



**ZIMBABWE**

## **THE 2015 NATIONAL BUDGET STATEMENT**

*“Towards an Empowered Society and Inclusive  
Economic Growth”*

**Presented to the Parliament of Zimbabwe**

**on 27 November, 2014**

**by**

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**Minister of Finance and Economic Development**



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## I. MOTION

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2015 Financial Year and to make Provisions for matters ancillary and incidental to this purpose.
2. This, Mr Speaker Sir, is in terms of Chapter 17, Section 305 (1-2) of the Constitution of Zimbabwe, read together with Section 28 (1)(a) of the Public Finance Management Act [*Chapter 22:19*].

## II. INTRODUCTION

3. Mr Speaker Sir, Honourable Members will recall that my 2014 Budget focused and stressed on policy oriented interventions and policy clarity, which were meant to restore and build confidence, thereby creating a conducive environment for attracting investment into the economy.
4. Mr Speaker Sir, the formulation of the 2015 National Budget comes at a critical time when the economy is still experiencing significant challenges reflecting both domestic and global fragilities, characterised by depressed international prices for both mineral and agricultural commodities.

5. Against this background, the design of the 2015 National Budget should reinforce the policy oriented thrust for laying a solid foundation for accelerated growth and creation of employment opportunities.
6. Mr Speaker Sir, the recent lapse of the restrictive measures under the Article 96 of the Cotonou Agreement is a welcome development.
7. However, whilst we appreciate the lapse, the continued imposition of travel restrictions on the Head of State and Government places some psychological cost, as investors and other development partners continue taking a cue from the sanctions measures.
8. Hence, the reality is that our economic fortunes remain weighed down by the sanctions.
9. It is, therefore, imperative that we take advantage of the lapse of the measures under Article 96 of the Cotonou Agreement whilst at the same time we also collectively lend our voice towards the lifting of the illegal sanctions imposed on the country.
10. The Budget should, on its part, therefore, be developmental and inclusive, enunciating policies that address structural bottlenecks in the economy as well as improving the ease of doing business, whilst making clarification on the Indigenisation and Empowerment Policy.



11. It should anchor the aspirations of our economic blueprint, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation: 2013-18 (ZIM ASSET), which we launched 12 months ago in October 2013.
12. In order to widen the tax base, enhance export competitiveness and promote economic recovery, fiscal incentive schemes are being proposed to be included in the 2015 National Budget.
13. The proposed incentives are drawn from the ZIM ASSET objectives of supporting sustainable economic recovery and empowerment, as well as promotion of value addition and beneficiation of the economy's diverse natural resource endowment.
14. Mr Speaker Sir, allow me to reiterate the clusters of ZIM ASSET.
15. These are:
  - Food Security and Nutrition;
  - Social Services and Poverty Eradication;
  - Infrastructure and Utilities; and
  - Value Addition and Beneficiation.
16. Mr Speaker Sir, in His foreword to the ZIM ASSET document, His Excellency-the President noted that "*Given the resource constraints, Government will come up with robust and prudent*

*fiscal and monetary policy measures to buttress and boost the implementation of ZIM ASSET’.*

17. Hence, the above four ZIM ASSET clusters are buttressed by two sub-clusters, namely:
  - Fiscal Reform Measures; and
  - Public Administration, Governance and Performance Management.
18. Mr Speaker Sir, under the ZIM ASSET clusters are various specific projects and programmes which Government has begun implementing under the 2014 Budget, with most of them spanning over a five-year horizon.
19. I will be alluding to those projects that we have begun implementing under the framework of the 2014 Budget in my outline of progress with the implementation of this year’s Budget.
20. While we still face many hurdles, we have begun to lay the foundation for sustainable economic transformation by beginning to implement some of the key projects under the four ZIM ASSET clusters.
21. Mr Speaker Sir, interventions in the *Cluster on Infrastructure and Utilities* have seen the commencement of the implementation of

the Kariba South Power Station together with rehabilitation works at other power plants.

22. Furthermore, notable progress is being made with regards to the on-going roads rehabilitation, including the Plumtree-Harare-Mutare Road, Harare airport road, Harare-Goromonzi turn-off, among others.
23. Major ground has also been covered with regards to the rehabilitation of rural feeder roads across the various districts.
24. Mr Speaker Sir, I must acknowledge that we continue to face challenges in the areas under the jurisdiction of our urban local authorities.
25. With regards to the *Food Security and Nutrition Cluster*, Honourable Members will acknowledge this year's gains in agricultural production as a result of deliberate support from Government, complemented by private sector contract farming, Development partners, and the hard work and initiative of individual farmers.
26. Similarly, in the *Value Addition and Beneficiation Cluster*, we have already restored Fidelity Printers and Refiners as the sole buyer, refiner and exporter of gold. Furthermore, Government has also licenced three firms to undertake diamond cutting and polishing.

27. In addition, plans are in place to facilitate entrance of new players into chrome smelting, while implementation of initiatives to set up domestic platinum refineries by Zimplats, Unki and Mimosa within the time frames stipulated by Government, are at an advanced stage.
28. The development of a strategy for the establishment of Special Economic Zones also paves way for coordination of foreign direct investment in value addition and beneficiation across various sectors of the economy.
29. Under the *Social Services and Poverty Eradication Cluster*, the deliberate targeting and ring-fencing of public resources, complemented by Development partner support, has seen the successful implementation of some social services programmes in health delivery, water and sanitation, housing delivery as well as education.
30. Mr Speaker Sir, implementation of all the programmes and projects under the above clusters requires substantial resources over the period to 2018.
31. To date, I am satisfied with progress in the power, water, road construction and Information Communication Technology (ICT) sectors.

32. Pursuant to this, efforts by the *Fiscal Reforms Sub-Cluster* to mobilise resources to finance various priorities identified under the four clusters have included the re-engagement of the international financial and donor community.
33. In this regard, the resolution of our external indebtedness and clearance of arrears remains a critical component to unlocking new financing.
34. Allow me, therefore, to acknowledge and register my appreciation for the support the sub-cluster on Fiscal and Monetary Reforms has received from His Excellency, the President, Cabinet, Parliament and all other stakeholders with regards to the successful implementation of our first Staff Monitored Programme to June 2014 with the Fund, and the successful negotiation and conclusion of the successor Staff Monitored Programme for October 2014 to December 2015.
35. The successor Staff Monitored Programme which started from October 2014 to December 2015 draws from ZIM ASSET, and its implementation is part of the ZIM ASSET Prioritised Action Plan for 2015 seeking to create a conducive environment for economic recovery and growth. As such, this also forms part of the essence of my 2015 National Budget proposals.
36. The Prioritised Action Plan is a product of a consultative process, which was coordinated by the Office of the President and Cabinet

and drew participation from Government, the private sector, development partners and civil society.

37. Furthermore, inputs from the 2015 National Budget consultations buttressed this.

38. Mr Speaker Sir, we have also made progress with regards to strengthening the domestic financial market to effectively play its role in supporting the above four clusters.

39. This focuses on implementing financial sector reforms relating to:

- Confidence building through amendments to the Banking Act;
- Reserve Bank capitalisation and debt redemption;
- Banks supervision, surveillance and capitalisation;
- Resolution of non-performing loans;
- Establishment of the Credit Reference Bureau;
- Introduction of the inter-bank facility; and
- Strengthening of anti-money laundering and combating financing of terrorism frameworks.

40. Furthermore, efforts to mobilise additional resources in support of ZIM ASSET are also being underpinned by development of the respective frameworks for set up of the Sovereign Wealth Fund, Joint Ventures, as well as Special Economic Zones.

41. Mr Speaker Sir, these are just a few of some of the accomplishments which have set the tone for the full implementation of ZIM ASSET.
42. Therefore, as we look into 2015 and beyond, a lot is required of us to drive the unfinished business for the successful completion of the ZIM ASSET agenda.
43. Before turning to specific 2015 National Budget measures, allow me to contextualise it through an outline of the recent global and domestic economic developments and outlook for 2015 and beyond.

### III. GLOBAL ECONOMIC OUTLOOK

#### Growth

44. Global economic growth is projected at 3.8% in 2015, compared to the 3.3% in 2014.
45. The increase in growth will be driven by a rebound in both advanced economies and emerging markets.

#### Growth Outlook (%)

	2014 Forecast	2015 Forecast
World Output	3.3	3.8
Advanced Economies	1.8	2.4
Emerging Economies	4.4	5
Sub-Saharan Africa	5.4	5.8
SADC	4	4.3

*Source: World Economic Outlook, October 2014, IMF*

46. In most advanced economies, the pace of economic recovery will be mixed across regions, with average growth of around 2.4% in 2015.
47. The strongest rebound in growth is expected in the United States of America, United Kingdom and Canada, whilst growth in Japan will remain modest.
48. Growth in most emerging and developing economies is projected to increase to about 5% in 2015.
49. This growth will be underpinned by stronger domestic demand, as well as a recovery in external demand, associated with growth in advanced economies.
50. In India, growth is expected to increase in 2015, as exports and investment continue to pick up, more than offsetting the effect of an unfavourable agricultural growth in 2014.
51. In contrast, China growth projections have been marked down slightly from an average of 7.4% in 2014 to 7.1% in 2015, as a result of the economy's transition from export led to consumption driven growth.
52. In sub-Saharan Africa, growth is projected to remain strong, although prospects vary across countries, with challenges



related to infrastructure constraints, including electricity supply, undermining strong recovery.

53. Mr Speaker Sir, intervention measures to deal with the Ebola outbreak on the continent are also set to have an acute impact on economies, with the most affected being some countries in West Africa.

## **Inflation**

54. In advanced economies, inflation is projected to increase gradually towards 2% as output gaps close and inflation expectations rise.
55. In contrast, in the emerging market and developing economies, inflation is projected to decline in 2015, reflecting the extent of softening of commodity prices, particularly those for food commodities, which have a high weight in consumer price index baskets for these countries.

## **Prices (%)**

	2013	2014 Forecast	2015 Forecast
Advanced Economies	1.2	1.7	1.9
Emerging Market And Developing Economies	5.5	5.5	5.1

*Source: World Economic Outlook, October 2014, IMF*

## Downside Risks

56. Downside risks to growth prospects of both developed and developing economies will remain a concern in 2015.
57. These risks relate to geo-political conflicts, including the turmoil in the Middle East and international tensions surrounding the situation in Ukraine.
58. In financial markets, expectations are that there will be renewed rise in interest rates, with negative impact on developing economies. This is associated with future gradual movement away from accommodative monetary and expansionary fiscal policies.
59. In addition, most agriculture and mineral commodity prices, which edged lower in the recent months, are projected to continue on the downward trend in 2015.

## Commodity Prices

Commodity	Units	2013	2014 Forecast	2015 Forecast
Wheat	US\$/ton	312.2	267.2	253.9
Tobacco	US\$/kg	4.59	4.8	4.7
Maize	US\$/ton	259	194.8	184.8
Soya Beans	US\$/ton	517.2	503.5	451.3
Sugar (EU)	cts/lb	26	27.7	27.8
Gold	US\$/oz	1 411	1 250	1 230
Platinum	US\$/oz	1 487	1 430	1 400
Nickel	US\$/ton	15 030	17 976	19 116.2
Spot Crude Oil	US\$/bbl	104.1	106.1	104.1

Source: World Economic Outlook, October 2014, IMF

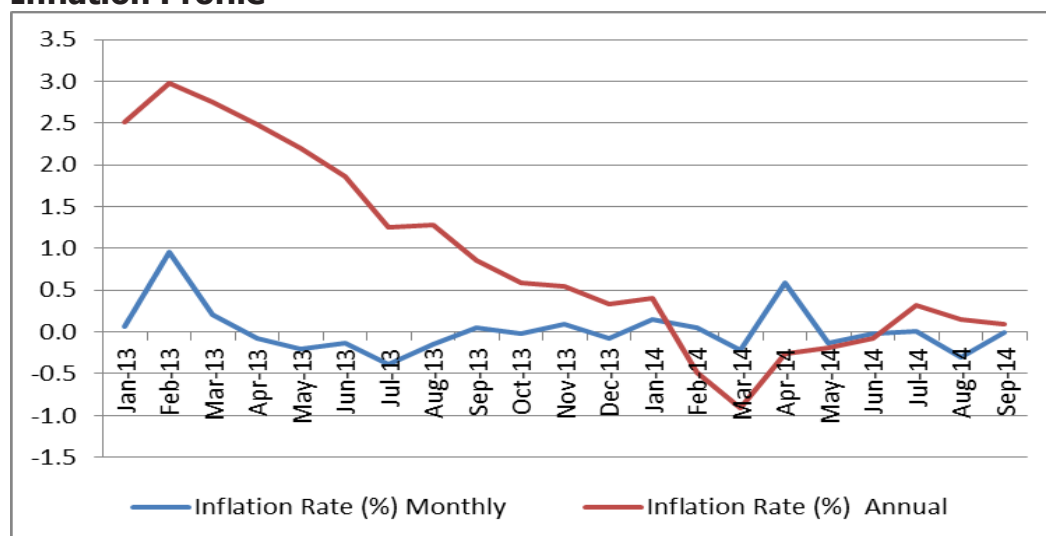
60. Prospects for lower mineral commodity prices pose potential risk with regard to our export earnings from such minerals as gold and platinum.

#### IV. ECONOMIC DEVELOPMENTS & OUTLOOK

##### Prices

61. Mr Speaker Sir, our inflation has remained very low during the course of the year, with Zimstat registering price declines of -0.1% for the year to October 2014.
62. The SADC macro-economic convergence target is for members to gradually reduce inflation to single digit levels of 3-7%.
63. This development is against the background of weak domestic demand, tight liquidity conditions and the appreciation of the US dollar against the South African rand, the currency of our main trading partner.

##### Inflation Profile



64. Inflation is projected to remain below 1% to the rest of the year, and will remain low and subdued in 2015.
65. Mr Speaker Sir, the environment of near negative inflation also reflects, in part, self-correction to the price structure which has generally left most of our domestic prices for goods and services higher than those prevailing in some of the neighbouring countries, notably in South Africa.
66. From the outset of adoption of multi-currency pricing, domestic wages and prices were generally set with a mindset of the hyper-inflationary environment. Hence, cost management remains a strategic imperative across the economy, including in the private sector.
67. Mr Speaker Sir, such pricing level structures are not sustainable. Our companies, therefore, need to adjust such prices, lest they suffer from external competition over the domestic market.
68. Government is now urging the private sector to address the issue of pricing for the recovery of the economy.

*PDL Levels*

69. Similarly, Mr Speaker Sir, with the determination of Poverty Datum Line (PDL) levels, the current practice in Zimbabwe is to base the

Poverty Datum Line on a family of five, estimated at US\$502.9 as at the end of September 2014.

70. In other countries in the region, reference to the Poverty Datum Line is per individual. This is done so as to relate it to labour productivity, competitiveness and comparison with other economies.

#### Regional Comparison of PDL per Individual (US\$)

Country	PDL
Botswana	53.44
Malawi	80.21
Namibia <sup>1</sup>	41
South Africa	52.40
Zimbabwe	100.58

Sources: Respective country' National Statistical Agencies

71. It is, therefore, necessary, Mr Speaker Sir, that our determination of Poverty Datum Line (PDL) levels be individually based, in line with international best practices.

### Growth

72. Mr Speaker Sir, as I indicated in my Mid-Year Fiscal Policy Review, GDP growth for 2014 is estimated at 3.1%, subdued by the inherent liquidity shortages in the economy, coupled with low domestic savings, investment inflows and power supply deficits.
73. Recovery to ZIM ASSET targeted growth rates of around 6% will require significant investment, both foreign as well as domestic,

<sup>1</sup>Figure For Namibia Reflects The Food Poverty Line, And Excludes Rentals

in infrastructure, new equipment, machinery and more modern technology.

74. The strong 23.4% growth in agriculture is underpinning this year's estimated 3.1% overall growth. This has counteracted the negative effects of softening of mineral commodity prices, notably platinum and gold.
75. A stable macro-economic environment, coupled with planned investments in agriculture, mining, communication and other infrastructural projects, including in power generation and housing, will among others, spur growth, forecast at about 3.2% for 2015.

#### **GDP Growth Estimates**

	2013 Est.	2014	2015
Agriculture, hunting and fishing	-2.6	23.4	3.4
Mining and quarrying	11.7	-2.1	3.1
Manufacturing	-0.6	-4.9	1.7
Electricity and water	5.0	3.5	2.5
Construction	3.9	2.6	2.9
Finance and insurance	11.3	2.0	3.7
Real estate	0.7	-1.7	2.5
Distribution, hotels and restaurants	3.9	3.9	4.7
Transport and communication	7.0	0.9	4.1
GDP at market prices	4.5	3.1	3.2

Source: MOFED, ZIMSTAT and RBZ

76. Mr Speaker Sir, such levels of growth remain inadequate for us to begin making a dent at the prevailing levels of capacity utilisation in the economy and high unemployment.

77. It is for this reason that we should strive to attain ZIM ASSET growth targets in excess of 6% on average per year.
78. As I have already alluded to above, it remains vital that we further strengthen our efforts towards addressing all the key constraints to rapid economic growth.
79. These relate to improving the ease and cost of doing business in our economy, guaranteeing uninterrupted supply of adequate power, among others.

### ***Agriculture***

80. Prospects for the 2014/2015 agriculture season remain positive, and production in the main crops - maize, tobacco, cotton, among others - is expected to remain on an upward trend. Overall agricultural growth for 2015 is projected at 3.4%.
81. This is on the backdrop of Government's continued commitment to prioritise food security, active private sector participation in financing agriculture, and improvements in farming methods.

### ***Presidential Input Scheme***

82. Mr Speaker Sir, crop output should critically depend on the weather outturn for the coming 2014/15 season, as well as farmers' access to inputs.

83. In this regard, increased crop production by small scale farmers will benefit from further Government financial support for the vulnerable farmer under the US\$252 million Presidential Input Scheme that I announced in the Mid-Year Fiscal Policy Statement.
84. As announced, the scheme, which covers maize, cotton, soya beans and livestock, will support a total of 1.6 million households, made up of communal farmers (87.5%), old resettlement (4.7%), small scale commercial farmers (0.5%) and A1 farmers (7.3%).
85. The US\$9.9 million intervention in cotton should reverse decline in output realised in 2014, under which production fell to an estimated 140 000 tons.
86. This should complement continued contract farming arrangements between farmers and cotton merchants in 2015, estimated to mobilise about US\$28 million for the crop.
87. The enforcement of the cotton buying quota system for contractors that was introduced in the 2013/14 season should aid to limit side marketing of contracted seed cotton.

#### *Grain Procurement*

88. In terms of grain procurement, deliveries to the GMB for the current marketing season now stand at 239 042 tons valued at



US\$93.2 million, well within our projected target of 250 000 metric tons for the season.

89. The overall support under the Strategic Grain Reserve now stands at US\$81.9 million, with a sum of US\$51.5 million having been mobilised from the market through issuance of Agricultural Marketing Authority Bills.
90. Of this amount, as at 13 November 2014 US\$57.6 million has been paid to farmers for grain deliveries, US\$22 million for handling and storage charges, whilst US\$2 million was for payment for grain importation charges from last year.

#### *Tobacco*

91. Total flue cured tobacco output in 2014 amounted to 216 million kgs, compared to 165.85 million kgs realised in 2013.
92. The surge in tobacco output was attributed to a 10.3% increase in the number of growers, from 78 756 in 2013 to 86 900 in 2014. Correspondingly, hectarage rose by 21.2% from 88 626 ha in 2013 to 107 371 ha in 2014.
93. In terms of tobacco sales, a total of US\$684.87 million was realised in 2014 compared to US\$610.31 million achieved in 2013, at an average price of US\$3.17/kg compared to US\$3.68/kg in 2013.

### Tobacco Sales: 2013 – 2014

Seasonal	Total Auction	Contract	Total 2014	Total 2013	% Change
Mass sold(kg)	50 745 154	165 253 617	215 998 771	165 846 412	30.24
Value(US\$)	136 669 850	548 200 219	684 870 070	610 309 838	12
Avg. price US\$/kg	<b>(2.69)</b>	<b>(3.32)</b>	<b>(3.17)</b>	<b>(3.68)</b>	<b>(13.84)</b>

Source: Tobacco Industry Marketing Board

94. Consistent with the preparations for the 2014/15 crop, about 86 751 growers had been registered as of 7 November 2014.

### Register Growers: 2014/15 Season

Grower Sector	Registered Growers	%
A1	31 879	37
A2	7 688	9
Communal Area	40 359	46
Small Scale Commercial	6 825	8
<b>Total</b>	<b>(86 751)</b>	<b>(100)</b>

Source: Tobacco Industry Marketing Board

95. With a targeted overall hectarage of 90 000 hectares under the crop, tobacco output is projected at 222 million kgs.
96. In support of this planned output, the respective seed sales of about 1 032 869 kgs were made by the cut-off date of 5 September 2014.
97. Mr Speaker Sir, as we increase tobacco production, it is equally important that our farmers embrace environmental friendly methods of curing tobacco, desisting from practices that perpetuate deforestation and environmental degradation.

98. In this regard, Government will be working closely with the tobacco industry to embrace access to alternative energy sources, as well as development of woodlots around tobacco producing areas.

### *Sugar Cane*

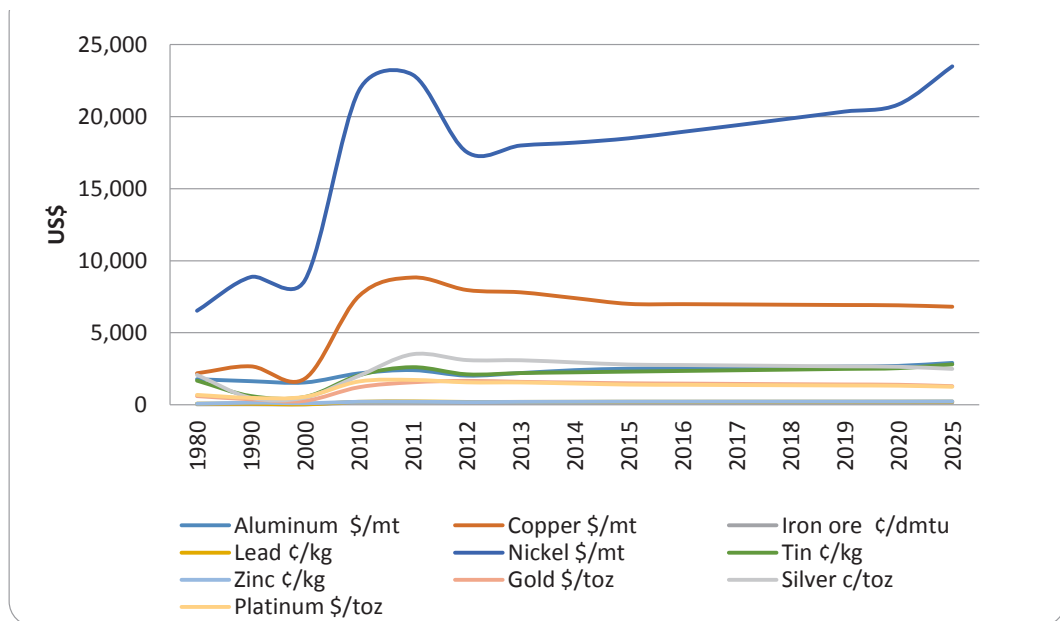
99. Mr Speaker Sir, cane sugar production continues to benefit from increased investments in support of ethanol production, as well as sugar exports.
100. This should also support growth of out-grower schemes, as millers strive to meet rising demand.
101. Estimates for 2015 indicate improved sugar cane output of 4.6 million tons.

### ***Mining***

102. Mr Speaker Sir, Zimbabwe's diverse mineral resource endowment offers scope for significant contribution to supporting ZIM ASSET growth rate targets of over 6% on an annual basis.
103. Central to realising this is further beneficiation of our minerals. This helps mitigate some of the challenges that we realise with regards to softening of international mineral prices, as is currently being experienced with gold, coal, platinum and chrome, while proving an impetus to industrialisation.

104. In this regard, amendments to the Mines and Minerals Act, which should also result in a progressive and investor-friendly mining title management system, will enable the implementation of the beneficiation and value addition strategy, while at the same time attracting investment into mining.
105. The new Act will also meet international best practices, while also allowing for the use-it-or-lose-it principle in a win-win manner.
106. The above developments, together with the recovery in the global economy, as well as fruition of anticipated investments from Russia and China, among others, will support the growth of mining.

### Mineral Prices



Source: World Bank, Development Prospect Group

107. Overall, mining output is expected to rebound in the medium term, from the envisaged successful completion of the merger and consolidation exercise in the diamond sector, as well as finalisation of the Amendments to the Mines and Minerals Act and the new mining fiscal regime.
108. In 2015, a moderate growth of 3.1% is expected for overall mineral output, being driven by nickel, gold, chrome and coal.

### *Gold*

109. Capital injections by mining houses, rebound in international gold prices as well as production rump-up at Freda Rebecca Mine will support higher gold production of 16 000 kg in 2015, up from the 14 500 kg estimate for 2014.
110. Further, the registration and licencing of custom millers and gold buying centres across the country is expected to plug gold leakages, thereby leading to improved gold deliveries to Fidelity Printers and Refiners.
111. Already, a total of 11.1 tons of gold was delivered to Fidelity Printers and Refiners by October 2014, surpassing the minimum annual requirement of 10 tons for the country's re-accreditation into the London Bullion Marketers Association.

112. The recovery in gold production is notwithstanding the recent downward trend in prices, from a peak of US\$1 725/ounce in February 2013, to an average of around US\$1 100/ounce in October 2014.

### *Coal*

113. Coal output is projected to increase to 7.8 million tons in 2015, from 6.45 million tons in 2014. The strong performance is largely attributed to anticipated production ramp-up following capital injections by Hwange Colliery Company, and improved output at Makomo Resources, emanating from the use of the washing plant.
114. Hwange plans to acquire additional concessions that will avail additional coal reserves and augment the company's capacity to supply the expansion of Hwange Power Station Stage 3, private thermal power stations, coke demand from iron and steel furnaces and chrome smelting plants.
115. In addition, Hwange is injecting fresh capital amounting to around US\$40 million for working capital, as well as acquisition of mining equipment.
116. In this regard, Hwange expects to produce a monthly average of 400 000 tons per month in 2015, while the commissioning of

the washing plant at Makomo Resources is expected to boost its monthly output to above 300 000 tons.

### *Platinum*

117. Platinum output is, however, projected to decrease to 12 000 kgs in 2015, from 12 500 kgs projected in 2014, weighed down by depressed international platinum prices.
118. In addition, the closure of Zimplats' Bimha Mine, resulted in an estimated 15% decline in the country's platinum output *vis-à-vis* levels envisaged prior to the closure of the mine due to underground collapse.
119. Further, the anticipated weak platinum prices in 2015 are expected to dampen platinum output. Platinum prices are projected to decline from a forecast average of US\$1 420/ounce in 2014, to US\$1 400/ounce in 2015.

### *Diamonds*

120. Mr Speaker Sir, activity in the diamond industry should benefit from the transition from alluvial diamond mining to conglomerates at Marange diamond fields.
121. It is, therefore, critical that we get our act together.

122. The consolidation of diamond companies in Marange will also result in a streamlined system which will be easier to manage, and this should bring more transparency and accountability throughout the diamond value chain.

### *Nickel*

123. Nickel output for 2015 is projected at 16 760 tons, mainly from increased production at Bindura Nickel Corporation (BNC), also against the background of firmer nickel prices.
124. Prices have benefitted from a reduction in global supply following Indonesia's pursuit of its value addition strategy, under which the country banned export of nickel in ore form, a policy that we are also pursuing.
125. In the medium term, nickel output should also benefit from the resuscitation of the matte smelter refinery at BNC which is earmarked for the first quarter of 2015.
126. Government is supporting the company's programme to raise capital in support of this investment.

### ***Manufacturing***

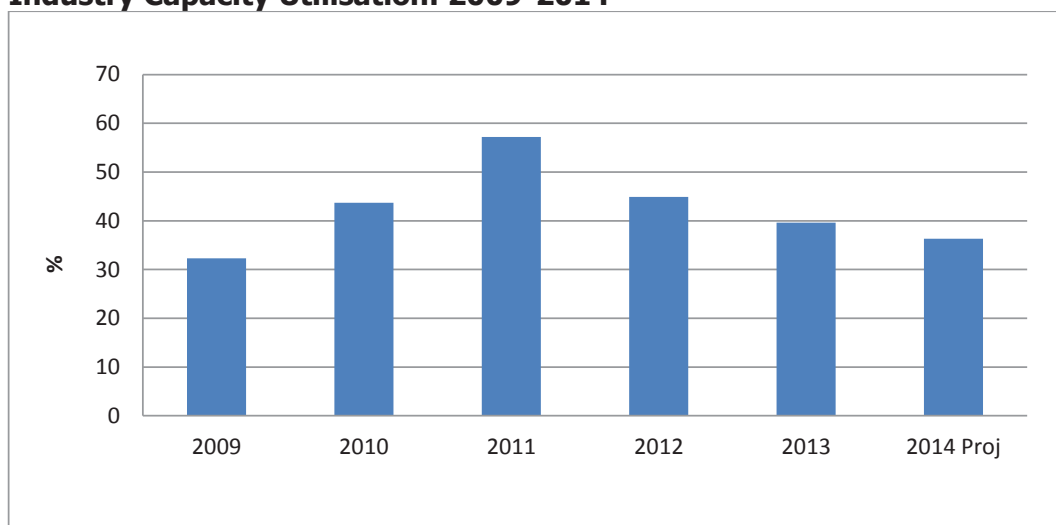
127. In 2014, manufacturing sector activity continue to be weighed down by antiquated plant and machinery, inflexible labour



laws, cheap imports and high cost of production, among other challenges.

128. Capacity utilisation has shed 3.3 percentage points, from 39.6% in 2013, to 36.3% in 2014 as shown below.

**Industry Capacity Utilisation: 2009-2014**



*Source: CZI Manufacturing Survey*

129. In 2015, the sector is expected to register a marginal growth of 1.7%, hinged on sustained implementation of supportive policy interventions enunciated in the 2014 Mid-Year Fiscal Policy Statement.
130. These measures, among others, relate to promoting competitiveness of the domestic industry through reviewing of import tariffs for selected sectors such as motor industries; beverages; agricultural commodities; clothing industry, and leather industry, as well as mobilisation of affordable lines of credit to domestic industry for re-equipment and re-tooling.

131. In addition, the anticipated positive performance of the agricultural sector is expected to enhance activity in such manufacturing sub-sectors as foodstuffs, beverages, tobacco, and cotton and clothing, and leather industry.

### ***Tourism***

132. Mr Speaker Sir, tourism should benefit from implementation of the Tourism Policy launched in July 2014, to promote both international and domestic tourism in the country. The policy spells out the tourism development, marketing and promotion strategies.

133. Specifically, it outlines the strategies on product diversification, infrastructure and manpower development, community participation, preservation of nature, culture and heritage, among other things.

134. Furthermore, the policy also seeks to provide a platform for cooperation between Government and the private sector, in order to have a coordinated approach to spur growth in the tourism industry.

135. Successful projects already under implementation, include the UNI-VISA pilot project between Zimbabwe and Zambia which is being launched. This development should see an increase in

tourist arrivals to the two countries, arising from the ease of the visa application system.

136. Similarly, the Tourism Satellite Account project, which seeks to improve collection and reporting of tourism statistics, has already secured funding from the African Development Bank under the Youth and Tourism Enhancement Project for requisite surveys for the TSA.
137. As a result, the sector is projected to grow by 4.7 % in 2015, compared to 3.9% in 2014. This translates into tourist arrivals of about 2.1 million in 2015 from 2 million in 2014.
138. For the hotel business, the average room occupancy is expected to close the year at 53% and is anticipated to rise to 54% in 2015. Consequently, bed occupancies are also expected to increase to 38.5% in 2015, from 38% in 2014.
139. However, the Ebola outbreak in parts of Africa poses a threat to attainment of the projected growth and overall socio-economic performance.
140. Accordingly, the 2015 National Budget also prioritises support for the necessary countrywide awareness and preparedness activities mitigating against the Ebola epidemic.

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

141. Mr Speaker Sir, the combined anticipated performance of both transport and communications sub-sectors is projected at 0.9% growth by the end of 2014.
142. This is projected to improve much further during 2015, with growth in the sub-sector projected at 4.1%.

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

143. Performance in Information Communication Technology (ICT), is much better, and is expected to register a positive growth of 6.4% in 2015.
144. The country is witnessing a vibrant and fast growing communications sector underpinned by substantial investments in network infrastructure, including expansion of the broadband fibre network, data and internet expansion.
145. The mobile penetration rate increased substantially during the second quarter 2014 to 127.9%, from 98.4% registered during the same period in 2013.

#### **Subscriber Base**

Year	Mobile Subscribers	Growth %	Fixed	Growth %	Internet	Growth %
2010	7 630 546	-	351 002	-	1 397 000	-
2011	9 187 653	20%	355 814	1	2 451 145	75%
2012	12 613 935	37%	330 316	-7%	3 945 262	61%
2013	12 796 118	1%	313 372	-5%	4 868 623	23%
2014	16 705 528	30.6%	326 576	4.2%	6 143 164	26.2%

Source: POTRAZ

146. Fixed and Internet subscribers also increased by 4.2% and 26.2% in 2014, respectively.

### *Transport*

147. On the other hand, the transport sub-sectors of road, rail and aviation continue to be constrained by capitalisation challenges.
148. As a result, low capacity utilisation levels in the sub-sectors will translate into a projected minimal decline of -1% in 2015.

### **Construction**

149. The construction sector has not yet realised its full potential owing to limited financing, low fiscal space for capital development programmes and little external capital flows.
150. Notwithstanding the above challenges, various housing, aviation, water, power and road development programmes throughout the country have been spurring growth in the sector, with growth projected at 2.6% in 2014 and 2.9% in 2015.
151. These programmes are being financed through various models, including loans, joint ventures, mortgages as well as direct budgetary support.

## ***External Trade Developments***

152. The country's external sector position remains under considerable pressure, on the back of subdued export performance, coupled with relatively large absorption of imports.

### **Balance of Payments Summary**

	2014 Forecast	2015 Forecast
Current Account Balance	-2931.4	-3237.3
Trade Balance	-2666.6	-2773.5
Exports F.O.B	3621.3	3708.8
Agriculture	1104.2	1157.2
Mining	1905.5	1907.4
Manufacturing	519.2	546.6
Imports F.O.B	6287.9	6375.4
Food	478.5	412.3
Fuel	1377.4	1430.9
Capital Account Balance	2579.8	2860.8
Errors and Omissions	0	0
Overall Balance	-264.8	-340.7

*Source: Reserve Bank of Zimbabwe*

153. As a result, international reserves remain under one month import cover, while the current account deficit constitutes about 23.9% of GDP.
154. Indicative SADC macro-economic convergence targets are of reserves of three months import cover, and a current account deficit under 9% of GDP.
155. The situation is further compounded by a combination of depressed foreign direct and portfolio investment inflows and absence of balance of payment support.

156. In addition, developments on the global economic front, such as the currently depressed international commodity prices, coupled with the continued depreciation of the South African rand, relative to the US dollar, are also exerting further pressures on Zimbabwe's external position.

### *Exports*

157. In 2014, export receipts realised over the period January to October amounted to US\$2.4 billion.
158. The mining sector continues to make a significant contribution to the country's export earnings, accounting for 52%. Agriculture, including tobacco and horticulture, accounts for 21%, followed by manufacturing (13%) and services (11%), which include transport and tourism.

