still remains very low, relative to the investment requirements for Zim Asset programmes.

### Net Foreign Direct Investment (US\$ m)

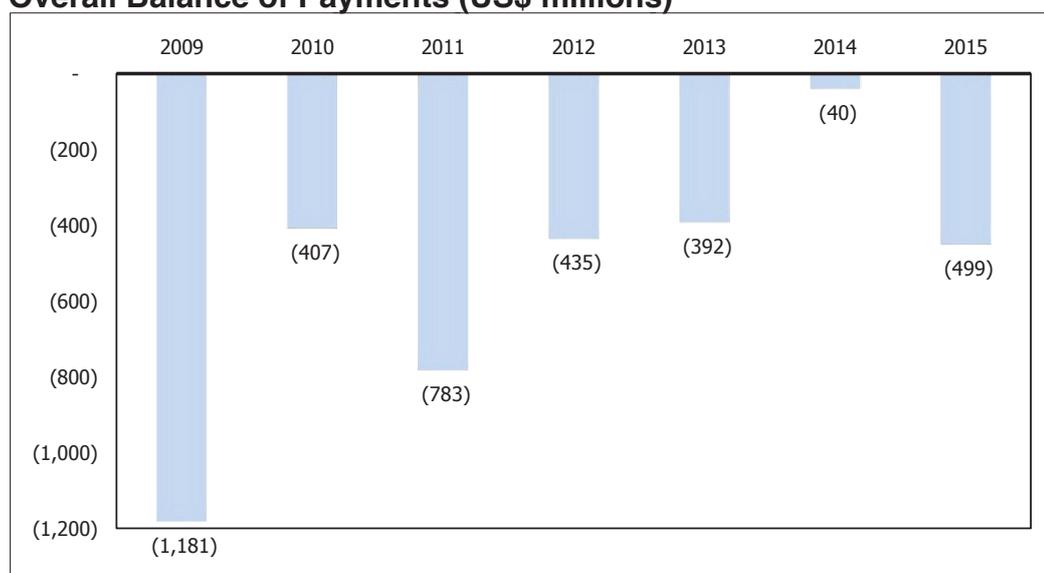


Source: BOP, RBZ; 2015

### Overall Balance

625. Although the capital account has been recording surpluses in recent years, it largely remains inadequate to finance the current account deficit and, resultantly, the country has been experiencing an overall balance of payments deficit.

### Overall Balance of Payments (US\$ millions)



Source: BOP, RBZ, 2015

626. This year, the overall balance of payments deficit is projected to worsen to US\$499 million.

627. The deficit had declined from levels of US\$1 181 million in 2009 to US\$40 million by 2014.

### ***Debt Management***

628. Mr Speaker Sir, *Chapter 17, Section 300 4 (a)(b)* of the Constitution reads:

629. *“The Minister responsible for Finance must:*

*(a) At least twice a year, report to Parliament on the performance of:*

*(i) Loans raised by the State; and*

*(ii) Loans guaranteed by the State.*

*(b) At the same time as the Estimates of Revenue and Expenditure are laid before the National Assembly in terms of Section 305, table in Parliament a Comprehensive Statement of the Public Debt of Zimbabwe.”*

630. Accordingly, Mr Speaker Sir, in line with this requirement, I report that Zimbabwe’s public and publicly guaranteed debt stood at US\$8.4 billion as at end June 2015.

### Public and Publicly Guaranteed Debt as at June 2015 (US\$ m)

	DOD	Arrears	Total Debt (incl arrears)
<b>External Debt</b>	<b>1 174</b>	<b>5 528</b>	<b>6 703</b>
Bilateral Creditors	802	2 743	3 545
o/w : Paris Club	229	2 607	2 836
: Non-Paris Club	574	135	709
Multilateral Creditors	372	2 199	2 571
RBZ – External		587	587
<b>Domestic Debt</b>	<b>1 722</b>		<b>1 722</b>
<b>Total Public &amp; Publicly Guaranteed Debt</b>	<b>2 896</b>	<b>5 528</b>	<b>8 425</b>

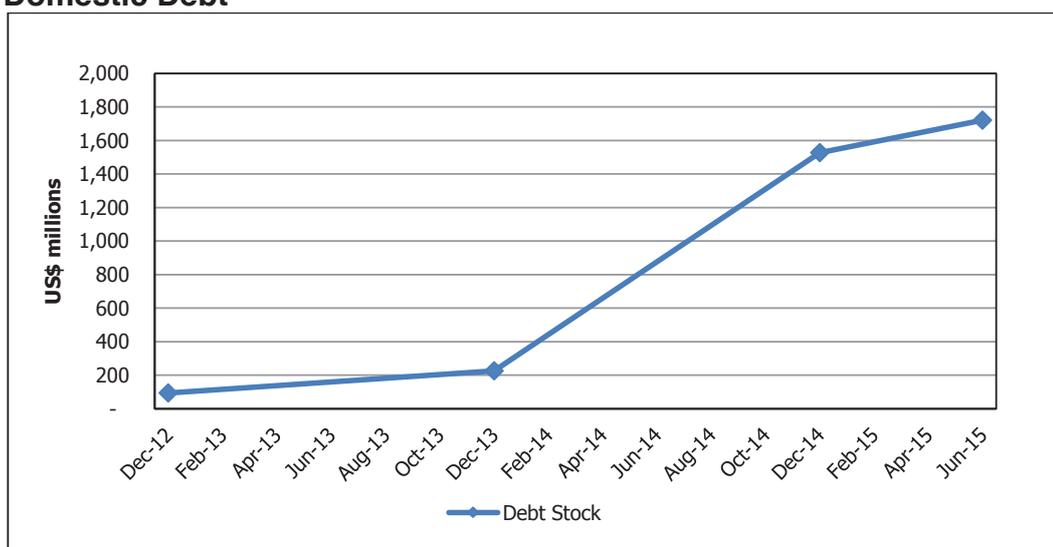
Source: Ministry of Finance and Economic Development

631. This comprises external debt of US\$6.7 billion, representing about 47% of GDP, and domestic debt of US\$1.7 billion.

#### Domestic Debt

632. Mr Speaker Sir, the assumption of Reserve Bank debt will raise the stock of Government domestic debt to US\$1.7 billion.

#### Domestic Debt



Source: Ministry of Finance

633. This will have implications on Government debt service, which will rise steeply by about US\$300 million from 2016.
634. Mr Speaker Sir, this reinforces the need for the 2015 Budget to contain fiscal pressures, including exercising restraint on Treasury bill issuances, as maturing Treasury bills impact on domestic debt service.
635. Furthermore, measures have to be put in place to increase the tenure of domestic debt instruments, including on outstanding Reserve Bank creditors.

*Loan Repayment Track Record*

636. Mr Speaker Sir, the economy has been able to access some limited lines of credit in support of developmental projects and programmes.
637. In this regard, unlocking further financing will require that as we work towards overall debt relief, the country also builds a track record on repayments.
638. Mr Speaker Sir, it is also in this vein that Government is observing the *Pari Passu* principle with regards to loan obligations to multilateral institutions.

### *Guaranteed Loans*

639. The poor performance of public entities, mainly on account of weak corporate governance, is resulting in increasing defaults on external payment obligations, raising called up guarantees.
640. Mr Speaker Sir, called-up loans account for 24% of our external debt, given lack of mechanisms to recover on defaulted guarantees from the respective public entities.
641. It is, therefore, essential that Government monitors risks related to the issuance of guarantees and performance of public enterprises, as these already pose substantial risk for the fiscus.
642. In this regard, Government is in the process of finalising review of policies and procedures for the approval and issuance of loan guarantees in line with sound debt management practices.
643. Given the lack of fiscal space alluded to above, and our limited capacity to borrow as well as issue guarantees, all new contracting of debt will be limited to self-liquidating bankable projects.
644. This will entail tightening of the criteria and limiting the issuance of Government guarantees in order to reduce contingent liabilities.
645. This will be complemented by the expeditious processing of the Public Enterprises Corporate Governance legislation, coupled

with amendments to the PFM Act to incorporate these entities, that way enhancing corporate governance, transparency and accountability.

#### *Public Debt Management Legal Framework*

646. Government is in the process of enacting the necessary legislation governing contracting and management of public debt in order to strengthen the legal and institutional framework for debt management.

647. The Public Debt Management Bill has passed through both Houses of Parliament, and now awaits Presidential assent.

#### *Debt Resolution Strategy*

648. Mr Speaker Sir, I have already alluded to the fact that as enunciated in Zim Asset, Government has stepped up its re-engagement with all its creditors.

649. In this regard, I am pleased to report that Government has managed to extend *Pari Passu* payments to the World Bank, the African Development Bank, the European Investment Bank and the IMF.

650. This is also a key step in co-operating with multilaterals, bilateral Paris Club and Non-Paris Club creditors.

651. The above efforts are meant to consolidate the initiatives to build consensus among creditors and development partners on ways to resolve our external debt overhang.
652. In this regard, Mr Speaker Sir, I am pleased to announce that during the April 2015 *Spring Meetings* of the IMF/World Bank, Government agreed with the World Bank, IMF and the African Development Bank on the way forward.
653. This is being coordinated by a quadripartite Committee with a mandate to develop options for the clearance of the country's arrears with the three multilateral institutions.
654. The Committee, chaired by the Governor of the Reserve Bank, includes the World Bank, the IMF and the African Development Bank.
655. Mr Speaker Sir, the Committee's recommendations will form input into our discussions in October 2015 with the major external creditors in Lima, Peru during the Annual Meetings of the IMF/World Bank.

*Country Policy and Institutional Assessment*

656. Mr Speaker Sir, I am pleased to report that, reflecting our reforms and re-engagement efforts, Zimbabwe's Country Policy and

Institutional Assessment (CPIA) has improved from 2.3 in 2013 to 2.7 in 2014.

657. The CPIA evaluates a country's policy and institutional set-up and is used to access concessional resources from the World Bank and the African Development Bank, as well as furthering reforms in policies and capacity building.

658. This provides an opportunity for not only enhancing the prospects of accessing more concessional resources after clearing arrears, but also of complementing efforts aimed at improving the image of the country, which is critical for attracting foreign direct investment.

### ***Aid Coordination***

659. Mr Speaker Sir, it is pleasing to note that notwithstanding that most development partners continue to use direct project support and sector wide *aid delivery modalities*, others, among them the Global Fund, are now acknowledging our country systems and have begun to utilise them.

660. Use of our country systems improves visibility of development partner support in the country, also allowing Government and other stakeholders to appreciate and appraise donor funded programmes and projects transparently.

661. This should also benefit from the review of the Aid Coordination Architecture which Government has embarked on, targeting to align aid to national priorities, improve donor coordination, mutual accountability, as well as reduction in transaction costs for our development partners.
662. In this regard, a joint Government/bilateral and multi-lateral development partner stakeholder meeting was held on 6 May 2015 to chart the way forward with regards to enhancing Aid Coordination mechanisms in line with Zim Asset.
663. Principles of the Aid Coordination Policy have been developed and now await submission to Cabinet.
664. The reporting templates for both bi-lateral and multi-lateral institutions have been revised and were circulated to development partners.

*Joint Civil Society Fund*

665. Mr Speaker Sir, there have also been challenges with regards to transparency and accountability over some of the funds availed to civil society by development partners.
666. To address the existing uncoordinated civil society support, which has resulted in incidences of duplication and misuse of

funds, three development partners are coordinating their support through the setting up of a joint fund.

667. In this regard, the Royal Danish Government, and those of the United Kingdom and the Australia have provisionally pledged an initial US\$25 million for the joint Fund over the period 2015 – 2020.

668. Already, the Secretariat to operationalise this initiative has been established.

669. Allow me therefore, Mr Speaker Sir, to commend the Royal Danish Government, and those of the United Kingdom and Australia for their efforts to establish a joint civil society fund, the Transparency, Responsiveness, Accountability and Citizen Engagement (TRACE).

670. It is my sincere hope that other development partners will eventually utilise similar vehicles, as this would go a long way towards improving accountability and transparency over use of development partner resources.

## **XII. PUBLIC FINANCES**

### **Revenue Performance**

671. Mr Speaker Sir, challenges in the overall macro-economic environment during the first half of the year have seen cumulative

revenue collections for the period January to June 2015 amounting to US\$1.718 billion, against a target of US\$1.87 billion.

672. The Table below shows the revenue performance for the period January to June 2015.

**Revenue Performance**

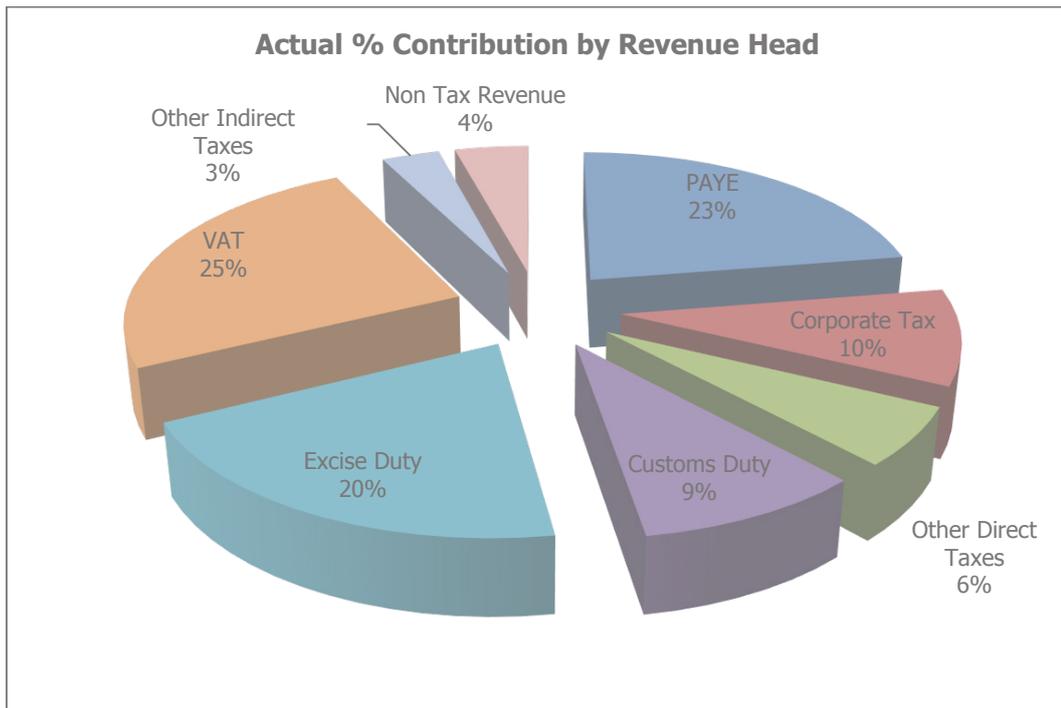
	Actual (US\$ m)	Target (US\$ m)	Variance (US\$ m)	Variance (%)
Total Revenue	1 718	1 870	(151.9)	(8.1%)
Tax Revenue	1 646	1 761	(114.8)	(6.5%)
Non Tax Revenue	71.8	109	(37.2)	(34.1%)

*Source: Ministry of Finance*

673. The bulk of the revenue was generated from tax revenue, which, contributed US\$1.646 billion or 96%, while non-tax revenue contributed US\$71.8 million or 4% of total revenue.

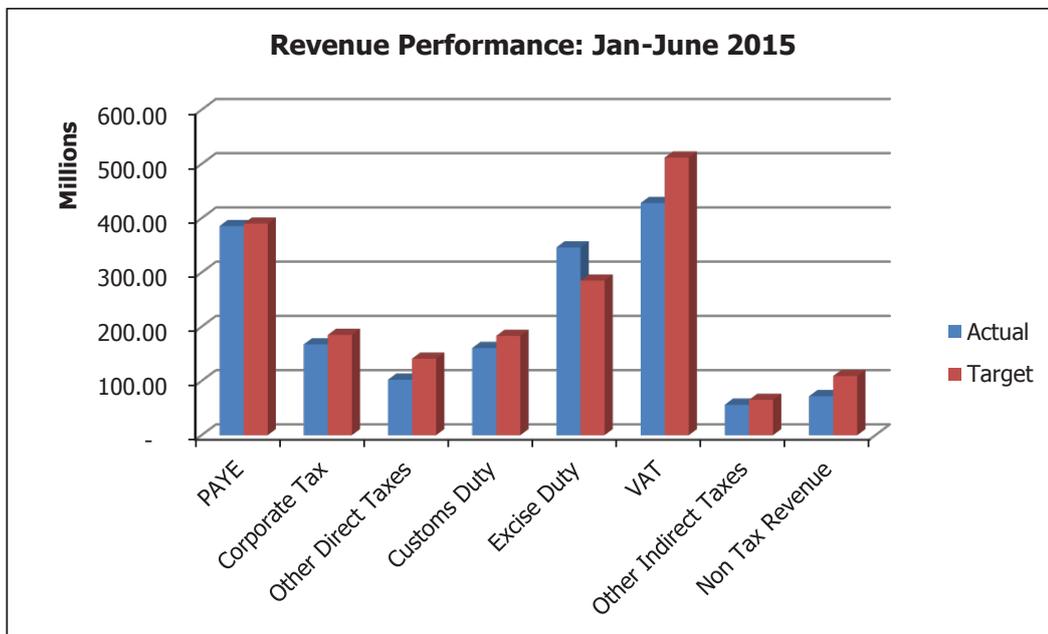
674. The major contributors to tax revenue were Value Added Tax, 25%; Pay As You Earn (P.A.Y.E), 22.5%; and Excise Duty, 20.2%. Customs Duty and Corporate Tax contributed 9.4% and 9.8%, respectively.

675. The Pie Chart below summarises the contribution of various revenue heads to total revenue.



Source: Ministry of Finance, ZIMRA

676. Most revenue heads performed below target during the period under review as shown in the Graph:



Source: Ministry of Finance, ZIMRA

### ***Pay As You Earn***

677. Cumulative PAYE collections for the period January-June 2015 amounted to US\$385.5 million, against a target of US\$390 million, resulting in a negative variance of US\$4.5 million or 1.1% of projected revenue.
678. The lower revenue collections are attributed to a challenged tax base, arising from company closures and retrenchments. This has further been compounded by the persistent liquidity challenges which have resulted in some companies accumulating PAYE arrears.
679. Furthermore, the policy decision to review the tax free threshold from US\$250 per month to US\$300 per month and also widen the tax bands had a negative impact on collections.
680. This is, notwithstanding, the anticipated recoupment of the revenue forgone from VAT through increased consumption.
681. There is, therefore, need for a concerted effort to rejuvenate economic activity through improved investment, both domestic and foreign.

### ***Value Added Tax***

682. Cumulative VAT collections in the first half of the year amounted to US\$428 million against a target of US\$512 million, resulting

in a negative variance of US\$83.9 million or 16.4% of projected revenue.

### *Informalisation of Business*

683. Performance of the VAT revenue head is reflective of the growing informalisation of business, including vending of smuggled items, and declining disposable incomes, all serving to undermine spending on taxable goods and services.
684. In this regard, Mr Speaker Sir, reversal of the growing trend towards increased informalisation of business activities is necessary.

### *Refunds*

685. Decline in VAT collections has been further exacerbated by significantly higher refunds of VAT during the first quarter of the year, which amounted to US\$92.8 million compared to US\$52 million in 2014.
686. The refunds were paid out to mining and manufacturing companies, which received US\$42.3 million or 45.6% and US\$17.2 million or 18.5% of the total VAT refunds, respectively.
687. The challenge is, therefore, to minimise VAT Refunds that could be arising from:

- Longer lists of zero rated goods and services;
- Exemptions extended in support of industry; and
- Exemptions related to projects deemed to be of national importance.

688. In addition, local authorities also received substantial refunds amounting to US\$13.1 million or 14.2% of the total VAT refunds, which related to VAT that accrued on municipal bills that had been written off by Government.

### ***Corporate Tax***

689. Corporate tax collections during the first half of the year amounted to US\$167.5 million against a target of US\$185 million, resulting in a negative variance of US\$17.5 million or 9.5%.

690. This revenue head continues to suffer from the persistent liquidity challenges which have dampened aggregate demand for goods and services. This has resulted in a general decline in prices, which has, however, not been complemented by an increase in consumption.

691. Consequently, corporate earnings and profitability have declined, to the detriment of Corporate Tax collections. In addition, the continued downsizing of some companies, coupled with the closure or the placement of others under judicial management, has undermined business profitability.

692. It is, therefore, imperative that we institute measures to address company viability. Already, the customs duty instrument has been deployed in an endeavour to ensure the survival and growth of local companies.

693. However, a lot still needs to be done to address challenges that have already been identified as impinging on company viability.

### ***Excise Duty***

694. Excise Duty collections amounted to US\$346.2 million against a target of US\$285 million, resulting in a positive variance of US\$61.2 million.

