



ZIMBABWE

**THE 2016 MID-YEAR FISCAL POLICY REVIEW
STATEMENT**

“Improving Investor Confidence to Enhance Productivity”

PRESENTED TO THE PARLIAMENT OF ZIMBABWE
ON 8 SEPTEMBER, 2016

BY

HON. P. A. CHINAMASA, (M.P)

MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

Contents

I.	INTRODUCTION	5
II.	BUDGET POLICY THRUST AND IMPLEMENTATION	7
	The 2016 National Budget Thrust	7
	Implementation Progress	10
III.	ECONOMIC DEVELOPMENTS	18
	Growth.....	18
	Prices	20
	Public Finances.....	21
	<i>Revenue Performance Enhancing Measures</i>	25
	Public Debt	40
	Banking and Monetary Sector	41
	Anti-Money Laundering and Combating Financing of Terrorism	57
	External Sector.....	64
IV.	POLICY REVIEW THRUST	70
V.	STIMULATING PRODUCTION	72
	Agriculture	72
	Mining.....	96
	Manufacturing	111
	Empowerment	119
	Tourism	126
	Environment	132
VI.	ENABLING INFRASTRUCTURE AND UTILITIES	135
	Energy	137
	Water and Sanitation.....	149
	Transport.....	156
	Information Communication Technology	165
	Housing.....	168
VII.	SOCIAL PROTECTION	173
	Health Care	173
	Education.....	175
VIII.	DEVELOPMENT PARTNER SUPPORT	180
IX.	IMPROVING THE BUSINESS AND INVESTMENT ENVIRONMENT	186
	<i>Empowerment Policy Framework</i>	187
	<i>Ease of Doing Business Reforms</i>	188
	<i>Border Efficiency Management</i>	193
	<i>Trade Insurance</i>	193

X. RESTORING FISCAL DISCIPLINE	194
Budget Rationalisation & Realignment Measures	195
Local Authorities Service Delivery	212
PUBLIC PROCUREMENT REFORMS	214
XI. REVENUE MEASURES	214
<i>Support to Industry.....</i>	<i>215</i>
<i>Revenue Enhancing Measures</i>	<i>226</i>
<i>Other Measures</i>	<i>230</i>
XII. ADVANCING THE RE-ENGAGEMENT PROCESS	233
XIII. ACCOUNTABILITY	239
DEALING WITH CORRUPTION	240
<i>Strengthening Institutions of Transparency and Accountability.....</i>	<i>241</i>
XIV. CONCLUSION	246
XV. ANNEXURES	248
Annexure 1: Measures at ZIMRA	248
Annexure 2: Infrastructure and Utilities’ Funding.....	252

I. INTRODUCTION

1. Mr Speaker, I rise to present this year's *Mid-Year Fiscal Policy Review*, complying with Section 7 (2) (a) of the Public Finance Management Act.
2. This requires the Minister responsible for Finance to "*provide full and transparent accounts, from time to time and not less than annually to Parliament, indicating the current and projected State of the Economy, the Public Resources of Zimbabwe and the Fiscal Policy of the Government.*"
3. Mr Speaker Sir, the Mid-Year Fiscal Policy Review allows us to take stock of developments during the first half of the year, and progress with implementation of the National Budget, a key instrument in the realisation of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation, Zim Asset.
4. Accordingly, the Review provides Honourable Members opportunity to consider necessary Budget interventions to re-align our fiscal policy thrust, informed by indications from the current and projected state of the economy, as well as anticipated public resources for the entire fiscal year.
5. The Review also gives progress on our on-going re-engagement process with the international financial community, including such

international financial institutions as the International Monetary Fund, the World Bank and the African Development Bank, as well as bilateral cooperating partners.

6. Mr Speaker Sir, this Review shall be complemented by the Monetary Policy Statement to be presented soon by the Governor of the Reserve Bank.
7. In undertaking the Review, I immensely benefited from the guidance and support I continue to receive from His Excellency the President, as well as the two Honourable Vice Presidents.
8. Mr Speaker Sir, it is only through such support that I am able to progress with the implementation of the measures I proposed to Parliament in the 2016 National Budget.
9. I also want to acknowledge the contributions of my colleague Cabinet Ministers, Honourable Members of Parliament, as well as those from the various Portfolio Committees, which all strengthen effective implementation of our economic policy interventions.
10. Invaluable inputs were also received from various stakeholders, inclusive of line Ministries and Government agencies, the private sector, labour, civic organisations, as well as from the various submissions received from individual citizens.

11. Mr Speaker Sir, allow me to start by recapping on the key parameters of the 2016 National Budget presented to this August House on 26 November 2015.
12. Thereafter, I will also give highlights of the economic developments during the first half of the year.

II. BUDGET POLICY THRUST AND IMPLEMENTATION

The 2016 National Budget Thrust

13. Mr Speaker Sir, under the theme “*Building a Conducive Environment that Attracts Foreign Direct Investment*”, the 2016 National Budget primarily focuses on continued implementation of Zim Asset over the period 2013–2018, with the goal of transforming Zimbabwe into an industrialised State, capable of affording its people better standards of living.
14. The framework for this was provided by His Excellency the President in his State of the Nation Address to Parliament on 25 August 2015, as outlined in the Ten Point Plan.
15. As Honourable Members will recall, the Ten Point Plan highlights the following:
 - Revitalising agriculture and the agro-processing value chain;
 - Advancing Beneficiation and/or Value Addition to our agricultural and mining resource endowments;

- Focusing on infrastructure development, particularly in the key Energy, Water, Transport and ICTs sub-sectors;
- Unlocking the potential of Small to Medium Enterprises;
- Encouraging Private Sector Investment;
- Restoration and building of confidence and stability in the financial services sector;
- Promoting joint ventures and public private partnerships to boost the role and performance of State owned companies;
- Modernising Labour Laws;
- Pursuing an Anti-Corruption Thrust; and
- Implementation of Special Economic Zones to provide the impetus for foreign direct investment.

16. Furthermore, His Excellency the President also reiterated “*the importance of strengthening re-engagement with the international community ... and that ... the current re-engagement efforts with both bilateral and multilateral partners, including the African Development Bank and the World Bank under various initiatives should see improvement of relations and the opening up of new financing avenues for long overdue reforms and development cooperation*”.

17. Similarly, His Excellency the President also buttressed on the importance of implementing “*policies that will improve the business*

environment” in order to promote and attract both domestic and foreign investment, necessary for sustaining economic growth.

18. In this regard, drawing from Zim Asset and His Excellency the President’s Ten Point Plan, Government’s undertaking in its Strategies for Clearing External Debt Arrears and the Supportive Economic Reform Agenda, as outlined to cooperating partners in October last year in Lima, focussed on:

- Strengthening financial sector confidence.
- Accelerating re-engagement with the international community.
- Re-vitalising agriculture and the agro-processing value chain.
- Advancing beneficiation and/or value addition to the agriculture and mining resource endowment.
- Focusing on infrastructure development.
- Unlocking the potential of small to medium enterprises.
- Improving the investment climate.
- Accelerating public enterprises reform and improving public finance management.
- Modernising labour laws, aligning of laws to the Constitution and adhering to the rule of law.
- Pursuing an anti-corruption thrust.