### *Imports*

159. Total imports for the first ten months of 2014 stood at US\$5.3 billion. Merchandise imports, excluding fuel and electricity, and services account for approximately 60% of the country's import bill, indicating the country's heavy reliance on imported goods and services that can be easily produced locally.
160. The disproportionate gap between the country's exports and imports has inevitably culminated in a trade deficit of US\$2.9 billion for the period to October 2014, as indicated in the table below.

## Trade Balance (US\$)

	Exports	Imports	Trade Balance
January	278 197 743	487 818 849	(209 621 106)
February	192 465 779	478 787 045	(286 321 266)
March	156 413 793	499 943 772	(343 529 979)
April	178 995 578	491 604 647	(312 609 070)
May	184 239 672	510 052 654	(325 812 981)
June	238 007 288	528 130 398	(290 123 111)
July	269 918 713	538 005 390	(268 086 676)
August	319 186 149	547 374 948	(228 188 798)
September	230 360 584	577 632 255	(347 271 671)
October	372 764 430	636 570 224	(263 805 794)
Total	2 420 549 729	5 295 868 271	(2 875 318 542)

Source: ZIMSTAT

161. In 2015, exports are projected to increase by 5% to US\$3.832 billion. Growth in exports will be driven mainly by flue-cured tobacco (3.4%), raw sugar (4.7%), gold (4%) and ferrochrome (1.4%).
162. On the other hand, merchandise imports are projected at US\$6.651 billion in 2015, compared to US\$6.529 billion in 2014. The projected increase in imports of 1.9% in 2015 will be driven by the continued depreciation of the South African rand against the US dollar.



163. Concomitantly, the trade deficit is projected to narrow by 2% to US\$2.828 billion, as growth in exports exceeds that of imports.

#### *Current and Capital Accounts*

164. The current account balance is projected to deteriorate from a deficit of US\$3.351 billion in 2014 to a deficit of US\$3.431 billion in 2015, due to huge trade deficits, low transfers and incomes.
165. However, the capital account is projected to remain in surplus, improving by 11% from US\$2.761 billion in 2014 to US\$3.065 billion in 2015, on account of short and long term capital inflows, foreign portfolio investment, as well as grants.
166. Debt creating short term and long term capital flows continue to drive the capital account surplus, as opposed to foreign direct investment flows, which have remained depressed.

#### *External Debt Overhang*

167. Mr Speaker Sir, in the Mid-Year Fiscal Policy Review, I alluded to the challenges over our unsustainable public and publicly guaranteed debt burden estimated at US\$8 396 million by December 2014.

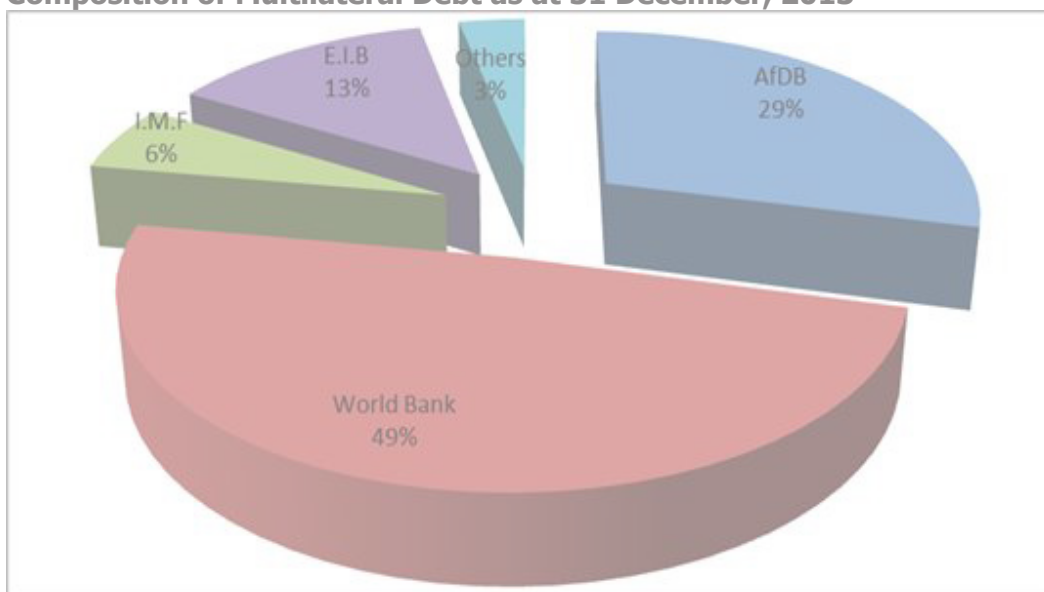
168. This would comprise external debt of US\$7 225million and, domestic debt of US\$1 171 million.
169. Of the US\$7 225 million external debt, the stock of accumulated arrears would account for 81 percent of the total external debt.

#### Public and Publicly Guaranteed Debt Projection to December 2014

	US\$ Millions	Debt Indicators (% of GDP)
<b>External Debt</b>		
Public External Debt	5 294	38
Publicly Guaranteed External Debt	1 257	9
Reserve Bank External Debt	674	5
<b>Total Public and Publicly Guaranteed External Debt</b>	<b>7 225</b>	<b>52</b>
<b>Domestic Debt</b>		
Government Stock (Statutory Reserves)	34	0.24
TBs issued for Budget Cash flow support	264	1.88
CBZ Bank Facility	46	0.33
Reserve Bank capitalisation	101	0.72
Input Suppliers	45	0.32
Reserve Bank Debt	681	4.86
<b>Total Domestic Debt</b>	<b>1 171</b>	<b>8.35</b>
<b>GRAND TOTAL DEBT</b>	<b>8 396</b>	<b>60</b>

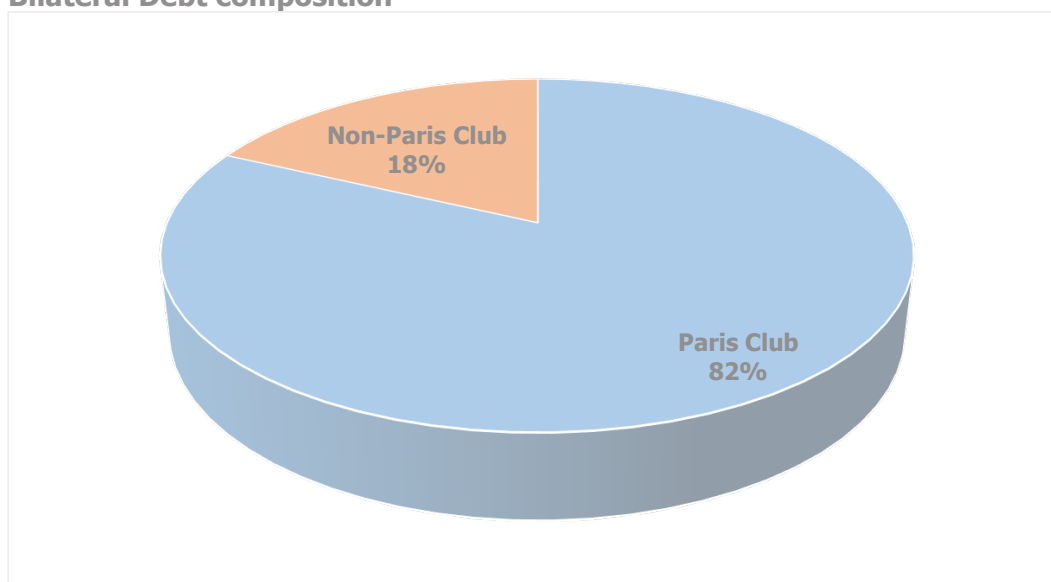
170. The country is, therefore, in debt distress as characterised by large external payment arrears, against the background of limited fiscal space and rising domestic debt.

**Composition of Multilateral Debt as at 31 December, 2013**



171. Further exacerbating the situation is the prevailing large external account deficit, at a time when the country has no reserves to withstand any shocks.

**Bilateral Debt composition**



172. This has significantly downgraded the country's credit rating, thus constraining access to concessional financing and to international capital markets.

173. Consequently, the country's ability to mobilise resources to finance ZIM ASSET is compromised, undermining the process of socio-economic development and poverty reduction.

### ***Foreign Investment***

174. Foreign investment has a significant and positive impact on market liquidity. These have, however, remained subdued due to the perceived country risk.

175. For the first ten months of 2014, the country received foreign direct investment amounting US\$146.6 million compared to US\$311.3 million during the same period in 2013.

176. In 2015, FDI is projected to increase by 69% from US\$349 million to US\$591 million, on the back of the continued implementation of the ease and cost of doing business reforms and the re-engagement process.

### ***Diaspora Remittances***

177. For the period January to October 2014, international money transfers amounted to US\$1.42 billion, of which Diaspora remittances were US\$685.5 million and international organisations, such as NGOs, were US\$740.6 million.

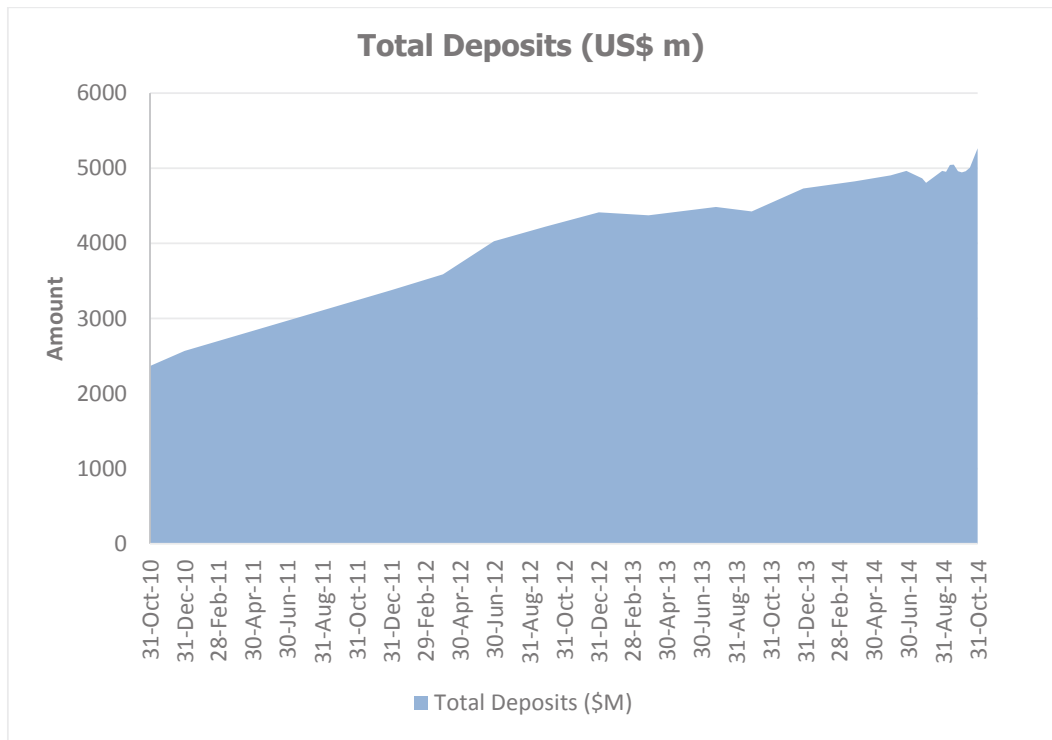
178. In 2015, diaspora remittances are projected to decrease by 6% from US\$890 million in 2014 to US\$840 million. The decrease is largely attributed to the projected slowdown of the South African economy, where many migrant Zimbabweans are working.
179. Diaspora remittances remain a critical source of liquidity in the market and the Government will continue to put in place effective systems to encourage use of formal channels by the people in the diaspora.

### ***Banking & Financial Markets***

180. Mr Speaker Sir, the financial system remains generally stable, also reflecting on-going initiatives to restore confidence in the sector.
181. These, as I have already highlighted, relate to capitalisation of the Reserve Bank, Government assumption of its debt, resuscitation of interbank trading, and resolution of non-performing loans, among others, as announced in the central bank's July 2014 Monetary Policy Statement.

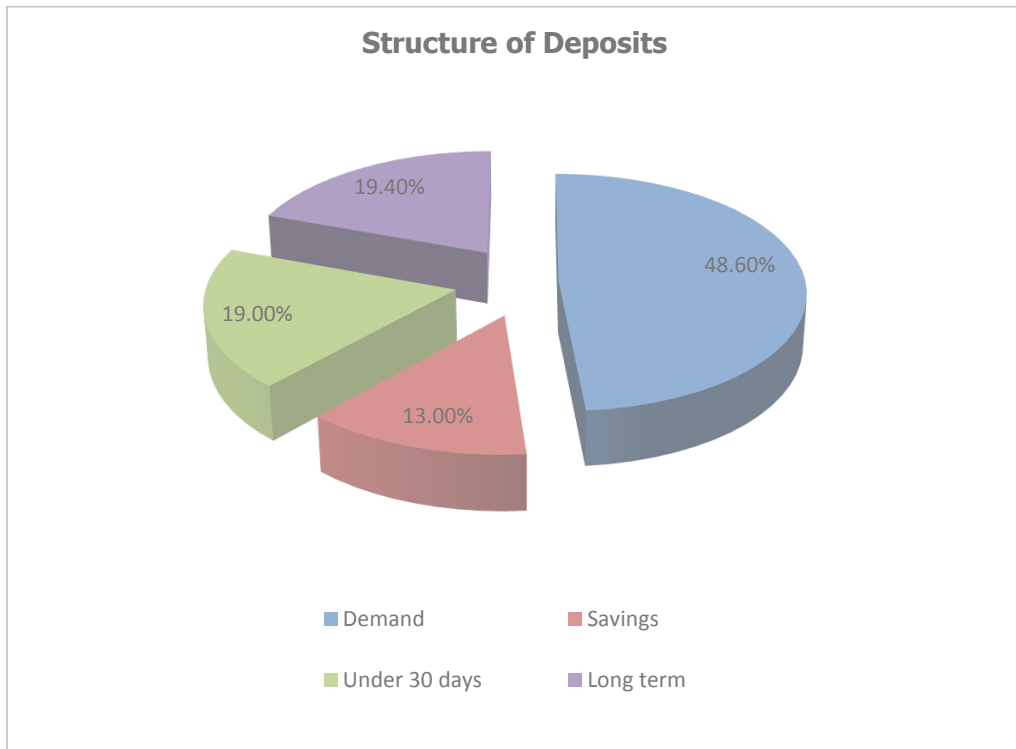
### ***Deposits***

182. Banking sector deposits increased by 8.3% from US\$4.8 billion to US\$5.2 billion over the year to October 2014. Growth during the corresponding period last year was 7.9%.



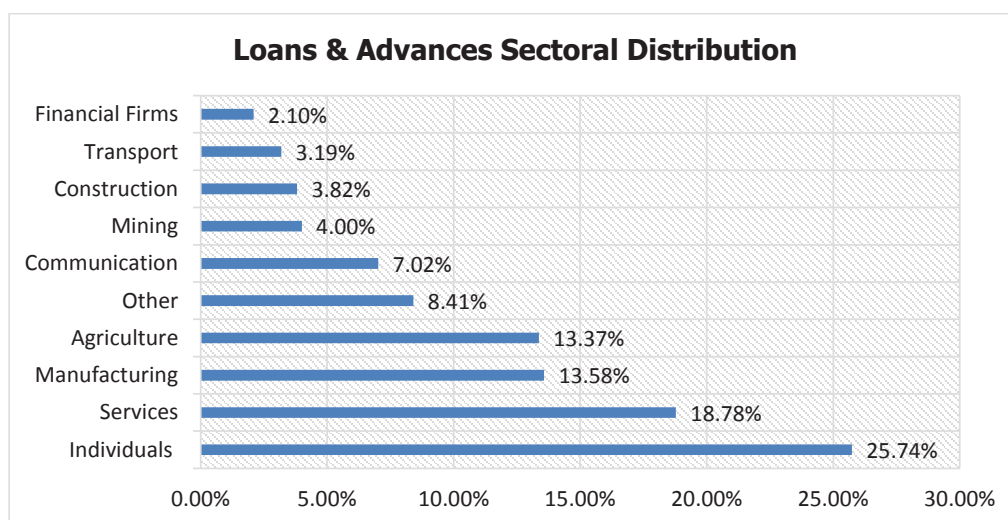
### **Structure of Bank Deposits**

183. Long-term deposits are also beginning to show some signs of growth, increasing from US\$700.9 million in October, 2013 to US\$1.02 billion by October, 2014.
184. However, demand deposits continue to dominate, comprising close to 48.6% of total banking sector deposits. Long term deposits are 19.4%, while those under 30 days account for 19%, and savings deposits, 13%.



### ***Loans and Advances***

185. As at end October 2014, total banking sector loans and advances grew by 6.2% to US\$3.86 billion, against US\$3.64 billion in October, 2013.
186. Mr Speaker Sir, the banking sector’s lending remains largely skewed towards unsecured loans to individuals, due to associated low risk as repayments are deductions at source.
187. The breakdown of total loans and advances benefited the following sectors:



Source: Reserve Bank of Zimbabwe

### ***Banking Sector Reforms***

188. A number of reforms are being instituted to strengthen the banking sector. These reforms have been necessitated by the need to strengthen the regulatory and supervisory framework as well as enhance financial stability.

### ***Capitalisation***

189. As at 30 September, 2014, a total of 14 out of 20 operating banking institutions, excluding POSB, were in compliance with the prescribed minimum capital requirements as shown in table below.



## Capital Levels as at 30 September 2014

Institution	Core Capital as at 30 September 2014 US\$ millions	Prescribed Minimum Capital requirements US\$ million
Commercial Banks		
CBZ	162.73	25
Stanbic	78.32	25
Standard Chartered	65.42	25
BancABC	59.63	25
Steward	57.41	25
Barclays	40.60	25
Ecobank	35.73	25
MBCA	34.44	25
NMB Bank	33.12	25
ZB Bank	32.58	25
FBC Bank	29.85	25
Afrasia	13.15	25
Agribank	8.87	25
Allied	3.14	25
Metbank	(3.06)	
Interfin Bank	Under Curatorship	
Merchant Banks		
Tetrad Investment	(19.70)	25
Building Societies		
CABS	97.26	20
FBC BS	28.53	20
ZB BS	16.65	20
SAVINGS BANK		
POSB	12.19	-

Source: Reserve Bank of Zimbabwe

190. In terms of the Monetary Policy Statement issued in July, banking institutions are required to submit revised capital plans for December, 2020 based on their chosen strategic group, by 31 December, 2014.

### ***Non-Performing Loans***

191. Non-Performing Loans (NPL) contribute to economic stagnation as resources are locked in unproductive projects, thus hindering economic growth and economic efficiency. As at 13 September ,2014, the ratio of non-performing loans stands at 20.14%.
192. Cognisant of the negative effect of non-performing loans on the economy, the Reserve Bank has set up a special purpose vehicle, the Zimbabwe Asset Management Corporation (Pvt) Limited (ZAMCO).
193. Mr Speaker Sir, ZAMCO is now operational and the Board members are now in office.
194. During 2015, focus will be on developing the key features and structures required to underpin a successful asset purchase strategy for ZAMCO.
195. This will include, designing of an appropriate legal and governance structure, developing an appropriate asset valuation and pricing strategy, that ensures assets are purchased from banks at fair value; and identifying a feasible and sustainable funding strategy, ideally relying on a combination of long-term domestic bonds and externally-sourced financing.

196. This, Mr Speaker Sir, will entail raising of the needed capital to be used to cleanse NPLs on a commercial basis, against a bank's financial assets, through a debt instrument of 10–15 years.
197. The result should be strengthened banks' balance sheets, as they access liquidity to fund productive activities and help spur economic growth.

### ***Central Credit Registry System***

198. To address the information asymmetry gap in the financial sector, which has contributed to over indebtedness and resulted in some multi-banked clients defaulting in several banks, the Reserve Bank is establishing a Central Credit Registry System.
199. The system will comprise private credit reference bureaus (CRBs), and a credit registry within the Reserve Bank, that will serve as a databank for licenced CRBs.
200. The credit reference system will complement the work of ZAMCO, and help enhance financial stability by promoting more robust risk management practices, reducing credit risk, increasing the supply of credit to fuel growth-related activities, and helping to promote lower interest rates.

201. Engagements are currently underway with Development partners to fund the establishment of the Central Registry, as well as to develop the institutions and legal framework.

***Interbank Trading***

202. Mr Speaker Sir, I am pleased to advise that there has been significant progress in operationalising the African Export Import Bank (Afreximbank) guaranteed Interbank Facility, albeit after missing many deadlines.

203. The Interbank Facility is expected to be operational from December 2014.

***Anti-Money Laundering & Combating Financing of Terrorism***

204. Honourable Members will recall that in the Mid-Year Fiscal Review Policy Statement, I outlined developments in the area of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

205. The developments included ratification of relevant Conventions and Protocols, enactment of new laws, revision of existing ones, as well as gazetting of requisite regulations.

206. I am pleased to advise that, following the evaluation done on Zimbabwe by the Financial Action Task Force (FATF) at its

Plenary meeting held in Paris, France in October, 2014, the FATF confirmed that Zimbabwe is now technically compliant.

207. Pursuant to this, a Mission will be coming to Zimbabwe over the period 19-20 January 2015 to discuss further implementation modalities of legislative systems and institutional arrangements with various relevant stakeholders.

***AML/CFT National Risk Assessment***

208. Honourable Members will also recall that I announced in my Mid-Year Fiscal Review Statement that the country had commenced an AML/CFT National Risk Assessment (NRA) whose objective was to identify, assess and understand Money Laundering and Terrorist Financing risks facing the country.

209. The NRA process is being finalised by the National Task Force, and a detailed report on combating illicit financial flows to and from the economy will undergo normal Government approval processes in the first quarter of 2015.

***Externalisation***

210. Mr Speaker Sir, the Reserve Bank is encountering increasing incidences of externalisation of funds through such practices as transfer pricing and under-invoicing, among others.

211. Such practices can only perpetuate the prevailing liquidity challenges within our economy.
212. Mr Speaker Sir, I call upon all individuals and stakeholders to utilise financial resources in the best interest of the economy and refrain from engaging in illicit financial flows that include wanton externalisation of funds.
213. This is not good for the economy and is counter-productive to our turn-around efforts.
214. The authorities systems of financial supervision and surveillance have, therefore, been stepped up and parties to any such illicit financial transactions will be brought to book.

### ***Importation of Coins***

215. In line with the central bank Monetary Policy Statement, the Reserve Bank is on course in the importation of coins in order to address the problem of change and its unintended consequences in the economy.
216. The coins are expected in the country in the first week of December 2014 with actual circulation starting mid December 2014.
217. The Reserve Bank will soon embark on campaigns to educate the general public on the features of the coins.

### ***Export Credit Guarantee Corporation (ECGC)***

218. Mr Speaker Sir, I am pleased to report that Treasury has capitalised the ECGC to the tune of US\$2.1 million, in line with the stipulated minimum capital requirements.
219. This should allow the Corporation to resume playing its strategic role of promoting growth of exports.
220. The ECGC will also play an additional role of guaranteeing domestic loans accessed by small and medium sized enterprises.
221. This will facilitate mainstreaming SMEs by enabling them to access formal banking services, which in turn will help drive the financial inclusion agenda.

### ***Supervision of SMEDCO & IDBZ***

222. Mr Speaker Sir, as announced in the Monetary Policy Statement, the Small and Medium Enterprises Act [*Chapter 24:12*], has been duly amended to allow for its prudential supervision by the central bank.
223. This should help towards enforcement of sound risk bank management practices.

224. Similarly, work is underway to also bring the Infrastructure Development Bank of Zimbabwe under the prudential supervision of the Reserve Bank.

### ***Reserve Bank Capitalisation***

225. Mr Speaker Sir, in my 2014 National Budget Statement I 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.

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

227. To assume the debt, the Reserve Bank Debt Assumption Bill was formulated and was approved by Cabinet on 25 March 2014. The Bill is currently undergoing the Parliamentary approval process.

228. With regards to issuance of debt instruments, Treasury has issued instruments worth US\$286.7 million to various banks and creditors.



229. On raising the US\$150 million – US\$200 million for capitalisation, I am pleased to advise that Treasury has issued 8 year treasury bonds to the tune of US\$110 million.
230. Capitalisation of the Reserve Bank is critical in facilitating it to discharge its mandate and to bring confidence in the financial sector.

### ***Facilities in Support of SMEs***

231. Mr Speaker Sir, one of the focal areas under ZIM ASSET is support for SMEs, which stand to become a key element in value addition and beneficiation, especially in sectors such as mining, agriculture and manufacturing.
232. I am pleased to report that Development partners have also partnered us in supporting SMEs through a number of structured facilities.

### ***PROPARCO US\$20 million SMEs Facility***

233. Mr Speaker Sir, PROPARCO extended two facilities worth US\$20 million in support of SMEs through NMB Bank and CABS in February and March 2014, respectively.
234. PROPARCO is a development financial institution, partly owned by the French Development Agency and private shareholders.

235. The facilities, which are for five years, will contribute towards availability of long-term financing for growth and development of SMEs.

*CBZ US\$15 million Line of Credit*

236. Honourable Members will recall that Government signed a Loan Agreement with the Arab Bank for Economic Development in Africa (BADEA) for a US\$5 million line of Credit Facility in February 2011, cognisant of the high cost of borrowing encountered by micro, small and medium sized enterprises.

237. Government and CBZ Bank Limited were also to contribute US\$5 million each to the Facility, bringing the total Facility amount to US\$15 million.

238. In this regard, I am pleased to announce that as at end of September, 2014, disbursements worth US\$11.4 million had been made to various beneficiaries under the Facility's two windows, namely Micro Finance and Small & Medium Enterprises.

239. The sectoral distribution of the US\$11.4 million disbursement is depicted in the Table below:

## Sector Disbursements as at 30 September 2014

Sector	Micro Finance (US\$)	SMEs (US\$)	Total (US\$)
Agriculture	1 584 066	4 954 704	6 538 770
Manufacturing	1 260 274	1 172 500	2 432 774
Services	524 397	835 000	1 359 397
Distribution	80 342	372 000	452 342
Tourism and Hospitality	-	345 000	345 000
Construction	-	205 000	205 000
Transport	43 821	-	43 821
Total	3 492 900	7 884 204	11 377 104

Source: CBZ Bank Limited

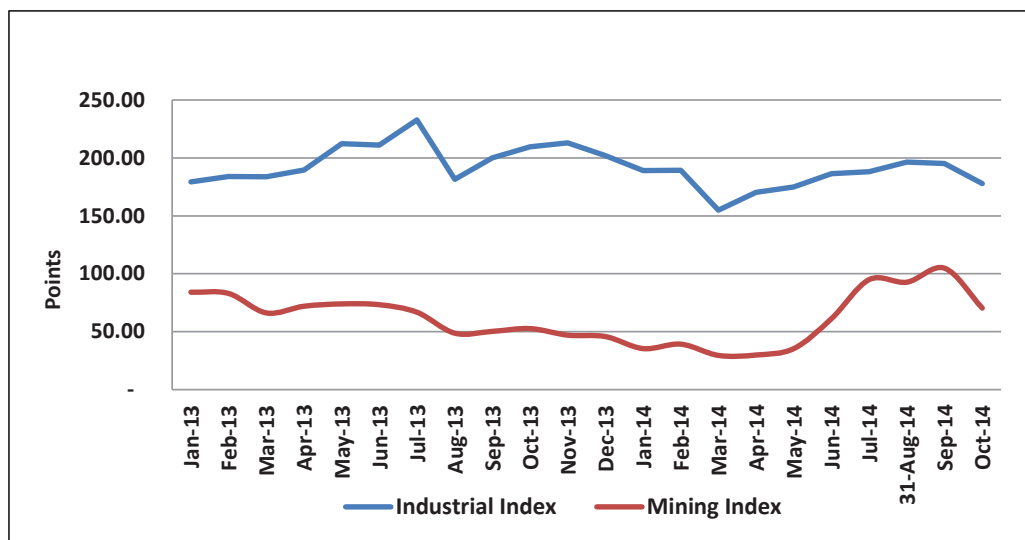
240. Of the disbursements to date, Government and CBZ Bank Limited contributed US\$10 million on a dollar for dollar basis, while the balance of US\$1.4 million is BADEA's contribution.

### **Securities Market**

241. The local bourse was volatile during the last nine months of the year due to the liquidity crunch which dampened market sentiments.
242. The industrial index opened the year at 202.12 points, dropping by 12% to close the month of October, 2014, at 177.88 points.
243. This was a result of the negative gains registered during the first half of the year as investors continued to trade cautiously.

244. The mining index, however, registered strong gains from 45.79 points to 70.38 points during the period under review, mainly buoyed by Bindura and Hwange which posted impressive results.

### Zimbabwe Stock Exchange

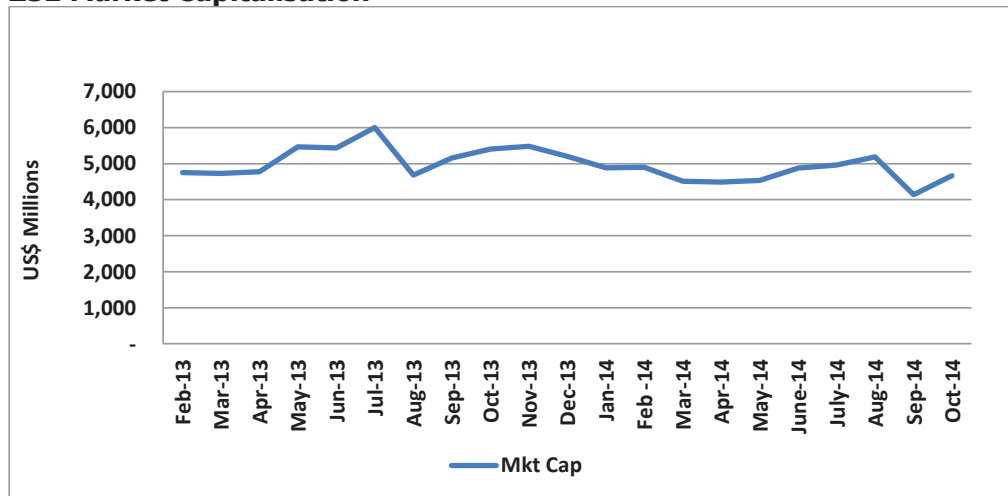


Source: Reserve Bank of Zimbabwe

245. The indices were mainly affected by liquidity challenges which continue to affect the local market, resulting in the market being largely driven by foreign investors.

246. The subdued trading on the ZSE was also reflected through market capitalisation which had been averaging US\$4 billion between January and September, 2014, to close at US\$4.6 billion in October 2014.

### ZSE Market Capitalisation



Source: Reserve Bank of Zimbabwe

247. It is anticipated that activity at the ZSE will be enhanced by the removal of restrictions on non-resident Zimbabweans from the 70% to 100 % participation.

#### *Automation of the ZSE*

248. Mr Speaker Sir, Government remains committed to ensuring that trades and settlements on the securities market are automated.
249. In this regard, launch of the automated trading system at the Zimbabwe Stock Exchange is earmarked for the first quarter of 2015.

#### *Establishment of a Central Securities Depository*

250. Pursuant to the above, I am pleased to announce progress with regards to the establishment of the Central Securities Depository

(CSD), which is being implemented by Chengetedzayi Depository Company.

251. Chengetedzayi Depository Company's electronic system, which went live in September 2014, is now pilot testing 27 counters, that way contributing towards improved efficiency of the capital markets.
252. Mr Speaker Sir, the Central Security Depository's operations will be enhanced by introduction of the automated trading system at the Zimbabwe Stock Exchange.
253. This will be followed by automation of trades at the Zimbabwe Stock Exchange, ensuring complete automation of our capital markets.

#### *ZSE Demutualisation*

254. Honourable Members may recall that a Memorandum of Understanding (MoU) was signed between Treasury, the Zimbabwe Stock Exchange, and the Securities and Exchange Commission on 21 July, 2014, to pave way for the smooth demutualisation of the ZSE.
255. In addition, Cabinet also approved the recommendation for the reduction of shareholding (post demutualisation) by the current shareholders of the ZSE, who are Government (32%) and stock brokers (68%).

256. Under the demutualised exchange, Government is expected to reduce its shareholding from 32% to 16%, whilst stockbrokers will reduce their shareholding from 68% to 32%.
257. The demutualisation of the Zimbabwe Stock Exchange is intended to be finalised in the first quarter of 2015.
258. The remaining 50% will be shared among private financial institutions and individuals. Institutions such as banks, insurance companies, and pension funds will get 20%, whilst individuals will be allocated 30%.
259. Demutualisation should result in a well capitalised exchange, with more flexible decision making, and one that can respond to a fast changing and competitive market.
260. Work is currently on going in making the necessary legislative amendments to facilitate the registration of the ZSE as a company in line with the MoU.

#### *SME Exchange & Bond Market*

261. Government intends to launch in the first half of 2015, a low tier stock market to embrace participation of SMEs, and other potential investors in a stock exchange.

262. Further to that, a bond market will be launched in the second quarter of 2015. The platform is expected to be instrumental in mobilising capital, both for the private and public sectors.
263. The performance of the bond market is also expected to be enhanced by the removal of the restrictive 35% threshold on foreigners' participation on the primary bond market.

#### *Insurance and Pension*

264. Mr Speaker Sir, total gross premiums underwritten by the insurance industry grew by 9.24% to US\$396.61 million by September 2014.
265. This is in comparison to the level of US\$363.08 million obtaining for the nine months to September 2013.
266. The growth was largely driven by life insurance, which grew by 16.09% from US\$209.67 million in 2013 to US\$243.41 million in 2014.

#### *Pension Fund Contributions*

267. Pension fund contributions for the twelve month period ending September 2014 increased by 10%, from US\$145.7 million in September 2013 to US\$160.3 million.



## V. FISCAL YEAR 2014 BUDGET DEVELOPMENTS

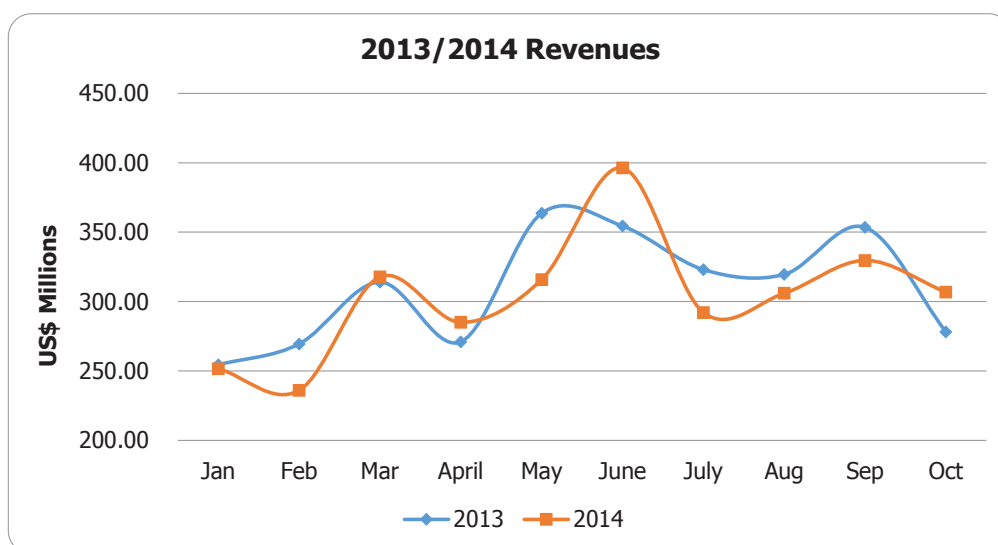
268. Mr Speaker Sir, Budget implementation faced expenditure pressures against low revenue collections during the first three quarters of the year.