### ***Fuel***

695. Excise Duty benefited from the upward review of excise duty on petrol and diesel at the beginning of the year. Fuel accounted for US\$268.2 million or 77% of total excise collections, compared to US\$178.2 million or 74% of total excise collections for the comparable period in 2014.

696. Mr Speaker Sir, it is however imperative that review of excise duty rates on fuel take account of declining disposable incomes, as well as the impact on business sustainability.

### *Beer*

697. On the other hand, decline in sales volume of excisable lager beer, on account of fall in disposable incomes, is having a negative impact on excise duty collections.
698. Furthermore, this is also against the background of continued increase in imports of alcoholic beverages, notwithstanding the prevailing customs and excise duties.
699. Excise duty on beer, which accounted for 10% of excise collections during January-June 2015 declined by 16.3% to US\$33.4 million, from US\$39.9 million collected during the same period in 2014.

### *Other Excisable Products*

700. Other excisable products, that is telecommunications airtime, cigarettes, wines & spirits, and second hand motor vehicles accounted for 6.5%, 3.2%, 2.5% and 0.8% of total excise collections, respectively.

### ***Customs Duty***

701. Cumulative customs duty collections amounted to US\$160.7 million, against a target of US\$183 million, resulting in a negative variance of US\$22.3 million or 12.2% of projected revenues.

702. Porous ports of entry are also playing their part with regards to undermining measures put in place to curtail importation of goods in support of domestic industrial production.
703. Part of this is related to the growing informal sector business activity, hence, the efforts on re-organising and registering them in order to draw them into the tax net.

### ***Other Direct Taxes***

704. Other direct taxes comprising of domestic dividends and interest, vehicle carbon tax, capital gains and mining royalties recorded collections amounting to US\$102.2 million against a target of US\$141 million, resulting in a negative variance of US\$38.8 million or 27.5%.
705. Performance of other direct taxes was weighed down by the lower than anticipated collections from mineral royalties and capital gains tax.
706. Mineral royalty on gold was reviewed downwards to cushion against the falling price of gold.
707. Low global mineral prices continue to undermine royalty collections, whilst the persistent liquidity constraint has reduced activity in the property and equities' market to the detriment of capital gains tax.

### ***Non Tax Revenue***

708. Non tax revenue collections amounted to US\$71.8 million, against a target of US\$109 million, resulting in a negative variance of US\$37.1 million or 34.1%.
709. Non tax revenue was greatly weighed down by the poor performance of diamond dividends. This has been further compounded by a decline in diamond production.
710. Collections from diamond dividends amounted to US\$0.302 million against a target of US\$13 million. The mineral resource has not yielded the anticipated dividend revenues.

### **Expenditure Performance**

#### ***Overall Performance***

711. Mr Speaker Sir, expenditure developments for the first half of the year are broadly in line with the 2015 Budget expenditure profiles.
712. Overall Government expenditure for the first six months of 2015, inclusive of loan repayments, amounted to US\$2.07 billion.

### Overall Expenditures (US\$ m)

		Jan-Jun Expenditures
Employment Costs		1 544.4
Operations		190.4
Interest		30.3
Infrastructure Projects		27.8
Agriculture Support		84.1
ow: Payment of AMA Bills	58.6	
Grain Procurement	18.5	
Agricultural Inputs	6.9	
Other		11.3
<b>Total Expenditure &amp; Net Lending</b>		<b>1 889.4</b>
Loan Repayments		183.6
<b>Overall Expenditure</b>		<b>2 073.1</b>

Source: Ministry of Finance

### Capital Expenditures

713. Expenditures on the capital budget from tax revenue were US\$31.4 million during the first half of the year 2015.
714. This level of capital expenditure remains inadequate to address the infrastructural deficit identified in the Zimbabwe Agenda for Sustainable Socio-Economic Transformation to year 2018.
715. Mr Speaker Sir, we will need to increase the level of Budget capital expenditures if we are to fully take advantage of the support that we receive from development partners, including that through loan financing.

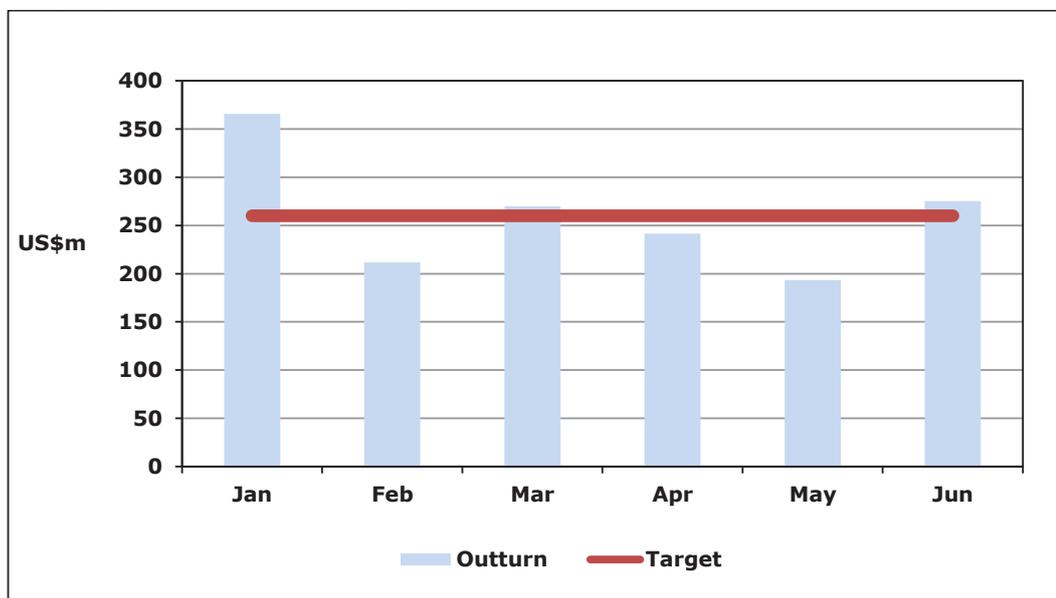
716. The 2015 Budget proposal to mobilise US\$987.6 million for infrastructure for the entire fiscal year, also takes account of contributions from statutory funds, parastatals' own resources, development partner support as well as loan financing.
717. Hence, the US\$31.4 million alluded to above has been complimented by financing from these other sources, allowing overall expenditures of US\$218.6 million towards infrastructure projects for the period to June 2015.

### ***Employment Costs***

718. The overall outlay incurred on employment costs in the first half of 2015 was US\$1.54 billion, reflecting, on one hand, the benefits of a *Static Pay Structure* and on the other hand, deferred commitments.
719. A *Static Pay Structure*, since January 2014, has maintained Government's employment costs obligations at levels of around US\$120 million per month.
720. However, in the first half of 2015, the National Budget incurred expenditure amounting to around US\$158.4 million in support of the 2014 13<sup>th</sup> *Cheque* payments, as well as salary based employee payments to service providers.

721. Budgetary cash flow challenges experienced over the first half of the year have militated against the timely payment of some of our employment cost obligations in line with targeted payment dates.
722. In this regard, the outturn of US\$1.54 billion does not embrace expenditure commitments of around US\$181.6 million, which remained outstanding at the end of June 2015.

### Employment Cost Developments



Source: Ministry of Finance

723. Imputing some of the arrear expenditure obligations on employment costs would raise this to US\$1.73 billion, implying that expenditures on employment costs account for 83.4% of the Budgeted expenditures.

### *Wage Bill Rationalisation*

724. Mr Speaker Sir, Government is concerned with the level of resources from the National Budget that employment costs

continue to absorb, at the expense of developmental expenditures and expenditures in support of Government operations and public service delivery.

725. Cabinet recognises that this is clearly unsustainable, and undermines the tenets of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation to year 2018.

726. Hence, Cabinet has given a directive to the Minister responsible for the Public Service, in conjunction with the Minister responsible for Finance, to urgently propose remedial measures to gradually bring down the share of the wage bill in the Budget from over 75% to under 40%.

727. Accordingly, as the responsible Ministers, we have undertaken an extensive exercise engaging the various line Ministries, benefitting from the technical support and coordination of the Public Service Commission, the Judicial Services Commission and the Health Services Board.

728. The exercise was to identify all the areas with scope for savings, removal of duplications and overlaps, as well as streamlining roles and functions, among others.

729. Departments and institutions with potential capacity of generating own resources have also been engaged.

730. Mr Speaker Sir, significant progress over the exercise to develop measures to rationalise the wage bill has been made, with the Public Service Commission having also completed the physical head count for all civil servants as part of the staff audit.
731. Cabinet will be considering the full package of necessary proposals in the next couple of weeks.
732. Mr Speaker Sir, the above interventions to manage the wage bill are meant to create the fiscal space necessary to anchor medium to long term growth for a sustainable platform for improved remuneration.

*Medical Aid Contributions*

733. Mr Speaker Sir, contributions to the Premier Service Medical Aid Society (PSMAS) are part of employment costs, for which US\$61.65 million was disbursed during the first half of 2015.
734. Hence, notwithstanding fiscal constraints facing the Budget, Government has made efforts to improve remittances of both employer and employee contributions to PSMAS in order to arrest accumulation of arrears.
735. In this regard, arrears have been reduced to US\$10 million with regards to employer contributions and US\$10.5 million with regards to employee contributions as at end June 2015.

736. This should improve the capacity of the Society to meet its obligations to service providers and, hence, improve accessibility of services by PSMAS members.
737. Mr Speaker Sir, I must raise concern with regards to continued reports of lavish remuneration by the senior management at PSMAS and the Premier Service Medical Investments (PSMI).
738. Treasury has called for corrective measures in line with the Remuneration Framework for Parastatals approved by Cabinet.
739. I am advised that both Boards of PSMAS and PSMI are live to these concerns, with the PSMI Board at its meeting of 28 July 2015 rationalising the remuneration structure for PSMI in line with the Cabinet approved Remuneration Framework for state owned entities.
740. The PSMAS Board already requires that its management operates within the parameters of the Cabinet approved rationalised Remuneration Framework.
741. Mr Speaker Sir, the necessary audits to verify this are being instituted.

*Pension Contributions*

742. Mr Speaker Sir, our existing 'Pay-As-You-Go' pension arrangement entails the use of pension contributions from employees to meet

benefits of those who would have retired, withdrawn from service or died.

743. Underpinning this pension arrangement are provisions under the Public Service (Pensions) Regulations, 1992 which provide that serving public service members shall contribute at the rate of 7.5% of their pensionable emoluments.
744. Notwithstanding the above provisions, Government, in February 2009, took a conscious decision to forego receiving this revenue from employees on the back of the then limited employee benefits.
745. Mr Speaker Sir, the progressive review of remuneration levels across the Public Service, since 2009, warrants the re-introduction of employee pension contributions.
746. The proposed re-introduction of employee pension contributions will constitute the initial tentative steps towards adopting a funded Public Service Pension Scheme, which entails that both Government and employees jointly contribute towards the funding of Members' future pensionable benefits.
747. Mr Speaker Sir, I will be announcing the implementation modalities as part of the 2016 Budget.

## ***Operations and Maintenance***

748. Mr Speaker Sir, support to operations and maintenance for the first half of the year amounted to US\$190.4 million.
749. Included in this amount is US\$20.5 million which supported payments to service providers, preventing accumulation of arrears.
750. Targeted support to the social sectors, education, social protection and health, amounted to US\$22 million, enabling attainment of *Quantitative Targets* under our Staff Monitored Programme with the IMF to end of June 2015.
751. Government support towards the social sectors was complimented by development partners' support, amounting to US\$174.1 million.
752. This, Mr Speaker Sir, was disbursed under various facilities as reflected in the Table below.

**Development Partners' Social Sector Contributions: January-June 2015**

Facility	Programme	Amount Allocated US\$	Disbursements US\$
Global Fund	Malaria control programme	15 680 000	12 960 000
	Tuberculosis control and treatment programme	15 680 000	9 520 000
	Provision of Anti-retroviral, HIV/AIDS voluntary counselling and testing	90 000 000	75 500 000
	Public Financial Management System rollout programme	2 000 000	420 250

Facility	Programme	Amount Allocated US\$	Disbursements US\$
<b>Subtotal</b>		123 360 000	98 400 250
Health Development Fund	Provision of maternal and child health care services, post-natal new borns an mothers and national health survey	31 700 000	29 100 000
Education Development Fund	Procurement teaching and learning materials	45 100 000	30 200 000
Child Protection Fund	Support towards orphans and the vulnerable children	26 500 000	16 400 000
<b>Subtotal</b>		103 300 000	75 700 000
<b>Grand Total</b>		226 660 000	174 100 250

Source: Ministry of Finance

753. The amount disbursed represents 77% of the total amount committed.

754. Details of the disbursements are as follows:

### ***Global Fund***

755. Resources amounting to US\$98.4 million were disbursed under the Global Fund, against an allocation of US\$123.4 million, representing 79.8% of the total allocation.

756. The disbursements were mainly directed towards the following:

- Procurement of medicines, health and non-health products valued at US\$12.9 million for treatment and control of malaria.
- Procurement of health products and equipment, provision of

infrastructure, services and training of health staff valued at US\$9.5 million for prevention and treatment of Tuberculosis.

- Provision of anti-retroviral drugs, as well as voluntary counselling and testing under the HIV/AIDS grant valued at US\$75.5 million.
- Procurement of PFMS IT equipment, configuration of the PFMS Grant Management Module and training for the Grant Management Module valued at US\$420 250 for rolling out the PFMS to provincial health service level.

### ***Health Development Fund***

757. Development partners availed US\$29.1 million towards the National Health Strategy, resulting in an increase in access to maternal and child health services, as well as improvement in post-natal care for newborns and mothers.

### ***Education Development Fund***

758. Furthermore, development partners disbursed US\$30.2 million towards procurement of teaching and learning materials, against a total allocation of US\$45.1 million, representing 67% of the total support.
759. The intervention complimented Government's effort to improve the quality of education at both primary and secondary school levels.

760. Since its launch in 2009, the Education Development Fund has significantly contributed to the increase in the school attendance ratio, from 44.8% to 57.5%, as well as increase in school readiness, from 75% to 86.2%, among others.

### ***Child Protection Fund***

761. Some US\$16.4 million was disbursed towards the Child Protection Fund during the period under review, against a projection of US\$26.4 million in 2015.

## **XIII. PROGRESS IN PROJECT IMPLEMENTATION**

### ***Water & Sanitation***

762. Support towards the water and sanitation sector amounted to US\$61.5 million, with the bulk of the resources having been mobilised from development partners, US\$55.2 million.

763. Contributors to this include US\$40 million through UNICEF, US\$10 million from other bilateral partners, and US\$5.2 million through Zim Fund. Details of utilisation are contained in the subsequent sections.

764. Mr Speaker Sir, the Budget contribution towards water and sanitation interventions amounted to US\$6.3 million, with US\$1.8 million going to dam construction projects.

765. Critical in ensuring sustainability of water and sanitation services over the long term is the need for our local authorities to improve their balance sheets, recovering costs through correct, as well as timely billing, and collection of water charges from residents.

*Beitbridge Water Supply*

766. Mr Speaker Sir, from the US\$6.3 million I disbursed US\$1.2 million towards outstanding certificates for work done on the Beitbridge Water Supply Upgrading project.

767. Furthermore, Treasury has, in July, availed an additional US\$0.5 million to enable the contractor to complete the outstanding works related to installation of filter bed materials, raw water pumps, fire-fighting system, flow meters and perimeter security lighting.

768. Works on the project are now anticipated to be completed by end of September 2015, thereby enabling the town to benefit from increased output of raw water.

769. Upon completion, the town will benefit from increased water supply pumping capacity from the current 450 cubic metres per hour to 4 000 cubic metres per hour, which should be sufficient to meet residents' water requirements.

### *Other Water Supply Schemes & Sanitation*

770. Mr Speaker Sir, out of the US\$6.3 million Budget support for the water sector, ZINWA water supply schemes and local authorities water and sanitation projects benefitted as shown below:

#### **Water and Sanitation Projects (US\$)**

<b>Agency</b>	<b>Disbursements</b>
Local Authority Water & Sanitation Projects	
Hwange Local Board	280 000
Chipinge Town Council	200 000
Bikita Rural District Council	240 000
Gwanda Municipality	160 000
Chinhoyi Municipality	160 000
Sub-total	1 040 000
<b>ZINWA Water Supply Schemes</b>	
Lupane	720 000
Mtshabezi	470 000
Wenimbi	250 000
Victoria Falls	150 000
Sub-total	1 590 000
<b>Total</b>	<b>2 630 000</b>

*Source: Ministry of Finance*

### *Harare City Water and Sewer Upgrading*

771. Mr Speaker Sir, since June 2013, a total of US\$69.2 million has been spent on the Harare City Water and Sewer Upgrading project out of the total loan amount of US\$140.2 million.
772. Resources amounting to US\$32.6 million, have been channelled towards upgrading works at Morton Jaffray Water Works.
773. This, Mr Speaker Sir, has seen:

- Construction of an additional compressor room;
- Rehabilitation of 3 clarifiers;
- Rehabilitation of 12 filters; and
- Rehabilitation of 33 chemical dosing facilities and pumps.

774. In addition, utility trucks and spares have been received, whilst designs and specifications for major works have been finalised.

775. The above works have seen water production increasing from 330 million litres per day to 450 million litres.

#### *Water Supply and Sanitation Rehabilitation*

776. Mr Speaker Sir, I am pleased to report completion in May 2015 of implementation of the Zim-Fund Phase I *Urgent Water Supply and Sanitation Rehabilitation Project* in the six urban centres of:

- Harare;
- Chitungwiza;
- Masvingo;
- Mutare;
- Chegutu; and
- Kwekwe.

777. Implementation of Zim-Fund Phase I in the above urban centres was at a total cost of US\$40.6 million, of which US\$5.2 million was utilised during the period January-June 2015.

778. Following the completion of Zim-Fund Phase I, the Mutare Water Supply and Sanitation Rehabilitation works were commissioned on 26 February 2015. This, Mr Speaker Sir, will benefit a population of 186 246 people.
779. The Masvingo Water Supply and Sanitation Rehabilitation works were also commissioned, on 24 April 2015, targeting a population of 86 748 people.
780. The completion of Morton Jaffray water works, as well as installation of a dedicated power line to the water treatment plant, is expected to benefit approximately 1 472 373 people in and around Harare.
781. Mr Speaker Sir, Phase II of the Zim-Fund project costing US\$36 million will also focus on improvement to water and sewerage network performance, targeting Harare, Chitungwiza, Ruwa and Redcliff as indicated in the Table.

**Zim Fund Phase II: Water & Sanitation Project**

City	Allocation (US\$ m)	Works
Harare City Council	22.2	Rehabilitation of water and Sewage Reticulation Networks Sludge removal in sewage ponds Project and Contract Management Water meters Technical Assistance Audit Services

City	Allocation (US\$ m)	Works
Chitungwiza-Municipality	4.6	Rehabilitation of water and Sewage Reticulation Network-Project and Contract Management, Technical Assistance, Audit Services  Water meters  Technical Assistance  Audit Services Water meters
Ruwa Town Council	3.8	Rehabilitation of water and Sewage Reticulation Networks  Project and Contract Management  Sewer cleaning equipment and vehicle  Technical Assistance  Audit Services Water meters
Redcliff Municipality	5.4	Rehabilitation of water and Sewage Reticulation Networks  Project and Contract Management  Sewer cleaning equipment  Vehicles and meters  Technical Assistance  Audit Services
<b>Total</b>	<b>36</b>	

Source: Ministry of Finance, ADB

### *Water, Sanitation and Hygiene*

782. Mr Speaker Sir, during the period to June 2015, a total of US\$50 million was also availed by development partners for water, sanitation and hygiene.
783. Of this, US\$40 million was contributions through UNICEF by Australia, Denmark, the European Union, Germany, Norway, Sweden and the United Kingdom's DFID.

784. Other partners, comprising Japan, China and The Netherlands contributed the balance of US\$10 million outside of the UNICEF arrangement.
785. This support was channelled for the construction of latrines, rehabilitation of urban water and sewer systems, rehabilitation of boreholes, development of rural water schemes and rehabilitation of non-functional water points.

### ***Health Services***

786. Mr Speaker Sir, the focus of the 2015 Budget capital project interventions in the health sector is to establish suitable and appropriate facilities that support cost effective health care delivery.
787. Major projects being implemented during the first half of the 2015 fiscal year include:

### ***Medical Equipment and Supplies***

788. Under the US\$100 million *Medical Equipment and Supplies Facility*, equipment worth US\$30.1 million has already been received and distributed to:
- 5 central hospitals;
  - 7 provincial hospitals;

- 44 district hospitals;
- 30 mission hospitals;
- 3 rural health centres; and
- 2 urban poly-clinics.