19. Mr Speaker Sir, while there are still some hurdles militating against our socio-economic transformation agenda, some milestones were achieved in a number of areas, including advancement of the re-engagement process.

Implementation Progress

20. Mr Speaker Sir, notwithstanding the challenges, allow me to outline some of the policy implementation areas where considerable progress has been noted during the first half of 2016, drawing from commitments in Zim Asset and our re-engagement programme with cooperating partners.
21. While details are outlined later, the achievements are summarised as follows:

Improving Public Finance Management

22. In the area of improving on the management of our public finances, the major gain has been the onset of implementation of measures towards sustainable fiscal consolidation.
23. This is anchored by measures to re-orient expenditures away from employment costs and more towards the development Budget, complemented by introduction of expenditure efficiency measures through decentralisation of public procurement, as well as savings on expenditures on public enterprises.

24. In this regard, public enterprises reform interventions are benefitting from establishment of dedicated monitoring and follow-up Treasury units for various entities, with a view of enhancing performance and accountability.

Focusing on Infrastructure Development

25. With regards to infrastructure development, interventions during the first half of 2016 focussed on water and sanitation, power generation and transmission, and ICTs.
26. As alluded to above, I will highlight the details in the section on developments in Budget expenditures during the six months to June 2016.

Improving the Investment Climate

27. The on-going review of a number of legislation, together with the removal of regulatory, transactional and administrative hurdles are also positive milestones on improving the ease of doing business environment, as well as strengthening Zimbabwe's competitiveness.
28. This has seen the country improving its Ease of Doing Business ranking from 171 last year to 155 this year.

Advancing Beneficiation and/or Value Addition to Resource Endowments

29. Mr Speaker Sir, the economy is also set to benefit from interventions during the first half of 2016 to advance beneficiation of our domestic resource endowments.
30. The benefits from value adding our minerals and agricultural products as businesses re-invest into import substitution ventures are much larger over the medium term, with higher growth in contributions to GDP and decline in the current account deficit.
31. Already, some notable decline has been experienced in the current account deficit during the first half of 2016.
32. In the mining sector, the value addition of our minerals, such as gold and diamonds is already under way, and the objective is now to ensure implementation of the beneficiation plan developed by platinum producers.
33. Already, notable gains were registered in the gold sector during the first half of 2016, also benefitting from capacitation of small scale miners through the US\$100 million mechanisation facility organised by Government and the Reserve Bank of Zimbabwe.
34. Increased gold sales to Fidelity Printers and Refiners also benefitted from the designation of gold millers as buying agents.

35. In agriculture, notable successes are also being experienced in the promotion of hides-to-leather and cotton-to-clothing value chains, among others.

Strengthening the Financial Sector

36. Mr Speaker Sir, in the financial sector, we have also been able to deepen financial stability, with banks' non-performing loan portfolios lowered, and cost of borrowed capital reduced.

37. Honourable Members will also be aware of recent initiatives by the Reserve Bank to ease tight liquidity constraints through promotion of plastic money, e-banking services, and broader use of multi-currencies, among other measures.

Pursuing an Anti-Corruption Thrust

38. I am also pleased to report on progress with Government's anti-corruption drive, now benefitting from pursuit of coordinated Inter-Ministerial interventions, overseeing review of legislation, institutional and other administrative requirements.

39. These are seeing strengthening of systems of transparency through automation and introduction of online services across the entire spectrum of public service provision, including at our *Ports of Entry*.

40. Government also stepped up efforts to plug illicit financial flows as part of promoting anti-money laundering and countering the financing of terrorism.

Aligning of Laws to the Constitution

41. As Honourable Members will recall, out of the 299 Statutes in our books, Government has identified about 200 Statutes requiring alignment.

42. Mr Speaker Sir, work on the alignment of Laws to the Constitution is progressing well.

43. In this regard, out of the 200 Statutes identified as requiring alignment, 159 have been completed and processed through this August House, under the General Laws Amendment Bill and other Independent Statutes.

44. Mr Speaker Sir, realising the target of completing the remaining pieces of legislation during the remainder of the year will require that line Ministries accelerate processing timeously respective Statutes that fall within their mandates.

Unlocking the Potential of Small to Medium Enterprises

45. Mr Speaker Sir, resource mobilisation efforts and other business management supportive measures for Small to Medium

Enterprises (SMEs) are sustaining their contribution to the economy in terms of employment creation, GDP and poverty alleviation.

46. The first half of 2016 witnessed the creation of the Small and Medium Enterprises Revolving Fund, which is administered by the Ministry of Small and Medium Enterprises through the Small and Medium Enterprises Development Corporation.
47. This was complemented by various banking sector SMEs windows, as well as value chain programmes linking SMEs to large established companies.
48. Notable examples include the Infrastructure Development Bank of Zimbabwe, with an SME Loan Facility of US\$30 million, and a US\$10 million Localised Empowerment Accelerated Fund co-managed by three banks, namely CBZ, CABS and POSB.

Re-vitalising Agriculture

49. Mr Speaker Sir, you will be aware of various Government initiatives to empower the new farmer to fully utilise allocated land, following our Land Reform and Re-distribution Programme.
50. Central to this, is enhancing productivity and accountability of farmers over effective land utilisation.

51. In pursuit of this objective, Government intensified implementation of market based facilities as part of empowering and capacitating the new farmers.
52. During the first half of the year, Government introduced a US\$500 million Special Maize Production Programme which targets utilisation of 400 000 hectares of land, with registration of interested qualifying farmers currently underway.
53. This complements such other facilities as the US\$98 million More Food for Africa Programme supported by Brazil, under which farmers' access, on a cost recovery basis, farm equipment and implements. This includes tractors, disc harrows, fertilizer spreaders, boom sprayers, among other equipment.
54. With regards to livestock, focus during the first half of 2016 was to control the spread of diseases, as well as rebuilding of the national herd, also prioritising dairy.
55. As a result, livestock numbers were on the increase in all categories, notwithstanding the drought situation during the 2015/16 season.

Valuation of Farms and Compensation

56. Mr Speaker Sir, Government has taken a big step towards compensation of previous farmers by expediting mapping and

valuation of improvements on farms acquired under the Land Reform Programme.

57. To date, US\$42.7 million has been paid out for 43 farms, notwithstanding fiscal constraints being faced by Government.
58. The farm rentals and development levies introduced in 2015 on newly resettled farmers will provide resources for speeding up land surveys, evaluations as well as development of resettled areas.
59. Mr Speaker Sir, payments in 2015 from land rentals and development levies were US\$613 573.42 and US\$215 509.17, respectively.
60. Payments this year are up, and by end of August 2016, land rentals raised US\$1 630 340.95, while receipts from development levies amounted to US\$315 444.83.
61. Mr Speaker Sir, allow me to commend those farmers that are cooperating with Government by honouring their rentals and levy obligations.