269. Furthermore, short term cash flow imbalances continue to be experienced periodically under the cash budgeting system.

270. This development necessitates Government going into the market to mobilise smoothing funding through issuance of treasury bills.

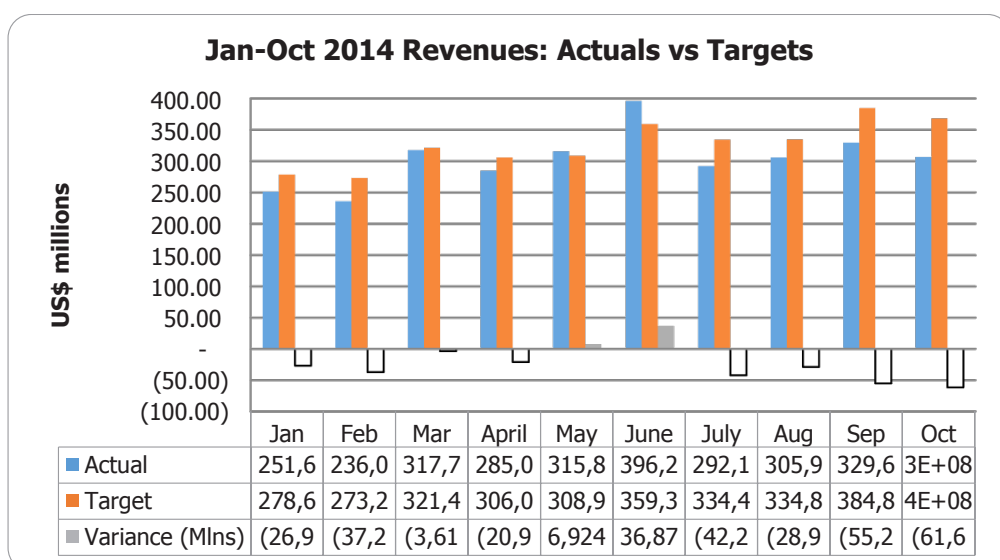
### REVENUE

271. Total revenue collections for the ten months to October 2014 amounted to US\$3.037 billion, against a target of US\$3.27 billion and US\$3.01 billion realised over the same period in 2013.



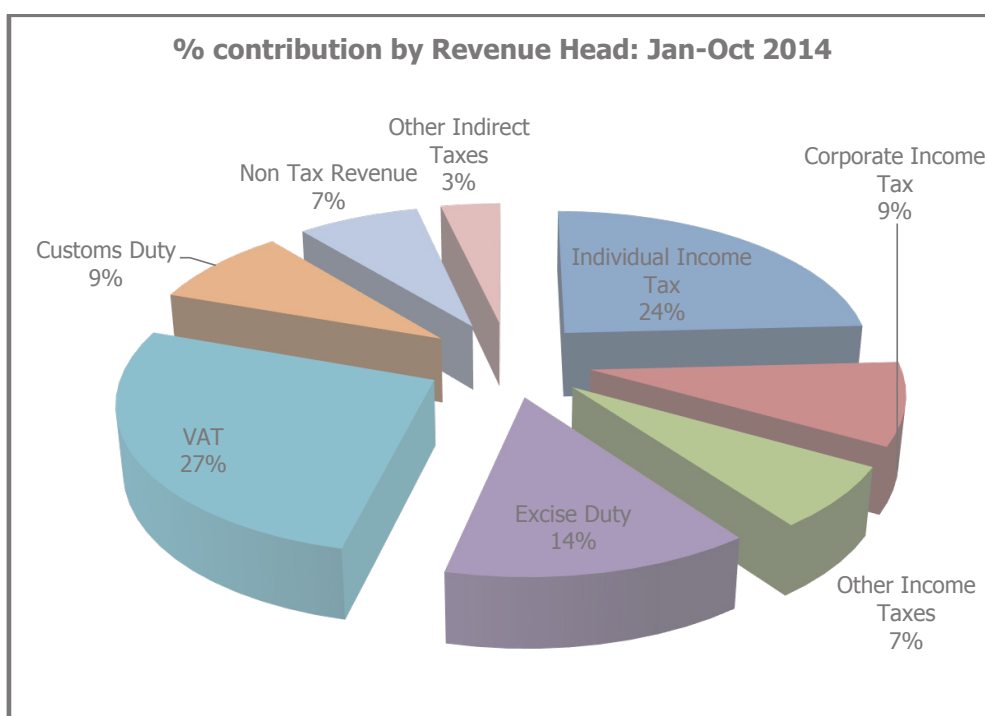
272. This under-performance reflects subdued economic activity and depressed aggregate demand, coupled with tax leakages, particularly at our ports of entry.

273. With two months of the year remaining, 2014 revenues are expected to close at US\$3.93 billion, comprising US\$3.7 billion in tax revenue and US\$227 million in non-tax revenue.



274. Revenue targets were only met during the months of May and June, a situation that necessitated downward revision of revenues from US\$4.120 billion to US\$3.9 billion, taking cognisance of further revenue raising measures, which I enunciated in the 2014 Mid-Year Fiscal Policy Review.

275. In terms of revenue heads performance, Value Added Tax (VAT) and Pay As You Earn (PAYE) remain the major contributors to total revenue.



### ***Expenditures***

276. The 2014 National Budget provided for expenditures of US\$4.120 billion, of which US\$3.628 billion was for recurrent programmes and US\$492 million for development projects.
277. Cumulative Government expenditures to 31 October 2014, inclusive of loan repayments, amounted to US\$3.423 billion.
278. This was against targeted expenditures of US\$3.270 billion, giving a variance of US\$153.1 million, reflective of depressed revenue performance.
279. Estimates to December 2014 indicate an overall expenditure outturn of US\$3.92 billion, implying a gap of about US\$200 million from the original 2014 Budget.

280. Recurrent expenditures to October 2014 amounted to US\$2.87 billion, while US\$261.7 million was on account of capital expenditure. This represents 92% and 8% of total expenditures, respectively.

#### Total Expenditures US\$ million

	Original 2014 Budget Est	As a % Of Total Budget	Targeted Exp Jan-Oct	Actual Exp: Jan-Oct	As a % of Total Expenditure	Variance
Employment Costs	2 998	72.8%	2 351	2 505.4	80.1%	(154.4)
Operations	615	14.9%	502.9	324.1	10.4%	178.8
Interest	15	0.4%	15	38	1.2%	(23)
Capital expenditure	492	11.9%	401.3	261.7	8.4%	139.7
<b>Total</b>	<b>4 120</b>	100%	3 270.3	3 129.1	100%	<b>141.2</b>
Loan Repayments				294.3		

Source: Ministry of Finance and Economic Development

281. Mr Speaker Sir, the expenditure profile to October 2014 is not in tandem with planned expenditures mainly on account of support to employment costs and loan repayments.

#### Current Expenditures

##### *Employment Costs*

282. For the period to October 2014, employment costs amounted to US\$2.51 billion, accounting for 80% of total expenditures, excluding loan repayments.
283. This was against a target of US\$2.35 billion, giving an expenditure overrun of US\$154 million, which is catered for under the 2014

Supplementary Budget presented together with my 2014 Mid-Year Fiscal Policy Review Statement.

284. This is on account of the civil service salary review effected in January, and implemented from April 2014.
285. The projected outturn to December on employment costs is estimated at US\$3.208 billion.

#### *Loan Repayments*

286. As at 31 October, the Budget made loan repayments of US\$294.3 million. These payments have unlocked new loan facilities for various capital development projects.

#### *Operations and Maintenance*

287. For the period under review, cumulative expenditures on Operations and Maintenance amounted to US\$324.1 million, against a target of US\$502.9 million, giving a positive variance of US\$178.8 million.
288. Notwithstanding the low performance on Operations and Maintenance, resources amounting to US\$34.3 million were ring-fenced to support the critical social expenditures in health, education and social protection under our Staff Monitored Programme with the IMF.

## *Health*

289. The 2014 National Budget provided for US\$55 million towards revitalisation of quality health service delivery, focusing on primary and preventive health care, mainly dealing with communicable, maternal, perinatal and nutritional conditions, to achieve better health outcomes.
290. For the period under review, the sector registered non-wage recurrent disbursements amounting to US\$24.7 million, which were mainly directed towards revitalisation of quality health service delivery, focusing on Primary and Preventive Health Care.
291. While there was significant under-provision on this Vote, Development partners complemented Government efforts to the extent of US\$186.1 million.
292. This benefitted maternal and child health, malaria control, HIV/AIDS and TB programmes.

## *Education*

293. In the 2014 financial year, the Education sector was allocated a non- wage recurrent budget of US\$48.6 million, to finance procurement of teaching and learning materials, support students at tertiary institutions, as well as schools' supervision.

294. By October 2014, US\$10.4 million had been disbursed, against a target of US\$40.5 million, giving a variance of US\$30.1 million.

295. The main expenditure items under the education sector are as tabulated below:

**Support to Education: Jan – Oct 2014**

Area	Budget (US\$)	Disbursements to 31 October (US\$)	Variance
Teaching and Learning Materials	10 200 000	700 000	9 500 000
Schools Supervision	889 000	404 870	484 130
Cadetship	8 000 000	500 000	7 500 000
Universities	5 500 000	2 246 230	3 253 770
Foreign Students	2 000 000	1 076 000	924 000
Other Expenses	22 030 000	5 437 733	16 592 267
<b>Total</b>	<b>48 619 000</b>	<b>10 364 833</b>	<b>38 254 167</b>

*Source: Ministry of Finance and Economic Development*

*Social Protection*

296. In an effort to alleviate extreme poverty among the vulnerable groups of the society, Government set aside US\$25.5 million towards social protection programmes, including the Basic Education Assistance Module (BEAM), Harmonised Cash Transfers, and Support to People Living with Disabilities, among others.

297. By end of October 2014, US\$5.6 million had been disbursed, against targeted requirements of US\$18.7 million.

298. Of the disbursed amount, US\$4 million was directed towards school fees and examination fees under the BEAM programme, US\$0.4 million for harmonised cash transfers, while US\$0.2 million funded programmes for people living with disabilities.
299. To assist the disadvantaged groups access healthcare, US\$0.3 million has been disbursed, benefiting about 5 000 patients.
300. Significant additional resources will be availed towards these programmes before year end.

*Arrears to Service Providers*

301. As part of measures to implement the policy of non-accumulation of domestic arrears on service provision, a total of US\$89.1 million has been disbursed towards clearing outstanding obligations to service providers. This was against a revised budget of US\$88.1 million.
302. This intervention has contributed immensely in reducing arrears to US\$78.7 million from a peak of US\$205 million in October 2012.

**CAPITAL BUDGET DEVELOPMENTS**

303. Mr Speaker Sir, cumulative capital disbursements to October 2014 amounted to US\$268.7 million.



304. This was against planned expenditures of US\$401.3 million for the same period.

305. The Table below indicates the sectors that have benefited from the budget disbursements.

#### Capital Budget Performance to October 2014

Sector	Disbursements to October US\$ m	% Utilisation To Budget
Energy		0%
Transport & Communication	12.4	23.9%
Water & Sanitation	37.3	40.5%
Housing	17.8	21.7%
ICT	6.1	21%
Health	6.8	12.7%
Education	6.1	12.8%
Social Services	0.1	9.5%
Agriculture	119.9	43%
Furniture & Equipment	0.9	10%
Vehicles	1	15.7%
Contingent Liabilities	23.2	98.7%
Other Capital Transfers	20.8	66.5%
Other Capital Expenditures	16.1	43.4%
<b>Grand Total</b>	<b>268.5</b>	<b>35.2%</b>

Source: Ministry of Finance and Economic Development

306. In line with the commitment I made in my Mid-Year Fiscal Policy Review Statement, I have availed a total of US\$51.6 million to specific projects during the past three months in an effort to ensure that meaningful work is done before year end.

307. These include Tokwe Mukorsi dam, US\$35 million; the Harare – Goromonzi Turn-off road dualisation, US\$3.6 million; and the AU Region V Games infrastructure, US\$11.4 million.
308. Mr Speaker Sir, this has facilitated continued implementation of these projects, notwithstanding the constrained fiscal environment.
309. We have also supported the Masvingo roundabout, US\$0.8 million; which is now complete. Works on the bridge approaches for Nyahodi river, US\$0.78 million; Little Sebakwe river, US\$0.8 million; and Save river, US\$0.045 million; as well as Chivake river bridge repairs, are expected to be complete by year end.
310. Disbursement of US\$1.1 million towards part completion of the Lupane State University infrastructure has enabled positive progress to be registered on the halls of residence.

*Harare–Goromonzi Turn-off Dualisation*

311. Mr Speaker Sir, the Harare–Goromonzi Turn-off dualisation project received an additional US\$5 million.
312. This has enabled the Department of Roads to resume works, with an additional 3 km of the road now primed.

313. The outstanding works, with the exception of the road over rail bridge, are now expected to be completed by year end.

*AU Region 5 Games Infrastructure*

314. Mr Speaker Sir, the rehabilitation and upgrading programme of the AU Region 5 Games infrastructure facilities is now in its final stages and should be ready for the hosting of the youth games scheduled for 5 – 14 December 2014.

315. Works have benefitted from disbursements now amounting to US\$ 11.4 million.

316. The Table below indicates progress achieved to date on the various venues:—

**AU Region 5 Games Infrastructure**

Name of Project	Details	Indicative Budget	Progress to date
Hillside Teachers College	Infrastructure Rehabilitation including replacement of equipment	2,028,062	Repair and redecoration works on the kitchen, hostels, dining hall, boiler house, road & walkway resurfacing, water supply augmentation almost complete. Installation of incinerator, steam reticulation, car park, prefabricated structures & boiler overhaul completed.
Bulawayo Athletics Centre	Refurbishment of courts and electrification	1,268,647	Marking of tennis courts, installation of flood lights and gravel car park and supply and fix of structural steel works completed whilst construction of ablution blocks and installation of PA system is almost complete. Gravel car park, changing rooms & walkways completed
Babourfields Stadium	Upgrading and renovations including drainage works	1,198,987	Installation of PA system completed, works on new changing rooms and VIP section almost complete. Works on renovations of existing structures, electrical installation, doping rooms, retractable tunnel and storm water drain completed

Name of Project	Details	Indicative Budget	Progress to date
White City Stadium	Construction of tartan track and other infrastructure rehabilitation works	3,736,616	Installation of speakers, electrical works, ramp on VIP double storey, steel terraces completed. Electrical installations almost complete. Application of bitumen layer on the main track and retaining wal, refurbishment of warm up pitches in progress. Works are scheduled to be completed by 28 November 2014
Luveve Stadium	Upgrading of ablution and VIP facilities and VIP including electrical works	1,813,768	Work on VIP section & change rooms, toilets, ramps, wiring & cabling completed. Work on sub-station, cabling of flood lights, perimeter fence, fixing of staircases, installation of speakers, perimeter drainage trench and planting of lawn also completed. Electrical works, walkways, retaining walls and work on ramps in progress
Bulawayo Swimming Pool	Construction of swimming pool and other infrastructure upgrading works	2,350,435	Work on gravel car park, erection of flood lights and generator plinth 7 cage, fitting of calorifiers completed. Generator supplied and awaiting installation of ZESA transformer. Works on swimming pool, laying of pipe work for water heating system and conversion of toilets to boiler houses in progress.
Bulawayo City Hall	Renovations and redecoration works	100,871	Fixing of wooden tiles, fitting of shower cubicles and electricals completed. Connection of gysers almost complete.
Bulawayo Polytechnic	Upgrading and repair works	33,489	Majority of the work completed and contractor is now doing final touches to additional offices
ZITF halls	Rehabilitation and upgrading works including scoreboards	779,453	Installation of aerators, plumbing and internal painting works completed
ZBC Montrose Studio	Upgrading works and redecoration works	38,000	Work is underway and almost complete
Scoreboards	Procurement of scoreboards including electrification	1,218,363	Scoreboards have been delivered and currently being installed
Total		14,566,691	

Source: Ministry of Sport, Arts and Culture

### *E-Government Projects*

317. With regards to implementation of the E-Government projects, equipment valued at US\$5.5 million for the High Performance Computer is now in the country.
318. Installation is earmarked for completion by year end at the University of Zimbabwe.

### ***Loan Funded Infrastructure Projects***

319. Mr Speaker Sir, on account of the limited budgetary resources, Government has had to mobilise external financial resources in support of some of our critical infrastructure projects.

#### *Kariba South Expansion*

320. As I announced in my 2014 Mid-Year Fiscal Policy Review, implementation of the Kariba South Hydro Power Station Extension Project at a cost of US\$533 million commenced following the Ground Breaking Ceremony officiated by His Excellency, the President, Cde R.G. Mugabe in April 2014.

321. Mr Speaker Sir, the contractor, Sinohydro Corporation, is now in the process of drilling 2 out of the 5 adits.

322. To date, 117 metres of the 127 metres have been drilled on adit No.1 and 54 metres of 62 metres on adit No. 2, and the process is expected to be completed by April 2015.

323. As part of its US\$213.5 million contribution, the Zimbabwe Power Company (ZPC) has raised US\$46.3 million towards the following:

- Counter-part funding, US\$20.2 million;
- Escrow Account, US\$17.2 million;

- Consultancy Services, US\$8.7 million; and
- Licencing and certification fees, US\$0.2 million.

324. I am also pleased to advise that the Export-Import Bank of China (China Exim Bank) made the first loan disbursement of US\$79.8 million on 31 October 2014, leaving a balance of US\$239.7 million to be disbursed in tranches during the period up to 2017.

#### *Hwange Thermal Power Station 7 & 8*

325. Mr Speaker Sir, following the conclusions of the negotiations between ZPC and Sinohydro, the Engineering Procurement Construction (EPC) contract was signed on 10 October 2014, paving way for negotiations with financiers, which is critical for commencement of the actual works.

326. The project entails construction of 2 additional generating units of 300 MW each, as well as transmission and distribution infrastructure at a cost of US\$1.5 billion, of which US\$1.02 billion will be loan financed, whilst US\$480 million is ZPC's own contribution.

#### *Infrastructure Bonds*

327. As part of the measures to mobilise additional funding for infrastructure development from the domestic market,

Government approved the issuance of Infrastructure Development Bonds through the Infrastructure Development Bank of Zimbabwe.

328. Projects to benefit from this funding option are those which have potential to generate revenues to service bond maturities.

329. In this regard, approval of bond issuances has been granted for the projects indicated in the Table below.

#### **Infrastructure Development Bonds**

Institution	Project Name	Amount US\$ m
Zimbabwe Electricity Transmission Distribution Company	Prepaid Metering System	15
Zimbabwe Power Company	Refurbishment of current generating assets	50
Zimbabwe National Water Authority	Tokwe Mukorsi Dam construction	50
National Railways of Zimbabwe	Refurbishment of locomotives, wagons & cabooses	25
Total		140

*Source: Ministry of Finance and Economic Development*

#### *Medical Equipment*

330. Mr Speaker Sir, already US\$71.8 million has been disbursed by China Exim Bank to the contractor under the US\$100 million Medical Equipment and Supplies project, which has facilitated the on-going equipment manufacturing and deliveries.

331. The equipment covers renal, maternity, surgical, laboratory, dental, radiological and rehabilitation services, including mobile

clinics and ambulances, targeting 5 central, 7 provincial, 54 district and 34 mission hospitals, 3 rural health centres and 2 poly-clinics.

332. To date, medical equipment and supplies worth US\$20.3 million have been delivered, with some already distributed and installed at 5 central hospitals, 7 provincial hospitals, 44 district hospitals, 30 mission hospitals, 3 rural health centres and 2 urban poly-clinics.

333. The project is expected to significantly improve public health service delivery at every level of the referral system by providing the necessary investigative and diagnostic equipment, as well as tools for health personnel.

334. On its part, Treasury has already disbursed US\$265 000 to Harare Central, Chinhoyi Provincial and United Bulawayo hospitals for face-lifting of buildings and installation of equipment.

335. This, Mr Speaker Sir, is over and above the US\$10 million Government contribution made to the project in 2013.

*Net-One Network Expansion Phase II Project*

336. Honourable Members will recall that Government signed a Concessional Loan Agreement with China Exim Bank worth US\$218.9 million for the Net-One Network Expansion Phase II Project.



337. The first disbursement of US\$65 million by China Exim Bank is expected by end of December 2014.

338. Meanwhile, equipment worth US\$15 million has already been purchased and delivered into the country, utilising the contractor's own funds in anticipation of the first disbursement.

### **DEVELOPMENT PARTNER SUPPORT**

339. Development partners continue to play a critical role in the implementation of development programmes and projects across various sectors of our economy.

340. Partnership with Development partners is not only with regards to financial resources and technical assistance, but also for fostering coherence in programme targeting and implementation, in line with the Paris Declaration.

341. Mr Speaker Sir, total Development partner support for 2014 is projected at US\$736.8 million.

342. During the period January to September 2014, US\$358.1 million was disbursed by bilateral partners, whilst US\$175.6 million was disbursed by multilateral partners.

343. This gives total disbursements from Development partners of US\$533.7 million broken down as follows:

## 2014 Bilateral Support

Development Partner	2014 Projection	Jan-Sept 2014 Disbursements
Australia	33 165 888	23 839 196
China	55 000 000	21 594 309
Denmark	32 604 561	13 668 798
European Union	77 241 150	42 438 357
Germany	16 326 900	12 573 350
Ireland	3 705 000	-
Japan	2 390 019	5 916 839
Netherlands	10 703 537	6 685 530
Norway	25 000 000	15 263 000
Sweden	10 498 000	19 606 882
Switzerland	11 195 895	10 866 431
United Kingdom	132 524 083	95 149 739
United States of America	113 846 612	90 501 553
<b>Total</b>	<b>524 201 646</b>	<b>358 148 983</b>

## 2014 Multilateral Support

Development Partner	2014 Projection	Jan-Sept 2014 Disbursements
AfDB	11 846 053	6 343 633
ACBF		385 180
FAO	496 985	337 153
Global Fund	169 669 775	128 948 946
ILO	215 000	95 892
IOM	119 999	50 820
ITU	60 000	-
UNAIDS	128 047	115 473
UNDP	5 137 000	4 259 071
UNESCO	409 000	339 762
UNFPA	3 300 000	1 828 529
UNICEF	6 021 702	9 497 675
UNIDO	40 000	-
UN WOMEN	1 236 538	738 783
WFP	-	-
WHO	5 803 125	4 090 744
World Bank	20 000 000	18 550 000
<b>Total</b>	<b>212 637 171</b>	<b>175 581 661</b>

344. Major areas of cooperation through development assistance during the period January to September 2014 include the following ZIM ASSET focus areas:

**Grant Financing of ZIM ASSET Clusters: January – September 2014**

Cluster	Grants Disbursements (US\$ m)
Food Security and Nutrition	48.4
Social Services and Poverty Reduction	327.6
Infrastructure and Utilities	38.3
Value Addition and Beneficiation	12.2
Cross Cutting Issues	107.2
Total	533.7

*Source: MoFED*

345. Mr Speaker Sir, Government remains grateful for the above support, targeted at food security, social services, infrastructure, value addition and beneficiation, as well as cross cutting issues. The support has been timely given the challenges we face in the various areas.

346. Mr Speaker Sir, below I outline, in detail 2014 developments on overall Development partner support, over and above capital development projects highlighted above under capital budget developments.

***ZIM FUND Funded Projects***

347. Mr Speaker Sir, while we have done and continue to do fairly well in infrastructure through our capital Budget component, we have

also relied heavily on other sources of financing, in particular loans and grants from Development partners.

348. In the case of Development partners in general, the Zim Fund window continues to be a strong pillar for infrastructure development. Since 2010, following its launch, Zim Fund has gravitated from phase I to phase II.

349. Mr Speaker Sir, the Zim Fund, which is being administered under the African Development Bank (AfDB), is focusing on projects aimed at rehabilitating critical water & sanitation and power infrastructure.

350. Current Development partner commitments amount to US\$144.5 million, with US\$124.5 million having been disbursed into the AfDB account. The balance of US\$20 million is a commitment made by the Royal Danish Government in June 2014, which is yet to be disbursed.

351. Of the amount disbursed into the AfDB account, US\$57.9 million had been utilised for water & sanitation (US\$33.2 million) and power infrastructure (US\$24.7 million) as at October 2014.

352. The projects under Zim Fund dovetail with our capital budget projects. Similarly, we have successfully secured loan financing for critical projects, especially in agriculture, power, water, and information communication technologies.

### *Hwange Ash Handling Plant*

353. Mr Speaker Sir, under the Zim Fund, US\$10.6 million was allocated for rehabilitation of Hwange Ash Handling Plant to improve the provision of electricity in an environmentally sound manner.
354. Cumulative disbursements for the project from 2011 amount to US\$4.7 million, of which US\$3.8 million was disbursed during the period January to September 2014.
355. Already, sluiceway liner replacement is 85% complete, whilst most equipment including slurry pumps, motors, booster pumps, seiling water pumps, bilge pumps, overflow pumps, discharge lines, clinker grinders and transformer cables is now on site.
356. Mr Speaker Sir, completion of project activities is expected by 31 December 2014.

### *Electricity Sub-transmission System Reinforcement*

357. Mr Speaker Sir, Development partners also availed US\$8.6 million under the Zim Fund for reinforcement of the electricity sub-transmission system.
358. The project involves replacement of 16 circuit breakers and installation of 7 power transformers at Mazowe, Norton, Mpopoma, Pomona, Criterion, Atlanta and Stamford substations in order to improve the provision of adequate and reliable electricity.

359. To date, 5 transformers have been installed at Mazowe, Norton, Mpopoma, Pomona, and Criterion, whilst installations for Atlanta and Stamford should be completed before year end.
360. Of the 16 circuit breakers, 5 have been installed and commissioned, 4 installed and awaiting commissioning, whilst 7 are yet to be installed.
361. Cumulative expenditures on the project from 2011 to date amount to US\$6.5 million, of which US\$5.6 million was disbursed during the period January to September 2014.

*Distribution System Reinforcement*

362. Mr Speaker Sir, under Zim Fund, an amount of US\$13.7 million was also allocated for supply and installation of 507 distribution transformers under the Distribution System Reinforcement project.
363. This included laying of 17 km of underground electricity distribution cables in Harare and Bulawayo as well as erection of 343 km of overheard distribution lines.
364. I am happy to report that all the above have been completed with the amount fully disbursed.

*Zim Fund Urgent Water Supply & Sanitation Rehabilitation Project*

365. Mr Speaker Sir, with regards to the Zim Fund administered Urgent Water Supply & Sanitation Rehabilitation Project (UWSSRP), the municipalities of Harare, Chitungwiza, Chegutu, Mutare, Masvingo and Kwekwe are the beneficiaries identified under Phase I being implemented at a cost of US\$43.6 million.
366. Cumulative disbursements stood at US\$33.2 million, with US\$16.1 million having been availed during the period January to October 2014. The rehabilitation of water and sewer works is expected to be complete by end of 2014.
367. Implementation progress of Phase I of the Project is indicated in the Table below:

**Water and Sanitation Projects Implementation Status: October 2014**

Beneficiary	Allocation (US\$)	Cumulative Expenditure 2014 (US\$)	Scope of Works	Status
Harare Municipality	13 738 345	10 351 529	Water treatment works.  Sludge removal in sewage ponds.  2 Vacuum tankers.  2 Utility vehicles.	Bulk flow meters installation is now 90% complete;  Valves and down pipes for five clarifiers are still to be installed; Ten out of thirteen bulk meters have been installed;  Road works around the works site completed; and  Work expected to be complete by December 2015.  Humus pumps installation completed. Tricking biofuels rehabilitation completed. Tricking biofuels rotating arms rehabilitation 90% completed;  Little Marimba outfall sewer works completed.  2 Vacuum tankers purchased.  2 Utility vehicles purchased.

Beneficiary	Allocation (US\$)	Cumulative Expenditure 2014 (US\$)	Scope of Works	Status
Chitungwiza Municipality	4 941 262	4 029 730	<p>Waste water treatment works.</p> <p>2 Vacuum tankers.</p> <p>2 Utility vehicles.</p>	<p>Sewage plant rehabilitation is at 95% complete;</p> <p>Power supply transformer cables to effluent pump station completed;</p> <p>Old effluent pumps station rehabilitation and electrical control panel replacement completed.</p> <p>2 Vacuum tankers purchased.</p> <p>2 Utility vehicles purchased.</p>
Chegutu Municipality	4 516 281	3 497 105	<p>Water treatment works</p> <p>Sludge removal in sewage ponds.</p> <p>1 Vacuum tanker.</p> <p>2 Utility vehicles.</p>	<p>Raw water pumps and gantry beam installation is complete;</p> <p>Refurbishment of the laboratory, internal and external lighting, blower and pipe works, backwash pumps, chlorinator and scales completed, The foundation of the well of the new pump station has been poured and preparation for first lift is in progress.</p> <p>Refurbishment of sewage pump station complete awaits testing and commissioning.</p> <p>1 Vacuum tanker purchased.</p> <p>2 Utility vehicles purchased.</p>
Kwekwe Municipality	6 311 941	4 835 319	<p>Water treatment works.</p> <p>Waste water treatment plants.</p> <p>2 Vacuum tankers.</p> <p>2 Utility vehicles.</p>	<p>Electrical panels for high lift pumps completed; Internal and External low power electrical works completed; Lime and Alum transfer and dosing pumps are fully installed; Refurbishments of then five rapid gravity sand filters are 50% complete. Civil works at sewer pumping stations are 100% complete.</p> <p>Biological nutrient reactor rehabilitation was completed and commissioned;</p> <p>The Raw Activated Sludge (RAS) pumps and compressor were installed.</p> <p>2 Vacuum tankers purchased.</p> <p>2 Utility vehicles purchased.</p>



Beneficiary	Allocation (US\$)	Cumulative Expenditure 2014 (US\$)	Scope of Works	Status
Masvingo Municipality	4 835 319	4 484 878	Water treatment works.  Sewer cleaning equipment.  1 Vacuum tanker.  2 Utility vehicles.	2 raw water low lift pumps and the corresponding electrical switchgear controls have been installed at the intake works;  The electrical switchgear installation for the clear water high lift pump station is complete;  The backwash pump and blower and their electrical control panels and the chlorinator and chlorine scales have been installed, tested and commissioned. The high lift Ritz pump is in transit from Germany and delivery is expected by end-November 2014.  Installation of two UNICEF supplied Kirloskar pumps and pipework is in progress. The third Kirloskar pumps and electrical control panels are in transit from India; The refurbishment of the Inlet works, Primary Sedimentation Tanks (PSTs) and installation of compressors and panels and the internal and external electrical works are complete; The bio-filter media removal and cleaning is on-going and stands at 60% complete; The rotating effluent distribution arms installation is 33% complete.  1 Vacuum tanker purchased.  2 Utility vehicles purchased.
Mutare Municipality	9 548 475	7 014 767	Water treatment works.  Sewer cleaning equipment.  1 Vacuum tanker.  2 Utility vehicles.	Chikanga reservoir storage tank completed;  Cleaning / re-alignment of existing pipes (approx 4.5 km).  Installation of 1.6 km pipe bridges and all new pipe laying is complete and testing is in progress.  The coating repairs of steel pipes of the bridges are in progress. All man-holes works are complete. The sewer will be commissioned and handed over end of November 2014.  1 Vacuum tanker purchased.  2 Utility vehicles purchased.
<b>Total</b>	<b>43 577 183</b>	<b>33 194 235</b>		

Source: AfDB

368. Mr Speaker Sir, apart from the UNICEF and Zim Fund supported water and sanitation initiatives, the Government of the People's

Republic of China is contributing US\$15 million for drilling of 500 boreholes in rural Zimbabwe.

369. A total of 115 boreholes have been drilled to date since 2013, with 51 boreholes drilled by end October 2014 out of an annual target of 136.

### ***Water, Sanitation and Hygiene***

370. Safe drinking water and sanitation are some of the essential elements that determine improvement of living standards, as they reduce morbidity from diseases such as diarrhoea, dysentery, cholera and typhoid.
371. Cognisant of the above, Government through the National Action Committee (NAC) for the Water, Sanitation and Hygiene sector has implemented the Integrated Rural Water Supply and Sanitation Programme (IRWSSP). Development partners have been complementing Government efforts in rural water, sanitation and hygiene projects as well as in urban areas.
372. Most Development partners are utilising platforms set up for water and sanitation interventions such as those of UNICEF, Zim Fund, GIZ and non-governmental organisations, while some partners are directly implementing the related projects.
373. The programme seeks to contribute to the improvement of the living conditions and health status of the Zimbabwean population

through the provision of safe water, dignified sanitation and hygiene services.

*UNICEF Water, Sanitation and Hygiene Project*

374. Development partners are supporting the UNICEF administered Water, Sanitation and Hygiene Project, with a budget of US\$83 million over the period 2013—2016.
375. The total water, sanitation and hygiene programme budget targets rural (US\$53 million) and urban (US\$30 million) area interventions. The programme supports rehabilitation of urban water and sewer systems, drilling and rehabilitation of boreholes, development of rural piped water schemes, rehabilitation of non-functional water points and construction of latrines.
376. Mr Speaker Sir, during the period January to September 2014, US\$27.9 million was disbursed through UNICEF with project implementation done by NAC. This has benefitted 33 districts in 5 provinces and 14 urban areas.

*Food and Nutrition Security of Vulnerable Households*

377. Mr Speaker Sir, through support coordinated under the Food and Agriculture Organisation (FAO), Development partners have contributed US\$31.3 million over the 2012/13 and 2013/14 seasons, targeting vulnerable households as well as small-holder farmers with respect to subsidised purchase of crop and livestock inputs.

378. Under the FAO support, an estimated 30 000 vulnerable households and a significant number of small-holder farmers have benefitted during past seasons, while more are set to benefit over the coming seasons.

### ***Conservation and Bio-Diversity***

#### *Hwange-Sanyati Biological Corridor Project*

379. Mr Speaker Sir, the World Bank is supporting our environmental and natural resources management under the Hwange-Sanyati Biological Corridor Project.

380. Under this, the World Bank availed a US\$5.6 million grant, which we signed on 24 July 2014.

381. The project seeks to promote efficient ways of increasing bio-diversity and allowing co-existence of both humans and animals, focusing on the following areas:

- Conservation and bio-diversity;
- Addressing land degradation;
- Forest sustainability; and
- Identification of alternative livelihoods.

### *Forests Sustainability*

382. Mr Speaker Sir, Development partners have also been supporting conservation and bio-diversity projects through the FAO's Forests Sustainability Programme.
383. The programme targets improved food security systems of vulnerable rural communities through participatory Sustainable Forest Management, and increasing the value of forest products.
384. During the period January to October 2014, US\$1.1 million was disbursed in support of the programme, targeting 60 000 households in Chimanimani, Mutasa, Hwedza, Mutoko, Hwange, Lupane, Bulilima and Matobo administrative districts.

### *Global Fund*

385. Mr Speaker Sir, since 2010, support from the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria amounted to US\$600.7 million, of which US\$128.9 million was disbursed over the period January to mid-November 2014.
386. To this end, and in order to enhance accountability over the use of public resources, the Global Fund has pledged US\$2 million for roll-out of the Public Finance Management System (PFMS) in the Ministry of Health and Child Care to the district level.

387. Furthermore, to ensure that all users of the system are adequately trained, the UNDP has also committed US\$2 million for broad capacity building in Public Finance Management.

*Health Transition Fund*

388. Government appreciates the support provided by Development partners towards the health sector through the Health Transition Fund (2011 – 2015), which is administered by UNICEF.