789. The detailed breakdown of beneficiary institutions is contained in Table 9 of the Annexure.

790. The next consignment is anticipated to be received in the second half of the year and will include:

- 210 table top sterilisers;
- 24 Digital X-ray machines;
- 6 Computerised Tomography scanners;
- 3 Magnetic Resonance Imaging scanners; and
- 14 Dialysis machines.

791. The equipment provides scope for cost-effective treatment and sound guidance on treatment options for patients.

792. Mr Speaker Sir, specialised equipment such as autoclave machines, Digital X-ray machines, CT scans, MRI scans and dialysis machines, require room preparation.

793. It is, therefore, critical that the room preparatory works being undertaken by the Ministry of Health and Child Care, and that

responsible for Local Government, Public Works and National Housing are expeditiously implemented in order for citizens to benefit from this investment.

### *Rehabilitation Works*

794. Mr Speaker Sir, a total of US\$4.5 million was spent during the first half of the year on various health institutions rehabilitation works across the country.

795. The Table below shows the breakdown of the institutions that benefited under this.

#### **Health Institutions Rehabilitation**

Institution	Targeted works	Amount US\$
Parienyatwa Group of Hospitals	Refurbishment of accident and emergency department, psychiatric unit, upgrading of theatres, air conditioning and procurement of generator	1 100 000
Mission Hospitals	Rehabilitation and upgrading of infrastructure at 8 mission hospitals	453 200
Chitungwiza Hospital	Construction of doctors flats and laundry extension	235 000
Mpilo Hospital	Upgrading of radiotherapy centre and rehabilitation of infrastructure	400 000
Harare Central Hospital	Upgrading of water reticulation and infrastructure	283 709
United Bulawayo Hospital	Rehabilitation and upgrading of infrastructure	105 000
Ingutsheni Hospital	Rehabilitation and upgrading of infrastructure	350 000
Provincial and District Hospitals	Rehabilitation and upgrading of infrastructure	501 801
Matutu Rural Health Centre	Completion of staff houses and plumbing works	50 000

Institution	Targeted works	Amount US\$
Siabuwa Rural Health Centre	Construction of staff houses	50 000
Chibila Rural Health Centre	Construction of main building	50 000
<b>Total</b>		<b>3 578 710</b>

Source: Ministry of Finance and Economic Development

### *Proposed Harare District Hospitals*

796. Mr Speaker Sir, to relieve pressure on Harare's two central hospitals, Government is working towards the development of two District Hospitals for the city.
797. In this regard, in July 2014 the Kuwait Fund for Arab Economic Development approved a Technical Assistance Grant to Government amounting to KD300 000 or US\$1 million.
798. The Grant is earmarked for financing technical, feasibility study, and a detailed design for the construction of two District Hospitals in Harare.
799. I am pleased to advise that Government and the Kuwait Fund signed the Grant Agreement Framework on 17 March 2015, making the grant effective.
800. Government is now in the process of identifying local and Kuwaiti Consultant firms who will carry out the feasibility studies.

801. Completion of the feasibility study will facilitate the construction of the two District Hospitals, for which the Kuwait Fund has expressed willingness to provide financing.

### ***Education Services***

802. Mr Speaker Sir, Zim Asset also prioritises investment towards supporting education delivery and effectiveness of our education systems.

803. In this regard, a total of US\$5 million of fiscal revenues was disbursed towards on-going construction works in the education sector during the first half of the year.

### ***Schools Rehabilitation and Upgrading***

804. Of this, US\$1.7 million went towards the rehabilitation and upgrading of 16 primary and secondary schools countrywide as shown in the Table below.

#### **Rehabilitated and Upgraded Schools**

<b>Name of School</b>	<b>Location</b>	<b>Disbursement</b>
Mbizi High	Harare	168 000
Chikanga Primary	Mutare	90 000
Binga Secondary	Binga	120 000
Bulu Secondary	Mangwe	90 000
Takunda Primary	Gweru	40 000
Chiwariidzo Secondary	Bindura	160 000
Pumula 2 Secondary	Bulawayo	130 000
Budiriro 6 Primary	Harare	80 000
Demeni Primary	Chimanimani	130 000

Name of School	Location	Disbursement
Chiburi Primary	Mt Darwin	100 000
Kotwa Primary	Mudzi	90 000
Rimuka Primary	Kadoma	65 000
Mapanzure Secondary	Masvingo	65 000
Hwange 2 Secondary	Hwange	120 000
Mpalawani Primary	Insiza	100 000
Mbizo 3 High	Kwekwe	120 000
<b>Total</b>		<b>1 668 000</b>

Source: Ministry of Finance

### *Construction of Schools*

805. Mr Speaker Sir, Government is also working towards development of schools in some of the new resettlement farming areas where there is much hot sitting and reliance on temporary school shelters.

806. In this regard, the 12 primary and 5 secondary schools to be constructed are the following:

#### **Targeted Schools**

Province	District	Type of School	Name of School	Targeted Enrolment
Manicaland	Makoni	Primary	Lawrencedale	600
	Chipinge	Secondary	Sterksrooms	650
Mashonaland Central	Guruve	Primary	Tengenenge	650
	Bindura	Primary	Claverhill	650
	Mazowe	Secondary	Belgonie	600
Mashonaland East	Chikomba	Primary	Good Hope	650
Mashonaland West	Makonde	Primary	Sadoma Extension	600
		Primary	Chiname	600
	Hurungwe	Primary	Tavoy	650
		Secondary	Dzimbabwe	550
Masvingo	Chiredzi	Primary	Kushinga	600
	Mwenezi	Secondary	Nyoni	550

Province	District	Type of School	Name of School	Targeted Enrolment
Mataberland South	Mangwe	Primary	Hlanganani	500
Matabeleland North	Binga	Primary	Kokoloza	550
	Hwange	Primary	Jabulani	600
Midlands	Gokwe North	Primary	Ngazama	650
	Mberengwa	Secondary	Neta	550
Total				10200

Source: Ministry of Primary and Secondary Education

807. I am pleased to report the support of the OPEC Fund for International Development which is ready to co-finance US\$20 million, with Government contributing US\$2 million.

808. Mr Speaker Sir, this funding will go a long way in addressing the infrastructure gap in the education sector.

*Lupane State University*

809. Mr Speaker Sir, total disbursements to June 2015 to the construction of Lupane State University amounted to US\$1.6 million.

810. This covered payment of outstanding certificates on the Faculty of Agriculture Building, US\$0.4 million; staff accommodation, US\$0.4 million; and the two students' halls of residence, US\$0.8 million.

811. The Faculty of Agriculture Building has since been completed and most of the furniture and laboratory equipment procured and installed.

812. With regards to the two student residences, one unit is almost complete, save for iron-mongery, student beds and built-in cupboards, as well as equipment and furniture for the kitchen and dining hall. The other student residence is now at roof level.
813. The two three storey blocks for staff accommodation are both at first floor slab level.
814. Treasury disbursed US\$0.5 million in July in order to speed up implementation of the student halls of residences and staff accommodation projects.
815. The one student hostel is now expected to be complete by year end, thereby, facilitating the relocation of the Faculty of Agriculture from Bulawayo to Lupane, which should reduce rental costs currently being incurred by the University.

### ***Energy***

816. Mr Speaker Sir, Zim Asset identifies energy supply as a key enabler for the successful implementation of various projects and programmes.
817. The value of project implementation in the energy sector during the first half of the year amounted to US\$49.9 million, benefitting from:

- Own resources, US\$23 million;
- Loan financing, US\$22 million; and
- Development Partners, US\$4.9 million.

818. Power sector projects during the first half of the year were as follows:

*Kariba South Extension*

819. Mr Speaker Sir, the Kariba South Hydro Power Station extension project remains on course for completion in 2018.

820. As at 30 June 2015, an amount of US\$22 million had been disbursed, bringing the total disbursements to date to US\$101.8 million.

821. The Zimbabwe Power Company has also contributed US\$14.4 million this year towards the project, bringing the total contribution by the parastatal to US\$50.9 million.

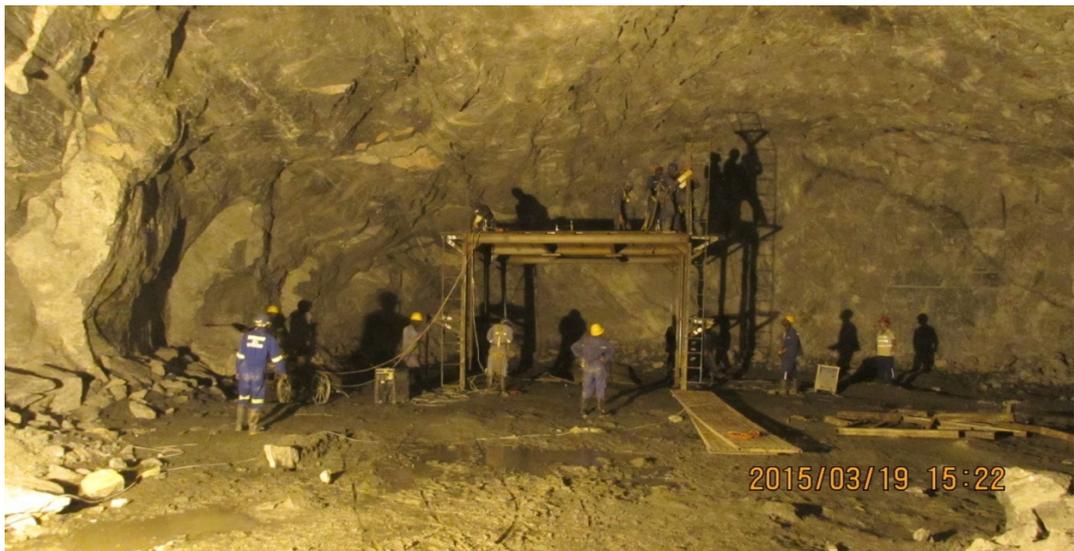
822. Excavations on Adits 1 to 4, as well as the power house pilot tunnel, coupled with construction of the upstream coffer dam have been completed.

823. Works in progress include construction of access roads, excavations on Adits 5 and 6, power house and intake area,

manufacture of hydro-mechanical equipment and units 7 and 8 turbine and generator components.



*Adit 6 Excavation works*



*Power House Excavations*

824. The project is expected to be completed by March 2018, adding an additional much needed 300 MW to the national grid.

#### *Kariba Dam Rehabilitation*

825. Mr Speaker Sir, as I speak, the process of implementing the rehabilitation of Kariba Dam has begun.

826. This started with the signing of the Kariba Rehabilitation Grant Agreement on 20 February 2015 on the Kariba Dam wall.
827. As Honourable Members will be aware, the rehabilitation of the Kariba Dam is under the auspices of a Multinational Kariba Dam Rehabilitation Project funded by the African Development (AfDB) (US\$75 million), World Bank (US\$75 million), European Development Fund (US\$100 million) and Sweden (US\$25 million) to the tune of US\$295 million through a combination of grants and loans to the Governments of Zambia and Zimbabwe.
828. As our contribution, Zimbabwe was awarded a grant of US\$35.6 million by the AfDB. In addition, Government has set aside US\$1.8 million as co-financing in line with the agreement.
829. Consistent with the conditions precedent under the financing agreement, work on the Environmental and Social Impact Assessment is now underway with the consultants having submitted the draft report for review by stakeholders.
830. Furthermore, procurement of consultants such as the Panel of Experts, Technical Services and Supervision consultancy and dam break analysis is now underway.
831. Conclusion of the above will enable critical works on the plunge pool reshaping, emergency gate, new gantry and associated civil works to commence.

## *Rural Electrification Programme*

832. The Rural Electrification Agency (REA) disbursed US\$6.9 million for the rural electrification programme during the period under review.
833. At least 183 establishments were electrified, comprising 112 primary and secondary schools, 23 rural health centres, Government Extension Services, Chiefs homesteads, business centres, farms and villages. Work is still in progress at 199 establishments.
834. REA also managed to commission Solar Mini Grid systems at five institutions, whilst works are in progress at four establishments.
835. The Table below shows the Provincial statistical summary of beneficiaries from the Grid Extension Programme.

### **Grid Extension Programme**

Province	Prim School	Sec School	RHC	Govt	Chief	Bus. Centre	Farm	Village	Other	Total
				Ext						
Manicaland	18	7	5	3	0	0	2	2	3	<b>40</b>
Mash Central	6	2	3	0	0	0	0	0	1	<b>12</b>
Mash East	13	7	4	4	0	0	4	2	1	<b>35</b>
Mash West	10	3	3	4	0	0	4	1	2	<b>27</b>
Masvingo	5	4	2	0	0	1	0	3	2	<b>17</b>
Mat North	8	3	2	3	0	0	0	0	1	<b>17</b>
Mat South	15	1	0	0	0	0	0	1	1	<b>18</b>
Midlands	8	2	4	0	1	0	1	1	0	<b>17</b>
<b>Total</b>	<b>83</b>	<b>29</b>	<b>23</b>	<b>14</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>183</b>

Source: REA

### *Transmission and Distribution Projects*

836. Mr Speaker Sir, the Zim-Fund Phase I Emergency Power Rehabilitation Project was successfully completed during the first half of the year.

837. Sub-projects targeted under Phase I are:

- Hwange Ash Plant rehabilitation;
- Sub-Transmission System reinforcement; and
- Distribution System reinforcement.

838. To date, a total of US\$32.7 million has been spent on Phase I, with US\$4.9 million of this spent on project implementation during January to June 2015.

839. Utilisation of the entire US\$32.7 million was on the following works:

#### **Phase I Projects**

<b>Project</b>	<b>Project Description</b>	<b>Project Cost (US\$)</b>
Sub-transmission System Reinforcement	Installation of 7 <sup>1</sup> power transformers and replacements of 16 circuit breakers,	8 570 000
Distribution System Reinforcement	Supply and installation of 507 distribution transformers, laying of 17 km underground cables in Harare and Bulawayo and erection of 343 km of overhead distribution lines	13 560 000
Hwange Ash Plant Rehabilitation	Replacement and Refurbishment of pumps, motors, 4 discharge lines and transformer cables	10 600 000
<b>Total Cost</b>		<b>32 730 000</b>

*Source: AfDB, Ministry of Finance*

<sup>1</sup> Mazowe, Norton, Mpopoma, Pomona, Criterion, Atlanta and Stamford

840. The rehabilitation of Hwange Ash Plant will result in improved generation efficiency of the power plant, which will ultimately benefit 1 345 967 households country-wide, through consistent and reliable power supply.
841. The Zimbabwe Electricity Distribution Company also contributed US\$1.7 million towards the rehabilitation of the transmission and distribution network.
842. Phase II power project interventions costing US\$32.8 million will target rehabilitation of transmission and sub-transmission level network facilities, and additional environmental interventions at Hwange Power Station.
843. The breakdown of Zim-Fund Phase II power project is reflected in the Table.

**Zim Fund Phase II: Power Project**

Project	Allocation (US\$m)	Works
Hwange Stage I	1.3	<ul style="list-style-type: none"> <li>Supply of mobile equipment (extractors) for the ash dam</li> </ul>
Hwange Stage II	7.3	<ul style="list-style-type: none"> <li>Coal dust suppression, ash dust suppression, dirty drains treatment and vacuum cleaning system</li> </ul>
Transmission Stage I	9.2	<ul style="list-style-type: none"> <li>Installation of power transformers at Marvel (Bulawayo) and Chertsey (Gweru) sub-stations.</li> </ul>
Transmission Stage II	7.9	<ul style="list-style-type: none"> <li>Installation of power transformers at Sherwood and Orange Groove substations</li> </ul>

Project	Allocation (US\$m)	Works
Distribution Reinforcement System	3.3	<ul style="list-style-type: none"> <li>• Upgrade of Prince Edward Dam substation</li> <li>• Construction of Airport Road – Prince Edward Dam substation 33 kV line</li> <li>• Installation of communication equipment for Firle and Crowborough sub-stations</li> </ul>
Power Sector Investment Plan	1.1	<ul style="list-style-type: none"> <li>• Finance the preparation of power sector investment plan</li> </ul>
Project Design	2.7	<ul style="list-style-type: none"> <li>• Design of the Project, procurement, supervision and auditing</li> </ul>
Total	32.8	

Source: AfDB

### ***Transport***

844. Mr Speaker Sir, project implementation in the transport sector during the first half of the year benefited from disbursements towards the sector, amounting to US\$51.5 million.

845. In line with the 2015 Budget framework, resource mobilisation in support of transport sector projects was broken down as follows:

- Own funding, US\$23 million; and
- Loan financing, US\$28.5 million.

### ***Road Projects***

846. Mr Speaker Sir, I am pleased to report that Phase I works on the dualisation of the Airport Road project implemented through ZINARA retentions have been completed, and 5 km of this project, including two roundabouts and 6 km of service roads is now open to traffic.

847. The Department of Roads was also able to complete construction works on the Save Bridge, as well as on 33 km of the Hwedza-Sadza road, and the completed works were commissioned in March 2015.



*Save Bridge and Roadworks which were commissioned by Vice President Phekezela Mphoko on 25 March 2015*

848. Mr Speaker Sir, I am also pleased to report that Treasury was also able to disburse in July 2015 US\$6.4 million towards the following road projects:

*Harare-Goromonzi Dualisation*

849. The US\$1.7 million availed towards the Harare-Goromonzi road dualisation will allow the Department of Roads to complete the remaining road works around the Ruwa service centre and the Goromonzi turn-off.

850. The road works are expected to be complete by September 2015, thereby, facilitating movement of traffic on the completed sections.

851. Mr Speaker Sir, outstanding works on this road will be the *Road-over-Rail Bridge* near the Mabvuku-Tafara turn-off which will require US\$3.1 million, including for the bridge approaches.

852. Given the anticipated onset of the rainy season from November 2015, the outstanding works, which entail excavations and bridge construction, can only be undertaken in 2016.

*Little Sebakwe Bridge Approaches*

853. Mr Speaker Sir, the US\$1 million availed for the Little Sebakwe bridge on the Chivhu-Murambinda-Nyazura highway will allow the construction of bridge approaches.

854. Currently, motorists are not able to use this bridge which, though completed in September 2012, remains an island.

855. The works on the Little Sebakwe bridge approaches are expected to be complete by September 2015.

*Musavezi Bridge Approaches*

856. Mr Speaker Sir, the US\$0.9 million for the Musavezi bridge will support reconstruction of bridge approaches.

857. Honourable Members will be aware that the bridge approaches to the Musavezi bridge on the Shurugwi-Mhandamabwe-Chivi highway was washed away by rains in February 2014, with the wash away of a ZUPCO bus leading to loss of four lives.
858. This development has meant that traffic towards Masvingo or Beitbridge from Gweru has to go through Zvishavane, adding an extra 70 km to journeys.

*ZINARA Road Fund*

859. Mr Speaker Sir, cumulative revenue collections by ZINARA amounted to US\$75.1 million, broken down as follows:

**ZINARA Collections (US\$)**

Revenue	Collection
Abnormal Load Fees	352 025
Fuel Levy	21 908 486
Overload Fees	679 730
Transit Fees	8 534 691
Toll Fees	15 386 345
Vehicle Licence Fees	28 274 690
<b>Total</b>	<b>75 135 967</b>

*Source: ZINARA*

860. Disbursements by ZINARA during the first half of the year amounted to US\$54.4 million. Details of this is reflected below:

**ZINARA Disbursements (US\$)**

Revenue	Collection
Rural District Councils	4 727 470
Urban Councils	2 856 271
Department of Roads	3 000 000
District Development Fund	1 500 000

Revenue	Collection
Plumtree–Forbes DBSA Facility Repayment	35 955 700
Harare Airport Road	6 391 495
<b>Total</b>	<b>54 430 936</b>

Source: ZINARA

861. Of concern however, Mr Speaker Sir, is the ZINARA Road Fund expenditure of US\$20.7 million or 27.4% of total collections on costs of revenue generation, US\$11.3 million; and US\$9.4 million on staff and operation costs.
862. Staff costs for the first half of the year account for 12.6% of collections, which points towards violation of the Statutes constituting the Fund.
863. The Act establishing the Zimbabwe National Road Administration and the Road Fund requires in Section 15 (d) on *The Application of Road Fund* that “Subject to this Act, the Road Fund shall be applied to:- meeting any salaries, allowances and other expenses of the Road Administration:- Provided that expenditure for this purpose shall not exceed 2.5% of the revenue of the Road Fund in any financial year”.

#### *Funding of Road Authorities*

864. Mr Speaker Sir, as indicated above, through the ZINARA Road Fund, US\$12.1 million was disbursed to road authorities for road rehabilitation and maintenance for the period January-June 2015.

865. The distribution of the resources is indicated in the Table below:

**Support to Road Authorities**

Road Authority	2015 Allocation (US\$)	Jan-June Disbursement (US\$)
Rural District Councils	20 000 000	4 727 470
Urban Councils	10 000 000	2 856 271
Department of Roads	12 000 000	3 000 000
District Development Fund	6 000 000	1 500 000
<b>Total</b>	<b>48 000 000</b>	<b>12 083 741</b>

Source: ZINARA

866. Mr Speaker Sir, I am pleased to acknowledge efforts by such local authorities as that of Bulawayo to rehabilitate city road arteries, from the modest level of resources availed.