Way Forward

62. Mr Speaker Sir, notwithstanding the above achievements, the economy is still faced with a number of challenges, which cannot all be fully addressed over the short term.

63. Hence, Government will take advantage of the forthcoming 2017 National Budget to propose some of the necessary measures to address any emerging gaps in order to remain on course towards the realisation of the further advancement of our Zim Asset agenda.

III. ECONOMIC DEVELOPMENTS

64. Mr Speaker Sir, allow me first to turn to highlights of developments across the various sectors during the first half of 2016 and, thereafter, make proposals on urgent pertinent issues.

Growth

65. Mr Speaker Sir, the economy is facing strong headwinds, with major challenges being experienced in the economy and business activity during the first half of the year than what the 2016 National Budget anticipated.

66. This primarily reflects downside risks associated with:

- The impact of the drought on our agriculture, with attendant supply challenges along the agro-processing linkage value chain;
- Depressed international commodity prices, particularly for our minerals;

- Limited domestic and foreign direct investment, also associated with our debt overhang;
- The growing fiscal deficit, also impacting on the liquidity of the financial system, as well as on business activity; and
- The resultant overall fall in incomes and weakening of domestic aggregate demand.

67. The above challenges are undermining performance of our key productive sectors, inclusive of agriculture, mining, manufacturing, tourism, construction and services.

68. The Table below shows revised projections for 2016.

Sectoral Growth Rates (%)

	2012	2013	2014	2015 Est.	2016 Orig Proj	2016 Rev Proj
Agriculture, hunting and fishing	7.8	-2.6	23.0	-5.2	1.8	-4.2
Mining and quarrying	8.0	11.7	-3.4	0.4	1.6	13.2
Manufacturing	5.3	-0.6	-5.1	0.2	2.1	0.2
Electricity and water	0.3	5.0	5.4	-5.5	3.6	-21.8
Construction	23.5	3.9	6.9	4.0	4.5	1.8
Finance and insurance	28.0	11.3	7.7	4.6	5.0	2.0
Real estate	59.0	0.7	4.7	3.5	2.5	2.0
Distribution, hotels and restaurants	4.3	3.9	2.5	4.0	4.0	2.4
Transport and communication	6.7	7.0	1.1	1.9	2.8	1.5
Public administration	19.1	3.4	6.3	1.2	1.3	-5.0
Education	38.1	2.9	3.9	4.2	1.3	2.6
Health	7.7	0.5	1.8	-0.7	2.1	0.4
Domestic services	-3.5	6.0	2.2	2.0	1.8	1.0
Other services	-10.7	-4.7	-3.3	3.0	2.5	3.0
GDP at market prices	10.6	4.5	3.8	1.1	2.7	1.2

Source: ZIMSTAT, Ministry of Finance, Ministry of Macro-Economic Planning, and RBZ

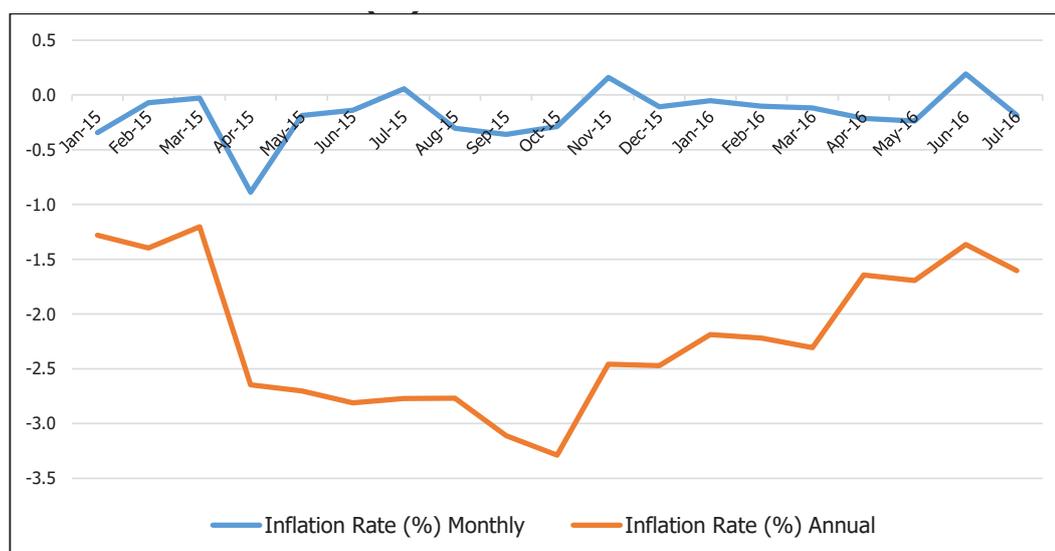
69. As a result, the real economic growth rate, which was targeted for the 2016 National Budget at 2.7%, is now projected much lower at 1.2%.

Prices

70. Deflationary conditions for both food and non-food categories persisted during the first half of 2016.

71. Annual headline inflation remained negative, albeit accelerating from -2.19% in January 2016 to -1.4% in June 2016. The continued decline in prices in 2016 was driven by both food and non-food inflation, underpinned by the sustained depreciation of the South African rand; subdued international oil prices; and waning domestic demand.

Annual Inflation Profile (%)



Source: ZIMSTAT

72. Annual food inflation, which averaged -4% over the period January to June 2016, was weighed down by declines in the prices of meat; bread and cereals, milk, cheese and eggs, oils and fats; and vegetables, among others, owing to improved supplies and competition from cheaper imports.
73. Declines in prices of housing, water, electricity, gas and other fuels; furniture and household equipment; transport; clothing and footwear among others, however, continued to weigh down on non-food inflation, which remained negative during the period under review.
74. In the outlook, inflation is expected to remain broadly subdued, sustained by a weak South African rand against the US dollar and low international crude oil prices.
75. Annual average inflation for the year is projected to be -0.4%, up from -2.4% recorded in 2015.