389. During the period January–September 2014, US\$49.8 million was disbursed, bringing cumulative expenditures since 2011 to US\$135 million, out of actual Development partner contributions of US\$150.1 million.

390. Contributing partners to the Health Transition Fund (HTF) are the United Kingdom (US\$79.5 million), the European Union (US\$39.7 million), Norway (US\$11.6 million), Canada (US\$9 million), Ireland (US\$7.9 million) and Sweden (US\$2.4 million).

391. The HTF has contributed towards the transformation of the health delivery system in the country through its intervention in support of the following main pillars of the National Health Strategy:

- Maternal, new-born, child health and nutrition;
- Medical products, vaccines and technologies;

- Human resource for health; and
- Health policy, planning and financing.

392. As a result, Mr Speaker Sir, the maternal mortality ratio has declined from 960 to 614 per 100 000 live births and the under-five mortality rate has declined from 84 to 75 deaths per 1000 births between 2012 and to date.

#### *Results Based Health Financing*

393. Mr Speaker Sir, since inception in 2011 of the Health Sector Development Support (HSDS) project, financed under the US\$35 million World Bank Results Based Health Financing Grant, US\$29.9 million has been disbursed, with US\$7.4 million having been availed during the period January to September 2014.

394. On its part, Government has contributed US\$2.3 million to the project as counterpart financing, against a commitment of US\$6 million.

395. The project, which concludes in 2015, currently covers 2 urban and 18 rural districts, benefitting 32 district hospitals and 387 health centres.

396. This intervention, targeting key maternal and neo-natal health, is supporting Government's policy of scrapping user fees on priority

maternal and child health services through paying user fees to health institutions that provide the services.

397. Mr Speaker Sir, achievements to date in implementation of the project include, among others:

- Increase in the percentage of births attended by skilled health personnel from 58% in 2011 to 88% by September 2014;
- 100% increase in the number of immunised children from 77 195 in 2011 to 154 546 by September 2014; and
- 300% increase in the number of pregnant women receiving antenatal care during a visit to a health care provider from 95 889 in 2011 to 384 453 by September 2014.

398. Mr Speaker Sir, notwithstanding these gains on maternal and neo-natal health, the Health Sector Development Support Project is coming to an end in 2015. I am, therefore, calling upon Development partners to consider extending support to this key health sector intervention beyond 2015 in order to consolidate the gains achieved to date.

*Education Transition Fund*

399. Following the successful roll out of the Education Transition Fund (ETF) Phase I (2009–2011), UNICEF, in collaboration with



Development partners, launched ETF Phase II (2012–2015) mainly focusing on continued revitalisation of the education sector.

400. The ETF Phase II has a total budget of US\$86 million to cover the period 2012–2015, of which US\$49.8 million was disbursed during the period January—September 2014.

*Child Protection Fund*

401. Mr Speaker Sir, the Child Protection Fund (CPF) is a UNICEF managed fund that safeguards children’s rights through the National Action Plan II (2011-2015) for orphans and vulnerable children in Zimbabwe.
402. To date, the CPF has managed to support 54 000 households with a total cumulative disbursement of US\$49.6 million, from a project budget of US\$71.4 million, targeting support for orphans and vulnerable children. During the period January to September 2014, US\$17.7 million was disbursed.
403. Allow me, Mr Speaker Sir, to commend UNICEF and Development partners for committing themselves to ensuring that the various challenges that are being faced by orphans and vulnerable children are mitigated.

404. With the current CPF phase coming to an end in September 2015, I would want to encourage Development partners to consider extending support towards this noble initiative for uplifting vulnerable children.

## **VI. RECAP OF THE 2014 NATIONAL BUDGET**

405. Mr Speaker Sir, in my 2014 National Budget, I proposed a number of policy interventions for implementation in 2014. Some of the progress already has been provided during my Mid-Year Fiscal Policy Review.

406. Detailed progress on specific issues is provided under relevant areas in this Budget. I am, however, going to briefly provide a recap on some of the major proposed policy interventions, highlighting in the process areas of achievements and constraints encountered.

407. Accordingly, recap of the major policy interventions are indicated below:

### *Policy Certainty and Consistency*

408. The 2014 National Budget categorically re-stated the continued use of multiple currencies during the ZIM ASSET period, as part of policy certainty and consistency, critical for confidence building.

409. This has, therefore, demystified the hitherto speculation over the sudden return of the Zimbabwean dollar, which was clearly unfounded.
410. The multiple currencies will, therefore, continue to anchor the 2015 National Budget.

*Restoration of Confidence in the Financial Sector*

411. Restoration of confidence in the financial sector is being achieved through the on-going implementation of confidence building measures and banking sector reforms. These measures, included banks' capitalisation, non-performing loans, credit reference bureaus, interbank market, among others.
412. However, the automation and demutualisation of the Zimbabwe Stock Exchange, as well as establishment of the SMEs exchange have not progressed within the desired timelines and this will be given due attention under the 2015 National Budget.

*Clarification of Indigenisation and Economic Empowerment*

413. Mr Speaker Sir, the 2014 National Budget provided clarification on indigenisation and economic empowerment regulations, outlining sector specific approaches under resource based investments and other investments. This clarification was in response to

inconsistencies and confusion arising over the interpretation and implementation of our indigenisation laws.

414. However, notwithstanding the clarification provided, application of the indigenisation laws and regulations still presents challenges to potential investors, a situation that continues to stifle investment into the country.

415. The 2015 National Budget, therefore, proposes further clarifications and simplifications which I hope should be able to respond positively to the concern of the investors.

#### *Managing the Wage Bill*

416. Managing the wage bill was identified as a key priority in reversing the skewness of our Budget from being consumptive to developmental.

417. The target in 2014 was to achieve reduction of the wage bill from 75% of the total Budget in 2013, to between 55-65% in 2014 and 30% by 2018.

418. However, developments so far this year indicate that the wage bill remains a challenge which can only be resolved in the medium to long term.

### *Re-engagement with the International Community*

419. The 2014 National Budget advocated for an accelerated re-engagement process with the international community, as part of the strategy towards resolving our external debt overhang.
420. I am, generally satisfied with the progress in our re-engagement efforts, which already has resulted in the successful completion of our obligations under the Staff Monitored Programme (SMP), concluded on 30 June 2014.
421. Furthermore, Government successfully negotiated and agreed for a 15 month Successor SMP for the period October 2014 to December 2015.

### *Public Procurement*

422. The 2014 National Budget sought to revamp the public procurement system in order to achieve efficiency, transparency and accountability.
423. Regrettably, not much progress has been made in 2014, as our public procurement systems still fail to comply with the above desired principles, a situation which is imposing huge costs on Government entities and, hence, value for money.

### *Public Enterprise Reform*

424. Public enterprise reforms were identified as a key focus area for turning around the fortunes of most of our parastatals, and enable them to meaningfully support the economic growth trajectory.
425. However, much work remains to be done, and therefore, the 2015 National Budget proposes specific actions to be undertaken, including provision of resources for audits.

### *Agricultural Commodities Exchange*

426. Government approved the establishment of the Agricultural Commodities Exchange, to support marketing of agricultural commodities through a competitive open market.
427. However, the entity is yet to be operationalised.

### *Amendments to the Mining Laws*

428. Significant progress was made towards amendments to mining laws, with Cabinet having already approved the Principles.
429. Currently, the Bill is being formulated and will be brought to Parliament in early 2015.

### *Industrial Competitiveness*

430. Restoration of industrial competitiveness is one of the key objectives of ZIM ASSET, and the 2014 Budget introduced a number of measures to support domestic industry through duty and tariff structures, the Buy Zimbabwe Campaign, management of imports and elimination of leakages at our ports of entry, among other measures.
431. These strategies are being implemented on an on-going basis, and already some of the sectors of the economy are responding positively. These measures will continue to be upheld and monitored under the 2015 fiscal year.

### *Demonetisation of the Zimbabwean dollar*

432. The demonetisation of the Zimbabwe dollar remains outstanding and previous Budget pronouncements have indicated intentions to bring finality to this issue.
433. In 2014, Government re-affirmed its commitment to demonetise the local currency on the basis on which the Nation converted books of accounts in 2009.
434. Government will, therefore, set aside resources in 2015 for the demonetisation programme.

## VII. FISCAL YEAR 2015 BUDGET FRAMEWORK

### *Macro-Economic Framework*

435. Based on the 2015 GDP growth projection of 3.2%, revenues of US\$4.1 billion are anticipated. This translates into about 28.1% of nominal GDP of US\$14.594 billion.
436. Expenditures of US\$4.115 billion are accordingly targeted, giving a small deficit of US\$15 million.

### **Macro-Economic Framework: 2013–2015**

	2013 Est.	2014 Proj.	2015 Proj.
<b>National Accounts (Real Sector)</b>			
Real GDP at market prices ( million US\$)	11 745	12 103	12 494
Nominal GDP at market prices (Million US\$)	13 490	14 015	14 594
Real GDP Growth (%)	4.5	3.1	3.2
Inflation (Annual Average) %	1.63	-0.05	0.20
<b>Government Accounts</b>			
Revenues & Grants (Millions US\$)	3 741	3 928	4 100
% of GDP	27.7	28.0	28.0
Expenditures & Net Lending (million US\$)	3 987	4 030	4 115
% of GDP	29.6	28.8	28.2
Current Expenditures	3 520	3 634	3 774
% of GDP	26.1	25.9	25.9
Recurrent Operations	1 152.7	384.3	384.3
% of GDP	8.5	2.7	2.6
Employment Costs	2 344	3 208	3 317
% of GDP	17.4	22.9	22.7
Capital Expenditure & Net lending	468	396	341
% of GDP	3.5	2.8	2.3
<b>Balance of Payments Accounts</b>			
Exports (million US\$)	3 507	3 487	3 659
Imports (million US\$)	7 704	7 471	7 628
Current Account Balance (million US\$)	-3 426	-3 352	-3 423
<b>Monetary</b>			
Broad Money (million US\$)	3 932	4 369	4 695
Credit to the Private Sector (million US\$)	3 650	3 722	3 878

Source: Ministry of Finance & Economic Development



437. Recurrent expenditures will continue to dominate overall expenditures accounting for 92% of total expenditures, leaving about 8% for capital development programmes.
438. The above Macro-economic Framework is premised on the following broad 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 and other supportive policy measures for enhancing 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 in support of agriculture.
439. Furthermore, the above Framework also took cognisance of attainment of our quantitative targets under the successor SMP which is scheduled to end in December 2015.

#### *Downside Risks*

440. A number of downside risks that can potentially militate against the envisaged growth and budget targets have been identified

and will require constant monitoring, so as to institute remedial measures.

441. These risks particularly relate to:

- Likelihood of mid-season dry spell in the second half of the season;
- Rising non-performing loans which may restrict increased lending by the financial institutions;
- Continued depreciation of the Rand against the US dollar, which will put pressure on the current account and affect competitiveness of export commodities. However, if we were sourcing for imported equipment, this would be an opportunity;
- The continued decline in international commodity prices, which pose a threat to viability of the exporting companies; and
- Continued adverse effects of sanctions.

442. On the fiscal front, the continued skewedness of the budget towards recurrent expenditures will only compromise capital development and social sector programmes.

## **VIII. BUDGET INTERVENTIONS FOR 2015**

443. Mr Speaker Sir, successful economies worldwide observe the fundamental principles that are rooted in promotion of macro-

economic stability, credible and predictable policies that promote inclusive growth, a conducive investment environment, strong linkages between industry, education, research and development and a strong human resource base.

444. Accordingly, Mr Speaker Sir, the 2015 National Budget, taking cognisance of the above economic developments and in pursuit of building on ZIM ASSET, is guided by the objective of entrenching the above fundamental principles.

## **THE 2015 BUDGET**

445. Mr Speaker Sir, I propose a Budget of US\$4.1 billion for fiscal year 2015, consistent with our macro-economic forecasts for the year.

446. As Honourable Members will recall, this Budget is around the same level as that for the previous fiscal year, reflecting continued constrained fiscal space as in 2014.

447. Of this Budget, US\$3.32 billion which represents 81% of total expenditures will be on account of Employment costs, leaving a balance of US\$798 million for Operations, Debt service and Capital development programmes.

448. The proposed allocations for the capital budget are US\$341 million, while that for Operations and Maintenance is US\$384 million.

449. Mr Speaker Sir, the major challenge is that the revenue base remains limited, and hence, the need to expand it.
450. It is, therefore, critical that we focus on implementing ZIM ASSET strategies and policies meant to grow the economy, and create wealth to develop the country.
451. Mr Speaker Sir, the economy needs substantial investment, both domestic and foreign direct investment, as well as other support, also targeting infrastructure and production for the export markets.
452. Hence, Honourable Members, this Budget is primarily a package of policy interventions to unlock the economy's productive potential, supported by both domestic and external resources.
453. Timeous and consistent implementation of all agreed policy interventions will require our collective commitment.
454. Mr Speaker Sir, allow me, therefore, to outline proposals under the 2015 National Budget, focusing on both the constrained allocations, supportive policy measures and other interventions.

*Development Partners' Support*

455. Mr Speaker Sir, the country is set to receive development assistance estimated at US\$468.2 million and loans of about US\$552.03 million in support of the 2015 National Budget.

## Projected Grants

Cluster	Grants Disbursements (US\$ m)
Food Security and Nutrition	29.8
Social Services and Poverty Reduction	229
Infrastructure and Utilities	62.1
Value Addition and Beneficiation	2.2
Cross Cutting Issues	145.1
Total	468.2

Source: MoFED

456. Mr Speaker Sir, of the indicative US\$468.2million, Bilateral partners have pledged US\$248.8 million and Multilateral partners US\$219.1 million.
457. Of the total expected development assistance pledges, about US\$62.1 million will be channeled towards infrastructure development projects, leaving about US\$406.1 million for various programmes under food security, social services, SMEs support and other cross-cutting issues.

### *Joint Ventures/Loan Financing*

458. Over and above budgetary resources and grants, about US\$557.04 million is also anticipated in the form of loans and joint venture arrangements.
459. These resources will be channeled towards various ZIM ASSET infrastructure development projects, necessary for supporting our productive sectors.

## **Constitutional & Statutory Requirements**

460. Mr Speaker Sir, Constitutional and Statutory Requirements make the first charge on the 2015 National Budget.
461. These relate essentially to salary and pension payments, given the challenges we have been having with regards to external debt servicing.
462. As I have already indicated, this will take US\$3.32 billion, which is 81% of the 2015 Budget.

### *Provincial Allocations*

463. Mr Speaker Sir, the Constitution stipulates that “*not less than 5% of the National Revenues raised in any financial year must be allocated to the provinces and local authorities as their share in that year*”, making the governing legislation necessary.
464. Treasury is ready to comply with this Constitutional requirement and awaits the enactment of the necessary legal framework.

### *Alignment of Acts to the Constitution*

465. Mr Speaker Sir, notwithstanding that the adoption of the Constitution in May 2013 requires that we re-align over 400 pieces of legislation, the process is moving slowly.

466. Only 3 pieces of legislation were aligned to the Constitution in the last Session of Parliament.

467. It is, therefore, necessary that we speed up processes for re-aligning the Acts to the Constitution, that way, underpinning the establishment of the Provincial Councils Act to pave way for direct provincial allocations.

*Constituency Development Fund*

468. As Honourable Members will be aware, the Constituency Development Fund was launched in 2010, and discontinued after one year of implementation owing to the mis-management of the Fund resources.

469. Notwithstanding this, the Constituency Development Fund remains an important instrument for promoting balanced development projects in communities across the country.

470. Accordingly, the Ministry of Justice, Legal and Parliamentary Affairs will be developing a Bill that will improve transparency and accountability in the management of the Fund, therefore, paving way for Treasury support.

471. I am, therefore, setting aside US\$10.5 million for this purpose in the 2015 Budget.

472. Mr Speaker Sir, allow me now to specify some of the 2015 National Budget expenditure proposals under the respective ZIM ASSET clusters.

## **FOOD SECURITY & NUTRITION CLUSTER**

### **Preparations for the 2014/15 Farming Season**

#### ***Presidential Inputs Scheme***

473. Mr Speaker Sir, in my Mid-Year Fiscal Policy Review Statement, Government unveiled an Input Support Programme benefiting 1.6 million households for the 2014/2015 Summer Cropping Season targeting maize, small grains, cotton and livestock valued at US\$252.3 million.

474. Mr Speaker Sir, with regards to this input support programme, resource mobilisation efforts are currently underway.

475. Already, a total of US\$10 million has been raised through Budget support, triggering procurement and distribution of inputs through Grain Marketing Board depots countrywide.

476. Furthermore, Government has supported input suppliers through a combination of cash payments and issuance of treasury bills in settlement of previous obligations amounting to US\$30.9 million.

477. With this support, input suppliers are, therefore, working on ensuring adequate availability of inputs for the current season.

478. Mr Speaker Sir, with distribution of inputs having already started, the input support programme will be implemented timely.



479. The availing of the above US\$10 million facilitated procurement of 774.8 tons of maize seed, 299 tons of sorghum seed and 8 138 tons of basal fertilizer.
480. Mobilisation of additional resources under the Presidential Input Scheme is being made through various arrangements, and will be in tranches.
481. Overall inputs availability within the country indicates a marginal deficit, with the assurances that this will be met from the local production as well as imports as indicated in table below:

#### Input 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)
<b>Sub-total</b>	<b>2 185 000</b>	<b>45 500</b>	<b>35 287</b>	<b>10 000</b>	<b>45 287</b>	<b>(213)</b>
Cotton Seed	300 000	6 000	8 000	—	8 000	(2 000)
Soya Bean Seed	40 000	3 600	4 300		4 300	(700)
<b>Total</b>	<b>340 000</b>	<b>9 600</b>	<b>12 300</b>	<b>—</b>	<b>12 300</b>	<b>(2 700)</b>
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)
<b>Sub-total</b>	<b>4 450 000</b>	<b>600 000</b>	<b>155 630</b>	<b>375 870</b>	<b>531 500</b>	<b>(68 500)</b>
Lime	2 225 000	20 000	—	—	30 000	10 000

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

482. Distribution of inputs has already commenced and this will continue as the season progresses.

### ***Cloud Seeding***

483. Mr Speaker Sir, mindful of the 2014/15 season weather forecasts, I propose to allocate US\$400 000 towards cloud seeding.

### ***Other Financing Arrangements***

484. Mr Speaker Sir, financing arrangements for other farmers for the current summer cropping programme for 2014/15 have also been put in place, with a number of banking sector and other partners' agro-financing schemes being implemented.

485. Overall agricultural production targets to put 2.25 million hectares under crop and support livestock production at an estimated cost of US\$1.72 billion, of which US\$1. 3 billion is for crop production.

486. Mr Speaker Sir, Government facilitation of mobilisation of resources by financial institutions has seen Treasury granting features that make banking sector agro-financing instruments attractive to investors.

487. Such features have included the following:

- Prescribed asset status;
- Liquid asset status;
- Tax exemption; and
- Government guarantee

488. The banking sector has so far mobilised US\$1.093 billion for farmers to access working capital under various credit schemes.

#### **Banks Support for Agriculture**

<b>Bank</b>	<b>Amount</b>
AFRASIA	10 465 698
AGRIBANK	108 700 000
ALLIED	—
BANCABC	51 500 000
BARCLAYS	115 178 346
CBZ	24 178 357
ECOBANK	17 000 000
FBC BANK	39 700 000
MBCA	85 900 000
METBANK	13 800 000
NMB	22 285 000
STANBIC	320 364 873
STANCHART	217 328 000
STEWARD	10 000 000
ZB BANK	30 000 000
TETRAD	
CABS	23 646 000
POSB	3 596 500
<b>Total</b>	<b>1 093 642 773</b>

489. Mr Speaker Sir, the bulk of the above banking sector facilities are supporting private sector led contract farming initiatives with A2 farmers.

490. Delta for example, is supporting A2 farmers under Barley contract farming arrangements.

491. As at 25 November 2014, contract farming arrangements for 2014/15 arranged through the Agricultural Marketing Authority

total US\$21.4 million, covering 12 075 hectares for maize, 6 224 hectares for soya beans and 31 680 hectares for cotton.

### ***Restoration of a Stop Order System***

492. Mr Speaker Sir, the participation of the banking sector in funding agriculture should be buttressed by a robust recovery system which guarantees that beneficiary farmers pay back.
493. In this regard, certainty of repayment through an efficient Stop Order System helps overcome challenges related to farmers avoiding paying through side marketing.
494. It is for this reason that banks prefer to fund tobacco to any other crop, especially during this period when the banking sector is experiencing high non-performing loans.
495. In this regard, the Bankers Association of Zimbabwe is developing arrangements for the re-establishment of the Stop Order System with the support of the Reserve Bank, Ministry of Finance and Economic Development, and Ministry of Agriculture, Mechanisation and Irrigation Development.
496. This will be done in consultation with all the relevant stakeholders, including the Grain Marketing Board.

497. With regards to contract farming arrangements between farmers and cotton merchants, the continuation of the Buying Quota System for contractors that was introduced in the 2013/14 season to limit side marketing of contracted seed cotton is also important in loan recovery and the sustainability of bank funding for cotton production.

### ***Inducing Productivity in Agriculture through Joint Ventures***

498. Mr Speaker Sir, Government owns vast tracts of arable land through the Agriculture and Rural Development Authority (ARDA) and Cold Storage Company (CSC) which are currently under-utilised.

499. To invigorate agricultural productivity, Government is looking for investors who are willing to partner ARDA and CSC under the joint venture arrangements.

500. Under the joint ventures, the investor is required to provide capital whilst the contribution of ARDA and CSC shall be the arable land and infrastructure on the estates.

501. Mr Speaker Sir, Government is keen to engage investors whose farming inclinations is towards the production of cash crops, as well as cereal grains. Already, there are many investors ready to partner ARDA in soya bean production.

502. This framework should enable restoration of production on land currently being under-utilised by these public owned entities.
503. Sharing of the profits realised from farming activities shall be done on an agreed sharing ratio after the investor has recouped their capital outlays.

### ***99-Year Leases***

504. Mr Speaker Sir, the current 99-year leases had presented some shortcomings, constraining them from being used as collateral security by financial institutions.
505. Following extensive consultations with concerned stakeholders in the financial sector, Government is developing a modified 99-year lease that now incorporates key features that should make it accepted as collateral.
506. Discussions are taking place between the Bankers Association of Zimbabwe and the Ministry of Lands and Rural Resettlement to address shortcomings that would make it impossible for banks to lend to 99-year lease holders.

### ***Land Compensation Fund***

507. Compensation to previous farmers under the land reform programme, for improvements on the farm has not progressed as planned owing to lack of resources.

508. This, Mr Speaker Sir, has delayed closure to the various outstanding compensation cases.
509. In order to expedite the payment of compensation for farm improvements to previous commercial farmers, Government is establishing a Land Compensation Fund.
510. Capitalisation of this Fund will be on account of land tax proceeds from land beneficiary farmers, and Government through the Treasury will be approaching Development partners to augment resources of this Fund.
511. Mr Speaker Sir, Treasury is consulting on the modalities of establishing and managing the Land Compensation Fund.

***Mechanisation***

512. Honourable Members will recall that, in the Mid-Year Fiscal Policy Review, I reported that Government had secured a loan facility from the Brazilian Government for acquisition of agriculture machinery and equipment valued at US\$98.6 million.
513. This is under the More Food Africa for Zimbabwe Programme, targeted at enhancing smallholder farmers' capacity to produce food crops.

514. The facility seeks to avail tractors, disc harrows, disc ploughs, planters, fertilizer spreaders, among others, and will benefit small-holder farmers nationwide.
515. Mr Speaker Sir, following disbursements of US\$5.9 million under the first tranche amounting to US\$38.6 million, some of the equipment, which includes agriculture implements has already been received, and work is already underway to assemble the equipment.
516. A further US\$30 million disbursement is expected in 2015.
517. Mr Speaker Sir, I want to re-emphasise that this equipment is not for free.
518. Equipment under this programme is being accessed on a full cost recovery basis, with Agribank undertaking all the necessary risk assessments of borrowing farmers before anyone lays their hands on this equipment.
519. Hence, outstanding disbursements of equipment are dependent on a track record of payments performance by previous beneficiaries.
520. Treasury will continue monitoring this arrangement to ensure that this is handled through Agribank transparently.



## ***Extension Services***

### *Research and Extension Services*

521. Extension services and training are some of the key factors which are contributing to enhanced output partly through increased productivity.
522. For example, in 2014, maize productivity jumped from 0.6 tons per hectare to 0.85 tons per hectare.
523. However, this remains far below other SADC countries, with Malawi maize yields averaging 2-3.5 tons per hectare and that of South Africa being 5-7 tons per hectare.
524. These positive results were made possible through increased support from both Government and Development partners in quest for food security.
525. Hence, to improve productivity in agriculture, Government will prioritise allocation of resources towards research, training and extension services.
526. In pursuit of this objective, Government is setting aside US\$2 million for extension services and this is being complemented by support from Development partners.

### *FAO Technical Support*

527. Already, the Food and Agriculture Organisation is setting up a US\$48 million facility to support extension advisory services and agricultural finance initiatives for rural communities to reduce poverty, ensure food security and good nutrition.
528. Under the framework, selected internationally recognised technical assistance organisations would partner with interested local financial institutions over the next four years.
529. Phase one of the programme would entail training banking staff, research, product and systems development to capacitate participants to effectively serve rural markets.
530. Under the second phase, successful institutions would set up the loan refinance facility for micro-finance and wholesale credit guarantee facility for the participating banks.
531. The targeted districts are Mutare, Makoni, Mutasa (Manicaland); Kwekwe, Gokwe South, Shurugwi (Midlands); Guruve, and Mt Darwin (Mashonaland Central).

### ***Animal Health Welfare***

532. To improve animal health welfare, Government priority will be given to programmes that seek to improve dipping of cattle, vaccination of animals as well as carrying out animal disease surveillance.

533. Resources amounting to US\$1 million will, therefore, be availed in 2015 in support of these Programmes.

*Smallholder Livestock Support*

534. Mr Speaker Sir, Cooperating Partners, through the FAO, have also set aside US\$9.2 million towards support for the smallholder livestock sector.

535. The programme aims at developing a more productive smallholder livestock sector, increasing food, nutrition and income security through commercialisation of the sector.

536. In 2015, US\$2 million will be disbursed, targeting 20 000 households in Lupane and Nkayi.

***Crop and Post-Harvest Handling***

537. Mr Speaker Sir, in order to reduce pest induced crop damage as well as post-harvest handling losses, FAO has also set aside US\$269 400 of which US\$208 000 will be disbursed in 2015.

538. These resources are earmarked to develop farmers' capacity to scout and control the spread of pests.

539. With regards to crop handling, 3 000 farmers in Hwedza and Mbire will be capacitated to better manage climate related risks to crop production and post-harvest handling.

### *Grain Procurement*

540. Mr Speaker Sir, it is critical that we hold as a Nation some grain stocks in Strategic Reserve.
541. In this regard, to guarantee food security at national level, Government will continue to procure grain produced by farmers.
542. Actual intake for 2014 has amounted to 265 000 tons valued at US\$104.6 million as at 20 November 2014. To end of the current marketing season, total intake is projected at 300 000 tons.
543. The overall support under the Strategic Grain Reserve now stands at US\$81.9 million, with a sum of US\$51.5 million having been mobilised from the market through issuance of Agricultural Marketing Authority (AMA) bills.
544. Of this amount, US\$57.6 million has been paid to farmers for grain deliveries, US\$22 million for handling and storage charges whilst US\$2 million was for payment for grain importation charges from last year.
545. This has also helped capacitate farmers to refinance their cropping Programme for the 2014/2015 season.
546. With regards to outstanding grain delivery obligations, Treasury has already made arrangements to mobilise an additional US\$50 million through issuance of AMA Agro-bills.

547. For 2015, Government envisages the same level of 300 000 tons grain intake, of which 250 000 tons is maize.

548. Mr Speaker Sir, while the fiscus has been pumping money into the GMB in support of grain procurement from farmers for the strategic stock reserve, this has been a one-way transaction with no flows into the fiscus from the sale of grain. Clearly, this is not sustainable.

***Climate Resilient National Water Resources & Irrigation Master Plan***

549. Mr Speaker Sir, this year the World Bank undertook a study for Government on Climate Change and Water Resources Planning, Development and Management in Zimbabwe.

550. This identified potentially serious implications of climate change on the hydrological cycle and water availability for rural and urban water supply, irrigation, hydro power, and the environment.

551. The principal recommendation from the study was the development of a comprehensive Climate Change Strategy based on detailed modelling for the Water and Agriculture sectors, the two key climate sensitive sectors.

552. The proposed Climate Resilient National Water Resources and Irrigation Master Plan will integrate in-depth climate change

modelling and analysis into the planning, development and management of water resources and irrigation infrastructure.

553. The Plan will also guide the rehabilitation and operations of the existing water resources and Irrigation infrastructure.

554. The main objective of the Master Plan will be to support the development of a structured programme of climate-resilient investments for the development and management of water resources and irrigation infrastructure in Zimbabwe.

555. The Plan, to be implemented in phases, will support the new Climate policy in the two high priority sectors, that of water and agriculture.

556. Mr Speaker Sir, the Plan will also include the following elements, among others:

- A comprehensive review of hydro-meteorological, and land use data and information; assessment of groundwater resources; assessment of current and future water demand and water balance analysis for future water supply and irrigation.
- Climate change modelling of the hydrological cycle and water use for incorporation into water resources assessment, and water balance studies in the 7 hydrological catchments of Zimbabwe.

- Threats from land use, mining and pollution contributing to the deterioration of wetlands, riverine systems and aquifer recharge areas will be assessed.
- Short, medium and long term investments in water resources and irrigation development and management will be developed together with flood and drought management options that will meet water demand in other sectors such as manufacturing, mining, energy, and the environment.
- The Plan will assess and review the Tariff structures for urban and rural water and water for irrigation and water use fees. This will build on the urban tariff study.

557. The Plan development process will be led by the Ministry of Environment, Water and Climate (MEWC) in close collaboration with the Ministry of Agriculture, Mechanisation and Irrigation Development (MAMID).

558. Mr Speaker Sir, Government will approach Development partners for support with the preparation of the Plan, which is estimated to cost US\$5 million.

## **VALUE ADDITION CLUSTER**

### *Value Addition Linkages*

559. Mr Speaker Sir, linkages are essential in transforming the country from a producer of primary goods into a producer of processed value added goods for both the domestic and export market.

560. Hence, it is critical that we strengthen the backward and forward linkages that exist between the manufacturing sector and other sectors of the economy, especially agriculture. Already, a similar concept is being applied to Cotton to Clothing and Leather sectors.
561. There is also great potential for linkages between agriculture and tourism, as well as mining and manufacturing.
562. In this regard, Government will continue to craft strategies and measures that seek to enforce implementation of value addition and mineral beneficiation across our industries, in order for the country to realise the true value of its assets.

### ***Mining***

563. ZIM ASSET also prioritises mining as an anchor for facilitating socio-economic transformation.
564. Reforms in the mining sector are, therefore, key to ensuring good mineral resource governance.
565. This should ensure that the programme is propelled by the judicious and sustainable exploitation of the country's abundant natural resources.



### *Amendments to the Mines & Minerals Act*

- 566. Government has made some progress in the amendments to the Mines and Minerals Act.
- 567. Principles for amendments have been approved by Cabinet and the respective Bill will go through the Parliamentary processes during 2015, that way also paving way for work on amendments of the Precious Stones Trade Act.

### *Mining Fiscal Regime*

- 568. A number of Government agencies, including local authorities are involved in the collection of mineral revenue.
- 569. These include ZIMRA, Environmental Management Agency (EMA), Ministry of Mines and Mining Development, Zimbabwe Mining Development Corporation (ZMDC) and Minerals Marketing Corporation of Zimbabwe (MMCZ).
- 570. The various uncoordinated collections not only compromise viability of the sector, but also present transparency and accountability challenges over mineral revenues accruing to the country.
- 571. In order to redress and bring sanity to the above challenges, Government is reviewing the mining fiscal regime.

572. This review process will ensure that the country maximises the benefits from its mineral resources, while at the same time encouraging investment in the sector.

*Transparency & Accountability*

573. In my 2014 Budget Statement, I emphasised the importance of greater transparency and accountability in the management of national mineral revenue.

574. Government will be resuscitating the Zimbabwe Mining Revenue Transparency (ZMRT) Initiative launched in 2011 in order to enhance transparency and accountability in the mining sector.

575. The ZMRT is comprised of representatives from Government, mining houses as well as other stakeholders.

576. The objectives of the Initiative include:

- Prioritising re-building of the mining sector as a core pillar of Zimbabwe's economic and social turn-around;
- Ensuring that the country's mineral wealth and natural resources are developed and exploited for national benefit in order to reduce poverty and enhance economic and social equity; and

- Improve accountability, good governance and transparency in mining taxation.

577. Mr Speaker Sir, resuscitation of the ZMRT process will ensure attainment of the three key national objectives of:

- Creating a participative and multi-stakeholder process to promote dialogue and build trust;
- Generating independently reconciled reports of revenues paid by mining houses and received by Government; and
- Creating a platform for on-going policy reforms for achieving good governance of the nation's mineral resources.

#### *Consolidation of the Diamond Sector*

578. As I indicated in my 2014 Mid-Year Fiscal Policy Review, Government is undertaking a review of the structure of the diamond sector, with a view to streamlining the number of companies operating in the sector.

579. The ultimate objective is to enhance oversight, that way ensuring transparency and accountability in the diamond sector.

580. This will be accomplished through mergers of some of the current seven companies jointly owned with the Government, through ZMDC.

581. This consolidation will also allow effective oversight on diamond companies performance and hence, upholding transparency and accountability.

#### *Joint Monitoring Taskforce*

582. Furthermore, a joint task force composed of technical staff from the Ministries of Finance and Economic Development, Mines and Mining Development, and the Zimbabwe Revenue Authority (ZIMRA) to forecast and monitor diamond-related revenue flows has been constituted.

583. The task force is now operational and producing informative reports on diamond revenue flows and other operational matters.

584. In view of the capacity within the Central Bank for this exercise, the Reserve Bank is also joining the Joint Taskforce.

#### *Publication of ZMDC Financials*

585. The Zimbabwe Mining Development Corporation (ZMDC) is critical in championing mining investment and development in the country.

586. Its substantial shareholding in various mining companies on behalf of the State makes it imperative that it upholds transparency and accountability values in its operations.

587. One way of promoting this transparency and accountability is through publication of ZMDC's audited financial statements.

588. Accordingly, ZMDC will be required to produce and publish annual audited financial statements in fulfillment of legal requirements under the Companies Act.

*Gold Compliance & Enforcement Unit*

589. Mr Speaker Sir, there is need for unification of the various Government agencies overseeing the operations of the mining sector for us to fully account for gold production and monitoring in the country.

590. In this regard, a Gold Compliance and Enforcement Unit is being established with the task of coordinating the operations of all various stakeholders.

591. This will facilitate realisation of Government desired goals, principally to increase gold production and enhance deliveries to Fidelity Printers and Refiners.

592. The Unit will comprise of the following stakeholders:

- Ministry of Mines and Mining Development;
- Ministry of Finance & Economic Development;

- The Reserve Bank of Zimbabwe;
- The Zimbabwe Republic Police;
- The Environmental Management Authority;
- Fidelity Printers and Refiners;
- The Zimbabwe Revenue Authority; and
- Rural District Councils.

*Registration of Custom Milling Plants by ZETDC*

593. Mr Speaker Sir, Government has noted that some of the gold milling plants which, though not registered, are connected to the ZETDC grid.