*Victoria Falls Airport Upgrading*

867. Mr Speaker Sir, cumulative drawdowns on the US\$150 million loan facility amount to US\$102.3 million, of which US\$28.5 million was drawn down during the first half of this year.

868. The works on the 4 km *Runway* are now 89% complete, with *Asphalt Base Surfacing* and *Concrete Pavements* on the *Approach* having been completed.

869. *Taxiway* links connecting the new *Runway* to the existing runway have been constructed up to the 50 metres recommended lengths, and awaits the completion of the electricals installation of the new runway.

870. The *Terminal* building is now 81% complete, with the roof slab and beams having been completed. Curtain walling, plastering, ceiling, air conditioning, sprinkler, plumbing electrical works and roof structures are currently on-going.
871. With regards to the *Fire Station*, progress is at 22% completion, with the ground floor slab having been completed.
872. Construction of the sewer ponds has been completed, including laying of sewer pipes at the staff houses. Current works include installation of sewerage pump stations, which is currently at 75% completion.
873. The ground water reservoir has been completed, while works at the water tower are currently on-going.
874. With regards to the *New Control Tower*, the super structure has been completed up to roof level on the ATC building, which is now 82% complete, with all concrete, brick works and plastering completed.
875. *Navigational* equipment and *Instrument Landing System* has been procured, while inserts for the *Aviation Ground Lighting* have been installed for testing. Conduits and ducts have already been installed on the new runway.

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

876. Mr Speaker Sir, Zim Asset recognises the constraints on the Budget to mobilise adequate fiscal resources to finance the country's infrastructure needs, hence, the need for joint venture partnerships.
877. In this regard, it is critical that we leverage private sector finance and bankable project preparation capacity towards supporting infrastructure through joint venture arrangements.
878. The Joint Venture Bill, already before this August House, will be a critical first step in creating the legal framework for private sector participation in the implementation of public infrastructure projects.
879. This should, however, be complemented by institutional reforms and incentives to improve bankability of projects.

### ***Bankable Projects***

880. Mr Speaker Sir, a large number of projects in our Zim Asset Strategic Plan do not have feasibility studies, and hence, provide very little information for Government and potential private sector investors to make sound investment decisions.

881. In this regard, besides the Budget, Government is in discussion with development partners to mobilise resources towards development of projects to bankability.
882. Mr Speaker Sir, Government is capacitating the Treasury *Infrastructure Projects Unit* to develop internal capacity to strengthen and deepen appreciation of projects bankability.

***Public Amenities***

883. Implementation of targeted works towards completion of some of our public amenities projects during January-June 2015 utilised a total of US\$9 million, with development partners contributing US\$2.5 million towards this.
884. The support from the Budget was mainly channelled towards upgrading of infrastructure for the Zimbabwe Revenue Authority and completion of the Central Registry building.
885. Finalisation of works underway at the Central Registry is scheduled for completion before the end of the year.
886. Development partner support by the Royal Danish Government is supporting the construction and rehabilitation of 13 court houses this year at a cost of US\$11.5 million.

887. To date, US\$7.8 million has been disbursed, of which US\$2.5 million relates to 2015.
888. This support was channelled towards construction of total of 12 court houses in Beitbridge, Chivi, Rutenga, Binga, Nkayi, Victoria Falls, Mvuma, Shurugwi, Zvishavane, Bindura, Goromonzi and Murambinda.
889. The courts are now at an advanced stage of completion and should be completed by the end of the year.
890. The outstanding court house from the planned 13, together with the remaining 17 court houses are under bidding process.
891. Mr Speaker Sir, allow me to applaud the commendable efforts of the Royal Danish Government which will go a long way towards reducing congestion and backlog at our courts of law.

#### **XIV. OTHER DEVELOPMENT PARTNER SUPPORT**

892. Mr Speaker Sir, there is also other support from development partners, in response to the re-engagement efforts currently being undertaken by Government with cooperating partners.
893. I will, therefore, highlight some of this additional support, whose drawdowns are anticipated from the last half of the year.

### ***ADB Support for Power and Water***

894. Mr Speaker Sir, on 3 December 2014, the ADB Board approved grant support to Zimbabwe under the African Development Fund (ADF) 13 of approximately US\$107.9 million (UA70.3 million).
895. Of this, US\$94 million is for infrastructure, targeting the power sector, US\$54.4 million; and water supply and sanitation, US\$39.6 million.
896. Of the US\$54.4 million, US\$35.6 million relates to the ADF grant for the rehabilitation of Kariba Dam under the Multinational Kariba Dam Rehabilitation project, which I have already alluded to.
897. The balance of US\$18.8 million relates to the Rehabilitation of the Alaska-Karoi Electricity Transmission Line project at a cost of US\$16.9 million; and the Energy Sector Master Plan Study, US\$1.9 million.
898. Mr Speaker Sir, the Bulawayo Water Supply and Sanitation project accounts for US\$37 million, while that for Marondera, US\$2.6 million.
899. There is also US\$5.2 million for the Youth and Women Empowerment project, as well as US\$1.1 million for support to the private sector for the leather industry.

900. Mr Speaker Sir, Parliament as well as the Auditor-General will benefit from US\$7.6 million under the Governance and Institutional Strengthening project.

901. The detailed breakdown of the US\$107.9 million African Development Fund support is indicated in the Table below:

**African Development Fund (ADF) 13 Allocation: 2014 - 2016**

Pillars/Sectors/Operations		Indicative Funding Window	Approved In US\$ million
<b>I</b>	<b>Infrastructure</b>		<b>94</b>
	<b>Power Sector</b>		<b>54.4</b>
1	Multinational Kariba Dam Rehabilitation Project	ADF Grant	11.8
		ADF Grant Regional Resources	23.8
2	Rehabilitation Of Alaska-Karoi Electricity Transmission Line Project	ADF Grant	16.9
3	Energy Sector Master Plan Study	ADF Grant	1.9
	Water Supply And Sanitation		<b>39.6</b>
4	Bulawayo Water Supply And Sanitation Project	ADF Grant	37
5	Marondera Integrated Urban Water Management Project	African Water Facility (AWF)	2.6
<b>II</b>	<b>Private Sector Development</b>		<b>1.1</b>
	<b>Agriculture Sector</b>		<b>1.1</b>
6	Support To Meat And Leather Sub-Sectors In Zimbabwe	Funding for African Private Sector Assistance (FAPA) Grant ADF Grant (TBD)	1.1
<b>III</b>	<b>Governance</b>		<b>12.8</b>
	<b>Multi-Sector</b>		<b>7.6</b>
8	Phase II: Governance And Institutional Strengthening Project	ADF Grant	7.6
	<b>Social Sector</b>		<b>5.2</b>
9	Youth And Women Empowerment Project	ADF Grant	5.2
	<b>Total</b>		<b>107.9</b>

Source: AfDB/MoFED

### ***11<sup>th</sup> European Development Fund***

902. Mr Speaker Sir, on 16 February 2015, Zimbabwe and the EU signed the National Indicative Programme under the 11<sup>th</sup> European Development Fund (EDF) for the period 2014 – 2020.
903. The National Indicative Programme (NIP) is programmed on an indicative amount of €234 million, and outlines the following areas of support:
- Health, €88 million;
  - Agriculture based-economic development, €88 million;
  - Governance and Institution building, €45 million;
  - Civil Society/Non-Governmental Actors, €6 million;
  - National Authorising Office, €3 million; and
  - Technical Cooperation Facility, €4 million.
904. As advised in my 2015 National Budget Statement, the country is currently benefitting from an interim ‘bridging facility’ amounting to €34 million, which has been distributed as follows:
- Health, €12 million for the Health Development Fund, and €0.35 million for the Demographic Health Survey.
  - Agriculture based-economic development, €6 million for the Resilience Fund, €5.6 million for policy development and coordination for the agricultural sector, €1.2 million for studies in the sector.

- Governance and institution building, €1.2 million for constitutional alignment, and €1.2 million for support to the Judiciary, €1.8 million for Parliamentary support, and €3.02 million support to the Zimbabwe Electoral Commission; and
- Technical Assistance, €1 million for the Technical Cooperation Facility.

905. Meanwhile, we have submitted the 2015 Annual Action Plan for projects amounting to €89 million and to be undertaken in 2015.

906. The Plan was approved by the European Development Fund Committee on 9 July 2015, and now awaits the *Passing of the Financial Decision* by the EU, which is expected by September 2015.

907. Once the financial decision is passed, Government will sign the Financing Agreements with the EU, paving way for financial disbursements to the relevant implementing entities thereafter.

908. This will bring total EDF commitments for 2015 to €123 million or 52.6% of the total 11<sup>th</sup> EDF Budget of €234 million.

### ***International Fund for Agricultural Development***

909. Honourable Members, Zimbabwe has been a member of the International Fund for Agricultural Development (IFAD) for the past 35 years.

910. This had allowed IFAD to support improvement in our agriculture sector through the following projects:

- Smallholder Irrigation Support Programme;
- South Eastern Dry Areas Project;
- Smallholder Dry Areas Resource Management Project;
- Agricultural Credit & Export Promotion Project; and
- National Agricultural Extension & Research Project.

911. However, you will be aware that Zimbabwe has not been benefitting from IFAD initiatives due to our current arrears situation, in line with the Fund's governing laws.

912. I am, therefore, pleased to advise that Government is engaged in negotiations with IFAD on finding a solution to our arrears situation, which will facilitate the resumption of IFAD's support to our agricultural sector.

913. The amount of arrears due to IFAD is SDR16.6 million, which is approximately US\$23.1 million.

914. In this regard, an IFAD mission is expected in the country during 24-30 August 2015 as Government accelerates the re-engagement process with creditors.

915. Furthermore, Government has pledged US\$300 000 as our contribution towards the 10<sup>th</sup> Replenishment of the Fund: 2016–2018.

### ***Zimbabwe Reconstruction Fund***

916. Honourable Members may be aware that the World Bank Executive Board approved the establishment of a Country Programmatic Multi-Donor Trust Fund to be known as the Zimbabwe Reconstruction Fund (ZIMREF) on 9 May 2014.

917. ZIMREF builds upon the Analytical Multi-Donor Trust Fund (A-MDTF), which concluded in June 2014 and will be implemented over a period of 5 years (2014 – 2019).

918. To date, the Fund has pledges amounting to US\$36.5 million, of which US\$11.5 million has been disbursed into the World Bank account.

919. The pledges from development partners are as follows:

#### **ZIMREF Pledges**

<b>Development Partner</b>	<b>Pledge</b>
DfID	£6 million (approx US\$9.3)
European Union	€10 million (approx US\$10.9)
Sweden	US\$5 million
Norway	US\$4.3 million
State and Peace Building Trust Fund	US\$5 million
Denmark	US\$1 million
Germany	US\$1 million
<b>Total</b>	<b>US\$36.5 million (approx)</b>

*Source: World Bank*

920. Mr Speaker Sir, I am pleased to advise that in lieu of launch of the Fund during the third quarter of the year, the Policy Oversight Committee, which is the governing body of ZIMREF, has already met twice, while the Technical Review Groups have met several times to ensure technical quality of entry of projects.

921. The Technical Review Groups have approved the following projects for implementation in 2015:

- Zimbabwe National Water Project, US\$20 million;
- Public Financial Management Enhancement Project, US\$20 million;
- Business Environment Enabling Program, US\$4 million;
- Parastatal Reform Support I, US\$6 million;
- Results-Based Budgeting, US\$720 000;
- Strengthening the poverty focus and results monitoring of Zim Asset, US\$3 million;
- Productive Safety Nets Project, US\$15 million;
- Health Systems Strengthening TA, US\$425 000;
- Procurement Reform Program, US\$5 million;
- Agri-business/Small Enterprise Development Programme, US\$2.5 million; and
- Results Based Budgeting Technical Assistance for the Education Sector, US\$690 000.

## **XV. ACCOUNTABILITY & MANAGEMENT OF PUBLIC RESOURCES**

### ***Public Enterprises Reform***

922. Mr Speaker Sir, the performance of our public enterprises remains a cause of concern impacting negatively on our economic growth prospects.
923. In the 2015 National Budget, I proposed to focus on reforms, inclusive of financial audits, initially targeting 10 major parastatals as part of the turnaround strategy.
924. I must acknowledge that progress has rather been slow and unsatisfactory as only on one parastatal, namely ZBC has been successfully audited.
925. Accordingly, our focus during the remainder of the year is to ensure conclusion of the intended reforms and audits on the remaining targeted parastatals to facilitate institution of corrective measures.
926. Mr Speaker Sir, I am pleased to acknowledge the support of the World Bank which has indicated readiness to provide some of the funding for audits.

### *Corporate Governance*

927. Mr Speaker Sir, Government is working towards converting the Corporate Governance and Remuneration Framework for State Enterprises, Parastatals and Local Authorities adopted by Cabinet in 2014 into a Public Sector Corporate Governance Bill that seeks to, among other things:

- Establish a Corporate Governance and Delivery Agency to monitor activities of boards, assess Public Entities compliance with the prescribed national code;
- Set parameters for the appointment of Public Enterprises boards;
- Provide for establishment of Board Committees; and
- Make provision for the appointment, tenure of office, conditions of service and performance monitoring of Public Entities Chief Executives.

928. This measure will ensure that compliance with the set corporate governance framework is mandatory, and legally enforceable.

### *Public Enterprise Obligations*

929. Mr Speaker Sir, in the presentation of some of the proposed new public debt acquisition and management legislation I have already alluded to the need to synchronise some of the proposed provisions with the Public Finance Management legislation.

930. This is on account of a number of public enterprises borrowing on the back of Government guarantees which some of them fail to honour, forcing lenders to make claims on Government.
931. This not only exerts pressure on the fiscus but also compromises credibility of the public enterprises.
932. In this regard, the development of the framework that tightens eligibility criteria for public enterprises' access to Government Guarantees will be incorporated into the Public Finance Management legislation.

*Future Public Enterprise Strategy*

933. Meanwhile, there are on-going stakeholder consultations with a view of coming up with a strategy for parastatals further reforms.
934. Already, input received from some stakeholders relates to housing these entities under the supervision of one institution. This proposal recognises experiences from other countries such as China.
935. Mr Speaker Sir, the whole objective of this model is to ensure a coordinated and shared vision with respect to the role of the public enterprises.

936. Furthermore, the model allows scope for the development and concentration of appropriate skills, together with focus on ensuring that PEs are properly managed to discharge their core mandates and contribute to economic development.

### ***Accountability***

937. Mr Speaker Sir, the Auditor General's narrative reports for the year ended 31 December 2014 highlighting a number of concerns with respect to the management and accountability of public resources in Government Ministries and public entities make a sad reading.

938. The concerns raised include, among others, financial governance issues, debt collection challenges, and non-compliance with approved frameworks some of which have resulted in leakages where no concrete action has been taken to address the same.

939. The opaqueness of our public accountability systems where some public entities are governed by both the *Statutes* that establish the entity and the *Public Finance Management Act* has created some of these undesirable situations.

940. Let me assure Honourable Members that Government is already working on the development of the necessary mechanisms and machinery for accountability.

### ***Role Clarity***

941. To deal with these challenges, there is need for clarity of roles of the Treasury, the line Ministries, entities' Boards of Directors and other players in the public resource management chain, particularly with respect to enforcement of statutory and other requirements.
942. Mr Speaker Sir, consistent with Treasury's mandate to exercise a general direction and control over public resources, my Ministry will, during the remainder of this year, engage the relevant Ministries to implement appropriate corrective measures at both Ministry level and in public entities under their purview.
943. The engagement process will be complemented by measures to strengthen the Public Finance Management Act enforcement provisions and clarify the roles of respective stakeholders to enhance the existing accountability arrangements.
944. Where necessary, existing provisions of the Law will be invoked in order to ensure that violations of the Law with respect to accountability and management of public resources are dealt with appropriately.

### *Penalty Sanctions*

945. Mr Speaker Sir, those responsible will be brought to book, as the legal framework is being enhanced to provide for deterrent penalty sanctions and corrective measures in respect of accountability and management of public resources in:

- Government Ministries;
- Government Departments;
- Local authorities;
- Public enterprises; or
- Any institution with potential to make a charge on public resources.

946. Penalty sanctions and corrective measures will be targeted at the:

- *Institutions' Level*, including withholding of funds or approval of budgets until appropriate corrective measures are implemented; and
- *Individuals' Level*, where specific persons at the level of staff, management or Board, whether jointly or severally, are identified for omissions or commissions.

947. The proposed legislative reforms will be presented before Parliament by the end of the first quarter of 2016.

## **XVI. STATE PROCUREMENT BOARD REFORM & MODERNISATION**

948. Mr Speaker Sir, as part of the accelerated implementation of Zim Asset, Government is implementing a number of initiatives to reform and modernise the public sector into a system that is capable of delivering quality services to the people.
949. One of the initiatives being undertaken by Government includes the reformation and modernisation of the State Procurement Board (SPB), in order to address its current systemic challenges.
950. Reforming and modernising the SPB will allow for the creation of a non-executive Procurement Authority with a mandate of setting standards and guidelines, as well as monitoring and evaluating compliance, hence, decentralising the procurement function to Ministries, Departments and Agencies (MDAs).
951. In view of the aforementioned, MDAS will establish *Procurement Units* that will be constituted by *Procurement Committees* and procurement specialists and experts.
952. This will enhance accountability and ensure efficient and effective management and coordination of Government procurement for improved public service delivery, in conformity with the development goals of our current economic blue print.

953. As part of this process, a number of external specialists and experts will also be engaged by Government to provide advice and expertise, based on global best practices and experiences.
954. This will assist in building a robust Zimbabwe Public Procurement system.
955. The reform also entails the review of the State Procurement Board's legal and regulatory framework, and coming up with a new Procurement Act as fulfillment of the requirements of the Constitution.
956. Mr Speaker Sir, the following milestones have been achieved as part of implementing the SPB reform roadmap:
- A White Paper on SPB reform was developed by Government, and subjected to scrutiny by different stakeholders to obtain critical inputs to strengthen the paper;
  - A Steering Committee, comprising Permanent Secretaries from various Ministries, was constituted to spearhead the reform process and act as a *Policy Body*;
  - Government has obtained technical and financial assistance from development partners to implement the reforms;
  - A Project Document which outlines the major activities to be undertaken during the reform process has been finalised; and

- The first phase of implementation of the reforms will be completed within 12 months commencing in August 2015, with the Office of the President and Cabinet being the *Lead Agency* in coordinating the reform and modernisation process.

## XVII. REVISED BUDGET FRAMEWORK

957. Mr Speaker Sir, the Budget outturn for the first six months of the year to June 2015, has necessitated revision of the 2015 National Budget Framework.

### *Revenue*

958. With cumulative collections for January-June 2015 amounting to US\$1.718 billion, about US\$1.88 billion is anticipated to be raised during the second half of the year.

959. Taking into account the developments during January-June 2015, total *Revenue* for the year is now estimated at US\$3.6 billion, from the original Budget projection of US\$3.99 billion.

### Revised Budget Framework (US\$ m)

Item	Original Budget Estimates	Outturn		Projection		Projected Outturn
		Q1	Q2	Q3	Q4	
Total Revenue	3 990.0	832.8	885.3	925.9	956.4	3 600.4
Tax Revenue	3 763.0	796.1	850.2	894.8	919.5	3 460.5
Non-Tax Revenue	227.0	36.7	35.2	31.1	37.0	140.0
Total Expenditure & Net Lending	4 115.0	971.6	917.8	1 063.6		4 000.0
Employment Cost [1]	3 317.0	838.4	706.2	855.9	924.8	3 325.1

Item	Original Budget Estimates	Outturn		Projection		Projected Outturn
		Q1	Q2	Q3	Q4	
Recurrent Operations	384.7	95.8	94.2	75.5	50.3	316.1
Interest	72.3	10.3	20.1	26.5	22.6	79.5
Capital Expenditure & Net Lending [2]	341.0	27.2	97.1	105.7	49.3	279.3
Budget Balance	(125.0)	(138.8)	(32.5)	(137.7)	(90.6)	(399.6)

Source: Ministry of Finance and Economic Development

## ***Expenditures***

960. On the other hand, total expenditures for the year have been revised downwards from US\$4.115 billion to US\$4 billion, inclusive of Budget year 2014 unpaid expenditures of US\$158.4 million, on account of rest of service and grant aided institutions bonus payments and other employment related costs.
961. Concurrently, expenditures during the second half of the year are now targeted at US\$2.118 billion, up from US\$1.889 billion, spent during the first half of the year.
962. The targeted expenditures of US\$2.118 billion are inclusive of outstanding January-June 2015 employment cost arrear expenditures of US\$81.3 million, relating to:
- US\$57.9 million for employee payroll deductions;
  - US\$13.1 million for employer contribution to NSSA; and
  - US\$10.3 million for Foreign Service staff salaries.