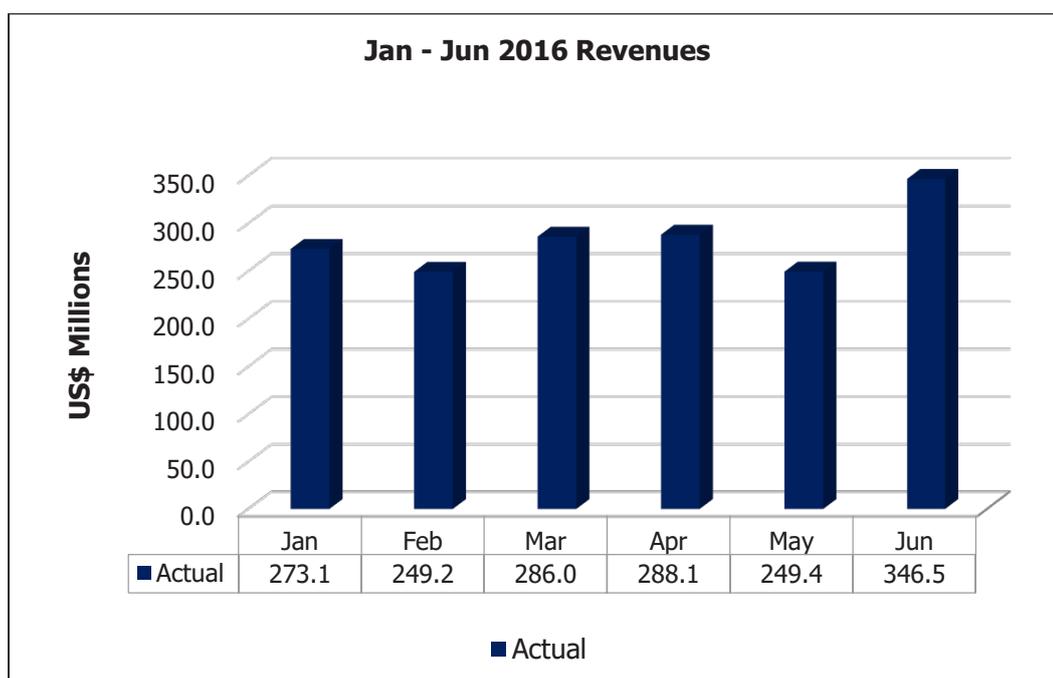
Public Finances

76. Mr Speaker Sir, on the back of the above Framework, I proposed a National Budget of US\$4 billion for 2016, premised on anticipated revenues of US\$3.85 billion, and a projected domestic financing gap of US\$150 million.

77. Of the total Budget, recurrent expenditures were estimated at US\$3.685 billion, while US\$315 million was approved for development programmes.

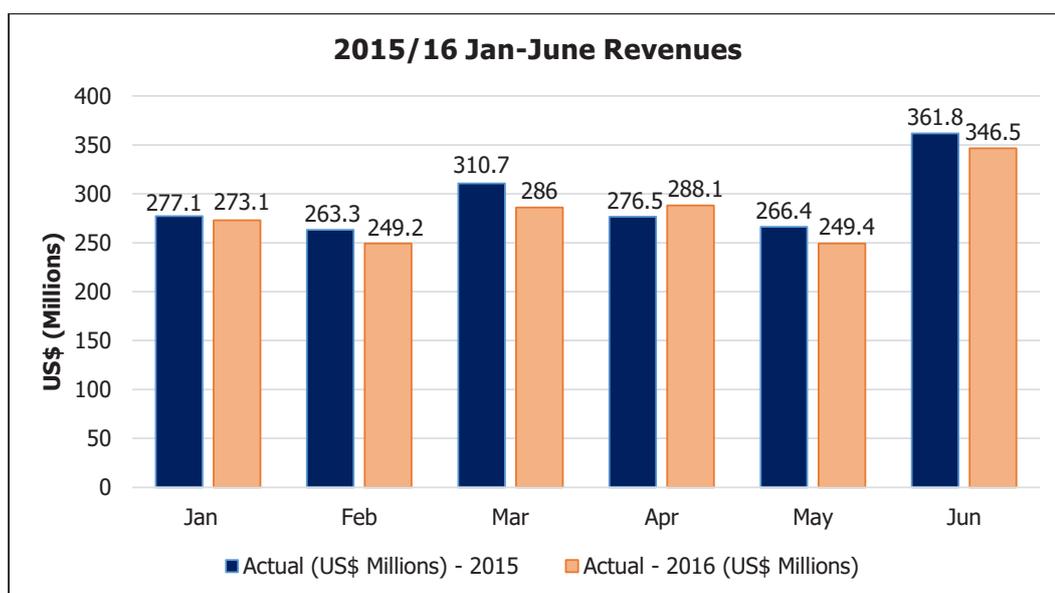
Revenue Outturn

78. Mr Speaker Sir, revenue performance of US\$1.692 billion during the first half of the year, though subdued by the declining momentum in economic activity this year, reflected positive gains during the second quarter of 2016.



Source: Ministry of Finance, ZIMRA

79. With the exception of April, monthly revenue performance for the first half of 2016 was below 2015 monthly collections.



Source: Ministry of Finance, ZIMRA

80. However, revenue collections for April to June 2016 were, at US\$884 million, 9.4% higher than the US\$808.3 million raised during the months January to March 2016.
81. Of the above cumulative revenue collections for the period January to June 2016, tax revenues were US\$1.55 billion, while non-tax revenues were US\$140.5 million.
82. The Table below shows tax and non-tax revenue performance for the first six months of this year.

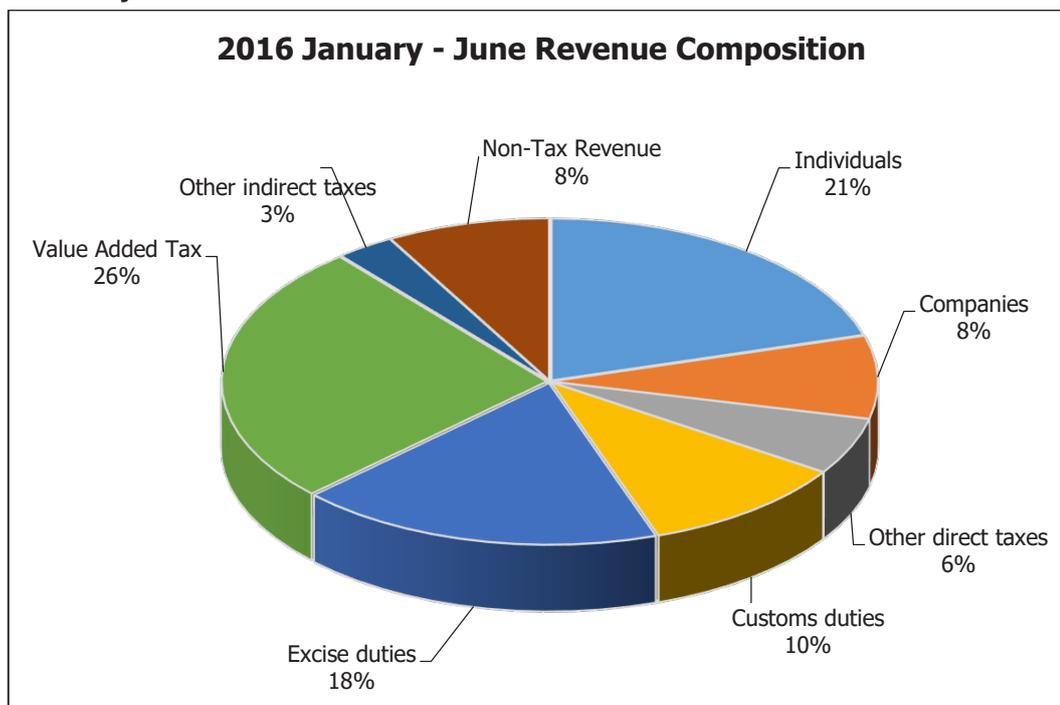
Tax vs Non-tax Revenues (US\$)

	Tax	Non Tax
January	238 312 476.0	34 817 212.7
February	230 464 081.8	18 754 929.6
March	257 628 152.4	28 379 370.6
April	274 757 717.8	13 387 334.6
May	229 871 043.9	19 498 003.9
June	320 830 302.4	25 697 446.3
Total	1 551 863 774.4	140 534 297.6

Source: Ministry of Finance

83. Contribution of the respective tax revenue heads is shown in the Pie Chart below.

January - June Revenue Heads Contribution



Source: Ministry of Finance and Economic Development

84. Respective revenue heads contributions were: Value Added Tax (26%), Pay As You Earn (21%), Excise Duty (18%), Customs Duty (10%) and Non Tax Revenue (8%).