594. Hence, custom milling plants connection to the power grid will require prior authorisation from the Ministry of Mines and Mining Development.

595. The custom miller's account should be in the name of the mine or milling site not individuals or other unrelated companies.

*Mineral Beneficiation*

596. Mr Speaker Sir, consistent with the Government's thrust on promoting value addition, in my December 2013 presentation of the 2014 Budget, I outlined the timeframes by which mineral value addition for such commodities as platinum should have been accomplished.

597. Accordingly, a two-year window beginning 2013 for platinum producers to set up domestic platinum refinery capacity in the country was stipulated.
598. Mr Speaker Sir, I wish to confirm that Government is satisfied with the progress being made by the platinum producers to comply with this policy.
599. However, in view of the quantum of resources required and also the timeframes required to undertake investment in the necessary new technology processes, I am extending to December 2016 the period for completion of domestic platinum refining investment projects.
600. Zimplats alone is bringing in US\$200 million in early 2015 raised to support new investment in plant and machinery.
601. Consequently, I am also proposing suspension of the 15% tax on the export of raw platinum during this window period.
602. Mr Speaker Sir, Government is also playing its part with regards to supporting private sector initiatives to further beneficiate mineral raw materials.
603. Such support has included allowing mining houses access to prescribed and liquid asset status for securities floated in the

domestic money and capital markets to mobilise resources to invest in new plant and equipment.

604. A notable example is the US\$20 million Bond being issued by Bindura Nickel Corporation.

#### *Mineral Exploration*

605. ZIM ASSET is anchored on judicious exploitation of mineral resources. This is on account of the impressive endowment in mineral wealth that the country possesses.

606. Regrettably, the country is not fully knowledgeable about the extent of the value of its mineral resource base. This often inevitably results in poorly negotiated contracts potentially prejudicing the benefits accruing to the State and its citizens.

607. Government has already acknowledged the need for setting up of an exploration company in order to overcome this challenge.

608. I am, therefore, pleased to report that the amendments to the Mines and Minerals Act are currently being finalised with their promulgation expected in 2015. This will pave way for the operationalisation of the exploration company, among other measures.



609. I, therefore, propose to set aside US\$3 million towards exploration activities during 2015.

*Small Scale Mining Facility*

610. In line with the ZIM ASSET thrust towards empowering small scale miners, Government, through the ZMDC, entered into a US\$100 million Facility Agreement with Xuzhou Construction Machinery Group of China for provision of small scale mining equipment on credit.

611. Beneficiaries of the Facility are small scale miners in gold, chrome, and tantalite minerals.

612. With respect to small scale gold miners, loan recoveries will be made by Fidelity Printers and Refiners through CBZ Bank Limited who will purchase all the gold from small scale miners.

613. Loan repayment mechanisms for chrome and tantalite miners will be advised by the responsible Ministry.

*Sovereign Wealth Fund*

614. During the 2014 National Budget, I alluded to the establishment of the Sovereign Wealth Fund.

615. The Sovereign Wealth Fund will facilitate the harnessing of resources towards broader developmental goals as espoused

under ZIM ASSET, critical for ensuring that the country leverages on its resource endowment for sustainable development.

616. Mr Speaker Sir, I am pleased to report that the legislation to establish the SWF has now been accented to by His Excellency, the President and the Sovereign Wealth Fund Act is now in place.

617. The Fund will be primarily resourced from 25% of all royalties on mineral exports on the sale of diamonds, gas, granite and other minerals through the Zimbabwe Mining Development Corporation.

618. This funding strategy is appropriate as it diverts resources away from recurrent expenditures towards capital development projects.

619. The Office of the President and Cabinet, in conjunction with Treasury and the Central Bank are currently in the process of operationalising the Fund, and a Board and Fund Manager will soon be appointed.

620. This development signifies a milestone towards ensuring that the benefits of the country's resource endowment go beyond the lifespan of mineral resources and hence, are preserved for both the present and future generations.

621. I propose to allocate US\$500 000 in support of the initial operations of the Sovereign Wealth Fund, while exploring other measures to augment the Fund's start-up capital.

## **Tourism**

622. Mr Speaker Sir, ZIM ASSET recognises tourism as a potential quick win sector, with great potential for value addition services and export earnings.

623. The signing of the UNWTO Golden Book on tourism by the His Excellency, The President in May 2012, signified Government's highest commitment to the development of tourism in Zimbabwe.

624. Accordingly and guided by the National Tourism Policy, Government in 2015 will continue to deepen efforts to ensure that tourism continues to be a vibrant growth node for the economy.

625. Support interventions will target the following priority areas:

- Promotion of domestic tourism;
- Enhancement of bilateral and multilateral co-operation in the field of tourism;
- Destination marketing and Brand Zimbabwe promotion;
- Tourism legislation re-alignment; and
- Tourism investment promotion.

626. Furthermore, Government will continue to support the implementation of on-going programmes that include the development of the Ports Authority, Review of visa regime, open skies policy, and the finalisation of the tourism satellite account.

### **Special Economic Zones**

627. ZIMASSET identifies the introduction of Special Economic Zones as one of the pillars for attracting foreign direct investment, promoting industry competitiveness, resuscitating ailing industries, promoting value addition and creating jobs.

628. This is more so, as industries countrywide are facing formidable challenges, which require substantial investment injection.

629. I am, therefore, pleased to advise Honourable Members that work on Special Economic Zones is at an advanced level and the approach by Government is to have a hybrid approach in which several models have been submitted to Cabinet for approval.

630. These include single factory, product specific, industrial parks, knowledge based service, and multi-sectoral wide area models, among others.

631. These models will take into account the country's special socio-economic situation, sources of comparative advantage and practical considerations.

632. Sectoral preparedness and potential should facilitate fast tracking implementation of Special Economic Zones, for example around textiles, information communication technology, tourism and mineral beneficiation, among others.

633. The goals of the Special Economic Zones will be achieved through a strategy that takes into account:

- Our historical circumstances;
- De-industrialisation;
- Lack of capital for infrastructure and liquidity;
- Abundant natural resources, including our mineral resources;
- Export of unprocessed goods, with over 55% coming from the mining sector;
- ZIM ASSET's value addition and beneficiation thrust; and
- Promotion of forward and backward linkages in all the productive sectors.

634. Mr Speaker Sir, once these processes are complete, I will be tabling the Special Economic Zones Bill for the consideration of Honourable Members by mid-2015.

## **Small & Medium Enterprises**

### *Small and Medium Enterprises Development Corporation*

635. Mr Speaker Sir, Government successfully negotiated and signed a US\$3 million Line of Credit Agreement with BADEA on 22 October, 2014, for the Small and Medium Enterprise Development Corporation (SMEDCO).
636. This Facility, which will be administered by SMEDCO, is expected to be operational in the first quarter of 2015.
637. Through the Budget, I propose to augment these resources by an allocation of US\$1.9 million to SMEDCO for on lending to the SME'S sector.

### *Incubation of SMEs*

638. Mr Speaker Sir, small and medium enterprises (SMEs) constitute a significant proportion of all businesses even in major industrialised economies, accounting for over 50% of all employment.
639. In this regard, most of the SMEs depend on direct or indirect transactions with large enterprises in the manufacturing industry, enabling them to contribute to the production and export of intermediate goods as a supply chain.

640. We, therefore, need to facilitate deepening of forward and backward linkages between established businesses and our SMEs, targeting principally creation of networks of competitive and strong companies which anchor incubation.
641. The anchor company would provide to the value chain desired quality controls, technology and requisite skills to produce goods and services.
642. Development of contractual relationships between SMEs and the anchor company will facilitate value addition and access to markets.
643. Government, on its part, would extend to the anchor company such incentives as tax concessions for fostering an SME.
644. Government will, through the Ministry responsible for Small and Medium Enterprises, develop and promote the incubation of SMEs by potential anchor companies.

*SMEs Incubation Centre*

645. Honourable Members may recall that the Government of India pledged a US\$1 million grant for the supply of machinery for an Incubation Centre in February 2012.

646. The Incubation Centre, located in Harare's Waterfalls suburb, will train entrepreneurs in 26 different disciplines, including plastic bottle manufacturing and bottle closure, cell phone assembling, fruit juice manufacturing, honey processing, dipper manufacturing, paper manufacturing, sock knitting and brick moulding.
647. Mr Speaker Sir, delivery of equipment for the incubation Centre is expected before end December 2014, with the centre expected to become operational in 2015.

*SME Growth Fund*

648. Mr Speaker Sir, Zimbabwe stands to benefit under the £750 million Dutch Good Growth Fund which supports Small and Medium Enterprises and entrepreneurs in emerging markets and developing countries.
649. Activities qualifying for funding under this window include those that create new local jobs, increase the production capacity of local industry, and contribute to knowledge transfer to developing countries.
650. In particular, the facility will link Dutch SMEs with those in emerging markets and developing countries, including Zimbabwe, through provision of funding, focusing on young and female entrepreneurs.



### *Credit for Agricultural Trade and Expansion Fund*

651. Mr Speaker Sir, the Royal Danish Government has established a Credit for Agricultural Trade and Expansion Fund to provide credit finance to Zimbabwean agriculture value chain actors.
652. These include agro-dealers, traders, wholesalers, manufacturers, processors and contracting companies.
653. The Fund is currently capitalised to the tune of US\$23.4 million and is accessed through NMB, Steward, FBC, BancABC and Ecobank.
654. During the period January to September 2014, the Fund disbursed US\$7.4 million and anticipates disbursements of US\$7.2 million in 2015.
655. Mr Speaker Sir, agriculture value chain players in the country are, therefore, urged to take advantage of this window, which offers access to affordable funding in order to boost agricultural production in Zimbabwe.

## **Women Empowerment**

### ***Gender Mainstreaming***

656. Mr Speaker Sir, Government will be coordinating, through the Ministry of Women's Affairs, Gender and Community

Development, sectoral gender mainstreaming initiatives as guided by the National Gender Policy.

657. Entrepreneurship training of women, complemented by interventions to increase access to markets of their products, should also facilitate their mainstreaming into overall economic activities.
658. Broad based women economic empowerment will also, in line with ZIM ASSET, benefit from support by the Women's Development Fund for initiatives for capacity building, value addition and beneficiation by women in agriculture, mining, tourism and trade.
659. To this end, I am proposing to provide resources amounting to US\$400 000.
660. This will be complemented by implementation of nutrition and health awareness programmes countrywide.
661. Furthermore, I propose to allocate US\$120 000 to operationalise the Zimbabwe Gender Commission, the remaining identified Community Centres and establish processing units to intensify value addition of agro-products.
662. Mr Speaker Sir, Government will also be intensifying implementation of the National Action Plan to end rape and gender based violence, in terms of the Domestic Violence Act.

### ***Establishment of the Women`s Bank***

663. Mr Speaker Sir, ZIM ASSET recognises that women are an integral part of Zimbabwe`s socio-economic transformation.
664. In this regard, facilitating their access to credit through formal institutions will overcome their financial exclusion.
665. This would also be consistent with the Constitution which requires practical action towards empowerment of women in order to facilitate their active participation in the mainstream of economic activities.
666. As part of the measures put in place to comply with the Constitutional provision, Government has made an undertaking to establish a Women`s Bank which will improve credit availability to women so as to support their enterprises and income generation projects.
667. Mr Speaker Sir, I am, therefore, pleased to report that Cabinet approved the setting up of a Women`s Bank, whose main objective is to increase access by women to financial services.
668. The Bank, which will be established as a Micro-finance Bank, is expected to be operational in 2015 as a Tier III institution in terms of the Banking Act.

669. In this regard, I have set aside US\$5 million towards capitalisation of the Women's Bank in support of women's entrepreneurship development Programmes.

## **INFRASTRUCTURE & UTILITIES CLUSTER**

670. Mr Speaker Sir, this Budget will need to sustain the momentum created towards implementation of priority ZIM ASSET projects, critical in promoting domestic economic activity, fighting poverty and reducing vulnerability.

671. In this regard, the total resources earmarked for priority infrastructure projects amount to US\$987.58 million.

### ***ZIM ASSET Infrastructure 2015 Financing***

672. I must acknowledge, however, that as I alluded to in my presentation of the 2015 Macro-economic Framework, fiscal space under the 2015 Budget leaves little room for us to fully provide for this.

673. Hence, taking account of this, I propose that deployment of Budget resources in support of infrastructure projects to be implemented in 2015 be complemented by funding from other sources.

674. Mr Speaker Sir, I therefore propose to raise the required US\$987.56 million from various sources.

### *Tax Revenue*

675. Tax revenues will contribute an amount of US\$188.9 million towards the financing of infrastructure development.

### *Statutory Funds*

676. Statutory Funds contributions in support of infrastructure in 2015 amount to US\$67.7 million. This is mainly made up of US\$53.3 million from ZINARA road toll fee collections and vehicle licensing fees.
677. The Housing Revolving Fund, being managed through IDBZ, will contribute US\$10 million towards housing development.
678. Other Statutory funds will account for US\$4.4 million.

### *Public Enterprises Retained Earnings*

679. Support from public enterprises retained earnings amount to US\$122.8 million.
680. Of this, the Rural Electrification Agency accounts for US\$33 million, followed by NRZ, US\$27.8 million; ZETDC, US\$27.7 million; ZPC, US\$18.5 million; and Tel-One, US\$15.9 million.

### *Development Partners*

681. Development partners' support during fiscal year 2015 will benefit some of our infrastructural projects to the extent of US\$31.1 million.
682. Contributors to this include the Zim Fund partners whose support amounts to US\$13.3 million.
683. The individual Zim Fund financiers are DFID, Switzerland, Sweden, Norway, Australia, Denmark, and Germany.
684. In addition, the Danish Government is providing US\$11.5 million, while the European Union, US\$4.5 million; and the Chinese Government, US\$1.8 million.

### *Joint Venture/Loan Financing*

685. Resources amounting to US\$577 million will be mobilised through Joint Venture/Loan financing.

### **Breakdown of Infrastructure Financing**

686. The Table below summarises the targeted projects under the ZIM ASSET clusters and their financing.

## 2015 ZIM ASSET Infrastructure Financing

CLUSTER	FUNDING SOURCES					TOTAL
	BUDGET SUPPORT	STATUTORY FUNDS	OWN RESOURCES	DEVELOPMENT PARTNERS	LOAN FINANCING	
<b>INFRASTRUCTURE &amp; UTILITIES</b>	<b>118.71</b>	<b>56.32</b>	<b>122.83</b>	<b>24.80</b>	<b>552.05</b>	<b>874.71</b>
<i>Energy</i>	8.95		79.15	5.80	273.50	<b>367.40</b>
Transport & Communication	17.02	53.28	27.75		55.12	<b>153.17</b>
Water & Sanitation	43.08			7.50	103.00	<b>153.58</b>
ICT	13.49		15.93		120.43	<b>149.85</b>
Public Amenities	36.17	3.04		11.50		<b>50.71</b>
<b>SOCIAL SERVICES &amp; POVERTY ERADICATION</b>	<b>60.72</b>	<b>11.15</b>	<b>—</b>	<b>1.80</b>	<b>25.00</b>	<b>98.67</b>
Health	26.44					<b>26.44</b>
Education	30.63			1.80	20.00	<b>52.43</b>
Housing	2.60	11.15			5.00	<b>18.75</b>
Other Social Services	1.05					<b>1.05</b>
<b>FOOD SECURITY &amp; NUTRITION</b>	<b>9.50</b>	<b>0.23</b>	<b>—</b>	<b>4.47</b>	<b>—</b>	<b>14.20</b>
Irrigation	6.03			4.47		<b>10.50</b>
Mechanisation & Extension	3.47	0.23				<b>3.70</b>
<b>TOTAL</b>	<b>188.93</b>	<b>67.70</b>	<b>122.83</b>	<b>31.07</b>	<b>577.05</b>	<b>987.58</b>

687. Mr Speaker Sir, we will however, need to properly package our projects to bankability in order to benefit from all the identified sources of funding.

688. I will, therefore, be proposing that the 2015 Budget makes provision for seed money for feasibility studies and other project

development costs.

689. Pursuant to this, allow me, Mr Speaker Sir, to acknowledge the strides our public entities are making to leverage the income generating potential of their assets in mobilising funding through joint ventures and loan financing arrangements.

690. ZINWA is mobilising US\$103 million in loan financing of water projects, of which US\$50 million towards construction of Tokwe Mukorsi, and Gwayi Shangani, US\$53 million.

691. ZPC, on the other hand, is mobilising US\$96.2 million for development costs for Kariba South Hydro Extension project and repowering of Harare Thermal Power Station.

692. The ZETDC will mobilise US\$15 million for the pre-paid metering system.

693. This, Honourable Members, makes it much easier to get the support of financiers for the much needed investments in our public infrastructure.

694. Mr Speaker Sir, it will also be a strict requirement that such funded



projects generate sufficient cash flows to guarantee positive rates of return and payback on all arising external obligations.

### ***Energy***

695. Mr Speaker Sir, all investment climate surveys point to the unreliability of power as an impediment to business activity, investment and competitiveness of the country's products.

696. The intermittent power supply also hampers interventions aimed at improving the welfare of our citizens.

697. Mr Speaker Sir, in keeping with our commitment to address the current electricity deficit, Government continues to explore opportunities of harnessing our vast potential in hydropower, thermal and renewable energy sources.

698. In the 2015 Budget, I am proposing to raise US\$372.4 million to be channelled towards various energy projects as indicated in the Table below:

Cluster	Funding Sources				Total
	Budget Support	Own Resources	Development Partners	Loan Financing	
Hwange Thermal Power Station Rehabilitation	5 200 000	18 458 270	3 000 000	9 592 000	36 250 270
Kariba Dam Rehabilitation	1 800 000			36 000 000	37 800 000

Grid Extension and installation of solar systems	1 950 000	33 000 000			34 950 000
Kariba South Expansion				201 703 637	201 703 637
Harare Thermal Power Station				11 200 000	11 200 000
Transmission and Distribution network		27 689 037	2 800 000	15 000 000	45 489 037
<b>TOTAL</b>	<b>8 950 000</b>	<b>79 147 307</b>	<b>5 800 000</b>	<b>273 495 637</b>	<b>367 392 944</b>

*Note: The US\$10.8 million will be mobilised through Zim Fund under the Emergency Power Infrastructure Rehabilitation Project.*

### *Electricity Generation & Supply*

699. Mr Speaker Sir, Government's proposed power projects draw from our power system development plan studies for the medium term.
700. In this regard, targeted power projects for the ZIM ASSET period, 2013-2018, are as indicated in the Annexure to this Statement.
701. Given that most of the projects are still in the project development phase, it is critical that we build consensus with all stakeholders around the above development path to enable expedited execution of the projects.

### *Kariba South Hydro Power Station Extension Project*

702. Mr Speaker Sir, the first disbursement of US\$79.8 million by China Exim Bank in October 2014 provides impetus on the

implementation of the Kariba South Hydro Power Station Extension Project, expected to contribute an additional 300 MW of power to the national grid when complete.

703. It is anticipated that US\$116.7 million will be disbursed by China Exim Bank during 2015 with ZPC contributing an additional US\$85 million.

704. Targeted works for 2015 include drilling of 3 adits, completion of access roads, purchase of electrical and mechanical equipment, including turbine generators, as well as power house construction.

#### *Kariba Dam Rehabilitation*

705. Mr Speaker Sir, in order to ensure the long term safety and reliability of the Kariba Dam, the Governments of Zimbabwe and Zambia have set themselves on a grand plan to execute some urgent and necessary rehabilitation works on the Kariba Dam.

706. The rehabilitation works are estimated to cost at least US\$295 million over a period of 8 years, comprising of the following:

- Plunge pool re-shaping, US\$100 million;
- Spill-way refurbishment, US\$125 million; and
- Project implementation support, US\$70 million.

707. Funding for the project has been secured from the European Union (US\$100 million), the World Bank (US\$75 million) and the African Development Bank (US\$75 million).
708. Mr Speaker Sir, let me take this opportunity to thank the Government of the Republic of Zambia for facilitating the mobilisation of concessional loans from the World Bank and AfDB given our current ineligibility to access loans from these institutions as a result of our arrear repayments.
709. The Government of the Republic of Zambia will also access US\$100 million from the European Union under the 11th European Development Fund.
710. The AfDB has awarded the Government of Zimbabwe a Grant worth US\$36 million towards this project. Under the Grant Agreement, the Government of Zimbabwe is expected to contribute US\$1.8 million as co-financing. I have, therefore, made provision for this requirement in the 2015 Budget.
711. The funding secured by the two Governments will be pooled together and availed to the Zambezi River Authority for rehabilitation of the Kariba Dam.
712. Mr Speaker Sir, judging by the extent of the negotiations and

project documents preparation, parties are looking forward to signature for the financing of the project by January 2015, paving way for commencement of works around March – April 2015.

*Hwange Thermal Power Station Rehabilitation*

713. The six units at the plant, which were commissioned between 1983 and 1987, generate about 40% percent of the country's electricity needs. However, the plant requires constant rehabilitation and upgrading given the age of the equipment and technology.

714. I, therefore, propose to allocate US\$5.2 million from our tax revenue to go towards the rehabilitation of boilers at the station.

715. Mr Speaker Sir, in addition to the tax revenues, the Zim Fund will also avail US\$3 million for rehabilitation of Hwange Power Station under the Emergency Power Infrastructure Rehabilitation Project, targeting rehabilitation of the dust suppression system for the coal handling plant, dirty drains system and replacement of the vacuum cleaning plant.

*Deka Pumping Station and River Water Intake System*

716. As Honourable Members may be aware, Government secured a loan amounting to US\$28.6 million for the refurbishment of the Deka Pumping Station and River Water Intake system from the

Export-Import Bank of India to be implemented over 18 months to June 2016.

717. To date, the Export-Import Bank of India has disbursed US\$11.9 million towards refurbishment of the high and lower lift pumping stations, as well as payment of consultancy fees.
718. ZPC is currently evaluating bids for the 42 km pipeline construction, with physical works expected to commence in the first quarter of 2015. Works earmarked for 2015 include construction of 30 km of the pipeline at an estimated cost of US\$9.6 million.
719. Mr Speaker Sir, this project which is expected to improve water supply for Hwange Thermal Power Station and Hwange town is being implemented at a time Government is working on the expansion of Hwange Thermal Power Station.

*Harare Thermal Power Station*

720. Upgrading works on the repowering of the Harare Thermal Power Station are expected to commence in 2015 following the signing of the US\$72 million contract between ZPC and Jaguar Overseas of India on 4 August 2014.
721. ZPC is expected to mobilise US\$11.2 million towards its contribution on the project.

### *Batoka Hydro Project*

722. Mr Speaker Sir, I am pleased to report that updating of the 1993 Engineering Feasibility as well as the Environment and Social Impact Assessment Studies for the Batoka Hydro Electric Scheme commenced in April and May 2014, respectively, and are expected to be completed by March 2015.
723. The studies are being financed through a US\$6 million grant from the World Bank. Preliminary findings indicate that the project, to be jointly implemented by Zambia and Zimbabwe, can generate between 1 600 to 3 000 MW.
724. Once the studies are complete, work will commence on finalisation of the financing and execution modalities for the project.

### *Transmission & Distribution Networks*

725. Being at the epicentre of the Southern African Power Pool, the Zimbabwe's electricity transmission network allows for the wheeling of power from planned local and regional power generation projects to deficit areas.
726. Mr Speaker Sir, ZETDC is expected to contribute US\$42.7 million towards rehabilitation of the transmission and distribution network and installation of pre-paid meters in 2015.
727. In addition to the above, the Zim Fund will also target support

amounting to US\$2.8 million towards supply and installation of transformers at Sherwood and Mashava substations under phase II of the Emergency Power Infrastructure Rehabilitation.

### *Rural Electrification*

728. Mr Speaker Sir, the rural electrification programme will go a long way in empowering our rural communities by stimulating economic activity in these areas.

729. I, therefore, propose to allocate US\$1.95 million from tax revenues towards the Rural Electrification Programme. This will be complemented by resources amounting to US\$33 million from the rural electrification levy.

730. The funding will go towards planned grid extension projects targeting households, business centres and rural institutions as well as installation of biogas and solar mini grid systems for identified areas.

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

731. Mr Speaker Sir, transport and communication systems help in connecting people as well as facilitate in the socio-economic growth of the country.

732. In this regard, we intend to mobilise US\$153.2 million for implementation of targeted infrastructure projects for the transport



sector as indicated in the Table below:

Cluster	Funding Sources				
	Budget Support		Budget Support		Budget Support
Rehabilitation of rail infrastructure	3 000 000		27 749 000		30 749 000
Upgrading of airports	3 000 000			55 119 279	58 119 279
Walvis Bay Port		3 000 000			3 000 000
Road Projects					
Beitbridge Border Post road dualisation		2 646 000			2 646 000
Harare Airport Road (Phase I)		5 500 000			5 500 000
Bridge construction	4 800 000	6 138 000			10 938 000
Mabvuku (Road Over Rail Bridge)	1 800 000				1 800 000
Other trunk roads (DOR)	3 400 000				3 400 000
Feeder roads (DDF)	1 020 000	6 000 000			7 020 000
Local Authority Roads		30 000 000			30 000 000
<b>Total</b>	<b>17 020 000</b>	<b>53 284 000</b>	<b>7 749 000</b>	<b>55 119 279</b>	<b>153 172 279</b>

*Note: The US\$53.3 million for statutory funds is being mobilised from ZINARA through the Road Fund and the New Limpopo Bridge Fund*

### *Roads Dualisation and Upgrading Projects*

733. Mr Speaker Sir, connectivity with our neighbours, within our own borders, between producers and consumers, as well as across and within communities, facilitates in improving the competitiveness of the country's products.
734. Our roads infrastructure will, therefore, need to be constantly upgraded and maintained in order to meet this demand.
735. From our tax revenues, we propose to allocate US\$9 million for the construction of various roads, including the road over rail

bridge on the Harare-Goromonzi Turnoff Dualisation Project (US\$1.8 million); upgrading of the Bindura-Shamva and Golden Valley Sanyati roads (US\$2.4 million) and construction of Tuli, Bubi and Ruenya bridges (US\$4.8 million).

736. A further US\$33.8 million will be disbursed to the Department of Roads from ZINARA for the maintenance, rehabilitation and upgrading of regional and trunk roads nationwide.

#### *Rural Roads*

737. With regards to rural roads, an amount of US\$1 million has been allocated to the District Development Fund for the rehabilitation of rural roads and bridges.
738. An additional US\$6 million will be disbursed to the parastatal from ZINARA for the same purpose.

#### *Support to Other Road Authorities*

739. ZINARA will also support Road Authorities with resources from the Road Fund for the rehabilitation and maintenance of roads under their purview.
740. The Table below indicates the planned disbursements for 2015 amounting to US\$30 million.

## ZINARA Support to Local Authorities (US\$)

Road Authority	Proposed Allocation US\$
<b>Urban Local Authorities</b>	
Banket	192 000
Beitbridge	232 000
Bindura	253 000
Bulawayo	899 000
Chegutu	294 000
Chinhoyi	315 000
Chipinge	220 000
Chiredzi	241 000
Chirundu	176 000
Chitungwiza	363 000
Epworth	171 000
Gokwe	233 000
Gwanda	254 000
Gweru	471 000
Harare	1 304 000
Hwange	208 000
Kadoma	284 000
Kariba	282 000
Karoi	271 000
Kwekwe	276 000
Lupane	174 000
Marondera	225 000
Masvingo	345 000
Mutare	339 000
Mvurwi	177 000
Norton	279 000
Plumtree	194 000
Redcliff	250 000
Rusape	224 000
Ruwa	167 000
Shurugwi	216 000
Victoria Falls	233 000
Zvishavane	238 000
<b>Sub total</b>	<b>10 000 000</b>
<b>Rural District Councils</b>	
Beitbridge	340 000

Road Authority	Proposed Allocation US\$
Bikita	310 000
Bindura	318 000
Binga	432 000
Bubi	324 000
Buhera	338 000
Bulilima	342 000
Chaminuka	306 000
Chegutu	359 000
Chikomba	326 000
Chimanimani	346 000
Chipinge	309 000
Chiredzi	330 000
Chirumanzu	349 000
Chivi	388 000
Gokwe North	331 000
Gokwe South	316 000
Goromonzi	309 000
Guruve	263 000
Gutu	324 000
Gwanda	368 000
Hurugwe	367 000
Hwange	401 000
Hwedza	304 000
Insiza	378 000
Kusile	321 000
Makonde	322 000
Makoni	307 000
Mangwe	361 000
Manyame	337 000
Marondera	317 000
Masvingo	357 000
Matobo	278 000
Mazowe	288 000
Mberengwa	336 000
Mbire	293 000
Mhondoro-Ngezi	321 000
Mudzi	333 000
Murehwa	295 000
Mutare	364 000
Mutasa	363 000
Mutoko	299 000

Road Authority	Proposed Allocation US\$
Muzarabani	331 000
Mwenezi	333 000
Nkayi	371 000
Nyaminyami	334 000
Nyanga	384 000
Pfura	296 000
Runde	308 000
Rushinga	317 000
Sanyati	310 000
Tongogara	309 000
Tsholotsho	368 000
Unguza	378 000
Umzingwane	303 000
Uzumba Maramba Pfungwe	302 000
Vungu	332 000
Zaka	341 000
Zibagwe	319 000
Zvimba	394 000
<b>Sub total</b>	<b>20 000 000</b>
<b>Total</b>	<b>30 000 000</b>

Source: ZINARA

741. Mr Speaker Sir, the above resources should, ideally be used to procure materials for road maintenance with road authorities being expected to provide the requisite equipment.
742. As Honourable Members will be aware, most of the road authorities have no road maintenance units with functional equipment.
743. Hence, through the Road Fund, ZINARA procured 80 graders which were distributed to road authorities.

744. Whilst this intervention has assisted in capacitating and reducing the cost of road construction and maintenance, complimentary equipment such as tippers, water bowsers and compactors need to be procured for effective road rehabilitation and maintenance.
745. It is, however, critical that we ensure through the relevant institutions of Government that resources being disbursed to road authorities are properly managed and accounted for in order to address the transport challenges citizens are facing, particularly with regard to local authorities roads.

*Harare Airport Road Dualisation*

746. Mr Speaker Sir, as I indicated in my 2014 Mid-Year Fiscal Policy Review Statement on 11 September 2014, Government has had to take over construction works relating to the Harare Airport Road dualisation, following the collapse of the Joint Venture Agreement between City of Harare and Augur Investments signed in 2007.
747. To date, an amount of US\$8.8 million has been expended on the project and asphalt overlay is currently underway on 2.8 kilometres of the road whilst construction works are in progress at the Dieppe roundabout.
748. During 2015, ZINARA will avail US\$5.5 million through the Road Fund for the Harare Airport Road dualisation project, with US\$3.9

million being earmarked for the completion of Phase I by March 2015.

### *Joint Venture Road Projects*

749. Mr Speaker Sir, the rehabilitation, upgrading and dualisation of some of our regional trunk roads has been identified for implementation through joint venture arrangements, leveraging on the tolling system.

750. The targeted roads include the following:

- Harare – Nyamapanda, 238 km;
- Bulawayo – Beitbridge, 322 km;
- Bulawayo – Victoria Falls, 439 km;
- Harare – Beitbridge, 586 km; and
- Harare – Chirundu, 372 km.

751. Progress on development of the projects to execution stage has been slow, mainly on account of legal and procurement challenges during the project development stage.

752. It will be critical that these bottlenecks are addressed in order to facilitate the implementation of the projects.

### *Rail*

753. The rail network is critical to the growth of the country's domestic, regional and international trade as it provides bulk transport for

raw materials, finished goods and passengers.

754. The decline in capacity from 18 million tons to the current 3.8 million tons has meant that goods that should otherwise have been transported more conveniently by rail are being moved long distances by road, thereby increasing the cost of transporting products as well as maintenance of our road infrastructure.
755. Whilst the 2015 Budget will support the National Railways of Zimbabwe's rehabilitation programmes with a provision of US\$3 million from tax revenues, the bulk of the requirements will have to be mobilised from the private sector.
756. In this regard, NRZ will leverage its assets to mobilise funding amounting to US\$653 million towards infrastructure maintenance (US\$388 million) and operating assets (US\$265 million).
757. Furthermore, the parastatal is also engaging private investors to expand the system to new economic settlements not serviced by the current network.

### ***Airports***

758. Our commitment and support towards increasing capacity of our airports is expected to boost tourist arrivals in the country.
759. With the completion of the J.M. Nkomo terminal building, focus



is now on upgrading the Victoria Falls and Harare International airports.

*Harare Airport*

760. With regards to the Harare International Airport, I propose to allocate US\$3 million of tax revenues towards the upgrading of the runway.

*Victoria Falls Airport*

761. Mr Speaker Sir, significant progress has now been made on the Victoria Falls International Airport which is being financed by a US\$150 million loan facility from China Exim Bank, for which US\$71.8 million has been disbursed.
762. The Victoria Falls Airport Upgrading Programme, involving the extension of the runway and new terminal building, is on course for completion in 2015.
763. A disbursement of US\$55 million for 2015 will target completion of outstanding works on the terminal building as well as the remaining four taxi-ways.
764. Work on the airside is 70% complete, with the contractor currently paving the outer strips of the 4 km Runway, targeted for completion by year end.

765. Outstanding works on the Runway include installation of the ground lighting system as well as shoulders of the runway.
766. With regards to the five taxi-ways, one is almost complete, whilst the other 4 are at sub base level.
767. In addition, work on the Terminal building is in progress with the super structure for the ground and first floors complete, whilst mechanical and electrical works for these floors have since commenced. Construction of Air Terminal Control Tower is at ground floor level.
768. Construction of the Sewer ponds is almost complete, and the contractor is now working on the 3 km disludge line from the airport to the sewer ponds, including construction of the two pump stations.

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

769. Mr Speaker Sir, our goal remains that of strengthening and expanding sanitation facilities and the provision of safe, adequate and affordable water coverage for both urban and rural communities.
770. In this regard, a total of US\$153.6 million will be mobilised in 2015, targeting projects as indicated in the Table below:

## 2015 Water & Sanitation Programme

Cluster	Funding Sources			
	Budget Support	Development Partners	Loan Financing	Total
Water & sewer infrastructure for local authorities	3 200 000	7 500 000		10 700 000
Beitbridge Water Supply	4 000 000			4 000 000
Victoria Falls Water Supply	4 400 000			4 400 000
Lupane Water Supply	3 000 000			3 000 000
Mvuma Water Supply	1 200 000			1 200 000
Goromonzi Water Supply	500 000			500 000
Guruve Water Supply	800 000			800 000
Rehabilitation and drilling of boreholes	300 000			300 000
Procurement and rehabilitation of drilling rigs	1 280 000			1 280 000
<b>Dam construction</b>				
Tokwe-Murkosi	13 000 000		50 000 000	63 000 000
Mutange	1 900 000			1 900 000
Osborne	4 500 000			4 500 000
Gwayi-Shangaani			53 000 000	53 000 000
Semwa	5 000 000			5 000 000
<b>Total</b>	<b>43 080 000</b>	<b>7 500 000</b>	<b>103 000 000</b>	<b>153 580 000</b>

Note: The US\$7.5 million will be mobilised through Zim Fund under the Urgent Water Supply and Sanitation Rehabilitation Project.

### *Urban Water and Sewer Infrastructure*

771. Our urban settlements still require resources to restore and expand social service provision to cater for the increasing demand. New settlements have been allowed to develop without the requisite onsite and offsite infrastructure whilst existing systems still require huge resources to restore their capacity to acceptable levels.
772. Government and Development partners, have, during the past years, taken the lead role in mobilising funding for the water and sewer rehabilitation and upgrading works in our urban areas

such as Harare, Bulawayo, Beitbridge, Marondera, Mutare and Chitungwiza.