### ***Budget Financing***

963. Mr Speaker Sir, you will recall that the 2015 Budget envisaged mobilising US\$125 million from the domestic market to cover the Budget gap.
964. Treasury is mindful of the financial implications of the domestic debt in terms of timing and sustainability of the repayments and debt service obligations.
965. Consequently, the new financing gap would be about US\$399.6 million, which would be funded mainly through a combination of domestic and external sources.

### ***Budget Rationalisation***

966. Mr Speaker Sir, as I have already alluded to, the 2015 Budget has already embraced carry-over expenditures from the 2014 fiscal year relating to bonus payments and other employment related costs of US\$158.4 million.
967. In the absence of additional measures to create capacity of the Budget to finance priority projects and programmes, non-discretionary expenditures, such as the wage bill and loan repayments, will continue to crowd out development expenditures.

968. Given the revised Budget framework for 2015, it remains necessary that we align our expenditures within the expected resource envelope.
969. The proposed Budget re-alignment will embrace additional expenditures incurred in the first half of 2015 as well as those anticipated to year end.
970. This entails revisiting our allocations, on both current and capital development programmes, as well as our financing strategy.
971. In this regard, the revised Budget of US\$4 billion envisages under-spending by US\$115 million, comprising of:
- Recurrent Expenditures, US\$53.3 million; and
  - Capital Expenditures, US\$61.7 million.
972. The proposed cutbacks will target budgeted projects that have not yet commenced, as well as from general operational support to Ministries for items such as vehicles and furniture.
973. Mr Speaker Sir, in line with our commitment to support social expenditures, we will continue to ring-fence resources towards health, education, social protection, water and sanitation, and transport sectors.

974. I will present details on the targeted areas of rationalisation, including the Supplementary Budget, during my presentation of the 2016 Budget.

***Rationalising Fringe Benefits***

975. Mr Speaker Sir, the Budget appropriates significant resources towards the provision of non-salary based benefits to members of the Civil Service in their execution of duty.

976. Against a background of rising expenditures, and the emergence of arrears in some instances, a review of the benefit thresholds becomes pertinent.

***Managing Expenditures***

977. Mr Speaker Sir, the fiscal reporting system indicates that a number of line Ministries have proceeded to commit Government by procuring goods and services from the private sector in the absence of corresponding cash support.

978. On the other hand, a number of service providers have responded and continue to respond to this demand in the absence of ability to pay.

979. The result of these vendor-client business decisions have culminated in the emergence of arrears whose economic consequences lead to:

- increased cost of service provision, reducing the efficiency of Government expenditure;
- increased rent-seeking and potential collusion between Government Ministries and suppliers; and
- inclination by suppliers to reduce or withhold payment of taxes and other statutory payments.

980. Mr Speaker Sir, to curb against this practice, the Budget will not support requests that are not in line with procurement guidelines and procedures.

## **XVIII. TAX MEASURES**

981. Mr Speaker Sir, the measures that I am proposing seek to enhance industry productivity, curtail the influx of non-essential imports, thereby reducing the current account deficit.

982. The measures will also provide tax relief to the mining sector, enhance revenue collection, as well as strengthen the tax administration system.

### ***Support to Industry***

#### *Curtailment of Non-Essential Imports*

983. Mr Speaker Sir, during the period January to June 2015, products valued at U\$3.1 billion were imported, compared to US\$3 billion during the same period in 2014.

984. However, a significant volume of the imported products have potential to be produced locally. These include fertilizer, pharmaceutical products, edible fats and oils, beverages and cereals, among others, as shown in the Table below:

**Value of Imported Products (US\$ Millions)**

Product	2009	2010	2011	2012	2013	2014	Jan-Jun 2015
Dairy	27.7	35.8	50.1	43.7	56.0	37.1	19.7
Cereals	220.8	292.8	352.0	466.2	325.0	331.6	186.6
Products of Milling Industry	93.2	108.9	125.6	73.1	45.7	54.8	28.1
Beverages	68.9	121.3	45.0	44.2	43.1	56.3	28.7
Pharmaceutical Products	80.4	80.8	110.3	193.8	220.2	258.3	137.3
Cosmetics & Perfumery	15.8	35.6	63.0	72.9	71.7	71.4	28.1
Soaps	70.4	94.4	122.8	106.7	114.9	99.9	43.6
Plastics	94.0	148.4	202.1	206.1	222.6	222.6	104.2
Paper and Paperboard	65.6	113.3	128.7	131.0	114.2	114.4	53.3
Printed Books, Newspapers	7.3	15.3	19.9	19.3	20.1	18.0	8.0
Footwear	6.1	10.5	14.9	19.3	17.7	20.3	10.9
Furniture	13.4	24.7	36.9	41.0	40.7	38.6	17.2

Source: Zlmstat, 2015

985. In order to avert de-industrialisation, as well as address the unsustainable trade balance, Government has already taken some measures intended to curb the importation of non-essential and locally produced goods.

986. These measures include modest protection, through import tariffs and quantitative restrictions.

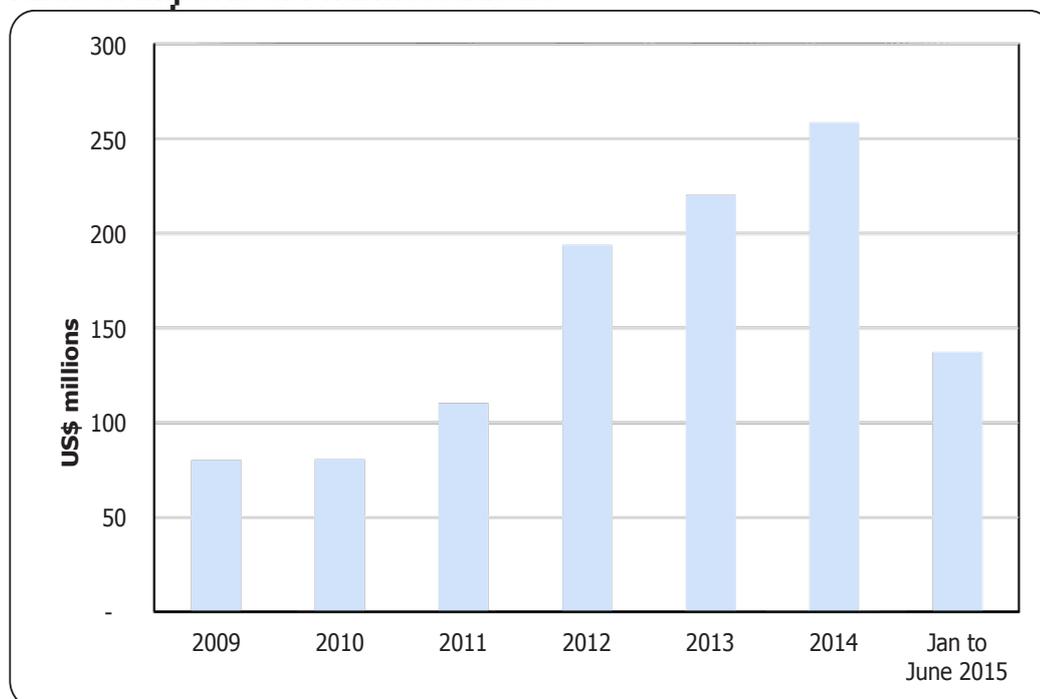
987. Whereas there has been a reduction in imports of some products, such as cooking oil and flour, the success of Government initiatives with regards to other products has not been noted.
988. This, Mr Speaker Sir, is largely due to relatively higher domestic production costs, coupled with the depreciation of the country's major trading partner currencies against the US dollar.
989. Furthermore, porous Border posts, and fraudulent use of *Certificates of Origin* under *Regional Trade Protocols*, continue to undermine the tariff protection efforts.
990. In order to enhance the competitiveness of the local industry, I, therefore, propose to introduce the following support measures:

*Pharmaceutical Industry*

991. Mr Speaker Sir, although the local pharmaceutical manufacturing industry used to be competitive, occupying about 40% of the domestic market share, the trend has, however, shifted, to the extent that local products account for only 8%.
992. The larger share of the market is currently dominated by imported products, of which a third are donations.

993. The Graph below shows the value of imported pharmaceuticals for the period 2009 to June 2015:

**Value of Imports of Pharmaceuticals**



Source: Zimstat, 2015

994. In recognition of the significance of the pharmaceutical industry in promoting linkages, especially with the packaging and distribution industries, thereby creating employment, Government already provides *Rebate of Duty* on imports of essential raw materials.

995. Despite this intervention, the pharmaceutical industry continues to face competition from cheap imported products.

996. I propose to levy *Customs Duty* on selected finished products that are locally produced, as shown on the Table below:

### Proposed Duty on Selected Finished Products

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
3004.1000	Containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives	10	0	30	30
3004.2000	Other, containing antibiotics	10	0	30	30
3004.3910	Medicaments used in the management of chronic illnesses.	0	0	30	30
3004.4090	Other, containing alkaloids or derivatives thereof	10	0	30	30

997. Furthermore, Government will collaborate with development partners, in order to ensure that essential drugs are procured from the local market, to the extent possible.

#### *Fertilizer Industry*

998. Mr Speaker Sir, the local fertilizer industry has installed capacity to produce 900 000 tons of Compound and Ammonium Nitrate per annum, against demand of 330 000 tons.

999. Despite the local industry capacity, only 440 000 tons were locally produced during the 2013-2014 agricultural season. The low capacity utilisation of the local industry is due to subdued demand, since a larger share of the market is dominated by imports.

1000. The *Industrial Development Policy* for 2012–2016 identifies the fertilizer industry as one of the priority sectors that will be an

anchor for industrial growth. This, however, is undermined by the current policy whereby imports of fertilizer are exempt from customs duty and import VAT.

1001. In order to encourage local production, I propose to levy customs duty of 25% on imported Compound and Blended fertilizer.

1002. Duty free importation of fertilizer will, however, be ring-fenced in cases where local production is insufficient to meet demand.

1003. As a *quid pro quo* to the above, local fertilizer manufacturers have undertaken to reduce prices by about 20% from the current range of about US\$640-720 per ton.

1004. Government will monitor the sincerity of local fertilizer manufacturers in fulfilling this commitment.

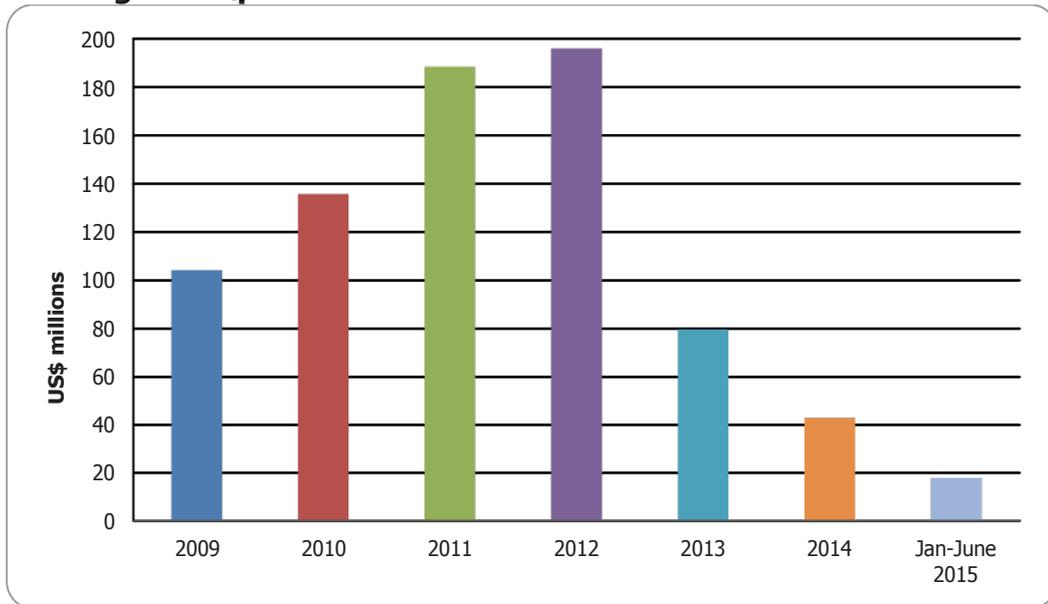
#### *Oil Expressers*

1005. Honourable Members would recall that Government reduced duty on raw materials and also provided modest protection from imported finished products, in support of local production of cooking oil.

1006. Furthermore, cooking oil was removed from the *Open General Import Licence* and *Travellers Rebate*.

1007. Although the above measures have gone a long way in curtailing imports of cooking oil, the import bill remains significant, as shown in the Graph below:

#### Cooking Oil Imports



Source: Zlmstat, 2015

1008. The customs duty of 40% and 25% surtax has, however, not met policy expectations, mainly due to under-valuation of imported cooking oil.

1009. I, therefore, propose to review the current *Customs Duty* to 40%, and 25% *Surtax* or US\$0.50 per litre, whichever is higher.

#### *Beverages Industry*

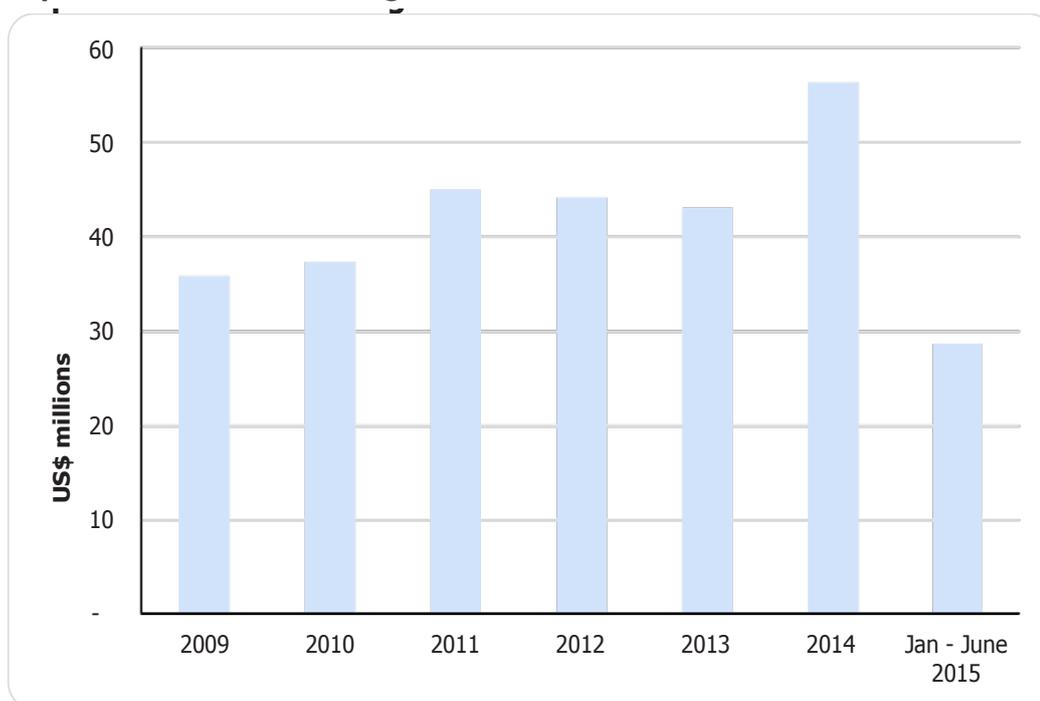
1010. Mr Speaker Sir, the beverages industry has recorded robust recovery, driven by significant investment to replace aged plant and equipment, as well as introduction of new technologies.

1011. Consequently, a variety of new product lines, such as fruit flavoured and traditional beverages have been introduced.

1012. The rapid momentum in the growth of the beverages industry has, however, softened, due to the decline of aggregate demand and increased competition from imports.

1013. Imports of beverages, hence, remain high, as shown in the Graph below:

**Import Values for Beverages**



Source: Zlmstat, 2015

1014. Notwithstanding competition from imported products, the beverages industry remains one of the viable manufacturing businesses with strong linkages to agriculture, hence, can play a key role in economic growth.

1015. In order to curtail imports, thereby encouraging local production, I propose to introduce a *Specific Customs Duty* of US\$0.50 per litre of carbonated soft drinks.

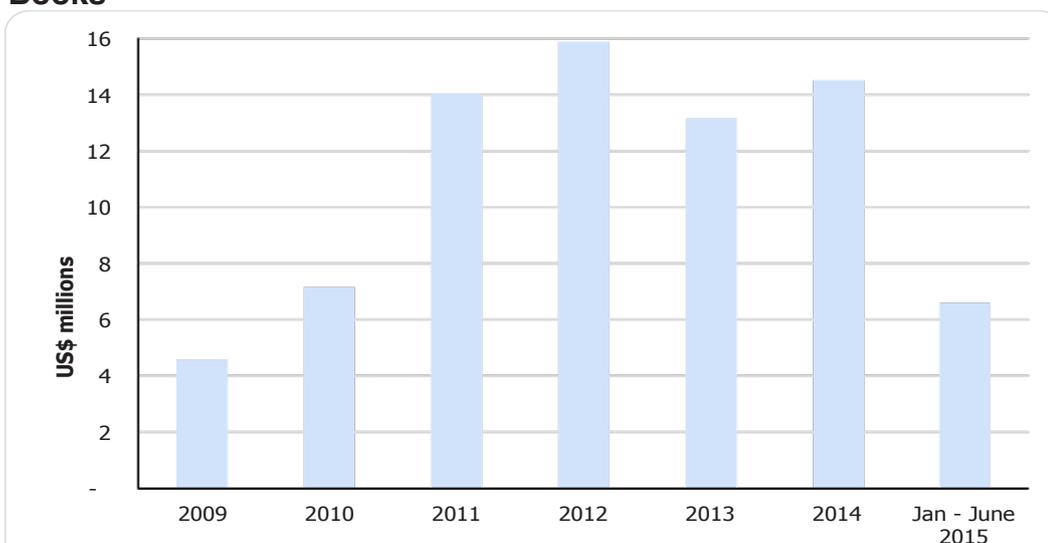
### *Printing and Publishing Industry*

1016. Mr Speaker Sir, capacity utilisation in the printing and publishing industry has declined, mainly due to an influx of imported printed products, lack of access to affordable funding and obsolete equipment, among other challenges.

1017. Consequently, local companies, in some instances, opt to contract foreign producers to print local magazines and promotional brochures for conferences and trade fairs.

1018. The Graph below shows the value of imported exercise books, magazines, newspapers and brochures, among other printed products, during the period 2009 to June 2015.

**Import Values of Products of the Printing Industry, Excluding Printed Books**



Source: ZImstat, 2015

1019. I, therefore, propose to extend the *Manufacturers Rebate* on raw materials imported by approved manufacturers, in order to revive the local printing and publishing industry.
1020. Furthermore, I propose to levy a combination of *Ad Valorem* and *Specific Duty* on finished products such as cartons, boxes, sacks, bags, exercise books and printed cards, among others, as shown in Table 12 of the Annexure.
1021. The above measures will avail the local industry with an opportunity to invest into the requisite machinery, thereby reducing dependency on imports.
1022. In addition, Government will collaborate with development partners, in order to ensure that printing of donated materials is subcontracted to the local industry, to the extent possible.
1023. This policy thrust is in line with practice in the region, where some countries have engaged development partners with a view to promoting local production of donated printed products.

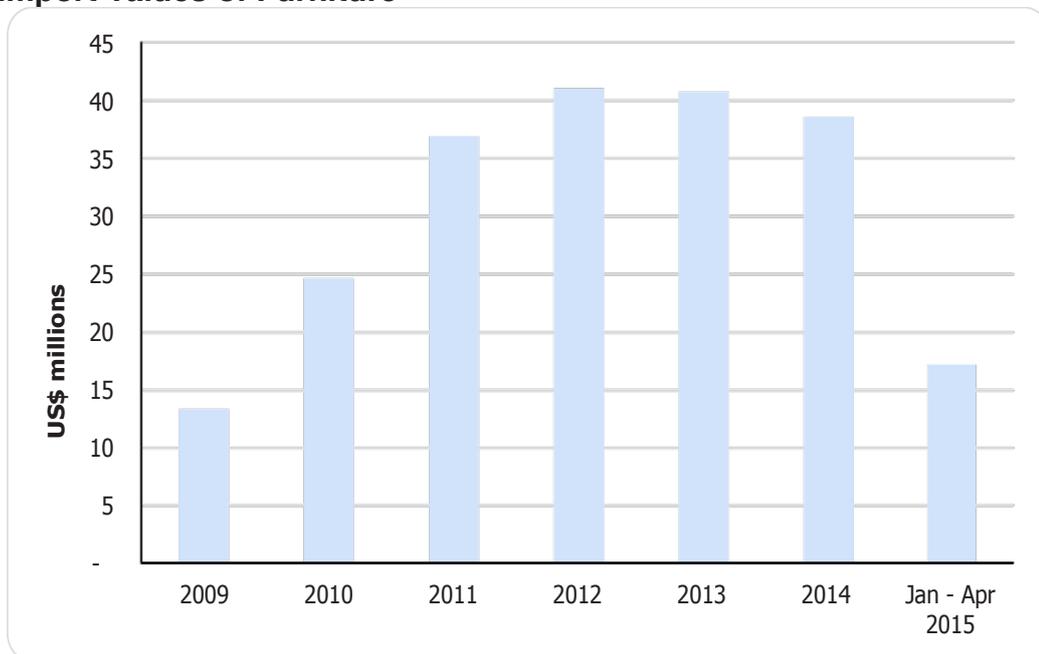
#### *Furniture Industry*

1024. Mr Speaker Sir, the local furniture manufacturing industry has vast potential to produce and supply a wide range of products to both local and export markets.