85. Mr Speaker Sir, refunds, which are being abused as loopholes for revenue leakage, are now on the decline, from US\$154.8 million in 2015 to US\$98.7 million in 2016. This decline is attributed to the benefits of automation, fiscal reforms and increased risk based audit activities.

Refunds

Period	Gross (US\$)	Refunds (US\$)	Refunds as % of Gross Collections	Net Collections (US\$)
2016	1 644 820 414.48	98 723 765.96	5.99%	1 551 863 774.40
2015	1 818 247 929.20	154 812 442.60	8.51%	1 663 435 486.60

Source: ZIMRA

Revenue Performance Enhancing Measures

86. Mr Speaker Sir, second quarter revenue improvement has been sustained through implementation of a number of measures geared at strengthening tax and customs administration, and the plugging of leakages.
87. Under the ambit of the Ease of Doing Business programme being coordinated by the Office of the President and Cabinet, Government has put in place an Inter-Ministerial Committee to oversee implementation of systems that improve on efficiency at our *Ports of Entry*. The Committee is further carrying out a needs assessment for all the relevant agencies operating at our *Ports of Entry*.
88. Allow me, therefore, Mr Speaker Sir, to acknowledge efforts being made by ZIMRA and other Government Agencies in plugging revenue leakages, which also contributed to collections rising by 9.4% during the second quarter of 2016.
89. The initiatives being targeted at improving ZIMRA operational efficiency and effectiveness included:

Automation

90. Enhanced full automation of ZIMRA systems is underway for improving various operations and plugging of loopholes on tax obligations.
91. Through the ICT systems – Systems Application Products (SAP) and ASYCUDA World, ZIMRA is strengthening its automation, including introduction of online services, which allow online lodgement of returns, application and verification of tax clearance certificates, improvement of compliance levels and the reduction of compliance costs.
92. The Systems Application Products (SAP) is also providing ZIMRA with an automated enterprises management resource platform covering tax and revenue management, human resources management, materials management and financial management.
93. Furthermore, during the first half of 2016, the automation of the sending of automatic reminders on due dates and an upgrade on the calculation of interest and penalty on late returns in the Tax and Revenue Management module was done.
94. This has seen an improvement in the compliance levels on return submission and payment.
95. On the other hand, the ASYCUDA World system is providing an internet based platform for the clearance of goods.

96. During the first half of 2016, the E-state warehouse management module, which provides an automated solution for the management of goods detained in the state warehouse, was piloted at Plumtree Border Post. The system will be rolled out to cover other State warehouses.
97. The increased use of the E-payments facility has provided convenience to clients and organisational operational efficiencies have also been enhanced.

Fiscalisation

98. In 2010, Government introduced the VAT fiscalisation recording of taxable transactions in order to create an interface between taxpayers' fiscal devices and the ZIMRA platform so as to enable real time monitoring of transactions by ZIMRA.
99. To date, ZIMRA has set up a platform for receiving data. This is performing to satisfaction and is able to receive reports from devices that have been connected.
100. With regards to progress on the part of operators, two suppliers of fiscalised electronic devices have successfully managed to connect with the ZIMRA platform and are in the process of rolling out to their clients.
101. In addition, two operators have already started fully transacting their sales data through the fiscal devices.

Authorised Economic Operator

102. ZIMRA is also implementing the concept of the *Authorised Economic Operator (AEO)*, which entails prioritising tax compliant operators who clear commercial goods through simple customs clearance procedures.
103. Beneficiaries of the AEO have a good tax record, hence, are subject to less stringent physical examinations.
104. The AEO concept became effective from 1 January 2016, hence, registered operators are now enjoying the privileges due to them.

Debt Collection

105. Increased debt collection efforts by ZIMRA through implementation of client tailored payment plans, appointment of agents, debt set offs, among others, have resulted in the recovery of US\$326.53 million during the first half of 2016.
106. This exercise will be pursued on the back of other fiscal measures relating to set offs.

Review of Duty Free Allowances

107. In order to complement efforts to resuscitate the local industry, the travellers' rebate, which is granted on goods imported by a traveller once per calendar month, was reviewed downwards from US\$300 to US\$200.

108. The remission of duty granted on goods imported by a person returning to the country on the same day that they departed was also reviewed downwards from a free on board value of US\$50 to US\$10.
109. Furthermore, consignments transported on behalf of third parties are now compelled to be cleared as commercial importations instead of private importations.

Automated Verification of Travellers for Rebate of Duty

110. Furthermore, under the auspices of the Single Window System, ZIMRA is also installing an automated travellers' verification system to curb the rampant abuse of the travellers' rebate in clearing commercial consignments.

Strengthening General Customs Administration

111. For purposes of enhancing tax compliance by all potential tax payers and, thus, increasing the tax base, ZIMRA is undertaking street mapping, spin-offs from tax audits, customs post clearance audits, which have increased the number of registered taxpayers in the first half of 2016 by 8 525 new registrants compared to 8 649 new registrants in 2015.
112. This is being implemented alongside tax payer segmentation according to size – and categorised as, large companies, medium

sized companies, and small-to-medium companies – and along sectors, which include mining, agriculture, wholesale and retail, services, among others.

113. Each segment was divided into portfolios which are being managed by dedicated focal persons.

Closed Circuit Television

114. Mr Speaker Sir, some of the measures that have already been put in place at the Beitbridge Border Post in order to promote order, transparency and improve efficiency include installation of a Closed Circuit Television System (CCTV).
115. The CCTV monitors adherence to border procedures by ZIMRA and other agencies.
116. Currently, Phase 1 of installation of CCTV has been completed. Indoor cameras have been installed, both in offices and sheds, where traffic passes through.
117. ZIMRA has already procured 2 imaging laptops which will be used to trace the activities undertaken at the border post.
118. The Second stage, to set up the CCTV in the outdoor area, is being spearheaded by the Ministry of Home Affairs.

119. Mr Speaker Sir, implementation of the above measures aims at attaining, in the end, the ZWS ISO 9001: 2008 Quality Management System certification, which is expected to be completed by December 2016.