773. Mr Speaker Sir, Government will collaborate with our cities and towns in coming up with innovative and sustainable infrastructure financing options such as debt instruments and private sector resources.

774. The Budget will, however, continue to support infrastructure development for emerging and poor communities in order to ensure balanced development across the country.

775. In this regard, the 2015 Budget has provision of US\$17.1 million from tax revenues for completion of on-going works in 14 local authorities as indicated in the Table below.

#### **2015 Local Authorities Water & Sewer Projects**

<b>Local Authority</b>	<b>Targeted Works</b>	<b>Amount (US\$)</b>
Chipinge Town Council	Upgrading of pipeline and treatment plant	300 000
Hwange Local Board	Construction of 3.5 km gravel road and rehabilitation of water and waste infrastructure	100 000
Chegutu RDC	Equipping of boreholes and construction of a water reservoir	200 000
Gwanda Municipality	Construction of a 5ML reservoir	800 000
Chinhoyi Municipality	Rehabilitation of intake structures, raw sewage pump stations, biological filters, humus tanks, sludge drying beds and recirculation pump stations.	500 000
Bikita RDC	Water and sewer reticulation for new stands	500 000
Nkayi RDC	Sewer reticulation within Nkayi growth point, construction of the sewage reservoir ponds and construction of the trunk sewer	500 000

Zibangwe RDC	Water reticulation, reservoir rehabilitation and borehole drilling and installation	300 000
Beitbridge RDC	Raw water pump houses, raw water pipeline, concrete reservoir and pump houses at Airport.	4 000 000
Goromonzi RDC	Raw water and clear water pumping plant, 1 000m <sup>3</sup> concrete reservoir, 500m <sup>3</sup> brick reservoir, dosing and laboratory equipment.	500 000
Guruve RDC	Water reticulation expansion to areas currently under development	800 000
Mvuma RDC	Construction of water treatment plant, installation of 2 pumping units, water reticulation extension, installation of standby pumping units and 3 chemo-feeders. Repair of 500m <sup>3</sup> brick ground reservoir.	1 200 000
Victoria Falls Municipality	Raw water approach channel deepening, raw water pump house and pumping plant, 3km x 450mm raw water pipeline, 24km x 315mm PVC clear water pipeline, 500m <sup>3</sup> brick reservoir and pumphouse at Old Aerodrome, 1 000m <sup>3</sup> concrete reservoir and pumphouse and midbooster site, 2 280m <sup>3</sup> concrete reservoir and Airport	4 420 000
Lupane Municipality	Construction of 240m <sup>3</sup> /hr. water treatment plant, laying of a 7km pumping main, construction of a 2 280m <sup>3</sup> reservoir, extension of reticulation and pumps	3 000 000
<b>TOTAL</b>		<b>17 120 000</b>

### *Zim Fund Phase II*

776. Mr Speaker Sir, Zim Fund's Urgent Water Supply and Sanitation Rehabilitation Project Phase II is expected to consolidate the benefits achieved under Phase I which have seen six urban local authorities rehabilitating and upgrading their water and sewer infrastructure.
777. Under Phase II of the project, US\$35 million will be channelled towards improved water and sewer sanitation services for Harare and Chitungwiza, Ruwa and Redcliff with an initial disbursement of US\$7.5 million earmarked in 2015.

### *Rural Water Sanitation & Hygiene*

778. Investments in rural infrastructure such as safe water and sanitation facilities, productive use of land as well as transport networks help in sustaining improvements in standards of living and welfare of rural communities.
779. With the transfer of the Rural Capital Development Fund (RCDF) to the District Development Fund, fiscal resources targeted at rural development are now channeled through the parastatal.
780. I propose to allocate US\$0.6 million from tax revenues for the construction and rehabilitation of boreholes.
781. Development partners, through UNICEF and Zim Fund, have contributed and earmarked funding towards water and sanitation in rural areas. The Australian Government is also participating.

### ***Dam Construction***

782. Mr Speaker Sir, water is our most precious natural resource and dams contribute to the efficient management of finite water resources that are unevenly distributed and subject to large seasonal fluctuations.

### *Tokwe Mukorsi*

783. The construction of Tokwe Mukorsi dam, now on its final stages of

completion, remains one of the most important investments ever made through the fiscus, whose completion will provide immense benefits to the surrounding communities and the country at large.

784. Additional resources amounting to US\$10.6 million have been disbursed under the 2014 Budget out of an additional requirement of US\$13 million.

785. This, Mr Speaker Sir, has facilitated progress on the construction of the dam wall to now 85 metres, out of the targeted 90 metres.

786. In addition, the 42 concrete face slab panels and other protective works have been completed.

787. Over and above the Budget provision of US\$13 million from tax revenues, an additional US\$50 million is being mobilised through infrastructure bonds to cover the remaining works as well as liquidation of outstanding certificates due to the contractor.

788. Already, Government has given the necessary support to the Infrastructural Development Bank to mobilise the resources. This has included prescribed asset status, with the Reserve Bank granting liquid asset status to the instruments being floated to support this.

### *Gwayi-Shangani Dam*

789. Mr Speaker Sir, Government is in negotiations with China Africa Sunlight Energy Company (CASECO) to secure a facility of US\$53 million to augment funding for construction of the Gwayi-Shangani Dam.
790. To this end, a Memorandum of Agreement was signed between the Zimbabwe National Water Authority and CASECO, paving way for disbursement of the funds.
791. The Agreement outlines the Facility repayment arrangement, which entails CASECO's future water consumption bill being off-set against the US\$53 million advance facility.
792. CASECO's prepayment is over and above the US\$15.8 million already availed by Government towards the total project cost, amounting to US\$121.7 million.
793. Government will, therefore, have to source for additional funding amounting to US\$52.9 million, over and above the US\$68.8 million already availed by Government (US\$15.8 million) and CASECO (US\$53 million) to ensure project completion.
794. Mr Speaker Sir, the US\$53 million funding arrangement for the Gwayi-Shangani Dam through prepayment of water by one of the beneficiaries, will enable construction of dam wall to a height of



33 metres out of the targeted 70 metres.

795. Participation by the beneficiary, China Africa Sunlight Energy Company is in view of a coal mine and thermal power station venture they are setting up in the Gwayi area.

*Semwa and Mutange Dam*

796. From our tax revenues, I propose to make provision of US\$5 million for construction of Semwa dam as well as US\$1.9 million for the resettlement of people affected by the construction of Mutange Dam which will start impounding water during this rain season.

*Irrigation*

797. Mr Speaker Sir, the country's agriculture production capacity continues to be constrained by our reliance on rain-fed agriculture.
798. Given the abundance of water bodies in the country, development of irrigation schemes remains one of the viable options of increasing agricultural output and productivity.
799. I, therefore, propose to allocate US\$4.4 million for the development and rehabilitation of communal irrigation schemes with an additional US\$1.5 million being earmarked for feasibility studies and other institutional strengthening activities.

800. The Table below shows the targeted schemes.

Irrigation Project	Capacity Hectarage	Targeted Hectarage	2015 Provisional Allocation (US\$)
Bonde	600	364	650 000
Bulawayo Kraal	10 000	250	350 000
Chiduku Tikwiri	328	100	750 000
Chikwarakwara	65	65	280 000
Chipoli D	250	106	400 000
Mhende	100	52	500 000
Pollards	60	45	440 000
Seke Sanyati	100	17	300 000
Shashe	50	50	300 000
Wenimbi	70	70	430 000
Institutional Capacity Building			100 000
Irrigation Feasibility studies			600 000
Irrigation Schemes Inventory Database			150 000
Plant and Equipment			200 000
Project Management			100 000
Upgrading & Rehabilitation of Irrigation Demonstration Farm			300 000
<b>Total</b>			<b>5 850 000</b>

801. Government and Development partners through the Food & Agriculture Organisation have also established a framework to resuscitate and install irrigation infrastructure on 80 schemes out of the country's 337 schemes.

802. Under the Framework, EU targets to support 20 smallholder irrigation schemes in Manicaland and Matabeleland South at a cost of US\$7.5 million over the period 2013 to 2016 with US\$2.8 million earmarked for 2015.

803. The programme is expected to benefit about 100 households per

scheme with an average size of 50 hectares. The beneficiary provinces are Manicaland and Matabeleland South, with 10 schemes each, covering 598 and 402 hectares, respectively.

804. Mr Speaker Sir, I am also pleased to advise that, the Government of Switzerland has committed to provide a US\$6.3 million grant towards the second phase of the Rehabilitation of Smallholder Irrigation Scheme project, to be implemented under the Government/FAO Framework.

805. Provision of the grant follows a successful pilot Smallholder Irrigation Schemes Rehabilitation project carried out over the period 2013–2014 in Rupike and Panganai communities in Masvingo province under a US\$2.1 million grant.

806. The pilot programme, covering 154 hectares, benefited a total of 254 smallholder farmers through rehabilitation of small-scale irrigation schemes and linking farmers to viable markets for their produce.

807. Mr Speaker Sir, it is also pleasing to note that, outside the Government/FAO framework, the Government of Japan has resumed support towards the development of Nyakomba Irrigation Scheme in Manicaland province, measuring 639 hectares and sub-divided into 5 blocks.

808. Honourable Members may be aware that Japan funded the first phase of the Nyakomba Irrigation Scheme development, comprising of Blocks B, C and D, during the period 1997–2000 at a cost of US\$54 million at current exchange rates.
809. However, construction of Blocks A and E could not take off following suspension of Japanese funding in 2000.
810. I am, therefore, pleased to advise that work on the second phase of the project will commence once feasibility studies on the Nyakomba Irrigation Scheme Blocks A and E are completed, as Japan scales up development assistance to Zimbabwe.
811. The feasibility studies will be undertaken starting December 2014.

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

812. Mr Speaker Sir, in this global village, new technologies and their application are now changing the landscape, productivity and progress of nations.
813. For our Nation to fully benefit from the technological innovations such as e-Government, e-learning and e-health we need to invest more in ICT infrastructure.
814. However, there is need for closer collaboration between public and private service providers in order to reduce duplication

of investments which can only result in high cost of service to customers.

815. Mr Speaker Sir, the 2015 Budget will mobilise US\$149.9 million to cater for on-going works in the ICT sector as indicated in the Table below:

Cluster	Funding Sources			
	Budget Support	Own Resources	Loan Financing	Total
TelOne Fibre Optic Last Mile & Upgrading Programme		15 932 683		15 932 683
NetOne Upgrading of Infrastructure			120 425 162	120 425 162
Transmedia – Transmission & Broadcasting Infrastructure	1 460 000			1 460 000
ZIMRA Automation Programme	4 100 000			4 100 000
E-Government - Construction of National Data Centres	5 500 000			5 500 000
E-Learning (computerisation of schools)	330 000			330 000
Community Information Centres	1 300 000			1 300 000
Rehabilitation of PFMS Data Centre	600 000			600 000
PFMS Last Mile Connectivity	200 000			200 000
<b>Total</b>	<b>13 490 000</b>	<b>15 932 683</b>	<b>120 425 162</b>	<b>149 847 845</b>

*Note: The US\$15.9 million will be financed from TelOne's own resources whilst US\$120.4 million for NetOne will be from China Exim Bank*

816. Net-One is upgrading and expanding its cellular network infrastructure through the US\$219 million loan facility with China Exim Bank. In 2015, US\$120.4 million is anticipated to be disbursed towards procurement of equipment and installation of base stations.

817. Mobilisation strategies are also underway to enable Tel-One access funding for its Optic Fibre Backbone Infrastructure and equipment upgrade. From their own resources, Tel-One will mobilise US\$15.9 million in support of the last mile connectivity.
818. With regards to the E-Government Programme, I propose to allocate US\$5 million of tax revenues towards refurbishment and upgrading works for the National Information Data Centre and procurement of software licenses and maintenance fees for the 9 completed flagship projects.
819. A further US\$1.5 million of tax revenues has been allocated to Transmedia for the upgrading of its transmission network.
820. In addition, I propose to allocate US\$4.1 million of tax revenues to ZIMRA to enable the parastatal upgrade and automate its systems in line with technological developments.

### ***Public Amenities***

821. Due to resource limitations, our interventions towards provision of institutional accommodation have not been able to fully address the shortage of office space for Government, resulting in high rental costs.
822. The Budget will mobilise US\$50.7 million towards construction and rehabilitation of institutional buildings targeting registry offices, ZRP Criminal Investigation Department, upgrading

of border posts facilities, composite offices and courts among others.

823. Of this amount, US\$36.2 million will be mobilised from tax revenues, US\$3 million from Statutory Funds and US\$11.5 million from one of the Development partners, the Royal Danish Government.

824. The support from the Royal Danish Government targets the construction and rehabilitation of 30 court houses at a cost of US\$18 million on a phased approach. Of these 30 court houses, 13 are earmarked for 2015 at a cost of US\$11.5 million.

825. Mr Speaker Sir, I would want to appreciate efforts by the Royal Danish Government to reduce congestion and backlog at our courts of law.

#### *Bankable Projects*

826. Mr Speaker Sir, it has become apparent that lack of funding alone cannot explain the shortage of delivered infrastructure projects in the country.

827. Changes in scope, including variations to initial project designs during implementation, often lead to time and cost overruns on most of our public funded projects.

828. Even where projects are socially or economically desirable, the absence of up-to-date and well packaged bankable documents – project proposals which demonstrate technical and financial viability from the financier’s perspective; has been the major impediment in attracting private sector funding for some of our projects.
829. Government and project promoters will, therefore, need to invest more in feasibility studies and project structuring in order to develop the projects to bankability.
830. I, therefore, propose to allocate US\$5 million of fiscal resources as seed money for feasibility studies and other project development costs.
831. Project promoters will also need to take advantage of regional facilities such as the SADC Project Preparation Development Facility and Development partners to ensure some of our key infrastructure projects are developed to bankability.

***Social Services Infrastructure***

832. Mr Speaker Sir, in line with our commitments under the successor Staff Monitored Programme, Government will continue to protect social expenditures, particularly in the areas of health and education.



833. In the 2015 Budget, I propose to earmark US\$98.7 million in support of projects in the social sector as indicated in the Table overleaf:

Cluster	Funding Sources				
	Budget Support	Statutory Funds	Development Partners	Loan Financing	Total
<b>Health</b>					
Revitalisation of Provincial District and Rural Health Centres facilities	10 990 000				10 990 000
Mission hospitals	1 000 000				1 000 000
Parirenyatwa Group of Hospitals	2 450 000				2 450 000
Procurement of medical equipment	12 000 000				12 000 000
<b>Education</b>					
Primary & Secondary schools infrastructure	7 090 000		1 800 000		8 890 000
State universities infrastructure	21 272 000			20 000 000	41 272 000
Teachers and technical colleges	2 270 000				2 270 000
<b>Housing Development</b>					
National Housing Fund	2 600 000	11 151 000		5 000 000	18 751 000
<b>Other Social Services</b>					
Refurbishment of rehabilitation centres	150 000				150 000
Refurbishment of Social Amenities	900 000				900 000
<b>Total</b>	<b>60 722 000</b>	<b>11 151 000</b>	<b>1 800 000</b>	<b>25 000 000</b>	<b>98 673 000</b>

Note:

1. The US\$1.15 million under Statutory Funds relates to recoveries from the National Housing Fund.
2. Funding from Development Partners of US\$1.8 million is a grant from the Chinese Government.
3. Support towards state universities infrastructure and construction of flats will be mobilised through infrastructure bonds.

### *Health*

834. Mr Speaker Sir, re-establishing the referral health system will improve access of health services to every citizen of this country.

835. In this regard, the proposed 2015 Budget provision of US\$26.4 million from tax revenues to the sector is meant to cater for the refurbishment, upgrading and modernisation of our health facilities.

*Medical Equipment*

836. Mr Speaker Sir, the procurement of medical equipment under the US\$89.9 million Medical Equipment and Supplies Facility provides capacity for our health sector to undertake diagnostic as well as critical life support services to citizens.

837. An amount of US\$10 million is expected to be disbursed in 2015, being the last disbursement under the facility. To facilitate its recording in the Government books, I have allocated US\$10 million of fiscal resources for this purpose.

838. I also propose to set aside US\$2 million for procurement of 24 new Digital X-Ray Machines to replace the obsolete units for the following institutions:-

**Digital X-Ray Machines for Targeted Health Institutions**

Province	District Hospitals	Budget Allocation (US\$)
Mashonaland West	Banket, Kadoma, Chegutu	250 000
Midlands	Silobela, Musume, Shurugwi	250 000
Masvingo	Chikombedzi, Musiso, Morgenster	250 000
Manicaland	Hauna, Chikore I, Mutambara	250 000
Mashonaland East	Mutatwatawa I, Kotwa, Mutoko	250 000
Matabeleland South	Filabusi, Maphisa, Esigodini	250 000
Matabeleland North	Tsholotsho, Binga, Nkayi	250 000
Mashonaland Central	Mvurwi, Shamva, Guruve	250 000
<b>Grand Total</b>		<b>2 000 000</b>

839. Furthermore, I propose to allocate US\$1.5 million for the procurement, installation and commissioning of laundry equipment for Murehwa, Binga, Rusape, Chegutu, Chimhanda, Ndanga, Filabusi and Kwekwe district hospitals.
840. To address the water supply challenges being faced by some of our health institutions, I propose to set aside US\$1.25 million for the construction of a 2.5 mega litre tank at Harare Central Hospital and additional water reservoirs for the Parirenyatwa Group of Hospitals.
841. With regards to Mission Hospitals, I propose to allocate US\$1 million to cover rehabilitation, construction, installation and commissioning of fixed equipment at eight Mission Hospitals spread across the country.

*Primary & Secondary Schools Infrastructure*

842. Mr Speaker Sir, accessibility to basic education for every child remains our priority. The settlement changes brought about by our land reform programme as well as population growth necessitates the construction of additional facilities to the affected areas.
843. I propose to set aside US\$6.9 million, targeting completion of construction and rehabilitation works at 13 primary and 20 secondary schools.

844. In addition, Government, in collaboration with Development partners will mobilise resources for the construction of additional primary and secondary schools infrastructure for newly resettled areas.

845. I am pleased to announce that the Government of the People's Republic of China will avail US\$16.6 million for the construction of Lupane Primary and Hatcliffe High schools, with US\$1.8 million expected to be disbursed in 2015.

#### *Tertiary Infrastructure*

846. Mr Speaker Sir, the expansion of tertiary education, particularly state universities, has resulted in the increase in demand for requisite infrastructure such as teaching, learning and accommodation facilities.

847. The majority of our students are failing to secure decent accommodation, critical for a conducive learning environment, as enrolments are not matched by corresponding accommodation facilities.

848. The Table overleaf indicates the capacity of current infrastructure to provide accommodation facilities for students at state universities.

### State University Enrolment vs Accommodation Facilities

Institution	Total Enrolment	Current carrying Capacity	Shortfall
Midlands State University	22 000	4 000	14 000
University of Zimbabwe	13 000	4 200	8 800
Bindura University of Science Education	5 000	400	4 600
Harare Institute of Technology	1 800	380	1 420
Chinhoyi University of Technology	6 600	1 200	5 400
National University of Science and Technology	10 000	250	9 750
Great Zimbabwe University	10 000	1 337	8 663
Lupane State University	3 100	700	2 400
<b>TOTAL</b>	<b>71 500</b>	<b>12 467</b>	<b>55 033</b>

849. Government will mobilise funding amounting to US\$20 million, through issuance of Infrastructure Bonds, in order to expedite the construction of halls of residence at state universities. Recoveries from hostel rentals will be channelled towards repayment of the loans.
850. This allocation will also target Bindura and Midlands State Universities' halls of residence, whose completion has been affected by lack of funds.
851. I also propose to allocate US\$8.6 million of tax revenues to Lupane State University for the completion of student halls of residence (US\$5 million) and staff accommodation (US\$3.6 million) so as to facilitate the operationalisation of the institution in 2015.
852. With regards to on-going works at state universities, I propose to allocate US\$9.7 million of tax revenues to targeted institutions as indicated in the Table overleaf.

### Government Support to State Universities Infrastructure

State University	Project Scope	Amount
Bindura University of Science Education	Faculty of Science Education Phase 1 Equipment	1 000 000
Chinhoyi University of Technology	Engineering workshops phase 1 and Canteen Extension	2 000 000
Great Zimbabwe University	Renovations of Buildings & Sewer construction	900 000
Midlands State University	Rehabilitation of Buildings	400 000
Harare Institute of Technology	Rehabilitation of Buildings	200 000
National University of Science and Technology	Central Library Construction Chemistry Building Construction	2 750 000
University of Zimbabwe	Bachelor of Education Building	1 956 000
Zimbabwe Open University	Rehabilitation of Buildings	500 000
<b>Total</b>		<b>9 706 000</b>

#### *New State Universities*

853. Mr Speaker Sir, to meet the growing demand for tertiary education in the country, Government has approved the establishment of three new State universities in Manicaland, Mashonaland East and Matabeleland South.
854. ZIMDEF funding has enabled construction of temporary structures at the main Fern Valley campus for the Manicaland University of Applied Sciences on land donated by the Mutare City Council, whilst Mashonaland East and Matabeleland South Universities are making use of the old structures at Dozemery Training Centre and Epoch Mine, respectively.
855. Mashonaland East and Manicaland Universities are currently enrolling students, whilst Matabeleland South University will commence in 2015.

856. Mr Speaker Sir, given that Budget focus is on completion of on-going infrastructure projects at other universities, I propose to allocate US\$3 million towards development of the designs for the three new State universities.

*Housing Development*

857. Mr Speaker Sir, Section 28 of our Constitution compels the State and every Government Agency to ensure, through legislative and other measures, that every person has access to adequate shelter.

858. It is the right of every woman, man, youth and child to secure a home in which to live in peace and dignity, yet, Government cannot provide each one of our citizens with serviced land, four walls and a roof.

859. The 2015 Budget makes provision of US\$18.8 million for implementation of housing development projects.

860. Through the National Housing Delivery Programme, launched on 16 September 2014, Government seeks to speed up provision of housing through the servicing of stands by land developers.

861. Government and local authorities will provide land to developers who, upon meeting set standards, will be given early title to the land which can be used as collateral by the land developers when accessing funding from the private sector for onsite infrastructure.

862. In order to reduce incidences of misappropriation of funds, contributions by beneficiaries and payments to service providers will be through banks and building societies.
863. In addition to the US\$17.2 million for upgrading of water and sewer infrastructure in local authorities included in this Budget, we are also making provision of US\$15 million for development of stands and housing units under the National Housing Revolving Facility.
864. The Facility is being managed by Government in collaboration with the Infrastructure Development Bank of Zimbabwe.
865. Furthermore, fiscal resources amounting to US\$2.6 million and recoveries from the National Housing Fund of US\$1.2 million will be channelled towards construction of flats and housing units at Tafara, Mbire, Lupane, Tshovani and Murereki.

## **SOCIAL SERVICES DELIVERY CLUSTER**

866. Mr Speaker Sir, in line with our commitments under the successor Staff Monitored Programme, Government will continue to protect social expenditures, particularly in the areas of health and education.
867. I have already alluded to expenditures related to health and education infrastructure under the Infrastructure and Utilities Cluster.



## ***Health***

### *Health Care*

868. Mr Speaker Sir, in the health sector, Government will continue focusing on increasing access and utilisation of quality primary health care and referral facilities.
869. In this regard, I propose to allocate US\$13.1 million in support of strengthening the provision of maternal and child health services, improving the availability of essential medicines across the health delivery system, improving immunisation coverage inclusive of children from poor and vulnerable households, and scaling up the anti-retroviral therapy (ART) coverage, taking account of the low access at the pediatric level.
870. Mr Speaker Sir, our citizens are supporting Government in financing their health needs from own resources. The Health Services Fund, administered by our public health institutions expects to collect US\$35 million during 2015.
871. The implementation of the Results Based Financing mechanism, in collaboration with the World Bank, is further contributing to the progressive improvement in coverage and quality of maternal and child health services.
872. I, therefore, propose to allocate an additional US\$2.5 million towards this programme.

### *Capitalisation of Natpharm*

873. The National Pharmaceutical Company plays a critical role in the supply of quality and affordable medicines to Public Health Institutions.
874. With Development partners procuring drugs for Rural Health Centers and clinics, our Provincial and Central Hospitals have to procure the drugs from middlemen at exorbitant prices.
875. I, therefore, propose to allocate US\$1 million towards recapitalisation of Natpharm with additional resources expected to be mobilised through lines of credit.

### *Global Fund*

876. Mr Speaker Sir, the Global Fund will be availing US\$155.9 million towards combating HIV/AIDS and eradicating TB and Malaria during 2015 as follows:
- HIV/AIDS, US\$124.8 million;
  - TB, US\$10 million; and
  - Malaria, US\$21.1 million.
877. Mr Speaker Sir, historically Global Fund support towards combating HIV/AIDS, Tuberculosis and Malaria was channelled

through the UNDP, acting as the principal recipient, and hence outside Government Budget systems.

878. I am, however, pleased to announce that as from January 2015, the Ministry of Health and Child Care will be the principal recipient for Global Fund resources earmarked for Tuberculosis, US\$60 million, and Malaria, US\$38 million.

879. This follows the signing of a Framework Agreement with the Global Fund 2015–2017 on 3 November, 2014.

880. This shift reflects the Global Fund’s confidence in our financial management systems.

881. Global Fund support amounting to US\$311.5 million for HIV/AIDS interventions over the period 2015–2016, targeting provision of anti-retroviral drugs, prevention of mother to child transmission, male circumcision, voluntary counselling and testing will continue to be administered through the UNDP.

## ***Education***

### *Teaching and Learning Materials*

882. In support of the progressive improvement of access and quality of primary and secondary education, US\$4.3 million has been

allocated for the procurement of teaching and learning materials, in-service teacher training and facilitation of schools supervision.

883. Support to teaching and learning materials will emphasise on Early Childhood Development and Lower and Upper Six Levels as well as procurement of secondary school science kits.

884. I further propose to allocate US\$4.8 million towards tertiary institutions in support of student, public examinations and operational support.

#### *Student Grant and Loan Scheme*

885. Mr Speaker Sir, investment in human capital development is a cornerstone for economic development.

886. Historically, Government has supported the training of polytechnic and university graduates through the provision of financial support, initially under a Grant and Loan Scheme which supported the payment of tuition, accommodation and meal expenses and recently through the Cadetship Programme.

887. The Cadetship Programme was introduced against the background of the rapid loss of skills within the economy and public sector experienced during the hyper-inflationary period.

888. Cognisant of the funding levels required to support the provision of stipend support to tertiary students, especially those from disadvantaged backgrounds, the support of financial institutions in the mobilisation of resources for onward lending to students will be pursued.

889. Mr Speaker Sir, to resuscitate the Student Grant and Loan Scheme, I propose to allocate US\$1 million as seed capital.

*Presidential Scholarship*

890. Mr Speaker Sir, Government commits itself to seeing through, to completion of studies, all students in the current pipeline of the Presidential Scholarship Programme.

891. I propose to allocate US\$5 million towards the Presidential Scholarship.

892. For the future, the Presidential Scholarship Programme will cater for education to fill the national skills gap.

893. In this regard, a study will be done to ascertain the skills gap in terms of the priority requirements of the economy.

894. Hence, Mr Speaker Sir, the Presidential Scholarship Programme will be supporting programmes that are geared to address the identified skills gaps.

### ***Social Protection***

895. Mr Speaker Sir, I propose to allocate US\$12.7 million for social safety nets.
896. This appropriation will assist vulnerable and food insecure households through the provision of cash transfers as well as enabling access to health and education services.

### **FISCAL REFORM MEASURES SUB-CLUSTER**

#### ***Public Service Wage Bill***

897. Implementation of the 2014 National Budget has been made difficult by various challenges, chief among them, under-performing revenues on the back of an economic slowdown and our remuneration commitments to public servants.
898. Mr Speaker Sir, the reality of the unsustainable public service wage bill is a matter we will have to grapple with as a challenge over the ZIM ASSET period.
899. Among the options that could be explored would be to allow those approaching retirement age to consider retiring early from the public service, under conditions that would allow them to benefit from their long experience in Government.
900. I must, however, commend the on-going efforts by the Civil Service Commissions under their Restructuring and Job Rationalisation

Exercise which seeks to rationalise posts, taking account of overlaps of functions, redundant skills and jobs.

*Public Service Employment Framework*

901. Mr Speaker Sir, the Public Service Wage Bill envelope for 2015 is premised on current employment levels across line Ministries and institutions that receive grant support for employment costs.
902. Considerations to improve staffing levels during 2015 will to be guided by the capacity available to support such commitments.
903. In this regard, the hiring of additional staff in 2015 will be in the context of the available capacity with implementation subject to prior Treasury concurrence.
904. Non-adherence to the above commitment control measure will result in Treasury having no obligation to support such unauthorised recruitment decisions.

*Employer Contributions for Medical Aid*

905. Mr Speaker Sir, Government's responsibility towards its employees with regards to medical insurance has grown progressively over the last few years.

906. The medical insurance bill has largely been driven by the sustained increase in membership, from levels of around 315 000 in 2009 to current levels of around 554 000.
907. In this regard, I propose to allocate US\$120 million for medical insurance cover, up from the 2014 Budget provision of US\$100 million.
908. Against this background, Treasury, in conjunction with the Public Service Commissions and the Premier Service Medical Aid Society will soon be finalising a sustainable framework of support which takes account of the continued provision of medical insurance cover by Government within the available capacity.
909. Mr Speaker Sir, options under such a sustainable framework should include a review of the US\$7.50 member contribution, or of the schemes' benefits.

### ***Domestic Arrears***

910. Mr Speaker Sir, may I acknowledge the sterling efforts being made by line Ministries and utility service providers to align the consumption of services to budgeted resources.
911. On account of the institution of various demand management measures, Treasury has observed a progressive decline in



monthly bills over the last two years, with a decline of about 5 percent in 2014.

912. This achievement, complemented by the progressive settlement of outstanding bills, has led to a marked decline in overall arrears, from a peak of around US\$205 million in September, 2012, to US\$86.8 million at the end of September 2014.

913. To consolidate these gains, I, therefore, propose to allocate US\$68.7 million towards the payment of service bills.

### ***Borrowing Policy***

914. Mr Speaker Sir, Zimbabwe's borrowing policy is anchored on achieving debt sustainability, whilst mobilising resources for socio-economic development.

915. In this environment, the Budget has to broadly operate within the framework of budget balance, also against the background of operating under the multi-currency arrangement with developing money and capital markets. Large domestic market Government borrowing requirements would only serve to crowd out resources for private sector investments.

916. With regards to foreign borrowing, our borrowing policy requires that we avoid compounding the economy's external debt burden,

for which Government is working with Development partners to access debt relief.

917. Hence, external borrowing is ring-fenced to that on concessional terms, and targeted towards infrastructure and projects productive enough to service the loans.

918. This is to ensure that as we seek for debt relief, we also mobilise resources to keep the economy going and growing.

### ***External Loan Repayments***

919. Mr Speaker Sir, Government has external payments obligations amounting to US\$94.9 million in 2015, comprising of principal (US\$75.2 million) and interest (US\$19.7 million) as indicated in the Table below.

#### **External Payments**

Item	2015 Planned Payments (US\$)
Principal	75 197 078
Interest	19 745 482
Total	<b>94 942 560</b>

*Source: MoFED*

920. Mr Speaker Sir, it is critical that we continue honouring our external payment obligations in order to unlock additional funding to ensure the successful financing of ZIM ASSET projects and programmes.

## ***Debt Resolution Strategy***

921. Mr Speaker Sir, Cabinet approved on 29 October, 2014, our proposed Debt Resolution Strategy for re-engagement with creditors over our external indebtedness.

922. In line with the international financial architecture, the key conduits for our re-engagement process are the Bretton Woods Institutions, namely the International Monetary Fund and the World Bank, as well as the African Development Bank.

923. The main elements of this strategy as intimated in the Mid-Year Fiscal Policy Review are:

- Removal of sanctions;
- Continuing to cooperate and normalising relations with the key International Financial Institutions, as I alluded to in the Mid-Year Fiscal Policy Review with regards to initiating and sustaining token payments to such IFIs as the IMF, AfDB, the World Bank and the European Investment Bank (EIB);
- Establishing with the IMF a *Track Record of Implementing Comprehensive and Sound Macro-economic Policies and Reforms*, which we are doing under the Staff Monitored Programme;

- Identifying and engaging a *Bilateral Sponsor for Debt Relief Campaign* and for *Bridge Financing* among Paris Club creditors;
- Stepping up re-engagement with all creditors;
- International launch of Zimbabwe's Debt Resolution Strategy. In this regard, Government will be holding a High Level International Debt Resolution Forum with the assistance of the AfDB in early 2015;
- Launching an intensive *Domestic and International Campaign and Outreach Programme*. In this regard, Government will be engaging Debt Relief Campaigners to spearhead this;
- Preparing an Interim Poverty Reduction Strategy Paper (I-PRSP) based on the country's development plan, ZIM ASSET. The I-PRSP would be an instrument to enunciate Government's vision and direction for poverty reduction and socio-economic development.
- Engaging the services of Professional Advisors to benefit from the most comprehensive debt relief, including in the negotiations with the Paris Club creditors; and
- Seeking assistance for Clearance of Arrears with the Multilaterals, namely IMF, AfDB, World Bank and EIB.

924. Further to that, the strategy requires that the country negotiates for the *Modification of the Qualification Criteria for Multilateral*

*Debt Relief and the creation of a Multilateral Arrears Clearance Fund.*

925. Mr Speaker Sir, we will also need to negotiate for Zimbabwe's reclassification by the World Bank Group to a country which can only borrow from the World Bank concessional window, the International Development Assistance (IDA-Only), and strengthening our Country Policy and Institutional Assessment (CPIA) score to boost our access to IDA resources.

***Staff Monitored Programme***

926. Mr Speaker Sir, I have already alluded to the commendable progress Government has made, with support of His Excellency-The President, with regards to performance under the first Staff Monitored Programme.

927. Mr Speaker Sir, Government remains committed to the implementation of the economic reform agenda and policies in order to accelerate our re-engagement with our creditors, which is critical to the resolution of our debt overhang and the transformation of the economy.

928. In this regard, Government successfully implemented the first Staff Monitored Programme (SMP) with the IMF, meeting all the quantitative targets and structural benchmarks over the period March 2013 – June 2014.

929. Government has since negotiated a Successor Programme with the Fund, to be implemented over the 15 month period from October 2014 to December 2015.

930. The objectives of the new Programme are as follows:

- Consolidate the fiscal position;
- Improve the external position;
- Restore confidence in the financial sector;
- Mobilise international support for resolving the country's external debt situation; and
- Make progress in key structural reform areas in order to enhance the business climate, boost productivity and competitiveness, and build investor confidence.

931. The successful completion of the new programme, which runs through to December 2015, paves the way for the country to benefit from debt relief and to access new financing from IFIs, bilaterals and the capital markets.

932. Through the SMP and the token payments we make to the IMF, we have significantly strengthened our co-operation with this institution, a critical component in the wider re-engagement process.

933. Let me emphasise that the targets we set under the SMP are of our own design, they are in the best interests of the country.