1025. Despite Government support through modest increase of customs duty on selected finished products, production levels are, however, depressed. This is mainly due to competition from imported furniture, purportedly originating from the region.

1026. The Graph below shows the value of furniture imports during the period 2009 to June 2015:

**Import Values of Furniture**



Source: Zlmstat, 2015

1027. In order to stimulate growth of the local furniture industry, I propose to introduce a *Manufacturers' Rebate*, which provides for *Duty Free* importation of selected raw materials by approved manufacturers.

1028. Furthermore, I propose to increase *Customs Duty* on wooden, plastic, and metal furniture products produced by the local industry, as shown in Table 13 of the Annexure.

1029. In addition, I propose to remove *Beds* and *Mattresses* from the *Travellers Rebate*.

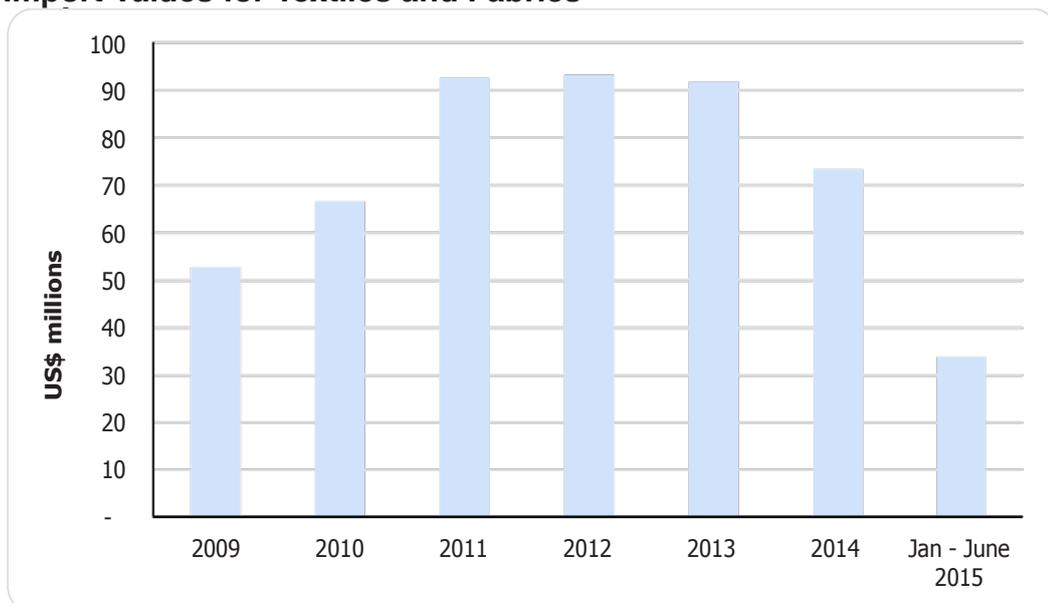
### *Textile Industry*

1030. Mr Speaker Sir, notwithstanding stiff competition from imported cheap products, the textile industry has potential to adequately supply cotton and cotton blended fabrics to the local market.

1031. However, the local industry has remained relatively uncompetitive, mainly due to high costs of production, obsolete equipment, lack of access to cheap finance and competition from imported products.

1032. The Graph below shows the value of imported textile and fabrics imported during the period 2009 to June 2015:

**Import Values for Textiles and Fabrics**



Source: Zlmstat, 2015

1033. The textile industry is one of the low hanging fruits, whereby turnaround can be realised within a short period, if adequate support is availed.

1034. I, therefore, propose to introduce a *Manufacturers' Rebate* of duty on critical inputs imported by approved textile manufacturers. This rebate of duty will cover spare parts, yarn and unbleached fabric, among others, as shown in Table 14 of the Annexure.

1035. Furthermore, I propose to remove *Blankets* from the *Open General Import Licence* for a period of 24 months.

1036. Poly knitted fabric is currently imported in semi-processed form, hence undergoes very limited local value addition before transformation into a blanket, which competes with locally manufactured blankets.

1037. I, therefore, propose to increase *Customs Duty* on poly knitted fabric from 10% to 40% plus US\$2.50 per kg, as shown on the Table below:

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
6001.1000	"Long Pile" Fabrics	10	0	40+ US\$2.50/ Kg	25 + US\$2.50/Kg
6001.2900	Looped Pile Fabrics of Other Textile Materials	10	0	40+ US\$2.50/ Kg	25 + US\$2.50/Kg
6001.9200	Other Knitted or Crocheted Man Made Fibres	10	0	40+ US\$2.50/ Kg	25 + US\$2.50/Kg

### *Sugar Industry*

1038. Mr Speaker Sir, the sugar industry produces about 480 000 tons, against demand of approximately 300 000 tons of sugar per annum, hence a surplus of 180 000 tons.

1039. However, prospects of exporting surplus sugar have been undermined by the decline in world prices arising from excess supply of sugar on the international market.

1040. The importation of sugar into the already saturated market threatens the viability of the industry, thereby jeopardising the future of about 20 000 workers and livelihoods of thousands of out grower farmers.

1041. I, therefore, propose to review *Customs Duty* on imported sugar from 0% to 10% plus US\$100 per ton.

1042. Furthermore, in order to protect the local sugar industry, issuance of *Import Licences* will only be in consultation with industry representatives, taking account of prevailing market conditions.

### *Customs Duty on Groceries*

1043. Honourable Members will be aware that *Customs Duty* is levied on selected groceries that include flour, mealie-meal, bath and laundry soap, washing powder, toothpaste and petroleum jelly, among others.

1044. Cross border travellers continue to import groceries duty free under rebate. However, there is no justification for continued rampant importation, since locally manufactured products are readily available.

1045. I, therefore, propose to remove groceries that include maize-meal, meat, sugar and flour, among others, from the *Travellers' Rebate* as shown in Table 15 of the Annexure.

#### *Second Hand Clothing and Shoes*

1046. Mr Speaker Sir, despite the *Customs Duty* rates of US\$5 per kg on clothing and 40% plus US\$1 per pair of shoes, which are meant to mitigate competition with the local industry, these products continue to flood the market.

1047. This has resulted in reduced demand for locally produced goods, thereby stifling measures that have been put in place to resuscitate industry.

1048. Furthermore, used clothing and shoes present a health hazard to the citizens, since the goods may be imported without proper fumigation.

1049. I, therefore, propose to remove second hand clothing and shoes from the *Open General Import Licence*.

1050. Furthermore, any future importation of second hand clothing and shoes will be liable to forfeiture and destruction.

1051. Mr Speaker Sir, the above measures, which seek to enhance the competitiveness of the local industry, will be effective from 1 September 2015.

*Export Tax on Raw Hides*

1052. Honourable Members will recall that Government introduced an export tax of 15% on gross value of raw hides and skins with effect from 1 January 2015. The export tax is applied on exports above the allocated 25% tax free quota.

1053. The tax free export quota was aimed at providing a market for excess raw hides and skins that could not be processed locally, due to inadequate capacity of local tanneries.

1054. Notwithstanding that the export quota was designed to be mutually beneficial to both local tanneries and exporters of raw hides, it has, however, been abused to the detriment of local tanneries.

1055. Consequently, raw hides and skins are currently being exported without satisfying the needs of the local tanneries, contrary to the legislative requirements as well as the objectives of the *Leather Sector Strategy*.

1056. Most local tanneries are, thus, facing shortage of raw hides and skins, hence, their capacity utilisation has drastically reduced. This has undermined the value chain linkages and employment prospects within the industry.

1057. In pursuance of the value addition strategy as enunciated in *Zim Asset*, I propose to remove the *Tax Free Export Quota* of 25% on raw hides and skins, with effect from 1 October 2015.

1058. Exports of hides and skins will, thus, attract an export tax of 15% or US\$0.75 per kg, whichever is higher.

1059. The above measure should ensure adequate supply of raw hides and skins to the local tanneries.

### ***Tax Relief Measures***

#### *Export Tax on Chrome Ore & Fines and Diamonds*

1060. Mr Speaker Sir, in order to enhance the contribution of various minerals to economic growth through value addition, Government introduced an export tax of 15% on the gross value of export proceeds of chrome ore and fines and diamonds with effect from 1 January 2010 and 2015, respectively.

1061. This was complemented by a ban on the export of chrome ore and fines, with effect from April 2011.

1062. In order to revive the chrome mining industry and address the plight of producers of chrome ore and fines, Government has lifted the ban on the export of chrome ore and fines. This will allow export of up to 30 million tons of chrome ore and fines.

1063. Furthermore, Government removed export tax on chrome ore. As a *quid pro quo* to the above, the *Royalty Rate* on chrome ore and fines was reviewed upwards from 2% to 5%.

1064. I, therefore, propose to amend the relevant legislation to give effect to the decisions by Government.

1065. Furthermore, I propose to remove *Export Tax* on un-beneficiated diamonds, in retrospect from 1 January 2015.

1066. The *Royalty Rate* of 15% will, however, remain.

#### *Royalty Rate on Small Scale Gold Producers*

1067. Honourable Members will recall that Government in 2014, reviewed the *Royalty Rate* levied on small scale gold producers, whose output does not exceed 0.5kg per month, from 7% to 3%.

1068. The review was necessitated by the need to incentivise producers to sell their produce through formal channels.

1069. Government also instituted complementary measures to bring small scale miners into the mainstream economy.

1070. Consequently, gold deliveries by small scale gold producers significantly increased to 3 117 kgs during the period January to June 2015, compared to 993 kgs during the same period in 2014. This signifies a positive impact of the measures introduced by Government.

1071. In order to consolidate the gains realised to date, also taking into account depressed international gold prices, I propose to further review the *Royalty Rate* on small scale gold producers from 3% to 1% with effect from 1 September 2015.

1072. The measure will also help curb leakages of gold through smuggling and side marketing.

#### *Stamp Duty*

1073. The African Export-Import Bank *Membership of Zimbabwe and Branch Office Agreement* and the African Development Bank *Membership of Zimbabwe Act* provide for exemption of these institutions from taxes and duties.

1074. The above institutions, which provide development finance to Government and local companies in terms of their mandates,

are exempted from taxation in terms of *Agreements* they have entered into with Government.

1075. I, therefore, propose to amend the *Stamp Duty Act*, in retrospect from 1 February 2009, in order to allow for an exemption on the registration of bonds by the above institutions.

### *Tax Amnesty*

1076. Honourable Members will recall that Government granted limited amnesty to taxpayers who disclosed their tax obligations within a period of six months beginning 1 October 2014, in order to encourage taxpayers to voluntarily regularise their tax affairs.

1077. However, in view of the taxpayers' concerns with regards to the inadequacy of the period within which to lodge the tax amnesty application, the tax amnesty period was extended to 30 June 2015.

1078. I, therefore, propose to amend the Income Tax Act, in order to regularise the extension of the amnesty period.

1079. I, further propose to extend the amnesty period by a further three months to end on 30 September 2015.

## ***Revenue Enhancing Measures***

### *Exemptions from Income Tax on Ecclesiastical Organisations*

1080. The current legislation provides for tax exemption on receipts and accruals of Ecclesiastical, Charitable and Educational institutions of a public character.
1081. This is in recognition of the work done by these institutions towards spiritual, moral, physical and academic well-being of their membership.
1082. The exemption, does not, however, distinguish between the business and non-business income of these institutions.
1083. This has resulted in income derived from profit oriented business activities being exempt from tax.
1084. I, therefore, propose to amend the *Income Tax Legislation* in order to specify income and accruals eligible for exemption.
1085. Consequently, income derived from profit-oriented business entities undertaken by Ecclesiastical organisations will be subject to income tax.
1086. For the avoidance of doubt, *Tithes and Offerings* for the benefit of the Ecclesiastical organisations will remain exempt from income tax.

1087. Furthermore, Charitable and Educational institutions of a public character engaged in profit oriented businesses will be exempt from tax to the extent that they are limited by guarantee in terms of *the Companies Act*.

1088. Consequently, profits or income accruing to the Charitable and Educational institutions should be solely used in promoting the objectives of these institutions, in order to benefit from the exemption.

1089. The above measures take effect from 1 January 2016.

#### *Value Added Tax on Financial Services*

1090. Upon introduction of *Value Added Tax* in 2004, a number of transactions undertaken in the financial services sector were exempt from *Value Added Tax*.

1091. This was in view of inadequate capacity of the *Zimbabwe Revenue Authority* to administer VAT on such transactions.

1092. In view of the improved capacity of the tax administration, I propose to extend VAT to transactions on short term insurance, with effect from 1 September 2015.

*Land Rentals and Levy for Model A1 and A2 Farmers*

1093. Mr Speaker Sir, the land rentals on lessees of Model A2 farms that took effect from 1 January 2009 ranged from between US\$1 to US\$3 per hectare per annum depending on ecological location of the farm and nature of title.

1094. These cease to apply, with effect from 31 December 2014.

1095. Mr Speaker Sir, with effect from 1 January 2015, in order to support the Ministry of Lands & Rural Resettlement to enhance productivity on allocated land, as well as raise additional revenue to capacitate local authorities to provide essential services, Government approved the following land rentals and development levies across all ecological regions:

Type of Levy	Model A1 Farmers	Model A2 Farmers
Land Rental	US\$10 per annum	US\$3 per hectare per annum
Development Levy	US\$5 per annum	US\$2 per hectare per annum

1096. In order to enhance administrative efficiency, the Ministry of Lands and Rural Resettlement will be responsible for collecting both the *Land Rentals* and *Development Levies*.

1097. The revenue collected will be deposited into the *Consolidated Revenue Fund*.

1098. The funds derived from *Land Rentals* will be for use by the Ministry of Lands and Rural Resettlement for the following purposes:

- to carry out farm inspections;
- production of layout plans for new A2 subdivisions;
- valuation of parent farms;
- payment of compensation for improvements;
- issuance of security of tenure documents; and
- maintenance of Ministry vehicles and equipment.

1099. Local Authorities will utilise funds raised from the *Development Levy*, for the following purposes:

- road grading;
- gully reclamation;
- maintenance of schools and clinics; and
- dipping services, among others.

1100. Administrative modalities for the disbursement of the development levies and land rentals to the relevant authorities will be provided by Treasury, in consultation with the Ministries of Lands & Rural Resettlement and Local Government, Public Works & National Housing.

### *Customs Duty on Second Hand Motor Vehicles*

1101. Mr Speaker Sir, passenger motor vehicles manufactured 5 years from the date of importation attract *Customs Duty* and Surtax at rates of 40% and 25%, respectively.
1102. Despite measures to mitigate importation of second hand motor vehicles, thereby reducing the current account deficit, such motor vehicles, however, continue to account for a significant import bill.
1103. I, therefore, propose to increase surtax from 25% to 35% on second hand light passenger motor vehicles aged more than 5 years from the date of manufacture at the time of importation, with effect from 1 September 2015.

### ***Efficiency in Tax Administration***

#### *VAT Fiscalised Recording of Taxable Transactions*

1104. Honourable Members would recall that Government introduced, in 2010, fiscalised electronic tax devices which replaced cash registers used by retailers.
1105. One of the key features of the electronic tax devices is the fiscal memory, which is tamper-proof, and has to be certified by the tax authorities.

1106. This feature acts as a deterrent against fraud and prejudice of potential revenue to the fiscus.

1107. As at 30 June 2015, of the 4 934 registered operators in *Category C* who are predominantly large taxpayers, 4 176 have fully fiscalised their operations.

1108. However, in order to realise the full benefits of the project, there is need for *ZIMRA* to set up a platform to receive data from the devices. *ZIMRA* will, thereafter, be able to monitor transactions real time.

1109. *ZIMRA* will, therefore, set up a platform for receiving data from the already installed fiscalised devices of the 4 176 *Category C* operators, by 31 October 2015.

#### *Remaining Category C Operators*

1110. Approved suppliers of fiscalised devices will continue to work with the remaining *Category C* operators who have not yet fiscalised, to ensure consistency of use of similar devices by operators in the same category.

#### *Category A, B & D Operators*

1111. Furthermore, Government will roll out the fiscalisation programme to cater for clients in *Categories A, B and D*, who have not yet fiscalised their operations.

### *Upgrading Fiscal Devices*

1112. Some of the current fiscal devices were procured at the inception of fiscalisation programme in 2011, hence lag behind technological advances.
1113. In order to catch up with the latest technology, the *Technical Committee on Fiscalisation* will authorise approved suppliers of fiscalised devices to supply upgraded devices to *Category C* operators.

### *Publication of Names of Taxpayers Convicted of Tax Offences*

1114. Mr Speaker Sir, tax evasion undermines revenue collection efforts, thereby compromising service delivery by Government and also burdens compliant taxpayers.
1115. In order to enhance taxpayer compliance, some countries within the region have resorted to publishing names of tax offenders. This acts as a deterrent against the persistent tax offenders.
1116. Whilst tax offenders are continually convicted, such cases are, however, not adequately published.
1117. I, therefore, propose to amend legislation to provide for the publication of names of convicted tax offenders.

### *Protection of Air Zimbabwe Assets*

1118. The national airline, *Air Zimbabwe (Pvt) Ltd* and its holding company, continue to experience viability challenges mainly due to older equipment, lack of working capital, and over-staffing, among other factors.

1119. It is, thus, imperative to institute measures to restore the airline's future viability. This would not be realised in the short term.

1120. Hence, pending the finalisation of initiatives to restore viability, that include engaging a strategic partner, I propose to invoke the provisions of the State Liabilities Act in order to protect the companies' assets from attachment by its domestic creditors.

## **XIX. SUSTAINABLE DEVELOPMENT GOALS**

1121. Mr Speaker Sir, the programme on the Millennium Development Goals is scheduled to end in September 2015.

1122. Zimbabwe has registered positive strides particularly on the MDG 2 on Universal Primary Education, MDG 3 on Gender Equality in Schools, and MDG 6 on HIV and Aids.

1123. Realising that some MDG targets will not be met as planned, a new set of Post 2015 Sustainable Development Goals has been developed for implementation from October 2015 to 2030.

1124. The new development agenda comprises of 17 goals and 169 targets, and will run for the period 2015 to 2030. These are indicated under Table 11 of the Annexure.

1125. Currently, Government is in the process of prioritising the goals as we forge ahead with the domestication of the Post 2015 Development Agenda.

1126. Accordingly, our planning beginning with the 2016 National Budget as well as upcoming reviews of the Zim Asset, should fully reflect on our national prioritised Goals as well as strategies for meeting the respective targets.

## **XX. CONCLUSION**

1127. Honourable Members, our constrained fiscal space is now threatening the social and infrastructural development objectives outlined in our economic blueprint, Zim Asset.

1128. We cannot meaningfully deliver development to the electorate with the current Budget structure.

1129. It is, therefore, imperative that we immediately implement measures to reduce the wage bill to sustainable levels, comparable to those of regional member states.

1130. Our wage bill plea is to allow for Budget capacity for Zim Asset projects on roads, water, power, rail, and ICT.

1131. This, Mr Speaker Sir, requires discipline and sacrifice, if we are to see Zim Asset through.

1132. We also need to urgently tackle the bureaucratic hurdles that are hindering private sector growth, leading to low rankings in the *ease of doing business* indices.

1133. There is need to reform some of our practices, and improve institutional effectiveness, so that we improve our competitiveness in the region and the global economy.