Cooperation with other Agencies

120. Apart from the above initiatives, ZIMRA also received support from other Government Agencies under the following areas:

Electronic Single Window System

121. In view of the multiplicity of Government agencies stationed at the *Ports of Entry and Exit*, Government is implementing an Electronic Single Window System which entails co-ordination and co-operation of all agencies involved in regulatory requirements at the Border Posts.
122. Some of the functions normally exercised by Government agencies, which include collection of fees and levies and enforcement of regulations, prohibitions and licence validations, among others, are being assigned to ZIMRA.
123. The Memorandum of Understanding to empower ZIMRA to collect fees or perform other necessary functions on behalf of respective Government agencies has been drafted by the Attorney General's Office.

Advance Cargo Manifest

124. The advance cargo manifest requires transport carriers to provide in advance, information pertaining to the list of passengers and cargo.
125. The advance passenger and cargo manifest was extended to other road carriers and the rail transport operators, with effect from 1 January 2016.

Electronic Cargo Tracking System

126. Mr Speaker Sir, transit fraud is increasingly becoming a major source of revenue leakage, which has a negative effect on the growth of the local industry.
127. Transit fraud occurs where goods destined for the domestic market are cleared through ZIMRA as transit goods for other countries, that way avoiding payment of duty.
128. In order to curtail transit fraud, Government is introducing Electronic Cargo Tracking, with the State Procurement Board inviting tender submissions from potential service providers.

Monitoring and Enforcement of Regulations

129. The proliferation of vendors, beggars and unlicensed clearing agents who solicit for business from travellers, has fuelled congestion and corruption at ports of entry.

130. Efforts are ongoing to decongest the Customs Controlled Area through the removal of Unauthorised Persons from the Customs Controlled Area. The Ministry of Home Affairs, as the lead agency, ensures order and security at the ports of entry.
131. This is further supported by other enforcement efforts, including road blocks, tax audits and customs post clearance audits.
132. The provision of 24 vehicles for use by security agencies, and 10 motor bikes has also facilitated monitoring of the border post and the border area by the police and army.
133. In addition, metal detectors have been procured by the Ministry of Mines and Mining Development for purposes of detecting any minerals being carried illegally by travellers.

Enhancement of Border Efficiencies

134. Beitbridge Border Post, being one of the busiest inland ports, which links the Northern and Southern Africa corridor, requires rehabilitation in terms of infrastructure and additional human resources in order to adequately cater for the high traffic volumes.
135. In order to enhance movement of cargo and travellers, Government will engage an independent border post expert to reorganise the Beitbridge Border Post.

136. The hiring of the consultant is funded under the Capacity Building for Finance and Economic Management Project, being funded by the African Development Bank.

New Border Post

137. Mr Speaker Sir, Government has opened the new Mlambapheli/Mmamabaka Border Post with Botswana. This should also facilitate trade and the convenience of travellers.

Fighting Corruption

138. Revenue leakages at the country's border posts remain a major challenge, depriving the country of much needed revenue.
139. These leakages are through connivance among ZIMRA and other Government agencies' officials, travellers and other individuals.
140. The use of fake documents, tampering of scanners by some security personnel in order to facilitate false declarations, connivance between ZIMRA officials and touts to allow entry of goods without paying the requisite duty levels, false declaration of cargo as being in transit to other countries, but ending up being sold in Zimbabwe are some of the methods being applied to circumvent legal requirements.

141. In its concerted effort to fight corruption and enhance revenue collection, ZIMRA, in conjunction with other Government agencies, has undertaken the following:
- Utilisation of a hotline and social media access points such as WhatsApp, Facebook and Twitter to enable the general public to report corruption;
 - Client education through various media channels;
 - Whistle-blower facility; and
 - Implementation of National Data Processing Centres, thereby reducing face to face interface between officers and clients.
142. Disciplinary and criminal prosecution of perpetrators of corruption during the first half of 2016, saw 22 cases of suspension being dealt with, of which 13 cases were finalised with 4 dismissals and 9 given final written warnings.
143. In addition, Mr Speaker Sir, all border control agencies are redeploying their personnel who had served at the border post for more than 10 years.
144. In order to ensure deployment of officials of good standing, newly deployed employees are required to undertake lie detector tests.
145. Staff development through training of both ZIMRA and agency personnel is also being prioritised in order to instil expertise, professionalism and integrity among other essential qualities.

Outlook

146. In the outlook, revenue is projected at under US\$3.7 billion by year end. This represents decline from the initial projection of US\$3.85 billion.

Expenditure Outturn

147. Mr Speaker Sir, total expenditures during the six months to June 2016 were US\$2.316 billion, against a target of US\$2.007 billion, giving over-expenditures of US\$308.4 million.

Expenditures

Item	Jan		Feb		Mar		April		May		Jun		Total		
	Target	Actual	Variance												
	US\$m														
Employment Costs	247	327	246	271	276	261	278	295	310	314	291	171	1,646	1,638	(8.1)
Operations & Maintenance	28	24	29	44	34	28	30	35	30	40	34	46	187	216	29.3
Interest	10	5	5	5	17	15	4	3	10	13	11	11	57	54	(2.9)
Capital Expenditures	3	2	8	88	7	44	35	39	32	96	32	138	116	407	290.1
Total Expenditures & Net Lending	288	357	288	407	335	348	346	371	382	464	368	366	2,007	2,316	308.4

Source: Ministry of Finance

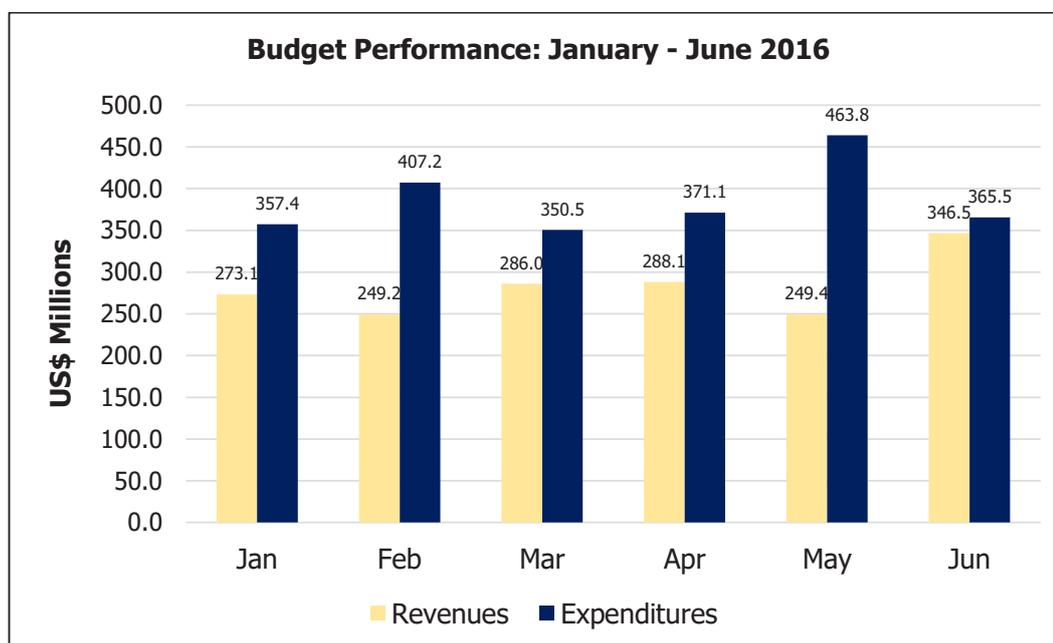
148. The financial outlay for January to June of US\$1.638 billion on employment costs is inclusive of outstanding 2015 13th Cheque payments of US\$162.1 million, as well as financial savings realised from the implementation of some of the Wage bill rationalisation measures already approved by Cabinet.
149. This constitutes about 96.8% of total revenue for the period January to June 2016, leaving very little for capital expenditures, operational expenses and interest payments.