934. The Structural Benchmarks and Quantitative Targets under the Successor SMP are as follows:

### Structural Benchmarks for the Successor SMP

Benchmarks	Macro-economic Rationale	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.	Enhance tax administration and improve revenue collection	2 <sup>nd</sup>
<b>Debt Management</b>		
2. Approval of the Public Debt Management Bill by Cabinet.	Enhance public debt management	1 <sup>st</sup>
<b>Public Financial Management</b>		
3. Submit to Cabinet amendments to the Public Finance Management Act to strengthen Treasury's financial oversight of SOEs and local authorities.	Enhance public expenditure and financial management	2 <sup>nd</sup>
4. Submit to Cabinet amendments to the Procurement Act to tighten the public procurement framework and make it more efficient and transparent.	Strengthen governance and accountability	3 <sup>rd</sup>
<b>Financial Sector</b>		
5. Issue a circular by the Reserve Bank to identify NPLs and the underlying assets that could be purchased by asset management companies on commercial terms.	Address the problem of NPLs and strengthen banks' balance sheet	1 <sup>st</sup>
6. Approve the draft operational framework for the acquisition of NPLs by ZAMCO and other private asset management companies by the Reserve Bank Executive Committee/Board.	Address the problem of NPLs and strengthen banks' balance sheet	1 <sup>st</sup>
7. Submit to Parliament the amendments to the Reserve Bank of Zimbabwe Act.	Strengthen legal and regulatory framework and reduce financial sector vulnerability	2 <sup>nd</sup>
8. Submit to Parliament the amendments to the Banking Act.	Strengthen legal and regulatory framework and reduce financial sector vulnerability	2 <sup>nd</sup>
<b>Investment Climate</b>		
9. Publish in the Government Gazette, the necessary clarification on the indigenisation and economic empowerment policies.	Increase transparency and boost investor confidence	2 <sup>nd</sup>

## Quantitative Targets for the Successor SMP

Quantitative Targets (In millions of US dollars, unless otherwise indicated)					
	2014 Dec	2015 March	2015 June	2015 Sept	2015 Dec
Floor on primary budget balance of the central government	-60	-10	28	54	-2
Floor on protected social spending	60	15	35	57	72
Floor on stock of net international reserves	172	172	194	213	232
Floor of payments to the PRGT	1.8	0.45	0.9	1.35	1.8
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	400	400	400	400
Memorandum Items					
1 Ceiling on total stock of arrears to domestic service providers, agricultural input suppliers and on capital certificates	312	304	250	194	153
Programme performance will be monitored based on the quantitative targets for December 2014, June 2015 and December 2015					

935. At this stage, we now seek to further strengthen our re-engagement with the African Development Bank and the World Bank Group.
936. Mr Speaker Sir, the two institutions continue to mobilise resources through Donor Trust Funds which benefit social development and capacity building.
937. They have launched a successor Trust Fund whose resources will go towards infrastructure development and the productive sectors.
938. Mr Speaker Sir, our largest chunk of multilateral debt, including arrears is owed to the AfDB and the World Bank.
939. Hence, these are the institutions without whose co-operation we can't resolve our arrears to the multilaterals and, therefore, can't get debt relief from the Paris Club and non-Paris Club creditors.



### ***Pari Passu Principle***

940. Mr Speaker Sir, as I have highlighted above, one of the elements of our strategy, is continuing to cooperate with key creditors, especially with regards to sustaining token payments as part of the confidence building measure.
941. Mr Speaker Sir, pursuant to this, as part of the 2015 Budget, I will continue with the token payments to the AfDB and the World Bank in line with the Pari Passu principle vis-à-vis those to the IMF.
942. This principle requires that a debtor gives equal treatment to all creditors proportionate to the size of their debt.
943. Making this commitment with our very limited fiscal space goes a long way to demonstrate our commitment to resolve Zimbabwe's debt problem.
944. Mr Speaker Sir, we therefore, look forward to the two Bretton Woods institutions, as well as the African Development Bank applying themselves towards putting together a framework that delivers debt relief for our country.
945. This is also in light of the fact that Zimbabwe does not qualify for the HIPC Initiative, whose mechanisms for delivering

comprehensive debt relief are already defined and agreed to by the international creditor community.

946. We also look forward to the day that the private sector windows of the AfDB and the World Bank Group start investing in our country, given the abundance of investment opportunities.

### ***Other Engagements***

947. Mr Speaker Sir, it is also pleasing to note that our re-engagement efforts are bearing fruits as reflected by the confidence of some of our Development partners who are either setting up offices, revamping their staffing levels and/or broadening the scope of their development assistance to the country, as they gear up for normalisation of relations.

948. Mr Speaker Sir, of particular note is the decision by the Government of Switzerland to open a Regional Office for the Swiss Development Cooperation Agency in Zimbabwe.

949. This is expected to be operational in 2015, once all necessary Government to Government formalities are completed.

950. The development comes in the wake of similar decisions in recent years such as the opening of offices by the Afreximbank, PTA Bank, AfDB, China Development Bank, IMF, among others.

## ***Strengthening Public Debt Management Institutions & Legal Framework***

951. Honourable Members, Zimbabwe's experience with external indebtedness problems calls for the strengthening of our debt management institutions and laws. Indeed, in 2010, we established a Debt Management Office (ZDMO) in the Ministry of Finance and Economic Development.
952. To strengthen debt management operations, Cabinet approved the principles of a Debt Management Bill in June 2014. The Attorney-General's Office is drafting the Bill which will be submitted to Cabinet before the end of the year.
953. The two-pronged strategy of dealing with the debt situation while also taking the decision to upgrade debt management through the setting up of ZDMO has sent the right signal within Zimbabwe and to the international community regarding the country's strong commitment to adopt international best practices in the contraction and management of debt.
954. In strengthening the existing legislative framework for debt management, the practice prevailing in other countries as well as international guidelines were utilised as useful benchmarks.
955. Three guidelines were particularly useful, namely the SADC Macro-Economic Convergence Criteria (2010), IMF/World Bank

Guidelines for Public Debt Management (2003) and the World Bank's Debt Management Performance Assessment (2009).

956. The new public debt law to be passed in Zimbabwe will incorporate provisions that are deemed important for guiding and strengthening debt management operations, while also enhancing accountability and transparency.
957. The new public debt law will be in line with the *Part I Section 298 (f) of the Constitution* which requires that public borrowings and all transactions involving the national debt must be carried out transparently and in the best interests of Zimbabwe and *Section 300* which provides for Limits of State borrowings, public debt and State guarantees.
958. *Section 327* specifies the role of Parliament in the conclusion of an international agreement, concluded or executed by the President or under the President's authority.

### ***Cooperation with the European Union***

*The 11<sup>th</sup> European Development Fund National Indicative Programme*

959. Mr Speaker Sir, the lapse of Article 96 of the Cotonou Agreement on 1 November, 2014, allows Government to work directly with the European Union (EU) within the framework of the Cotonou Agreement.

960. In this regard, our 11<sup>th</sup> European Development Fund (EDF) National Indicative Programme (NIP) is pending approval by the European Development Fund Committee, which will pave way for signing of the 11<sup>th</sup> EDF in January 2015 between Government and the EU.
961. Mr Speaker Sir, disbursement of funds under Zimbabwe's 11<sup>th</sup> EDF allocation of €234 million is expected to commence in April 2015.
962. In the interim, the country will benefit from a "*bridging facility*" availed by the EU to cater for the urgent needs of ACP member states.
963. In this regard, Zimbabwe has been allocated €8 million, of which €3 million is earmarked for the Health Transition Fund.
964. The balance of €5 million is targeted at Governance and Institutional Building support to the Ministry of Justice, Legal & Parliamentary Affairs, Parliament, Judicial Services Commission and the Zimbabwe Electoral Commission.
965. This is to support them discharge their respective mandates with regards to re-alignment of laws to the Constitution, as well as support the Zimbabwe Electoral Commission's electoral administration system.

*Regional Integration Support Programme*

966. Mr Speaker Sir, I am also pleased to advise that the European Union has approved a €4.2 million grant for implementation of the Regional Integration Support Programme.

*Interim Economic Partnership Agreement*

967. Pursuant to signing of the interim Economic Partnership Agreement (iEPA) with the EU, Madagascar, Mauritius, Seychelles and Zimbabwe were allocated a total of €4 million to support immediate capacity needs relating to implementation of the iEPA.

968. Of the allocated amount, a €950 000 grant has been approved in support of Zimbabwe's iEPA activities.

969. These include purchase of laboratory equipment for Plant Quarantine Services Institute (PQSI) to establish mini-labs at all ports of entry, as well as train users.

970. This will allow the country to test and detect plant diseases and causative agents in agriculture produce.

971. These funds will be channelled through the National Authorising Officer by the end of 2014.

## Support for Investment

### *Clarification of Indigenisation & Empowerment Policy*

972. The economy continues to be dragged down by liquidity shortages, antiquated plant and machinery, cheap imports and high cost of production.
973. This situation has led to company closures and I reproduce below the statistics on companies which closed and employees affected from 2011 and 2014.

#### **Summary of Company Closures and Employees Affected (2011 – 2014)**

Sector	Companies no longer Employing					Employees Affected				
	2011	2012	2013	2014	Total	2011	2012	2013	2014	Total
Agriculture	189	124	54	1	368	3020	1854	515	76	5465
Mining	34	33	13	2	82	1530	1410	351	17	3308
Manufacturing	179	153	113	13	458	2021	4683	3214	60	9978
Electricity and Water	1		1		2	3				3
Construction	154	111	46	6	317	1463	687	1479	22	3651
Finance and Insurance	23	11	7	1	42	68	105	21	2	196
Real Estate	19	16	9	0	44	131	58	29		218
Distribution, Hotels and Restaurants	970	683	407	82	2142	6897	4356	6632	528	18413
Transport and Communication	134	62	43	6	245	1177	432	455	32	2096
Public Administration										
Education	35	20	15	2	72	168	67	78	7	320
Health	18	15	11	0	44	183	123	38		344
Domestic Services	8	24	11	1	44	41	117	205	6	369
Other Services	366	216	148	20	750	2489	6933	1482	178	11082
<b>Total</b>	<b>2130</b>	<b>1468</b>	<b>878</b>	<b>134</b>	<b>4610</b>	<b>19191</b>	<b>20825</b>	<b>14499</b>	<b>928</b>	<b>55443</b>

Source: NSSA, Contributions and Compliance Division

974. To ensure increased production, there is need for fresh capital injection into the economy. Significant investment into the economy is needed for re-tooling, re-capitalisation and overhaul of the antiquated machinery, and for value addition.
975. Given the need to continue improving our investment climate in light of the need for both domestic and foreign investment, the 2015 Budget needs to further provide clarity on our Indigenisation and Empowerment Framework.
976. This will be in order to ensure consistency and predictability in Government's engagement with stakeholders and investors.
977. Accordingly, it is critical that we restate that the 51/49% ownership structure enshrined in the Indigenisation and Economic Empowerment Act applies across all sectors of the economy.
978. But Government recognises that this may not be achieved overnight.
979. The period necessary for compliance with the law will be a matter for negotiation between the would-be investor and the respective/ relevant line Ministry responsible for the particular sector/sub-sector.



980. The Indigenisation plan would take into account the circumstances prevailing in the sector/sub-sector.
981. It is the responsibility of the line Ministry to make the assessment on the investment concerning compliance with the Indigenisation and Empowerment Policy.
982. Mr Speaker Sir, let me further restate and clarify the position that new investment projects would first be processed through the Zimbabwe Investment Authority (ZIA).
983. Thereafter, ZIA would forward the investment proposal to the line Ministry responsible for the sector/sub-sector for the line Ministry to make the assessment concerning compliance with the Indigenisation and Empowerment Policy.
984. The policy outlined above would similarly apply to existing or brown field investments and should be assessed for compliance with the Indigenisation and Empowerment Policy by the line Ministry without the need to pass through ZIA.
985. It would be on the basis of the assessment by the line Ministry responsible for the sector or sub-sector that the compliance certificate in respect of the investment proposal would be issued by the Ministry responsible for Indigenisation and Economic Empowerment.

986. Monitoring to ensure compliance with the Indigenisation Law is the responsibility of the line Ministry.

987. Relevant amendments to effect the above policies would be made through the Finance Bill.

### ***National Pricing Structure***

988. During the course of the year, I have on many occasions stated the need to address the cost structure in our economy.

989. The cost structure in our economy makes us uncompetitive, relative to our trading partners.

990. I am happy to acknowledge the very comprehensive study done by the Ministry of Industry and Commerce in identifying cost drivers that have contributed to the high cost of production in our economy.

991. The cost drivers identified are labour, power, water, finance, transport and trade logistics, tariffs and trade taxes, taxation as well as information technology.

992. Cabinet has approved a wide range of business friendly recommendations made by the Ministry of Industry and Commerce and aimed at addressing these cost drivers in line with regional trends.

993. In addition, Government has also approved the institutional arrangements to implement the recommendations.

994. The Minister of Industry and Commerce will shortly be announcing the relevant details of the institutional set up.

### ***Ease and Cost of Doing Business***

#### *Not in a Hurry Attitude*

995. Mr Speaker Sir, previous Budgets and programmes have reiterated the urgency of reviewing various processes, procedures and other requirements on establishing businesses in the country in order to reduce the cost of doing business which is a key imperator for attracting both domestic and international investment.

996. Apparently, the entrenched “*not in a hurry attitude*” has prolonged the necessary reforms and hence, costing the country through foregone investment.

997. Mr Speaker Sir, in summary, the main areas frustrating potential investors and compromise the country’s competitiveness relate to:

- Licencing processes;
- Multiplicity of levies;
- Multiplicity of authorities; and
- Delays in utility connections.

### *Licencing Processes*

998. Mr Speaker Sir, starting a business in Zimbabwe is confronted with numerous and long licencing processes which are primarily administrative.
999. These relate to plan approvals, investment registration, permit and licence issuance, connection of utilities, such as water and power.
1000. For example, formalities for setting up a typical formal housing delivery project in Zimbabwe take a minimum of 53 months (4.5 years), primarily reflecting bureaucracy and inefficiencies in our institutions and local authorities.
1001. Similarly, according to the World Bank Doing Business indicators, the average number of procedures for starting a business in Zimbabwe is 9 against 7.8 in sub Saharan Africa and 4.8 for developed countries.
1002. The average time and cost for establishing a business in neighboring countries such as South Africa is 19 days, and 0.3% of income per capita and Mauritius, 6 days and 3.6%, respectively.
1003. This, Mr Speaker Sir, is against Zimbabwe' average period of 90 days and 141.2% of income per capita.

1004. Moreover, the licencing processes, regrettably, are located in multiple jurisdictions.

*Multiplicity of Authorities*

1005. The country's Investment Act, the Zimbabwe Investment Authority (ZIA) Act, does not make ZIA the only port of call for investment licencing in Zimbabwe.

1006. Neither does it make it mandatory for foreign investors to obtain an investment licence from ZIA.

1007. As a result, investors are required to obtain licences from different regulatory agencies located in different sectors.

1008. This situation makes it difficult to monitor investments in the country.

1009. The establishment of the One Stop Shop (OSS) Investment Centre at ZIA in December 2010 was one step towards minimising the bureaucracy that investors encounter when securing licences.

1010. However, up to now, the OSS has not been fully operationalised, owing to a number of challenges which include:

- Non-integration of the OSS to the ZIA structure, hence, the OSS is operating like an island;

- Delays in formalising secondment of officials to ZIA;
- Lack of clarity in Terms of Reference, mandate, and conditions of service for seconded staff;

1011. Furthermore, most secondment to the OSS was done informally without involvement of the Civil Service Commission.

### *Multiplicity of Levies*

1012. Mr Speaker Sir, in addition to the above constraints, multiple licences required from different authorities as well as policies which are meant to raise revenue and enforce environmental protection practices end up increasing the cost of starting and doing business for investors through various fees and charges.

1013. For example, we have EMA, whose charges are based on a certain percentage of project value.

1014. On the other hand, we have local authorities charging various fees and charges which include US\$20 for acquiring a single application form, and US\$530 for its submission.

1015. In addition, the same local authority has various departments, each charging for specific services on the same application.

1016. We also have other Authorities, including ZIMRA, the Environmental Management Agency (EMA), the Indigenisation

and Economic Empowerment Board, the Immigration Department, the Central Bank, and ZIA, among others.

1017. Each Agent charges a levy for the licence/service, adding on to pre-registration costs for an investor to set up shop in the country.

#### *Utility Connections*

1018. Mr Speaker Sir, with regards to getting connected to basic utilities, the World Bank Doing Business Report of 2015 ranks us 151 out of 189 countries on the Getting Electricity Indicator.

1019. The Report revealed that it takes 106 days for an investor to get electricity connected to a new business in Zimbabwe.

1020. Such lengths of time, and the associated costs contribute towards raising the cost of starting a business in the country.

#### *Way Forward*

1021. Mr Speaker Sir, I am, therefore, commissioning a Study that will guide the review of all public institutions, local authorities and parastatals' licencing and permit processes in the new year.

1022. However, there are some areas wherein the delays and high cost of doing business are primarily a result of administrative weaknesses which can be addressed immediately.

1023. In such cases, Government will, through ZIA, be approaching the respective institutions to institute remedial arrangements based on international best practice.
1024. This will necessitate scrutiny of the existing permits system, as part of corrective measures to reduce the cost of starting a business in the country.
1025. Furthermore, measures are being instituted towards the full operationalisation of ZIA as a One-Stop-Shop with regards to investment approvals.
1026. Mr Speaker Sir, review of all the above processes should also benefit from expeditious implementation of the E-Government programme, which is being championed by the Office of the President and Cabinet.

*Marketing of Investment & Tourism Opportunities through Embassies*

1027. Mr Speaker Sir, Zimbabwe's diplomatic missions abroad should start taking a leading role in promoting the country as a safe investment and tourist destination.
1028. Hence, going forward, all our embassies abroad will be required to vigorously market the country's tourism and investment



opportunities in close liaison with ZIA, Zimbabwe Tourism Authority, the Reserve Bank and other relevant agencies.

1029. Mr Speaker Sir, we can no longer afford the luxury of waiting for potential investors or tourists to come to Zimbabwe on their own accord, instead we should go to where they are and woo them to our tourism resorts.

1030. In the same vein, embassies reports should also include investment and tourism promotion issues.

#### *Green-field Projects*

1031. Mr Speaker Sir, with regards to all new Greenfield projects wherein the investor who shall bring into the country equity of US\$5 million and above through normal banking channels, Government is instituting a number of fiscal incentives on a graduated scale with effect from 1 January 2015.

#### *Participation of the Diaspora in National Development*

1032. Recognising the formidable role played by the Diaspora in national development, a National Diaspora Policy is being finalised.

## ***Insurance and Pensions***

### *Africa Trade Insurance Agency*

1033. Mr Speaker Sir, Zimbabwe has made significant strides towards attaining membership of the African Trade Insurance Agency (ATI), an African multi-lateral trade credit and political risk insurer established in 2001.
1034. Zimbabwe applied for membership in 2010 and signed the ATI Membership Agreement in 2011 which it is now expected to ratify.
1035. As such, I call upon the Ministry of Industry and Commerce to ensure expeditious ratification of the Agreement.
1036. In addition, Zimbabwe is expected to complete the membership process by subscribing to the share capital. Pursuant to this, Treasury is working with the African Development Bank, as one of the shareholders of ATI, to bringing on board the country's private sector and other stakeholders to support the financing of the capital subscription for Zimbabwe's membership.
1037. Mr Speaker Sir, given perceptions over our country's risk profile, Zimbabwe stands to benefit significantly from ATI membership considering the unique products that are offered, notably sovereign risk guarantees, political risk insurance, terrorism risk insurance, reinsurance, co-insurance, and other trade credit insurance.

### *Compliance to Minimum Capital Requirements*

1038. Honourable Members will recall that minimum capital requirements for insurance industry players were reviewed through the 2013 National Budget Statement.

1039. In terms of the compliance timelines, insurance companies were supposed to be 50% compliant by 30 June 2013, 75% compliant by 31 December 2013 and attain full compliance by 30 June 2014.

1040. Pursuant to the above, statistics from the Insurance and Pensions Commission (IPEC) indicate the following compliance levels;

#### **Compliance to Minimum Capital Requirements as at 30 September 2014**

Class of Business	Minimum Capital Requirements	30 June 2013 @ 50% Compliance Level (%)	30 June 2014 @ 100% Compliance Level (%)	30 Sept 2014 Compliance Level (%)
Non-life Insurers	US\$1,500,000	91	68	72
Non-life Reinsurers	US\$1,500,000	100	89	89
Life Assurers	US\$2,000,000	89	90	90
Life Re-Assurers	US\$1,500,000	100	50	100
Funeral Assurers	US\$1,500,000	73	44	66
Insurance Broker: <i>Prescribed securities</i>	US\$100,000	89	93	90
<i>Professional Indemnity Cover</i>	US\$200,000			
Reinsurance Broker: <i>Prescribed securities</i>	US\$100,000	100	100	100
<i>Professional Indemnity cover</i>	US\$250,000			

Source: Insurance and Pensions Commission (IPEC)

1041. Mr Speaker Sir, may I urge those companies that are yet to comply with minimum capital requirements to work towards full compliance as adequate capital facilitates underwriting of more business.

1042. In addition, the industry is advised that the minimum capital requirements will further be reviewed upwards to improve underwriting capacity and contain insurance business being placed outside the country.

*Pension Fund Contribution Arrears*

1043. Mr Speaker Sir, Government is greatly concerned by the continued rise in pension contribution arrears by some employer organisations who are not remitting contributions in terms of Section 7(1) of Statutory Instrument 243 of 2006.

1044. Cumulative pension contribution arrears as at 30 September 2014 increased by 59% from US\$152.06 million in September 2013 to US\$241.23 million.

1045. As a result, this has greatly compromised most members' values and benefits.

1046. The growth in pension contribution arrears is largely due to company closures, viability constraints and some requests for pension contribution holidays.

1047. In this regard, I am urging the concerned employers to remit pension contributions within the prescribed statutory limits in terms of Section 7(1) of Statutory Instrument 243 of 2006.

1048. Mr Speaker Sir, in my interactions with some stakeholders, pension reforms to address contribution and benefit structures in Parastals and other selected sectors remain necessary.

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

1049. This August House may be aware that Treasury has been receiving complaints from the public on the perceived lack of transparency in the conversion of insurance policies and pension benefits from Zimbabwe dollars to United States dollars.

1050. Mr Speaker Sir, in order to bring clarity on the conversion process and to address the concerns of the public, my Ministry will institute a Commission of Inquiry on the matter. The Inquiry will gather inputs from all stakeholders at all stages.

1051. In this regard, the Inquiry will bring closure and finality to the matter and enhance confidence in the insurance and pension industry which has been impaired partly by the perceived lack of fairness in the conversion process.

### *Related Party Exposures in Insurance Business*

1052. Treasury is concerned about disturbing developments in the insurance sector of poor corporate governance practices in the form of rampant related part exposures.

1053. The regulator, the Insurance and Pensions Commission in its investigations of the sector established that there were some non-life insurers who have significant proportions of their assets tied up in exposures to related parties mainly in the form of loans as shown in the Table below:

Name of Insurer	Related Party Exposure	Related Party Exposure/ Total Assets	Nature of the Exposure
Altfin Insurance Company	2 385 000	38.52%	Loans to Altfin Holdings and Altfin Life Assurance Company
Regal Insurance Company	1 416 743	34.81%	Loans to Directors and other related companies
Evolution Insurance Company	1 051 965	31.20%	Loans to Evolution Holdings and other related companies
Champions Insurance Company	1 671 589	29.15%	Loans to shareholders and staff members
KMFS Insurance Company	293 977	21.38%	Loans to related parties
THI Insurance Company	1 400 947	18.13%	Balances with TFS and Tetrad Investment Bank
Cell Insurance Company	1 588 776	16.82%	Intercompany Balances
Clarion Insurance Company	500 740	13.92%	Exposure to Clarion Financial Services

1054. Extension of loans to related parties is in violation of *Section 29(3b)* of the Insurance Act [*Chapter 24:07*] which prohibits the application of funds from an insurance fund/pool directly or indirectly to any purposes other than those of the class of insurance business for which the insurance fund was established.

1055. Thus, high levels of related party exposures compromise compliance with minimum capital requirements and stipulated

maximum investment thresholds issued by the Commission through Circular 2 of 2013.

1056. Government, through IPEC will not hesitate to take necessary corrective action which includes suspension of operations or deregistration to avoid unnecessary prejudice to policy holders at the hands of unscrupulous shareholders who siphon money from their insurance companies through related party transactions at the expense of creating viable insurance pools.

*Zimbabwe Recovery Bond (Diaspora Bond)*

1057. Mr Speaker Sir, following the successful issuance of the Zimbabwe Economic Recovery Bond by CBZ Bank in collaboration with Afreximbank in 2012, the two banks will be launching another Bond worth US\$200 million dollars in the first quarter of 2015.

1058. Meanwhile Afreximbank will avail 6 months bridge finance of US\$100 million towards the bond.

1059. This is meant to immediately avail funds to companies that need urgent injection of funds.

1060. Beneficiaries of the bridge finance have already been identified and are mostly from the manufacturing, ICT and tourism sectors, among others.

1061. Government welcomes this timely support which is expected to facilitate re-tooling and equipping of industry and consequently improve on capacity utilisation.

## ***Employment Creation Fund***

1062. Mr Speaker Sir, our tertiary and vocational institutions churn out over 70 000 youth graduates annually, most of whom face a daunting task in securing employment once they graduate from these institutions.
1063. The 2011/2012 Income Consumption and Expenditure Survey shows that about 83.5% of the unemployed persons are between 15-34 years.
1064. This is primarily on account of the down turn in economic activity which has seen a number of companies downsizing with some closing altogether.
1065. I, therefore, propose to set up a Youth Employment Creation Fund in collaboration with the Ministry of Youth and Employment Creation, and that responsible for Small and Medium Enterprises.
1066. This Fund is earmarked to take off in 2015, and will be allocated on a District basis, identifying quick win projects targeting the youth in each District.
1067. The projects will initially focus on agro-processing, in view of the country's potential to leverage on value addition in agriculture.



1068. Government hopes to benefit from the input of such Development partners as the International Labour Organisation, the Food and Agricultural Organisation and the Dutch Development Organisation, among others.

1069. I am, therefore, accordingly proposing to allocate US\$500 000 as seed capital on a pilot basis.

## **PUBLIC ADMINISTRATION, GOVERNANCE & PERFORMANCE MANAGEMENT SUB-CLUSTER**

### ***Labour Law Reforms***

1070. Mr Speaker Sir, there is consensus among stakeholders over the need to review our labour laws in order to create an enabling environment for socio-economic transformation, driven by the dynamics of the labour market.

1071. In particular and consistent with the spirit and purpose of ZIM ASSET, the review is meant to improve the business climate by promoting labour market flexibility, while preserving fairness to both employees and employers in line with the current trends in international standards and conventions.

1072. Striking a balance amongst the interests of Government, Business and Labour takes cognisance of the underlying principles of ZIM ASSET to “achieve sustainable development and social equity ...”

1073. This, Mr Speaker Sir, should cultivate a conducive environment for investment promotion “that will enable Zimbabwe to achieve economic growth and reposition the country as one of the strongest economies in the region and Africa” as is envisaged under ZIM ASSET.

1074. The Social Partners compromised on the principle of streamlining retrenchment provisions to overcome potentialities of employers facing unlimited liabilities in the event of retrenchment, while those companies demonstrating inability to pay minimum packages will be taken care of by a proposed “exemption clause”.

1075. Other proposed amendments to the Labour Act take into consideration levels of productivity and the desirability of attaining and maintaining a high level of employment as well as competitiveness in compliance with ZIM ASSET.

1076. In this regard, this will be followed by the establishment of a National Productivity Institute to implement issues to do with wage determinants *inter alia*, productivity related remuneration.

1077. Furthermore, the review is meant to align the labour law to the spirit and, and remove contradictory provisions in the existing laws.

1078. In this regard, Government, Business and Labour have since concluded a Tripartite Agreement on the draft principles to review our labour laws, last amended in 2005.

1079. The major principles under the proposed amendments to the labour laws of the country include the following:

- Streamlining retrenchment procedures and the Labour Dispute Settlement System;
- Right to Collective Bargaining in line with the Constitution of Zimbabwe and ILO Convention;
- Right to Equal pay for work of Equal value, thus ensuring women and men have a right to equal remuneration for similar work;
- Governance oversight over Employment Councils;
- Right to Organise and Collective Job Action;
- Right to Maternity Protection;
- Protection against Child, Forced and Compulsory Labour; and
- Honouring of Fixed Term Contracts.

1080. Honourable Members can, therefore, note that significant progress has been made in this area and the respective Bill will be tabled during the session of the 8<sup>th</sup> Parliament.

### ***Public Finance Management Act***

1081. The Public Finance Management Act [*Chapter 22:19*] was promulgated in 2010 to strengthen and consolidate financial governance and accountability across the public sector.

1082. To strengthen the Public Finance Management Act and enhance corporate governance transparency and accountability in the public sectors, inclusive of Central Government, local authorities and public enterprises, the Treasury will indulge stakeholders in the review and development of amendments to the Act.

1083. Pursuant to the strengthening of the Public Finance Management Act and to fully operationalise the Act and enhance accountability in the management of public resources, Treasury in collaboration with stakeholders will develop Public Finance Management Regulations.

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

1084. Mr Speaker Sir, Government remains committed to speeding up public enterprise reforms in line with the ZIM ASSET objectives.

1085. In view of our capacity, prioritisation of public enterprises will be critical for effective implementation of this programme.

1086. Accordingly, during 2015, I propose to focus on around 10 of the major entities pivotal to the successful implementation of ZIM ASSET.

1087. These include:

- the Agricultural and Rural Development Authority (ARDA);
- the Cold Storage Company (CSC);
- the Grain Marketing Board (GMB);
- Air Zimbabwe;
- Tel-One;
- the Civil Aviation Authority of Zimbabwe (CAAZ);
- the National Railways of Zimbabwe (NRZ);
- the Industrial Development Corporation of Zimbabwe (IDC);
- the Zimbabwe National Water Authority (ZINWA); and
- the Zimbabwe Power Corporation/ ZETDC.

1088. First and foremost, a full appreciation of the current status and challenges of these entities will enable Government to make informed restructuring policy decisions.

1089. Therefore, the Auditor General's Office will be coordinating audits of the targeted entities to determine the challenges which the entities are facing.

1090. To facilitate this, I propose to avail resources amounting to US\$2.6 million to the office of the Auditor General.

*Corporate Governance Framework*

1091. Mr Speaker Sir, to enhance corporate governance in all public entities, the Public Finance Management Act is being amended to incorporate public enterprises and local authorities.

1092. The amendments will specifically make the following provisions for:

- Roles and responsibilities of key stakeholders including the Board, Management, responsible Ministers and shareholders;
- Boards to enter into performance contracts with the Chief Executive Officer/ Managing Director/ General Manager within one month of appointment;
- Public entities to comply with the remuneration framework approved by Government, which include observing the salaries to allowances ratio of 60:40;
- Number of Boards that an individual can sit on to a maximum of two;
- Tenure of office for Board members and their removal;
- Composition of the Board and its sub-Committees;
- Frequency of meetings of the Board and of its Sub-Committees;

- Require public entities to convene Annual General Meetings within six months after the end of each financial year;
- Stipulate the Financial reporting arrangements; and
- Outline the Dividend policy for public enterprises.

### *Management of Statutory Funds*

1093. Mr Speaker Sir, further to the above amendments, I will also institute amendments to cover sections of the PFMA, dealing with Statutory Funds and other Public Funds.

1094. This is intended to deal with the increasing abuse of public resources collected under these funds, that way, ensuring that these resources are used in accordance with the respective Acts and Constitutions establishing them.

1095. The amendments will primarily focus on the following:

- Submission of both the recurrent and capital budgets to Treasury for approval.
- Approval of any allowance payable to Board members, Trustees, management Committees and other personnel in the Ministries that supervise the Funds; and
- Empowering the Minister of Finance to amend the Fund Budgets.

### ***National Code on Corporate Governance***

1096. The need to address corporate governance and accountability issues at a national level can never be over-emphasised.
1097. In addition to restructuring and other reform initiatives underway, Public Enterprises are expected to observe corporate governance issues.
1098. Realising that this matter also has a strong bearing on the Private Sector, the National Code on Corporate Governance developed by both public and private sectors will be launched in the first quarter of 2015.

### ***Public Procurement System Reform***

1099. Reforms of the Public Procurement System which started during the first quarter of 2014 will be accelerated in 2015, incorporating decentralisation, and adoption of best practices such as e-procurement.
1100. Public entities such as Government Ministries, Parastatals, State Enterprises and Local Authorities will be capacitated through robust skills development programmes to enable Accounting Officers and respective entities to undertake own procurement.



1101. The State Procurement Board will be transformed into a procurement standards and guidelines setting authority. In this regard, multilateral Development partners such as the African Development Bank and the World Bank are supporting the development of Procurement White Paper and the exercise is to be completed by end of December 2014.

1102. It is envisaged that the legislative reforms relating to procurement will be considered during the 2nd Session of the 8th Parliament.

### ***Integrated Results Based Management (IRBM)***

1103. The implementation of ZIM ASSET is anchored on the Results Based Management System throughout the entire Government bureaucracy, Parastatals and State Enterprises as well as Local Authorities.

1104. Major pillars of the RBM such as E-government and Monitoring and Evaluation will see implementation of e-government flagships by, among others, the following agencies:-

- Public Service Commission - Electronic Human Capital Information Management System aimed at improving the accuracy of human resources records management for decision making;

- Ministry of Lands and Rural Resettlement - Electronic Land Information Management System including online land application, facilitation of the land audit process and enhanced transparency in the allocation of the national resource; and
- Office of the President and Cabinet - roll out of the Monitoring and Evaluation Policy and a robust Performance Contracts System throughout the Public Sector.

### ***Peace & Security***

#### *De-mining*

1105. Zimbabwe is one of the highly mine-impacted countries in the world in terms of density and area affected by landmines.

1106. Currently about 200 km<sup>2</sup> of ground along the borders between Zimbabwe, Zambia and Mozambique are assessed to be impacted by landmines, of which 174 km<sup>2</sup> is fertile land largely owned by the rural farming communities in the border regions.

1107. It is also estimated that over 1 550 people have lost their lives to landmines, with another 2 000 being injured in the years since our war of liberation. Further estimates indicate that over 120 000 head of livestock have been killed by mines over the same period.

1108. In an effort to combat this challenge, the 2014 Budget allocated about US\$500 000 against about US\$100 million required for this priority exercise.

1109. In 2015, given the importance of this exercise, Treasury is setting aside US\$500 000, whilst appealing to the international community to support the country complete the de-mining exercise.

### ***Information Dissemination***

1110. Mr Speaker Sir, in my Mid-Year Fiscal Policy Review, I emphasised the need to undertake publicity and awareness programmes on ZIM ASSET and other supportive Government policies and programmes.

1111. Mr Speaker Sir, information dissemination enhances stakeholder awareness, ownership, and their participation in implementation of the respective ZIM ASSET policies and programmes.

1112. In addition, coordinated information dissemination assists in diffusing misconceptions and misinterpretations on policies among both domestic and foreign stakeholders.

1113. In this regard, I am therefore, proposing to allocate US\$500 000 towards this, targeting both domestic and external stakeholders, including our diplomatic representatives and investors.

## **IX. REVENUE MEASURES**

1114. Mr Speaker Sir, the revenue measures that I am proposing seek to enhance the ease and cost of doing business and to take advantage of the clarification and simplification of the indigenisation and empowerment policy.

1115. This is critical to continue the support that has already been availed to productive sectors, curtail non-productive imports, enhance revenue generation, provide relief to the taxpayers as well as improve efficiency in tax administration.

### ***Measures in Support of the Productive Sectors***

1116. Honourable Members would recall that Government has, during the past four years, implemented a number of measures to support the productive sectors through reduction and, in some instances, removal of duty on inputs into production.