I Thank You

Hon. P. A. Chinamasa, (MP)

**Minister of Finance and Economic Development**

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**Table 1: SMP December 2014 Quantitative Targets**

	2014 Dec Targets	2014 Dec Actual	Status
Floor on primary budget balance of the central government	-137	-98	(Met)
Floor on protected social spending	60	95	(Met)
Floor on stock of net international reserves	172	178	(Met)
Floor of payments to the PRGT	1.8	1.95	(Met)
Continuous ceiling on the stock of non-concessional external debt contracted or guaranteed by the general government with original maturity of one year or more	400	369	(Met)
Memorandum Items			
1 Ceiling on total stock of arrears to domestic service providers, agricultural input suppliers and on capital certificates	312	235	(Met)

Source: Ministry of Finance and Economic Development, Reserve Bank

**Table 2: SMP December 2014 Structural Benchmarks for the Successor SMP**

Benchmarks	Status	Review
<b>1. Public Debt Management Bill</b>		
Approval of the Public Debt Management Bill by cabinet	<ul style="list-style-type: none"> <li>The Public Debt Bill was submitted to the Cabinet Committee on Legislation, and has since been presented to Cabinet.</li> <li>This target was met.</li> </ul>	1st (December 2014)
<b>Financial Sector</b>		
<b>2. Approval of the mandate, strategy, and specific objectives of ZAMCO by the RBZ Executive Committee/Board.</b>	<ul style="list-style-type: none"> <li>ZAMCO was established as a separate legal entity in July 2014, after approval by Cabinet.</li> <li>This target was met.</li> </ul>	1st (December 2014)
<b>3. Develop the operational framework for ZAMCO, specifying:</b> <ul style="list-style-type: none"> <li>An appropriate legal and governance structure, including necessary powers;</li> <li>An asset valuation and transfer pricing strategy; and</li> <li>A feasible and sustainable funding strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Amendments to the Banking Act providing for the setting up of ZAMCO including its powers and responsibilities were submitted to the Ministry of Finance. <ul style="list-style-type: none"> <li>Governance structure now in place;</li> <li>ZAMCO developed a draft NPL acquisition policy document has been submitted to the IMF for comments. The IMF comments will be incorporated into the document and submitted to ZAMCO board for discussion and approval;</li> <li>Funding strategy – seed capital costs borne by the Reserve Bank of Zimbabwe. The RBZ has approached the World Bank for technical assistance and funding for both ZAMCO and the Credit Reference Bureau.</li> </ul> </li> <li>This target was met.</li> </ul>	1st (December 2014)

Source: Ministry of Finance and Economic Development, Reserve Bank

**Table 3: SMP June 2015 Quantitative Targets**

	2015 June Targets	2015 June Provisional	Status
Floor on primary budget balance of the central government	-142	-131.6	(Met)
Floor on protected social spending	35	35.6	(Met)
Floor on stock of net international reserves	189	223	(Met)
Floor of payments to the PRGT	0.9	0.9	(Met)
Continuous ceiling on the stock of non-concessional external debt contracted or guaranteed by the general government with original maturity of one year or more	400	213.03	(Met)
Memorandum Items			
1 Ceiling on total stock of arrears to domestic service providers, agricultural input suppliers and on capital certificates	341	223.8	(Met)

Source: Ministry of Finance and Economic Development, Reserve Bank

**Table 4: SMP June 2015 Structural Benchmarks for the Successor SMP**

Benchmarks	Status	Review
<b>Tax Policy</b>		
1. Submit to Cabinet a report with MoFED's recommendations on reforms to the fiscal regime for the mining sector.	<ul style="list-style-type: none"> <li>Recommendations on the reforms to the fiscal regime were submitted to Cabinet during the second week of June. This target was met.</li> </ul>	2 <sup>nd</sup> June 2015
<b>Public Finance Management</b>		
2. Submit to Cabinet a strategy paper on reducing the wage bill.	<ul style="list-style-type: none"> <li>A paper on wage bill submitted to Cabinet in April. This target was met</li> </ul>	2 <sup>nd</sup> June 2015
<b>Financial Sector</b>		
3. Develop the operational framework for ZAMCO, specifying: <ul style="list-style-type: none"> <li>an appropriate legal and governance structure, including necessary powers;</li> <li>an asset valuation and transfer pricing strategy; and</li> <li>a feasible and sustainable funding strategy</li> </ul>	<ul style="list-style-type: none"> <li>Governance structure now in place;</li> <li>ZAMCO developed a draft NPL acquisition policy document has been submitted to the IMF for comments. The IMF comments will be incorporated into the document and submitted to ZAMCO board for discussion and approval;</li> <li>Funding strategy – seed capital costs borne by the Reserve Bank of Zimbabwe. The RBZ has approached the World Bank for technical assistance and funding for both ZAMCO and the Credit Reference Bureau.</li> </ul> <ul style="list-style-type: none"> <li>This target was met.</li> </ul>	2 <sup>nd</sup> June 2015
4. Submit to Parliament the amendments to the Reserve Bank of Zimbabwe Act.	<ul style="list-style-type: none"> <li>The amendments to the Reserve Bank Act are being done through amendments to the Banking Act (See progress under the Banking Act)</li> </ul>	2 <sup>nd</sup> June 2015
5. Submit to Parliament the amendments to the Banking Act.	<ul style="list-style-type: none"> <li>The stakeholders' comments on the draft have been incorporated and the draft bill will be submitted to CCL before end of July.</li> </ul>	2 <sup>nd</sup> June 2015
Each structural benchmark is to be completed by the earlier of The time of the relevant review End-December 2015, the end of the SMP		

Source: Ministry of Finance and Economic Development, Reserve Bank

**Table 5: Capital Development Projects (US\$): January-June 2015**

Cluster	2015 Estimate	Source of Funding						Total
		Appropriation	Statutory Funds	Own Resources	Development Partners	Loan Financing	2015	
<b>Infrastructure &amp; Utilities</b>	<b>874,705,173</b>	<b>20,073,692</b>	<b>15,270,022</b>	<b>33,075,103</b>	<b>62,634,426</b>	<b>71,600,000</b>	<b>202,653,243</b>	
<b>Energy</b>	<b>367,392,944</b>	<b>-</b>	<b>-</b>	<b>22,997,701</b>	<b>4,900,000</b>	<b>22,000,000</b>	<b>49,897,701</b>	
Generation Projects	286,953,907			14,400,000	4,900,000	22,000,000	41,300,000	
Transmission and Distribution network	45,489,037			1,700,000			1,700,000	
Rural Electrification Programme	34,950,000			6,897,701			6,897,701	
<b>Transport &amp; Communication</b>	<b>153,172,279</b>	<b>4,174,962</b>	<b>15,173,022</b>	<b>3,570,402</b>	<b>-</b>	<b>28,500,000</b>	<b>51,418,386</b>	
Rail Infrastructure	30,749,000			3,570,402			3,570,402	
Upgrading of Airports	58,119,279	1,825,296				28,500,000	30,325,296	
Road construction	34,304,000	2,349,666	8,199,717				10,549,383	
Road Rehabilitation for Local Authorities	30,000,000		6,973,305				6,973,305	
<b>Water &amp; Sanitation</b>	<b>153,580,000</b>	<b>6,265,484</b>	<b>-</b>	<b>-</b>	<b>55,234,426</b>	<b>-</b>	<b>61,499,910</b>	
Water & sewer infrastructure for local authorities	10,700,000	1,040,000			55,234,426		56,274,426	
Water Supply Projects	15,480,000	3,340,000					3,340,000	
Dam construction	127,400,000	1,885,484					1,885,484	
<b>ICT</b>	<b>149,847,845</b>	<b>3,137,813</b>	<b>-</b>	<b>6,507,000</b>	<b>-</b>	<b>21,100,000</b>	<b>30,744,813</b>	
TelOne Fibre Optic Last Mile	15,932,683			6,507,000			6,507,000	
NetOne Upgrading of Infrastructure	120,425,162					21,100,000	21,100,000	

Cluster	2015 Estimate	Source of Funding					Total
		Appropriation	Statutory Funds	Own Resources	Development Partners	Loan Financing	
E-Government Projects	13,490,000	3,137,813					3,137,813
<b>Public Amenities</b>	<b>50,712,105</b>	<b>6,495,433</b>	<b>97,000</b>		<b>2,500,000</b>		<b>9,092,433</b>
<b>Social Services &amp; Poverty Eradication</b>	<b>98,673,000</b>	<b>9,614,534</b>	<b>1,000,000</b>	<b>-</b>	<b>1,471,376</b>	<b>-</b>	<b>12,085,910</b>
Health	26,440,000	4,530,000					4,530,000
Education	52,432,000	5,014,534					5,014,534
Housing Development	18,751,000		1,000,000				1,000,000
Other Social Services	1,050,000	70,000			1,471,376		1,541,376
<b>Food Security &amp; Nutrition</b>	<b>14,204,400</b>	<b>1,670,000</b>	<b>-</b>	<b>-</b>	<b>2,167,000</b>	<b>-</b>	<b>3,837,000</b>
Irrigation rehabilitation & development	10,497,000	1,600,000			2,167,000		3,767,000
Other Agriculture Infrastructure	3,707,400	70,000					70,000
<b>Total</b>	<b>987,582,573</b>	<b>31,358,226</b>	<b>16,270,022</b>	<b>33,075,103</b>	<b>66,272,802</b>	<b>71,600,000</b>	<b>218,576,153</b>

**Table 6: Overall Bilateral Development Partner Support**

Development Partner	2015 Projection	Jan – Jun 2015 Disbursement
Australia	15 600 000	113 746
China	22 862 500	704 878
Denmark	34 357 578	11 854 582
European Union	54 547 290	19 065 203
Germany	9 831 595	4 473 514
India	1 000 000	702 637
Japan	4 975 656	4 455 515
Netherlands	6 994 242	3 139 885
Norway	20 000 000	6 398 000
Sweden	19 783 292	1 125 944
Switzerland (SDC)	8 600 970	1 499 566
DfID	139 280 907	59 760 302
USAID	2 222 578	19 708 620
Total	340 056 608	133 002 392

Source: Ministry of Finance and Economic Development

**Table 7: Overall Multilateral Development Partner Support**

Development Partner	2015 Projection	Jan – Jun 2015 Disbursement
AfDB	14 511 000	1 388 054
ACBF	364 820	-
FAO	726 947	365 027
Global Fund	155 948 568	103 006 163
ILO	119 227	55 023
IOM	280 000	94 965
ITU	300 000	32 700
Kuwait Fund	500 000	-
UN Women	1 123 020	274 768
UNDP	6 594 750	5 799 769
UNESCO	149 000	90 000
UNFPA	2 933 431	449 068
UNICEF	7 821 648	16 710 346
WHO	4 996 913	1 740 852
World Bank	15 350 000	8 000 000
Total	211 719 324	138 006 735

Source: Ministry of Finance and Economic Development

**Table 8: Shop Licencing Fees**

City	Licence Fees / Charges
Harare	<b>Shop Licence</b> <ul style="list-style-type: none"> <li>Administration Fee (US\$20) to Council</li> <li>Submission Fee (US\$60) to Council</li> <li>Shop Licence (US\$530) to Council</li> <li>Application for Trading Permit (US\$35) to Council</li> <li>Shop Licence Trading Permit (US\$55) to Council</li> </ul>
	<b>Liquor</b> <ul style="list-style-type: none"> <li>Application for Liquor Licence (US\$220) for bottle store to Liquor Board</li> <li>Administration Fee (US\$20) to Council</li> <li>Submission Fee (US\$60) to Council</li> <li>Liquor Registration (US\$400) to Council</li> <li>Licensing Fee: Final Report Liquor (US\$120)</li> </ul>
	<b>Restaurant</b> <ul style="list-style-type: none"> <li>Administration Fee (US\$20) to Council</li> <li>Submission Fee (US\$60) to Council</li> <li>Licence &amp; Health Registration Certificate (US\$200) to Council</li> </ul>
	<b>Restaurant &amp; Bar</b> <ul style="list-style-type: none"> <li>Application for Liquor Licence (US\$220) to Liquor Licencing Board</li> <li>Administration Fee (US\$20) to Council</li> <li>Initial application fee (US\$140) to Council</li> <li>Submission fee (US\$60) to Council</li> <li>Liquor licence (US\$400) to Council</li> </ul>
	<b>Butchery</b> <ul style="list-style-type: none"> <li>Administration Fee (US\$20) to Council</li> <li>Submission Fee (US\$60) to Council</li> <li>Temporary Trading Licence (US\$360) to Council</li> <li>Trading Licence (US\$530) to Council</li> </ul>
Bulawayo	<b>Shop Licence</b> <p><b>Below 300 m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>Application and Inspection Licence (US\$136.64) to Council</li> <li>Advertising Fee (US\$60) to Council</li> <li>Temporary Licence (US\$62) to Council</li> </ul> <p><b>Above 300 m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>Application Fee (US\$256.24) to Council</li> <li>Temporary Licence (US\$124.80) to Council</li> <li>Advertising Fee (US\$60) to Council</li> </ul>
	<b>Liquor</b> <ul style="list-style-type: none"> <li>Application for Liquor Licence (US\$220) to Liquor Licencing Board</li> <li>Liquor Licence (US\$690) to Council</li> <li>Health Report (US\$350) for Bottle store to Council</li> <li>Health Report (US\$400) for Bar to Council</li> </ul>
	<b>Restaurant</b> <p><b>Below 300 m<sup>2</sup></b></p>

City	Licence Fees / Charges
Bulawayo	<ul style="list-style-type: none"> <li>• Registration fee (US\$180) to Council</li> <li>• Application and Inspection Licence (US\$136.64) to Council</li> <li>• Advertising Fee (US\$60) to Council</li> <li>• Temporary Licence (US\$62) to Council</li> </ul> <p><b>Above 300 m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>• Registration fee (US\$180) to Council</li> <li>• Application Fee (US\$256.24) to Council</li> <li>• Temporary Licence (US\$124.80) to Council</li> <li>• Advertising Fee (US\$60) to Council</li> </ul>
	<p><b>Restaurant &amp; Bar</b></p> <p><b>Below 300 m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>• Application and inspection licence (US\$136.64) to Council</li> <li>• Advertising fee(US\$60) to Council</li> <li>• Temporary licence(US\$62) to Council</li> </ul> <p><b>Above 300 m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>• Application fee(US\$256.24) to Council</li> <li>• Temporary licence(US\$124.80) to Council</li> <li>• Advertising fee(US\$60) to Council</li> </ul> <p><b>Bar</b></p> <ul style="list-style-type: none"> <li>• Liquor licence (US\$220) bottle store to Liquor Licence Board</li> <li>• Inspection fees (US\$400)/annum to Council</li> <li>• Liquor licence (US\$690)/annum to Council</li> </ul>
	<p><b>Butchery</b></p> <p><b>Below 300 m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>• Application and inspection licence (US\$136.64) to Council</li> <li>• Advertising fee(US\$60) to Council</li> <li>• Temporary licence(US\$62) to Council</li> </ul> <p><b>Above 300 m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>• Application fee(US\$256.24) to Council</li> <li>• Temporary licence(US\$124.80) to Council</li> <li>• Advertising fee(US\$60) to Council</li> </ul>
	Gweru

City	Licence Fees / Charges
Mutare	<b>Shop Licence</b> <ul style="list-style-type: none"> <li>• <i>Application/Admin Fee (US\$200) to Council</i></li> <li>• <i>Licensing Fee/Annum (US\$600) to Council</i></li> </ul>
	<b>Liquor</b> <ul style="list-style-type: none"> <li>• <i>Liquor licence (US\$220) for bottle store paid to liquor licence board</i></li> <li>• <i>Liquor Licence(US\$150) for a bottle store to Council</i></li> <li>• <i>Liquor Licence (US\$200) for night club paid to Council</i></li> </ul>
	<b>Restaurant</b> <ul style="list-style-type: none"> <li>• <i>Application Fee (US\$200) to Council</i></li> <li>• <i>Inspection Fee (US\$65) to Council</i></li> <li>• <i>Advertising Fee US\$66) to Council</i></li> <li>• <i>Temporary Shop Licence/3 months (US\$150) to Council</i></li> </ul>
	<b>Restaurant &amp; Bar</b> <ul style="list-style-type: none"> <li>• <i>Application fee (US\$200) for shop licence to Council</i></li> <li>• <i>Bar licence (US\$150)/annum to Council</i></li> <li>• <i>Liquor licence (US\$220) paid to the Liquor Licencing Board</i></li> <li>• <i>Restaurant licence (US\$400) to Council</i></li> <li>• <i>Restaurant &amp; liquor licence (US\$200) to Council</i></li> </ul>
	<b>Butchery</b> <ul style="list-style-type: none"> <li>• <i>Registration certificate (US\$100) to Council</i></li> <li>• <i>Application fee (US\$200) to Council</i></li> <li>• <i>Butcher licence (US\$100)/annum to Council</i></li> </ul>

**Table 9: Medical Equipment Beneficiaries**

Equipment Type	PARI	HC	CHIT	MP	UBH	MN	MS	MA	MC	ME	MV	MD	MW	Total
<b>Surgical Equipment</b>														
Multi-function trolley	3	3	2	2	2	2	3	3	2	3	3	3	3	34
LED Series Surgical Lights	5	5	3	3	3	4	3	4	4	4	4	4	4	50
Shadowless Operation Light (mobile)	5	5	3	3	3	4	3	4	4	4	4	4	4	50
Mechanical Operating table	5	6	2	5	4	6	6	6	6	6	6	6	6	70
Intelligent Operating table	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Luxurious connecting stretcher	12	12	12	12	12	14	14	16	14	14	16	16	16	180
Multi-Purpose Head rack	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Vacuum Autoclave						20	20	20	20	20	20	20	20	160
Autoclave	10	10	10	10	10	-	-	-	-	-	-	-	-	50
Anaesthesia Machine	5	5	2	4	3	1	1	1	1	1	1	1	1	27
Sliding door Steam Sterilizer	2	2	2	2	2	5	5	7	5	5	5	6	7	55
Low Temperature Plasma Sterilizer	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Ultrasonic washer	1	1	1	1	1	-	-	1	-	-	-	-	-	6
Emergency Trolley	8	8	8	8	8	8	8	8	8	8	9	8	8	105
Breath resuscitation bag	8	8	8	8	8	8	8	8	8	8	9	8	8	105
Multi-function trolley	3	3	2	2	2	2	3	3	2	3	3	3	3	34
LED Series Surgical Lights	5	5	3	3	3	4	3	4	4	4	4	4	4	50
Shadowless Operation Light (mobile)	5	5	3	3	3	4	3	4	4	4	4	4	4	50
Mechanical Operating table	5	6	2	5	4	6	6	6	6	6	6	6	6	70

Equipment Type	PARI	HC	CHIT	MP	UBH	MN	MS	MA	MC	ME	MV	MD	MW	Total
Intelligent Operating table	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Luxurious connecting stretcher	12	12	12	12	12	14	14	16	14	14	16	16	16	180
Multi-Purpose Head rack	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Vacuum Autoclave						20	20	20	20	20	20	20	20	160
Autoclave	10	10	10	10	10	-	-	-	-	-	-	-	-	50
Central Monitoring System	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Digital portable Electrocardiograph	4	4	4	4	4	2	2	2	2	2	2	2	2	36
ICU Beds with sectional mattress	8	10	4	8	8	4	4	5	3	3	5	5	5	72
Patient Monitor	12	12	12	12	12	7	8	8	7	6	8	8	8	120
Multi-parameter patient monitor	-	-	-	-	-	7	8	8	7	6	8	8	8	60
Vital Signs Monitor	30	30	30	30	30	40	40	45	45	45	45	45	45	500
Stainless steel trolley for appliances	4	4	4	4	4	2	2	2	2	2	2	2	2	36
<b>Maternity Equipment</b>														
Ultrasound Fetal Monitor	2	2	2	2	2	2	2	2	2	2	2	2	2	26
Digital Weighing Scale infant	5	5	4	5	5	9	9	10	9	9	10	10	10	100
Fetal heartbeat detector(doppler)	7	7	7	7	6	10	10	10	10	10	10	10	10	114
Transport Incubator	2	2	1	1	1	1	1	1	1	1	1	1	1	15
Infant Incubator	8	15	6	15	6	15	15	15	15	15	15	15	15	170
Infant Radiant Warmer	4	4	4	4	4	4	3	4	4	3	4	4	4	50
Stainless Steel Obstetric Bed	10	8	6	10	6	20	20	20	20	20	20	20	20	200
Phototherapy Equipment	6	12	6	12	6	8	8	8	8	8	8	8	8	106
Vacuum Extractor	4	4	3	4	3	5	5	5	5	5	5	6	6	60