Budget Deficit and Implications

150. During the period January to June 2016, revenue under-performance against over-expenditures resulted in a cumulative budget deficit of about US\$623.2 million, far above the full-year target of US\$150 million.

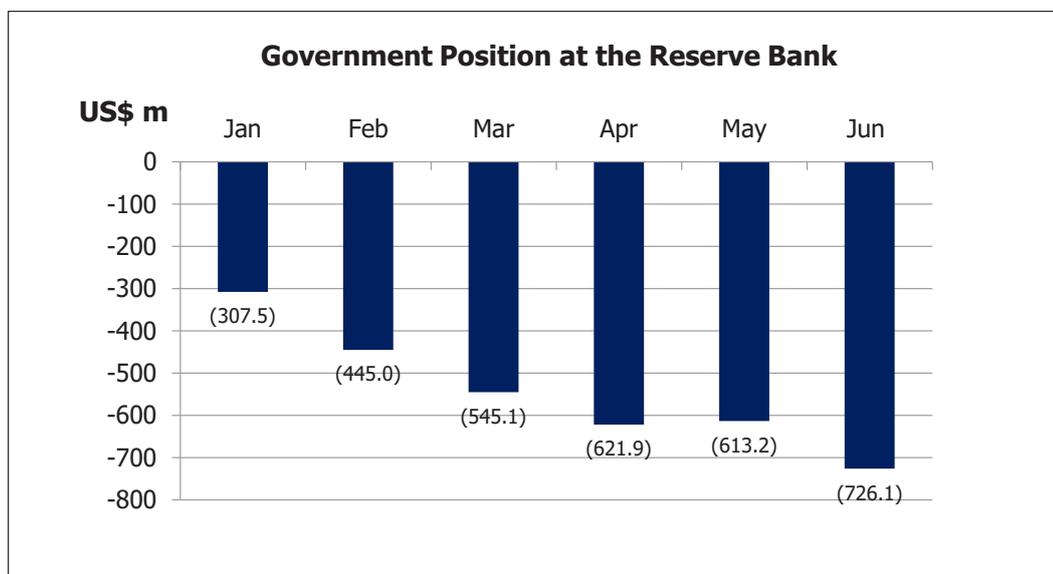
Budget Balance: Jan-June 2016

	Budget Est	Target to Jun	Jan	Feb	Mar	Apr	May	Jun	Total
Total Revenues (US\$m)	3 850.0	1 522.0	273.1	249.2	286.0	288.1	249.3	346.5	1 692.4
Total Expenditures & Net Lending (US\$m)	4 000.0	1 638.9	357.4	407.2	350.5	371.1	463.8	365.5	2 315.6
Budget Balance (US\$m)	(150.0)	(116.8)	(84.3)	(158)	(61.7)	(82.9)	(214.5)	19.0	(623.2)



151. Failure to contain the budget deficit in the shortest possible time will worsen the deficit to an estimated year-end level of over US\$1 billion.

152. Financing of the Budget deficit has been primarily through issuance of treasury bills by the Reserve Bank on behalf of Government.



Source: Reserve Bank

153. However, lack of capacity to service domestic debt has also seen roll-overs, which are posing some financial risks on domestic debt instrument holders and domestic financial institutions.

154. This situation, unfortunately, is not tenable and is undermining the stability of the financial sector and overall economy.

155. Further to this, Government borrowing is also crowding out lending to the private sector and, hence, stifling new domestic investment and growth.

156. This is creating a vicious cycle, whereby excessive Government borrowing leads to poor performance of the private sector and, in turn, diminished future tax revenues.

Employment Costs Challenges

157. The major component of the high expenditures is the wage bill, which is at the centre of the fiscal deficits and, hence, overall macro-economic instability.
158. The outlook, based on the status quo, points to a situation where projected revenues fall short of meeting employment costs, leaving no room for expenditures on operations and maintenance, as well as on capital projects.
159. During the first six months of this year, pay dates of the public service, grant-aided institutions and pensioners have had to be periodically rescheduled from normal programmed pay dates as a result of resource constraints.
160. Similarly, the staggering of 2015 bonus payments that stretched into July 2016 resulted in difficulties in paying the June salaries on time, thereby forcing Government to shift the pay dates into July.
161. The Public Service pay dates cycles have since been modified by spreading payment of the monthly wage bill over six payment dates from the previous four payment dates.
162. However, large expenditures on the wage bill have left the 2016 Budget struggling to honour both developmental expenditures as well as targeted external payment obligations.

163. The measures that this Mid-Year Fiscal Policy Review is proposing, therefore, also target creation of Budget fiscal space to allow the address of developmental expenditures and some of the targeted external payments.

Public Debt

164. The country faces a huge external debt overhang of around US\$7.5 billion as at end of June 2016, with arrears accounting for almost 80% of the debt.

Total Debt as at 31 June 2016 (US\$m)

	Central Government		Public Guaranteed		Total	% of Total Debt
	Debt Disbursed And Outstanding	Arrears	Debt Disbursed And Outstanding	Arrears		
Total	3,664	4,028	285	1,773	9,704	100
Total External Debt	1,417	4,028	285	1,773	7,457	75
Bilateral Creditors	1,060	2,371	85	698	4,169	42
<i>o/w: Paris Club</i>	160	2,239	52	691	3,105	31
<i>Non-ParisClub</i>	899	132	32	7	1,070	11
Multilateral Creditors	357	1,657	200	488	2,701	27
<i>o/w: AfDB</i>	36	549	-	72	657	7
<i>IBRD</i>	-	624	-	276	900	9
<i>IDA</i>	276	242	-	-	518	5
<i>IMF</i>	-	111	-	-	111	1
<i>Others</i>	45	131	200	140	516	5
RBZ Assumed	-	-	-	587	587	6
Total Domestic Debt	2,247	-	-	-	2,247	22

Source: Zimbabwe Debt Management Office

165. The debt problems are weighing heavily on the country's development needs and will continue to negatively impact on the country's ability to significantly bring down the levels of poverty.

166. In addition, the debt overhang is militating against the country's efforts to mobilise reasonably priced long-term lines of credit.