1117. This was complemented by an upward review of customs duty on imported finished products, in order to provide modest protection to industry.

1118. Notwithstanding the support measures availed, the average capacity utilisation in the manufacturing sector has, however, declined from 39.6% in 2013 to 36.3% in 2014.

1119. The decline is mainly attributed to continued competition from imports, hence the need to further consolidate the gains achieved through further review of measures already implemented.

1120. Furthermore, some of the support measures are due to expire on 31 December 2014.

1121. I, therefore, propose to review the following measures, with a view to further extending and also broadening the scope of the facilities:

*Clothing Manufacturers Rebate*

1122. In view of the opportunity provided by the clothing industry to grow the economy through the resuscitation of the value chain in the production of clothing, Government, in 2013, granted a rebate of duty on imported inputs for use in the manufacture of clothing. The inputs include fabric and trims, such as sewing thread, shoulder pads and fasteners among others.

1123. The facility was subsequently extended for a period of twelve months, hence is due to expire on 31 December 2014.

1124. The rebate of duty on raw materials has assisted companies to compete against imports and has also attracted significant investment, thereby creating additional employment. These

measures have assisted clothing manufacturers such as Archer Clothing (Pvt) Ltd, Paramount Export (Pvt) Ltd, Playtime manufacturers to increase capacity utilisation and employment.

1125. I, therefore, propose to extend the facility by a further twelve months and to also include all clothing manufacturers who are registered.

*Suspension of Duty on Milk Powder*

1126. In order to promote growth and development of the local dairy industry, Government introduced modest protection on competing finished milk and milk products, and also granted duty free importation of full cream and skimmed milk powder by approved dairy processors.

1127. This has enabled a number of companies in the dairy industry, such as Alpha & Omega, Probrands (Pvt) Ltd and Den Dairy (Pvt) Ltd, among others, to invest into new processing plants and dairy livestock, thereby increasing capacity utilisation levels.

1128. I, therefore, propose to extend the duty free facility by a further twelve months and to increase the quota of powdered milk allocated to dairy processors.

1129. I, further, propose to incorporate additional dairy processors.

1130. The expectation is that the use of milk powder as a raw material for processing is a short term strategy, whilst the dairy industry increases investment in the dairy herd.

*Suspension of Duty on Wheat Flour*

1131. In order to encourage the local beneficiation of wheat, thereby promoting the local milling industry and manufacture of stock feeds, Government increased customs duty on wheat flour from 5% to 20%, and ring-fenced wheat flour imported by approved bakers for blending purposes at a lower rate of 5%.

1132. Although, millers have entered into an arrangement with bakers to supply 75% of the local requirements, there is still need to import the remaining 25% in order to enhance the quality of bread as well as maintain the price of bread at competitive levels. This arrangement has been in place from August 2012 and is due to expire on 31 December 2014.

1133. Although this facility has assisted the baking industry to maintain constant prices of bread, they, however, faced stiff competition from imported semi-finished products. It is, thus, necessary that the baking industry continue to be supported.

1134. I, therefore, propose to extend the facility for a further period of twelve months and maintain the wheat flour quota of 5 000 metric tons per month.

1135. I, further, propose to extend the facility to other companies within the baking industry.

*Rebate of Duty on Capital Goods Imported by Tourism Operators*

1136. Mr Speaker Sir, the expansion and modernisation programmes, such as refurbishment of hotels and conference facilities have benefited from the rebate of duty facility that Government implemented since 2009.

1137. However, the refurbishment of facilities within the industry is still in progress, in line with initiatives to mobilise capital to finance ongoing projects.

1138. I, therefore, propose to extend the rebate of duty on capital goods, for a further period of twelve months.

1139. The facility will be targeted at hotels and lodges.

*Suspension of Duty on Motor Vehicles Imported by Safari Operators*

1140. The suspension of duty facility that Government put in place in 2009 has assisted Safari operators to replace ageing game drive vehicles, thus guaranteeing provision of safe and high quality services.



1141. In order to consolidate the gains achieved to date within the industry, I propose to extend the suspension of duty facility for a further period of twelve months.

*Suspension of Duty on Bottler Grade Sugar*

1142. Honourable Members will recall that Government adopted a new tariff regime on sugar whereby customs duty of 10% plus US\$100 per ton was adopted, in order to level the playing field between locally produced and imported sugar.

1143. However, upgrading of plant and machinery by Star Africa Corporation, one of the major manufacturers of bottler grade sugar, has taken longer than anticipated, hence supply remains low.

1144. I, therefore, propose to ring-fence importation of bottler grade sugar by approved manufacturers under suspension of duty for a period of six months.

*Suspension of Duty on Mechanically Deboned Chicken*

1145. In order to promote local processing of meat products, customs duty on mechanically deboned meat, which is a blend of muscle and other tissues mechanically extracted from chicken carcasses, and a key input in the production of meat products, was reduced from 40% to 10%.

1146. The reduced customs duty has, however, created opportunity for importation of other meat and meat products under the guise of mechanically deboned meat, as evidenced by the high import values of the product, which is not commensurate with the requirements of producers.

1147. I, therefore, propose to ring-fence mechanically deboned meat imported by approved producers at a lower rate of 5%, whilst local meat processors invest in deboning machinery.

1148. Mechanically deboned meat outside the ring-fenced quota will revert to the customs duty rate of 40%.

#### *Furniture Industry*

1149. The furniture industry is currently dominated by small scale producers capable of producing a limited range of furniture such as fibre boards and doors. The development of the industry is, however, being hampered by limited access to capital and stiff competition from imports.

1150. In order to enhance the competitiveness of small scale manufacturers, I propose to provide modest protection on imports of fibre boards and doors and also reduce customs duty on inputs as follows:

Tariff Code	Product	Current MFN Duty (%)	Current SADC Duty (%)	Proposed SADC Duty (%)	Proposed MFN Duty (%)
4411.1200	Of a thickness exceeding 5mm but not exceeding 9mm	15	0	20	40
4411.1300	Of a thickness exceeding 9mm	15	0	25	40
4411.9300	Of a density exceeding 0.25g/cm <sup>3</sup> but not exceeding 0.8cm <sup>3</sup>	15	0	25	40
4411.9400	Of a density not exceeding 0.5g/cm <sup>3</sup>	15	0	25	40
3814.0000	Organic Composite	15	15	5	5
9404.1000	Mattresses Supports	40	40	15	25

### *Metals and Electrical Manufacturers*

1151. In order to provide modest protection to manufacturers of electrical overhead cables such as Central African Cables Limited, Government in 2014, introduced customs duty ranging from 20% to 30% on imported electrical aluminium and copper cables.

1152. Despite the new customs duty regime, imports of other cables that compete directly with copper and aluminium have surged in recent months.

1153. I, therefore propose to increase customs duty on other cables as follows:

Tariff Code	Product	SADC Rate of Duty (%)	MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)
7605.1100	Aluminium Wire, not alloyed: of which the maximum cross-sectional dimension exceeds 7 mm	0	10	20	30
7605.1900	Other Aluminium Wire, Not Alloyed	0	10	20	30
7605.2900	Other Aluminium Wire, Alloyed	0	10	20	30
8544.1100	Winding Wire of copper	0	20	20	30
8544.1900	Other Winding Wire	0	15	20	30
8544.2010	Wire and cable of copper, insulated with poly-ethylene	0	15	20	30
8544.2090	Other	0	10	20	30
8544.4900	Other electric conductors, for a voltage not exceeding 1000V	0	15	20	30

1154. The above measures take effect from 1 January 2015.

### *Electrical Manufacturer's Rebate*

1155. In order to promote local manufacturing, Government put in place an electrical manufacturer's rebate which provides for duty free importation of components used in the manufacture of electronic appliances such as refrigerators, kettles and radios, among others.

1156. However, due to technological advancements, manufacturers need to import components that match the required specifications in order to meet consumer tastes.

1157. In line with the value addition and beneficiation strategy whereby Government avails the necessary support to the productive sector, I propose to provide for additional components that qualify for duty free importation under the electrical manufacturer's rebate.

1158. This measure takes effect from 1 July 2013.

### ***Curtailment of Non-Productive Imports***

1159. During the period January to October 2014, products valued at US\$5.3 billion were imported.

1160. A significant volume of the imported products are non-essential, cheap and sub-standard. These include semi-processed products such as dough, rolls, buns, plain bread and cakes, among others.

1161. Continued importation of these products reduces the competitiveness of locally manufactured products, thereby exacerbating the trade balance.

1162. I, therefore, propose to introduce specific customs duty on the following products, in order to curtail the importation of non-essential products, thereby improving the trade balance:

#### **Baking Industry**

Tariff Code	Product	Current Duty MFN (%)	Current Duty SADC (%)	Proposed Duty SADC/MFN (%)
1901.2000	Mixes and Doughs	40%	15+surtax	40% or US\$1 per kg, whichever is higher.
1905.9010	Plain Bread	40%	10	40% or US\$1 per kg, whichever is higher
1905.9020	Plain Buns and Rolls	40%	10	40% or US\$1 per kg, whichever is higher
1905.3100	Sweet Biscuits	40%	10	40% or US\$1 per kg, whichever is higher
1905.1000	Crisp Bread	40%	10	40% or US\$1 per kg, whichever is higher
1905.2000	Ginger Bread e.t.c	40%	10	40% or US\$1 per kg, whichever is higher
1905.3200	Waffles & Wafers	40%	10	40% or US\$1 per kg, whichever is higher
1905.4000	Rusks, toasted bread	40%	10	40% or US\$1 per kg, whichever is higher
1902.2000	Stuffed Pasta	40%	10	40% or US\$1 per kg, whichever is higher
1905.9090	Par baked cakes	40%	10	40% or US\$1 per kg, whichever is higher
1905.3100	Biscuits	40%+ surtax	10+surtax	40% or US\$1 per kg, whichever is higher
1904.1000	Corn Snacks	40%	10	40% or US\$1.50 per kg, whichever is higher
1704.1000	Chewing Gum	40%	15	40% or US\$1 per kg, whichever is higher
1704.9000	Other Sweets	40%+ surtax	25	40% or US\$1 per kg, whichever is higher

### Aquaculture Industry

Tariff Code	Product	Current Duty MFN (%)	Current Duty SADC (%)	Proposed Duty SADC/MFN (%)
0302.7100	Tilapias (Oreochromis spp)	10	0	40% or US\$1.50/kg, whichever is higher
0303.2300	Tilapias (Oreochromis spp)	10	0	40% or US\$1.50/kg, whichever is higher
0304.3100	Tilapias (Oreochromis spp)	10	0	40% or US\$1.50/kg, whichever is higher

1163. The above measures take effect from 1 January 2015.

### *VAT Deferment Facility*

1164. Government availed a VAT deferment facility of up to ninety days on capital goods imported by companies in the manufacturing, agriculture, mining, aviation transport and health sectors.
1165. Although the facility has assisted companies in retooling, the current liquidity challenges have negatively impacted on the ability of companies to pay VAT on high value capital within the stipulated period.
1166. In support of retooling initiatives, I propose to extend the VAT deferment period for different investment thresholds, with effect from 1 January 2015, as follows:

Value of Equipment (US\$)	Deferment Period (Days)
100 000 -1 000 000	90
1 000 001 to 10 000 000	120
Above 10 000 000	180

### **Export Incentives**

1167. The growth and development of the economy is underpinned by improving production and export of goods and services through value addition and beneficiation, among other strategies aligned to cluster priorities under the ZIM-ASSET programme.
1168. In recognition of the need to promote exports, Government put

in place export incentive schemes which include duty drawback, inward processing rebate and reduced tax for companies that export more than 50% of manufactured output.

1169. Notwithstanding these support measures, exports remain subdued.

1170. In order to further support exporting companies, I propose the following measures:

*Corporate Tax Levied on Exporting Companies*

1171. Introduce a lower corporate tax structure for exporting companies as follows:

Export Threshold (%)	Corporate Tax Rate (%)
30-40	20
41-50	17.5
Above 51	15

*Withholding Tax on Fees for Export Market Development*

1172. Exporting companies use foreign agents to pre-sell products in external markets. The agents charge fees which are subject to 15% withholding tax.

1173. In order to assist exporters to secure markets, I propose to exempt foreign agents' fees from withholding tax. The agents' fees should, however, not exceed 5% of the value of exports



based on the Free on Board prices.

1174. The exemption will be subject to confirmation of acquittal of the CD1 Form.

*Penalties on Late Delivery of Exports*

1175. The Customs and Excise Act requires that goods in respect of which authority to load has been guaranteed shall be removed from the country within a period of ten days of such authority having been granted.

1176. The time period of ten days is, however, in some circumstances, not sufficient to move consignments destined for export.

1177. I, therefore, propose to increase the period from ten to thirty days.

1178. The above measures take effect from 1 January 2015.

***Support to Small and Medium Enterprises***

1179. Mr Speaker Sir, Small and Medium Enterprises are increasingly becoming a major driver to economic growth and development, thereby enhancing employment opportunities and poverty alleviation.

1180. Government will, endeavour to create an enabling environment through incentives that support linkages with established

companies.

### ***Value Addition and Beneficiation***

#### *Royalty on Un-beneficiated Diamonds*

1181. Mr Speaker Sir, the country is currently one of the major producers of diamonds in the world. However, most of the diamonds are exported in raw form, thus depriving the country of employment opportunities as well as potential revenue to the fiscus.

1182. In order to encourage beneficiation, I propose to remove royalties on rough diamonds sold to firms licensed to cut and polish diamonds, with effect from 1 January 2015.

#### *Export Tax on Un-beneficiated Platinum*

1183. In view of the potential to beneficiate platinum, Government introduced an export tax at a rate of 15%, with effect from 1 January 2015.

1184. Platinum producers have, however, demonstrated efforts to beneficiate, to the extent that Zimbabwe Platinum Mines Limited will be commissioning a US\$200 million base metal refinery in the next twenty four months. The facility will be expanded to accommodate other platinum producers.

1185. I, therefore, propose to defer export tax on un-beneficiated

platinum to 1 January 2017.

## ***Mining***

### *Reform of the Mining Tax Regime*

1186. Government, in 2013, undertook to comprehensively review the fiscal mining regime, with a view to ensuring a balance between the viability of the mining industry and revenue inflows to the fiscus.

1187. The long term sustainability of the mining sector requires Government to put in place a mechanism to assess the economic impact of various policy decisions.

1188. The mining fiscal model will enable Government to design an appropriate tax system that attracts investment into the mining sector and promotes optimal mineral extraction and revenue generation, without sterilising minerals, that is, extraction of high grade ores, at the expense of less economic grades.

1189. In addition, the model will be used as an audit tool to assess mineral and revenue leakages and also project future revenues from the mining sector.

1190. Mr Speaker Sir, I wish to take this opportunity to express my

sincere gratitude to the World Bank, the Royal Norwegian Embassy and the Macroeconomic and Financial Management Institute, for funding technical assistance provided by ECON Gas of Norway and Ernst and Young Zimbabwe, as well as the natural resources management study tour to Norway.

### *Transparency and Accountability in the Mining Sector*

1191. The effectiveness of the mine fiscal model is dependent on the availability of quality data from the mining sector. The availability of data will ensure transparency of the mining operations.

1192. I, therefore, propose to compel mining houses to provide data to the Zimbabwe Revenue Authority, such as exploration costs, pre and post operative costs, debt-equity mix and repayment terms in a prescribed format.

### ***Housing***

#### *Stamp Duty on Secondary Market Mortgage Finance*

1193. Mr Speaker Sir, some investors have shown interest to provide mortgage funds that will be secured through securitisation of existing mortgage bonds.

1194. In order to incentivise provision of new additional mortgage financing, I propose to waive stamp duty on cession of mortgage

bonds, with effect from 1 January 2015.

1195. This measure is expected to enhance availability of resources towards financing the national housing programme.

### ***Revenue Enhancing Measures***

1196. Mr Speaker Sir, I propose the following measures, in order to raise additional revenues to finance inescapable expenditures:

#### *Excise Duty on Cigarettes*

1197. Excise duty on cigarettes was last reviewed on 1 December 2012. However, the current excise duty rate of US\$15 per 1 000 sticks does not reflect the social cost associated with consumption of hazardous substances.

1198. I, therefore, propose to increase excise duty on cigarettes from US\$15 per 1 000 sticks to US\$20 per 1 000 sticks, with effect from 1 December 2014.

#### *VAT on Clearing Agents' Fees*

1199. Mr Speaker Sir, services provided by clearing and forwarding agents are subject to Value Added Tax at a standard rate of 15%.

1200. Some clearing agents, however, understate the value of service rendered for VAT purposes, thereby minimising revenue due to the fiscus.

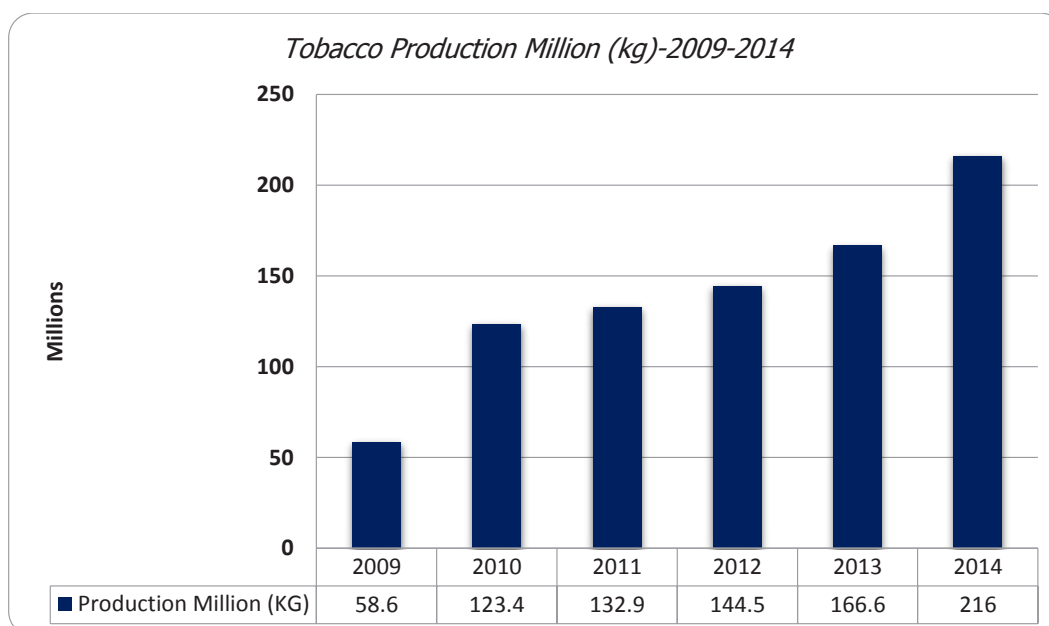
1201. I, therefore, propose to deem the minimum clearance fees per Bill of Entry at US\$50 for VAT purposes, with effect from 1 January 2015.

### *Re-Introduction of Tobacco Levy on Growers*

1202. In order to encourage smallholder participation in the production of tobacco, Government repealed tobacco levy on sales by growers, with effect from March 2005.

1203. Tobacco production has increased from 58.6 million kg in 2009 to 216 million kg in 2014, which is the second highest yield in the history of tobacco growing. This highlights the success of the land reform programme.

1204. The graph below illustrates the production growth of the tobacco industry:



1205. The number of tobacco growers has also significantly increased from about 29,000 in 2009 to over 80 000 in 2014. The growth in tobacco production has increased per capita income for tobacco growers to an average of about US\$8 000 in 2014, thus creating a base for potential taxpayers.

1206. I, therefore, propose to re-introduce tobacco levy on tobacco growers at a rate of US\$0.015 of each dollar of the selling price, with effect from 1 January 2015.

1207. The revenue generated will be ring-fenced to finance re-forestation activities.

*Aids Levy on Tax Attributable to a Company or Trust Engaged in Mining Operations*

1208. Government introduced the AIDS levy, with effect from 1 January 2000, in order to raise additional funds to finance HIV/AIDS related support programmes.

1209. The levy was pegged at 3% of an individual or a corporates' assessed income tax.

1210. The levy, however, does not apply to tax payable by a company or trust engaged in the business of mining.

1211. I, therefore, propose to extend the AIDS levy to trusts or companies engaged in the business of mining with effect from 1 January 2015.

## ***Tax Relief Measures***

1212. Mr Speaker Sir, in order to provide relief to taxpayers, I propose the following measures:

### *Tax-Free Threshold*

1213. The tax free threshold was last reviewed in 2012 to the current level of US\$250 per month.

1214. In order to raise aggregate demand for goods and services, I propose to review the tax-free threshold from the current US\$250 to US\$300 and further widen the tax bands, with effect from 1 January 2015, as follows:

<b>Tax Band (US\$)</b>	<b>Tax Rate (%)</b>
0-300	0
301-1,500	20
1,501-3,000	25
3,001-5,000	30
5,001-10,000	35
10,001-15,000	40
15,001-20,000	45
Above 20,001	50

### *Tax Amnesty*

1215. The impact of the economic challenges experienced over the past decade resulted in some taxpayers evading their tax obligations. Government, thus, granted a limited tax amnesty for a period of 6 months, with effect from 1 October 2014.



1216. One of the conditions of the amnesty is that taxpayers are required to settle their tax obligations within the amnesty period.
1217. Taxpayers have, however, expressed concern that the time period within which tax obligations should be settled is inadequate, hence undermines the effectiveness of the amnesty programme, particularly at a time most companies are experiencing cash flow challenges.
1218. I, therefore, propose to extend the time period for payment of tax under the tax amnesty programme from six to fifteen months, in order to avail taxpayers adequate time to settle the assessed tax.
1219. Early payment of assessed tax will benefit from a discount at a rate of 5% per annum. The applicable formula will be prescribed in the tax amnesty regulations.

*Exemption from Tax on Interest Earned on Loans to Statutory Corporations*

1220. Statutory Corporations such as the Zimbabwe National Water Authority, the Zimbabwe Power Company and the Zimbabwe Electricity Transmission and Distribution Company have made great strides in leveraging their assets to mobilise funding from the private sector through joint ventures and loan financing

arrangements. This has gone a long way towards investment in public infrastructure.

1221. In order to enhance the attractiveness of debt instruments, I propose to exempt from tax, interest earned on approved loans to Statutory Corporations.

1222. This measure takes effect from February 2009.

*Tax Exemption on Capital Injected Pension Funds*

1223. Mr Speaker Sir, following the conversion of pension funds asset values from Zimbabwe dollar to United States dollar denominated values, many pensioners found themselves with insignificant pensions.

1224. In order to encourage employers to inject capital into the pension funds, thereby enhancing pension payouts, I propose to allow lump sum contributions by employers, as a tax deductible expense, with effect from 1 January 2015.

1225. The deduction will be subject to submission of an actuarial certificate confirming the required contribution level and approval by the Minister of Finance and Economic Development.

### *Excise Duty on Clear Beer*

1226. Mr Speaker Sir, excise duty was reviewed from 40% to 45% with effect from 1 December 2012.

1227. Mindful of the need not to undermine recovery efforts by the alcoholic beverage manufacturing industry and also in view of the current depressed aggregate demand for alcoholic beverages, I propose to reduce excise duty on clear beer from 45% to 40%, thereby stimulating growth in volumes.

1228. As a quid pro quo, alcoholic beverage manufacturers such as Delta Corporation, have undertaken to reduce the retail price. The introduction of bond coins will go a long way to assist towards this effort.

1229. This measure takes effect from 1 January 2015.

### *VAT Zero Rating on Sugar Cane*

1230. Whereas sugar is zero rated for VAT purposes, sugar cane, which is an input used in the manufacture of sugar, attracts VAT at a standard rate.

1231. In order to avail relief to farmers, I propose to zero rate sugar cane in retrospect from February 2009.

### *VAT Zero Rating on Livestock*

1232. Currently, sales of livestock are subject to VAT at the standard rate of 15%. On the other hand, when the same livestock is slaughtered, the meat is zero rated for VAT purposes. There is, thus, differential treatment between the farmer and the abattoir.

1233. I, therefore, propose to zero rate sales of livestock for VAT purposes, with effect from 1 January 2015.

### *Tax Treatment of Computer Software Costs*

1234. Mr Speaker Sir, intangible assets such as software are an important capital asset for business. The current legislation does not, however, provide for the tax treatment of costs incurred in the acquisition and development of computer software with enduring benefit.

1235. In line with regional best practice, I propose that software acquisition and development costs be capitalised over a period of four years, with effect from 1 January 2015.

### *Withholding Tax on Tenders*

1236. A withholding tax of 10% is applied on payments to unregistered taxpayers on transactions above an aggregate value of US\$250 per year of assessment.

1237. In order to reduce the administrative burden on both ZIMRA and the withholding agents, I propose to increase the tax exempt threshold for withholding tax on supplies by unregistered traders per year of assessment from US\$250 to US\$1 000.

1238. This measure takes effect from 1 January 2015.

### ***Enhancing Border Posts Efficiency***

1239. Mr Speaker Sir, Government has over the years implemented a tariff regime that endeavours to support the competitiveness of local industry, enhance revenue collection, as well as manage the sustainability of the current account deficit.

1240. This initiative has, however, been undermined by the porous border posts, through which goods continue to flow without payment of the necessary taxes.

1241. The leaky border posts are mainly attributed to lack of appropriate border infrastructure which has resulted in deployment of limited staff by ZIMRA, multiplicity of Government Agencies at border posts and institutionalised corruption.

1242. This has been exacerbated by the proliferation of undesignated entry points, through which goods are smuggled.

1243. In order to address the above challenges, I propose to implement the following measures:

### *Proliferation of Agents at Ports of Entry*

1244. Prior to the year 2000, enforcement of prohibitions, restrictions, import and export controls, permits and licence validations was undertaken by the then Customs Department on an agency basis.
1245. In circumstances where irregularities requiring the intervention of the principal controlling authority were observed, goods would either be quarantined or placed under controlled delivery to the importer's premises or such premises prescribed by the principal controlling authority.
1246. Statutory payments to controlling authorities such as Veterinary Services were made at respective inland offices, at the time of application of import permits, before importation of goods.
1247. In the event of a disease outbreak or other emergencies, the relevant agencies would be temporarily deployed at the border post to deal with the emergency situation.
1248. However, in recent years, we have witnessed a proliferation of Government agents at ports of entry, leading to congestion and unnecessary delays of movement of travellers and cargo at ports of entry.
1249. These agencies include the Environmental Management Agency, the Ministry of Agriculture, Mechanisation & Rural Development, the Veterinary Department, Plant Inspectorate, the National Bio-

Technology Authority, the Zimbabwe National Roads Authority and Port Health.

1250. In order to facilitate fast clearance of cargo, movement of travellers and also enhance revenue collection, thereby reducing the cost of doing business, I propose to introduce an Electronic Single Window Facility which entails coordination and cooperation among all agencies involved in regulatory requirements at the ports of entry.

1251. Under the Single Window Facility, all fees and charges will be collected by the Zimbabwe Revenue Authority.

1252. Furthermore, enforcement of prohibitions, restrictions, import and export controls, permits and license validations will also be assigned to ZIMRA.

1253. The electronic single window platform will guarantee access rights to view and monitor enforcement of regulations by all relevant agencies, through an interface to the ASYCUDA World System under the Zimbabwe Revenue Authority.

1254. This facility will be effective during the second quarter of 2015.

*Enhanced Monitoring of Illegal Points of Entry*

1255. About thirty two undesignated crossing points, through which goods are smuggled, have been identified along the country's

border line. This has undermined measures instituted over the years to curtail the importation of goods, in support of industry revival.

1256. Negative consequences of smuggling include importation of prohibited goods, illicit currency outflows and loss of revenue to the fiscus, among others.

1257. In an effort to combat smuggling, the Zimbabwe Revenue Authority will collaborate with the Reserve Bank of Zimbabwe and relevant security agencies to minimise leakages through the undesignated entry points.

### ***Efficiency in Tax Administration***

#### *Presumptive Tax on Commuter Omnibuses, Taxi Cabs, Driving Schools and Haulage Trucks*

1258. The vehicular population of commuter omnibuses, taxi cabs, driving schools and haulage trucks has increased considerably over the past couple of years. However, minimal tax revenue has been generated due to non-compliance to legislative requirements by the operators.

1259. In order to maximise revenue collections as well as spread the burden of tax, it is imperative that we take advantage of existing institutions and infrastructure to enhance compliance.



1260. I, therefore, propose to appoint the Zimbabwe National Road Administration as an agent for collection of presumptive tax from operators of commuter omnibuses, taxicabs, haulage trucks and driving schools, with effect from 1 January 2015.

1261. The tax will be collected at the point of licence renewal. Operators who are not up-to-date with their presumptive tax obligations will not be able to renew their motor vehicle licence.

*Information Sharing*

1262. Mr Speaker Sir, availability of disaggregated taxpayer information is critical for decision making. Provision of such information is limited due to preservation of secrecy enshrined in the Revenue Authority Act, which is meant to safeguard taxpayer confidentiality.

1263. However, upon request by the Minister or Board, the Zimbabwe Revenue Authority (ZIMRA) is compelled to provide information which is limited to the total amount of taxable income.

1264. In order to facilitate policy analysis and decision making, it is imperative that ZIMRA be empowered to avail information beyond taxable income.

1265. I, therefore propose to amend the Revenue Authority Act to compel ZIMRA to avail information to the Minister of Finance and Economic Development or the ZIMRA Board without limitation.

1266. I, further propose to provide for exchange of information between the Zimbabwe Revenue Authority and the Reserve Bank of Zimbabwe.

1267. The above measures take effect from 1 January 2015.

#### *Late Submission of Tax Returns*

1268. Mr Speaker Sir, current legislation requires taxpayers to submit annual tax returns within thirty days of a public notice issued by the Zimbabwe Revenue Authority or within such time as the Commissioner may allow. Failure to submit a return attracts a penalty of US\$30 per day, up to a maximum of 181 days.

1269. In order to reduce the administrative burden, I propose that dormant companies be exempt from the requirement to submit an annual tax return, with effect from 1 January 2015.

1270. However, these companies will be required to make an annual declaration notifying their status.

*Exemption from Shareholders' Tax on Deemed Dividends Arising from Excess Debt-Equity Ratio*

1271. In support of initiatives to raise funding by private sector companies on behalf of the State, I propose to exempt from non-residents' shareholders tax, deemed dividends arising from failure to comply with the debt-equity ratio in respect of any loans advanced to any company for the benefit of the State, subject to approval by the Minister of Finance and Economic Development.

1272. This measure takes effect from 1 November 2013.

*Telecommunications Airtime (Voice & Data)*

1273. In order to raise additional revenue to finance non-discretionary expenditures, Government levied excise duty of 5% on air time for voice and data, with effect from 1 October 2014.

1274. Although the excise duty is intended to be paid by licensed operators, there is, however, an anomaly whereby sales between licenced service providers attract excise duty, thereby resulting in possible double taxation.

1275. I, therefore propose that special excise duty be levied on sale of airtime and data by licenced operators, with effect from 1 October 2014.

### *Penalty Loading Models*

1276. In order to promote transparency in the administration of penalties for non-compliance, I propose to publish, through a gazette, a penalty loading models which inform taxpayers on the level of penalties, with effect from 1 January 2015.

### *Definition of Tobacco Auction Floors*

1277. Existing legislation recognises only public floors as auction floors.

1278. I, therefore, propose to amend the definition of auction floors to include contract floors with effect from 1 February 2009.

### *Remission of Returns for Tobacco Levy*

1279. Tobacco merchants are required to file returns on tobacco sales on a daily basis.

1280. In order to lessen the administrative burden, I propose that tobacco merchants file returns on a weekly basis, with effect from 1 January 2015.

1281. Tobacco levy will, however, continue to be remitted on a daily basis.

*Penalties for Failure to Remit Taxes and Levies*

1282. Mr Speaker Sir, the Commissioner General of Zimbabwe Revenue Authority may appoint agencies to withhold taxes and levies at source, on behalf of the Government and remit within specified periods.
1283. Some agencies that withhold taxes and levies do not, however, remit the collected revenue, but instead convert the funds for their personal use. This practice is not only depriving the fiscus but is tantamount to a criminal offence.
1284. Government will, thus, come up with stiffer penalties, that include prosecution of offenders that fail to remit amounts withheld.

**X. CONCLUSION**

1285. Mr Speaker Sir, it is evident from the macro-economic framework that our own Budget revenues remain static, with prospects of improving if measures in this Budget Statement are implemented by all stakeholders.
1286. It is, therefore, imperative that we walk the talk on re-engagement of private sector players, domestic and foreign investors, international financial institutions and supportive Governments.
1287. We need to ensure that ZIM ASSET objectives are achieved on an incremental basis.
1288. Mr Speaker Sir, I commend the 2015 National Budget to the House and I lay the Estimates of Expenditure on the Table

## XI. ANNEXURE

### Medium Term Power Projects

Projects	Implementing Agency	Planned Output MW	Est Cost (US\$ m)	Project Readiness	Plan Comm Date	Planned Output					
						2014	2015	2016	2017	2018	2019
Kariba South Hydro Power Station (Extension Project)	Kariba Hydro Power Company (Pvt) Ltd	300	533	Construction stage	2017	750	750	750	750	1 050	1 050
Lusulu Powe Plant & Secondary Transmission Line	Pan African Energy Resources (Pvt) Ltd. (PER)	500	2 800	Feasibility stage	2017					500	500
Gwayi Thermal Power Station	China Africa Sunlight Energy () (Pvt) Ltd (CASE)	600	2 323	Feasibility stage	2017					600	600
Hwange Power Plant	Essar Africa Holdings (Pvt) Ltd	660	554	Pre-Feasibility stage	2017					660	660
Mutare Diesel Peaking/ Emergency Power Plant	Zimbabwe Power Company	100	110	Pre-Feasibility stage	2015			100	100	100	100
Gwanda Solar Power Plant	GeoBase Klean Energy Africa (Pvt) Ltd	250	250	Pre-Feasibility stage	2016				250	250	250
Gairezi Hydro Power Plant	Zimbabwe Power Company	30	110	Procurement stage	2018						30
Hwange Thermal Power Station Extension 7 & 8	Zimbabwe Power Company	600	1 500	EPC contract signed, now working on financial closure	2020	450	450	490	500	640	640
Batoka Hydro Power Station	Zimbabwe Power Company	800	4 800	Feasibility stage	2022						
Lupane Gas –Fired Power Plant	No project developer identified	300	450	Pre-Feasibility stage	2026						
Shangano Power Station	Southern Energy	660	1 100	Feasibility stage	2017				660	660	660
Sengwa Power Station (Pvt) Ltd	Sengwa Power Station (SPS) & Secondary Transmission Line	2 400	3 600	Pre-Feasibility stage	2031						
Old Thermals Repowering	Zimbabwe Power Company	300	600	Harare tender awarded & tendering for Munyati & Bulawayo	2017	100	100	100	120	200	200
Small Hydros		51		Most at feasibility	2015	6	21	29	59	59	59
Other Renewables		100		Feasibility stage	2019						100
Net Imports	ZETDC	150		Importing	On-going	150	150	150	150	300	300
<b>Total</b>		<b>7 801</b>	<b>18 730</b>			<b>1 456</b>	<b>1 471</b>	<b>1 619</b>	<b>2 589</b>	<b>5 019</b>	<b>5 149</b>
Forecast Demand						1 951	2 010	2 070	2 133	2 197	2 292
<b>Demand Shortfall</b>						<b>(495)</b>	<b>(539)</b>	<b>(452)</b>	<b>456</b>	<b>2 822</b>	<b>2 857</b>

Source: Zimbabwe Energy Regulatory Authority