Equipment Type	PARI	HC	CHIT	MP	UBH	MN	MS	MA	MC	ME	MV	MD	MW	Total
<b>Laboratory Equipment</b>														
Chemistry Analyser	2	1	1	1	1	3	2	4	2	3	4	4	4	32
Auto Haematology Analyser	2	2	2	2	2	7	6	8	6	6	8	7	7	65
<b>Other Medical Equipment</b>														
Examination Lamp mobile	10	12	10	12	10	12	12	12	12	12	12	12	12	150
<b>Radiological Equipment</b>														
Diagnostic Ultrasound system	3	1	1	1	1	1	-	1	-	1	1	1	1	13
Digital Ultrasound Diagnostic System	2	2	1	2	1	4	4	4	4	4	4	4	4	40
<b>Mobile Clinic, Educational &amp; Training Equipment</b>														
Semi-fowler bed with ABS head/foot board	510	610	6	510	308	356	346	408	346	326	408	408	408	4,950
Full-fowler orthopaedics bed	4	4	3	4	3	4	4	4	4	4	4	4	4	50
Epoxy coating infant bed	50	50	20	45	30	20	25	30	20	20	30	30	30	400
ABS Bedside Cabinet	514	614	9	514	311	360	350	412	350	330	412	412	412	5,000
Medicine Trolley	32	40	32	38	38	40	40	40	40	40	40	40	40	500
Stainless steel trolley for treatment	32	40	32	38	38	40	40	40	40	40	40	40	40	500
Stainless steel stretcher for emergency treatment with height adjustable	32	40	32	38	38	40	40	40	40	40	40	40	40	500
Mobile Clinic (Bus type)	-	-	-	-	-	-	-	-	-	-	-	-	-	3
Mobile Clinic (Mercedes Benz Ambulance)	-	-	-	-	-	1	1	1	1	1	1	1	1	11

Source: Ministry of Finance and Economic Development

Key  
 PAR - Parirenyatwa Group of Hospitals  
 HC - Harare Central Hospital  
 MP - Mpilo Central Hospital  
 UBH - United Bulawayo Hospital  
 MN - Matebeleland North  
 MS - Matebeleland South  
 CHIT - Chitungwiza Central Hospital  
 MA - Mashonaland Central  
 ME - Mashonaland East  
 MA - Manicaland  
 MD - Midlands  
 MW - Mashonaland West  
 MV - Masvingo

**Table 10: ZINARA Road Fund Disbursements (US\$)**

Road Authority	2015 Allocation	2015 Disbursements (Jan-June)
<b>Department of Roads</b>	<b>12 000 000</b>	<b>3 000 000</b>
<b>District Development Fund</b>	<b>6 000 000</b>	<b>1 500 000</b>
<b>Urban Local Authorities</b>		
Banket	192 000	47 964
Beitbridge	232 000	58 103
Bindura	253 000	63 226
Bulawayo	899 000	224 809
Chegutu	294 000	89 710
Chinhoyi	315 000	78 763
Chipinge	220 000	55 080
Chiredzi	241 000	60 158
Chirundu	176 000	44 067
Chitungwiza	363 000	90 833
Epworth	171 000	42 627
Gokwe	233 000	58 232
Gwanda	254 000	63 491
Gweru	471 000	117 685
Harare	1 304 000	665 897
Hwange	208 000	51 904
Kadoma	284 000	70 903
Kariba	282 000	70 623
Karoi	271 000	67 831
Kwekwe	276 000	69 022
Lupane	174 000	43 589
Marondera	225 000	56 180
Masvingo	345 000	86 227
Mutare	339 000	84 869
Mvurwi	177 000	44 358
Norton	279 000	69 695
Plumtree	194 000	48 400
Redcliff	250 000	62 609
Rusape	224 000	55 918
Ruwa	167 000	41 875
Shurugwi	216 000	54 024
Victoria Falls	233 000	58 186

<b>Road Authority</b>	<b>2015 Allocation</b>	<b>2015 Disbursements (Jan-June)</b>
Zvishavane	238 000	59 413
<b>Sub Total for Urban Local Authorities</b>	<b>10 000 000</b>	<b>2 856 271</b>
<b>Rural Local Authorities</b>		
Beitbridge	340 000	84 959
Bikita	310 000	77 405
Bindura	318 000	79 607
Binga	432 000	107 959
Bubi	324 000	80 894
Buhera	338 000	84 540
Bulilima	342 000	85 395
Chaminuka	306 000	76 591
Chegutu	359 000	73 439
Chikomba	326 000	81 610
Chimanimani	346 000	86 511
Chipinge	309 000	77 367
Chiredzi	330 000	82 500
Chirumanzu	349 000	87 335
Chivi	388 000	97 110
Gokwe North	331 000	82 647
Gokwe South	316 000	78 923
Goromonzi	309 000	77 301
Guruve	263 000	65 812
Gutu	324 000	80 976
Gwanda	368 000	92 120
Hurungwe	367 000	91 764
Hwange	401 000	100 262
Hwedza	304 000	75 984
Insiza	378 000	94 533
Kusile - Lupane	321 000	80 274
Makoni	322 000	76 739
Mangwe	361 000	90 326
Manyame	337 000	84 152
Marondera	317 000	79 220
Masvingo	357 000	89 192
Matobo	278 000	69 377

<b>Road Authority</b>	<b>2015 Allocation</b>	<b>2015 Disbursements (Jan-June)</b>
Mazowe	288 000	71 978
Mberengwa	336 000	84 042
Mbire	293 000	73 209
Mhondoro - Ngezi	321 000	80 208
Mudzi	333 000	83 299
Murewa	295 000	73 828
Mutare	364 000	90 963
Mutoko	299 000	74 814
Muzarabani	331 000	82 846
Mwenezi	333 000	83 164
Nkayi	371 000	92 628
Nyaminyami	334 000	83 435
Nyanga	384 000	95 933
Pfura	296 000	73 875
Runde	308 000	77 365
Rushinga	317 000	79 375
Sanyati	310 000	77 414
Tongogara	309 000	77 365
Tsholotsho	368 000	91 923
Umguza	378 000	94 491
UMP Zvataida	302 000	75 591
Umzingwane	303 000	75 814
Vungu	332 000	83 073
Zibagwe	319 000	79 578
Zvimba	394 000	98 435
<b>Sub Total for Rural Local Authorities</b>	<b>18 989 000</b>	<b>4 727 470</b>
<b>Other Expenditures</b>		
Plumtree - Forbes (DBSA Facility)	29 895 197	35 955 700
Harare Airport Road	5 500 000	6 391 495
Cost of Revenue Collection	11 947 150	11 274 241
Staff & Operational Cost	8 257 653	9 430 790
<b>Sub Total</b>	<b>55 600 000</b>	<b>63 052 226</b>
<b>Total</b>	<b>102 589 000</b>	<b>75 135 967</b>

Source: ZINARA

**Table 11: Sustainable Development Goals: Post 2015**

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, energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialisation 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; and
Goal 17	Strengthen the means of implementation and revitalise the global partnership for sustainable development.

**Table 12: Printing Industry: Finished Goods**

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
4819.1000	Cartons, boxes and cases, of corrugated paper or paperboard	40	10	40 + US\$1/Kg	25 + US\$1/Kg
4819.2000	Folding cartons, boxes and cases, of non-corrugated paper and paperboard	40	10	40 + US\$1/Kg	25 + US\$1/Kg
4819.3000	Sacks and bags, having a base of a width of 40 cm or more	40	10	40 + US\$1/Kg	25 + US\$1/Kg
4819.4000	Other sacks and bags, including cones	0	0	40 + US\$1/Kg	25 + US\$1/Kg
4820.1000	Registers, account books, note books, order books, receipt books and letter pads	40	10	40 + US\$1/Kg	25 + US\$1/Kg
4820.2000	Exercise books	40	10	40 + US\$1/Kg	25 + US\$1/Kg
4820.9000	Other stationery	40	10	40 + US\$1/Kg	25 + US\$1/Kg
4821.1000	Printed paper or paperboard labels	10	0	40 + US\$1/Kg	25 + US\$1/Kg
4901.9900	Other printed books, brochures and leaflets	0	0	40 + US\$1/Kg	25 + US\$1/Kg
4907.0000	Postage, revenue or similar stamps; banknotes; cheque forms; stock, share or bond certificates and similar documents of title	5	0	40 + US\$1/Kg	25 + US\$1/Kg
4909.0000	Printed postcards	40	10	40 + US\$1/Kg	25 + US\$1/Kg
4910.0000	Calendars	40 + US\$1/Kg	10	40 + US\$1/Kg	25 + US\$1/Kg
4911.1000	Trade advertising material, commercial catalogues and the like	40 + US\$1/kg	10	40 + US\$1/Kg	25 + US\$1/Kg
4911.9100	Pictures, designs and photographs	40 + US\$1/Kg	10	40 + US\$1/Kg	25 + US\$1/Kg

**Table 13: Furniture Industry: Finished Products**

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
4420.1000	Statuettes and Other ornaments, Of wood	40%	5%	40% + Surtax	25% + Surtax
4420.9099	Other ( to create tariff split for Panels of marquetry and inlaid wood)	40%	5%	40% + Surtax	25% + Surtax
8418.9900	Other, (to create tariff split for metal cladded insulated panels)	5%	0%	25%	25%
8609.0000	Containers, ( to create tariff split for metal cladded insulated panels)	0%	0%	25%	25%
9401.6100	Other seats with wooden frame upholstered	40%		40% + Surtax	25% + Surtax
9403.1000	Metal furniture of a kind used in offices	40%	10%	40%+ Surtax	25% + Surtax
9403.2000	Other metal furniture	40%	10%	40%+ Surtax	25% + Surtax
9403.5000	Wooden furniture of a kind used in the bedroom	40%	10%	40%+ Surtax	25% + Surtax
9403.7000	Furniture of plastics	40%	10%	40% + Surtax	25% + Surtax
9403.8100	Furniture of other materials of bamboo or Rattan	40%	10%	40% + Surtax	25% + Surtax
9403.8900	Furniture of other materials	40%	10%	40% + Surtax	25% + Surtax
9403.9000	Furniture of other materials -Parts	20%	0%	40%	25% + Surtax
9404.9000	Other articles of bedding	40%	10%	40% + Surtax	25% + Surtax
9406.0090	Other ( to create tariff splits for metal cladded insulated panels)	0%	0%	25%	25%

**Table 14: Textile Manufacturers Rebate (Raw Materials)**

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
3204.1100	Dyes	5	0	0	0
3204.1500	Vat dyes (including those usable in that state as pigments) and preparations based thereon	5	0	0	0
3204.1600	Reactive dyes and preparations based thereon	5	0	0	0
3204.1700	Pigments and preparations based thereon	5	0	0	0
3204.9000	Other, including mixtures of colouring matter of two or more of the Subheadings 3204.11 to 3204.19	5	0	0	0
3209.9099	Other water thinned paints	20	0	0	0
3215.9000	Other printing ink	15	0	0	0
3402.1300	Non-ionic organic surface-active agents, whether or not put up for retail sale	5	0	0	0
3402.1900	Other, organic surface-active agents, whether or not put up for retail sale	5	0	0	0
3403.9100	Other preparations for the treatment of textile materials, leather, fur-skins or other materials	10	0	0	0
3506.9900	other adhesives	10	0	0	0
3707.1000	Sensitized emulsions	5	0	0	0
3707.9000	Other vanishes, glues, adhesives	10	0	0	0
3809.1000	Finishing agents, with a basis of amylaceous substances	5	0	0	0
3809.9100	Other finishing agents of a kind used in the textile or like industries	5	0	0	0
3815.9000	Other supported catalysts	5	0	0	0
3906.9000	Other, acrylic polymers in primary forms	5	0	0	0
3917.2990	Other, of copolymers of vinyl acetate and vinyl chloride	15	0	0	0
3919.1000	Self-adhesive plates, sheets, film, foil, tape, strip and other flat, shapes, of plastic, whether or not in rolls in rolls of a width not exceeding 20 cm	15	0	0	0
3925.3090	Fittings and parts thereof	25	10	0	0
4010.1900	Other conveyor belts or belting	15	0	0	0
4010.3900	Other transmission belts or belting	15	0	0	0
4808.1090	Other corrugated paper and paperboard, whether or not perforated	5	0	0	0
5208.1100	Unbleached, plain weave, weighing not more than 100 g/m <sup>2</sup>	10	0	0	0
5208.1200	Unbleached, plain weave, weighing more than 100 g/m <sup>2</sup>	10	0	0	0
5208.1300	Unbleached, 3-thread or 4-thread twill, including cross twill	10	0	0	0
5208.1900	Other unbleached fabrics	10	0	0	0
5208.2100	Bleached, plain weave, weighing not more than 100 g/m <sup>2</sup>	10	0	0	0
5208.2200	Bleached, plain weave, weighing more than 100 g/m <sup>2</sup>	10	0	0	0
5208.2300	Bleached, 3-thread or 4-thread twill, including cross twill	10	0	0	0

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
5208.2900	Other bleached fabrics	10	0	0	0
5209.1190	Other, unbleached plain weave	10	0	0	0
5209.1200	3-thread or 4-thread twill, including cross twill	10	0	0	0
5209.1900	Other fabrics	10	0	0	0
5209.2100	Bleached plain weave	10	0	0	0
5209.2200	Bleached 3-thread or 4-thread twill, including cross twill	10	0	0	0
5209.2900	Other bleached fabrics	10	0	0	0
5210.1100	Unbleached plain weave of cotton	10	0	0	0
5210.1900	Other unbleached fabrics of cotton	10	0	0	0
5210.2100	Bleached plain weave of cotton	10	0	0	0
5210.2900	Other bleached fabrics of cotton	10	0	0	0
5212.1100	Other unbleached woven fabrics of cotton, weighing not more than 200 g/m2	10	0	0	0
5212.1200	Other bleached woven fabrics of cotton, weighing not more than 200 g/m2	10	0	0	0
5212.2100	Other unbleached woven fabrics of cotton, weighing more than 200 g/m2	10	0	0	0
5212.2200	Other bleached woven fabrics of cotton, weighing more than 200 g/ m2	10	0	0	0
5401.1010	Sewing thread of man-made filaments, put up for retail	15	0	0	0
5402.2000	High tenacity yarn of polyesters	5	0	0	0
5402.3300	Textured yarn, of polyester	5	0	0	0
5402.3400	Textured yarn of polypropylene	5	0	0	0
5402.4900	Other yarn, single, untwisted or with a twist not exceeding 50 turns per metre	5	0	0	0
5402.6900	Other yarn, multiple (folded) or cabled	5	0	0	0
5407.4190	Other woven fabrics, containing 85% or more by weight of filaments of nylon or other polyamides:	10	0	0	0
5407.5190	Other woven fabrics, containing 85% or more by weight of textured polyester filaments	10	0	0	0
5407.6190	Other woven fabrics, containing 85% or more by weight of non-textured polyester filaments	10	0	0	0
5407.7190	Other woven fabrics, containing 85% or more by weight of synthetic filaments	10	0	0	0
5407.8190	Other woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with cotton	10	0	0	0
5408.2190	Other woven fabrics, containing 85% or more by weight of artificial filament or strip or the like	10	0	0	0
5408.3190	Other woven fabrics	10	0	0	0
5503.2000	Synthetic staple fibres, not carded, combed or otherwise processed for spinning, of polyesters	5	0	0	0
5507.0000	Artificial staple fibres, carded, combed or otherwise processed for spinning	10	0	0	0
5508.1010	Sewing thread of man-made staple fibres, put up for retail use	15	0	0	0

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
5509.3200	Multiple (folded) or cabled yarn, containing 85% or more by weight of acrylic or modacrylic staple fibres	5	0	0	0
5512.1190	Other bleached or unbleached woven fabrics of synthetic staple fibres, containing 85% or more	10	0	0	0
5512.1990	Other woven fabrics of synthetic staple fibres, containing 85% or more	10	0	0	0
5513.1100	Bleached or unbleached of polyester staple fibres, plain weave	10	0	0	0
5513.1200	3-thread or 4-thread twill, including cross twill, of polyester staple fibres	10	0	0	0
5513.1300	Other woven fabrics of polyester staple fibres	10	0	0	0
5513.1900	Other woven fabrics	10	0	0	0
5514.1190	of polyester staple fibres, plain weave		0	0	0
5514.1200	3-thread or 4-thread twill, including cross twill, of polyester staple fibres	10	0		
5514.1990	Other woven fabrics	10	0	0	0
5516.1190	Other woven fabrics of artificial staple fibres, containing 85% or more by weight of artificial staple fibres	10	0	0	0
5603.1200	Nonwovens, whether or not impregnated, coated, covered or laminated, weighing more than 25 g/m <sup>2</sup> but not more than 70 g/m <sup>2</sup>	5	0	0	0
5603.1300	Nonwovens, whether or not impregnated, coated, covered or laminated, weighing more than 70 g/ m <sup>2</sup> but not more than 150 g/ m <sup>2</sup>	40+US\$ 2.50/KG	0	0	0
5607.4100	Binder or baler twine, of polyethylene or polypropylene	40	0	0	0
5802.1100	Unbleached terry towelling and similar woven terry fabrics, of cotton	40	0	0	0
5802.1900	Other, terry towelling and similar woven terry fabrics, of cotton	40	0	0	0
6005.2100	Bleached or unbleached warp knit fabrics (including those made on galloon knitting machines), of cotton	10	0	0	0
6005.3100	Bleached or unbleached warp knit fabrics of synthetic fibres	10	0	0	0
6005.3400	Printed warp knit fabrics of synthetic fibres	10	0	0	0
6005.4100	Unbleached or bleached artificial fibres,	10	0	0	0
6006.2100	Other unbleached or bleached knitted or crocheted fabrics of cotton	10	0	0	0
6006.3100	Other unbleached or bleached knitted or crocheted fabrics of synthetic fibres	10	0	0	0
6006.4100	Other unbleached or bleached knitted or crocheted fabrics, of artificial fibres	10	0	0	0
6006.9000	Other unbleached or bleached knitted or crocheted fabrics	10	0	0	0
7318.1500	Other screws and bolts, whether or not with their nuts or washers	15	0	0	0
7318.1600	Nuts	5	0	0	0

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
7506.2000	Nickel plates, sheets, strip and foil, of nickel alloys	10	0	0	0
8208.9000	Other knives and cutting blades, for machines or for mechanical appliances	5	0	0	0
8413.8100	pumps	5	0	0	0
8427.1000	Self-propelled trucks powered by an electric motor	0	0		
8443.9100	Parts and accessories of printing machinery used for printing by means of plates, cylinders and other printing components of heading 84.42	5	0	0	0
8443.9900	Other parts	10	0	0	0
8445.1100	Carding machines for preparing textile fibres	0	0	0	0
8445.1200	Combing machines for preparing textile fibres	0	0		
8446.1000	Weaving machines for weaving fabrics of a width not exceeding 30 cm	0	0	0	0
8447.2090	Flat knitting machines; stitch-bonding machines	0	0	0	0
8447.9000	Other knitting machines; stitch-bonding machines	0	0	0	0
8448.3200	Parts and accessories of machines for preparing textile fibres, other than card clothing	5	0	0	0
8448.3900	Other parts and accessories of machines of heading 84.45 or of their auxiliary machinery	5	0	0	0
8448.4900	Other parts and accessories of weaving machines (looms) or of their auxiliary machinery	5	0	0	0
8448.5190	Other sinkers, needles and other articles used in forming stitches	5	0	0	0
8451.3090	Industrial ironing machines and presses (including fusing presses)	0	0	0	0
8451.5000	Machines for reeling, unreeling, folding, cutting or pinking textile fabrics	0	0	0	0
8451.9000	Parts of machinery	5	0	0	0
8452.3000	Sewing machine needles	5	0	0	0
8471.3000	Portable automatic data processing machines, weighing not more than 10 kg, consisting of at least a central processing unit, a keyboard and a display	0	0	0	0
8481.1000	Pressure-reducing valves	5	0	0	0
8481.4000	Safety or relief valves	5	0	0	0
8483.9000	Toothed wheels, chain sprockets and other transmission elements presented separately ; parts	5	0	0	0
8523.2100	Cards incorporating a magnetic stripe	20	0	0	0
8536.4900	Other relays	5	0	0	0
8536.5000	Other switches	10	0	0	0
8536.6900	Other plugs and sockets	40	0	0	0
8536.9000	Other apparatus	5	0	0	0

Tariff Code	Description	Current Rates of duty (%)		Proposed Rates of Duty (%)	
		MFN	SADC	MFN	SADC
8537.1000	Boards, panels, consoles, desks, cabinets and other bases, for a voltage not exceeding 1,000 v	20	0	0	0
8537.2090	Other boards, panels, consoles, desks, cabinets and other bases	10	0	0	0
8539.3990	Other discharge lamps, other than ultra-violet lamps	10	0	0	0
8542.3900	Other electronic intergrated circuits	10	0	0	0
8544.2010	Wire and cable of copper, insulated with polyethylene and additionally or alternatively polyvinyl chloride, whether or not additionally armoured, insulated	15	0	0	0
8544.2090	Other co-axial cable and other co-axial electric conductors	10	0	0	0
9017.8000	Other instruments	5	0	0	0
9032.8900	Other instruments and apparatus	0	0	0	0
9618.0000	Tailors' dummies and other lay figures; automata and other animated displays used for shop window dressing	25	0	0	0

**Table 15: List of Groceries to be removed from the Travellers' Rebate**

	<b>Commodity</b>
1	Flour
2	Maize meal
3	Sugar
4	Meat
5	Fish
6	Powdered Milk
7	Yoghurts
8	Cheese
9	Eggs
10	Corn Puffs
11	Jam
12	Honey
13	Beverages