Loan Repayments

167. Clearance of arrears and unlocking of new financing will require that Zimbabwe builds capacity to honour old and new debt obligations to IFIs and other bilateral and new lenders.

Banking and Monetary Sector

168. The banking sector remains sound and stable despite the recent shortage of physical US dollar cash, emanating mainly from fiscal pressures.
169. This situation has a negative bearing on financial intermediation, a critical factor for the performance of the real sector of the economy.
170. The acquisition of Non-Performing Loans (NPLs) by the Zimbabwe Asset Management Company (ZAMCO) has also given breathing space to the banking sector and to the resuscitation of the real sector of the economy.

Liquidity and Cash Challenges

171. Mr Speaker Sir, it is important that we all appreciate the inter-linkages, under a multi-currency system, between liquidity and

external inflows into the banking system through production for export, diaspora remittances, foreign direct and portfolio investments, as well as foreign lines of credit.

172. In light of the importance of exports in sustaining the multi-currency system, Government has instituted a number of export incentives, including the bond notes scheme supported by the counter-cyclical facility from the AfreximBank. This is being complemented by measures on ensuring efficient utilisation of foreign currency.

173. Furthermore, the Diaspora Policy is now in place and stands to promote inflows of diaspora remittances into the country, and hence, improve the liquidity situation.

Banking Sector Capitalisation

174. Mr Speaker Sir, a well-capitalised banking sector is positioned to play a more meaningful financial intermediation role in addition to boosting public and investor confidence in the sector.

175. As at 30 June 2016, all operating banking institutions were in compliance with the prescribed minimum capital requirements.

176. The banking sector's aggregate core capital increased by 16.8%, from US\$0.89 billion as at 30 June 2015 to US\$1.04 billion as at 30 June 2016, on the back of improved earnings performance.
177. The Reserve Bank is monitoring banking institutions' progress towards compliance with the 2020 minimum capital requirements.

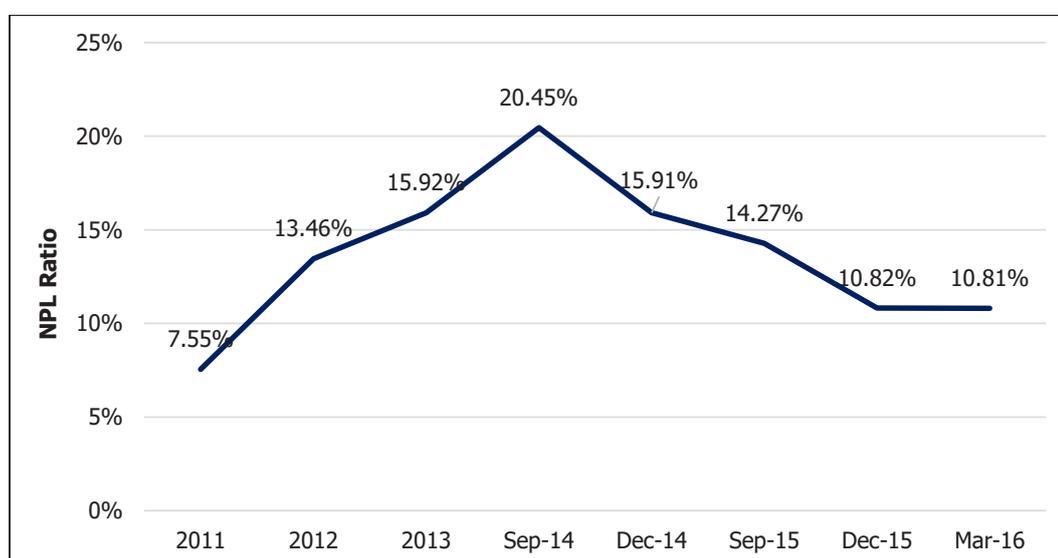
Earnings Performance

178. Mr Speaker Sir, banking institutions are instituting various measures to enhance their earnings capacity through embracing technology in banking, which is more cost efficient than traditional approaches to banking.
179. As a result, the banking sector has remained profitable, registering an aggregate net profit of US\$68 million for the half year to 30 June 2016, up from the US\$34.9 million reported for the corresponding period in 2015.
180. The increase in banking sector profitability was largely driven by lower loan loss provisions in line with improving asset quality, lower interest expenses, business model realignment and cost rationalisation by most institutions.

Non-Performing Loans

181. Mr Speaker Sir, asset quality in the banking sector continued to improve as reflected by an improvement in the ratio of non-performing loans (NPLs) to total loans, from a peak of 20.4% as at 30 September 2014 to 10% as at 30 June 2016.

Non-Performing Loans to Total Loans



Source: Reserve Bank

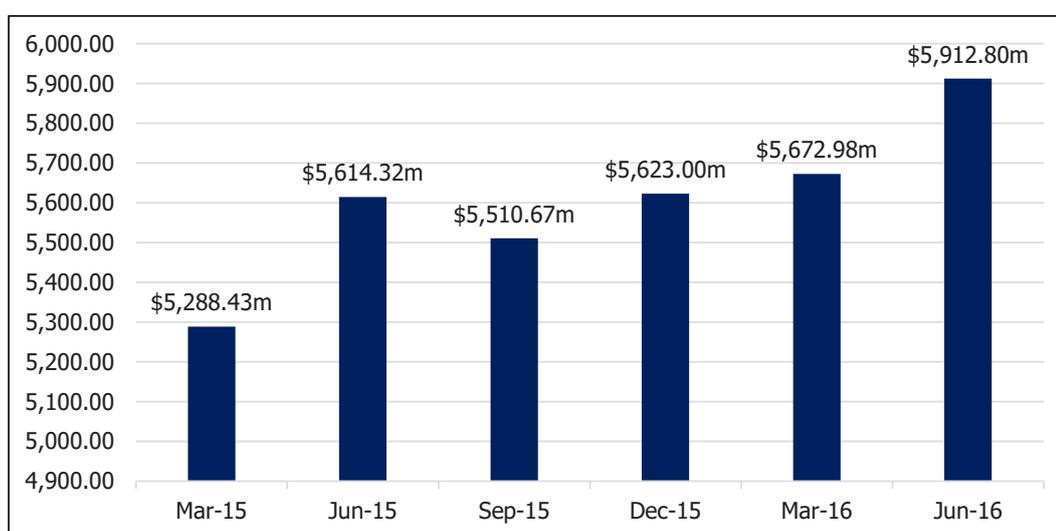
182. The improvement in asset quality is largely attributed to enhanced credit risk management strategies, as well as the takeover of qualifying non-performing loans by ZAMCO.

183. As at 30 June 2016, banking institutions had disposed qualifying non-performing loans amounting to US\$528.4 million to ZAMCO.

Banking Sector Deposits

184. Total banking sector deposits have been on a growth trajectory, increasing by 5.5% from US\$5.6 billion, as at 30 June 2015, to US\$5.9 billion, as at 30 June 2016, spurred by tobacco selling season related inflows.

Total Deposits: March 2015 to June 2016



Source: Reserve Bank

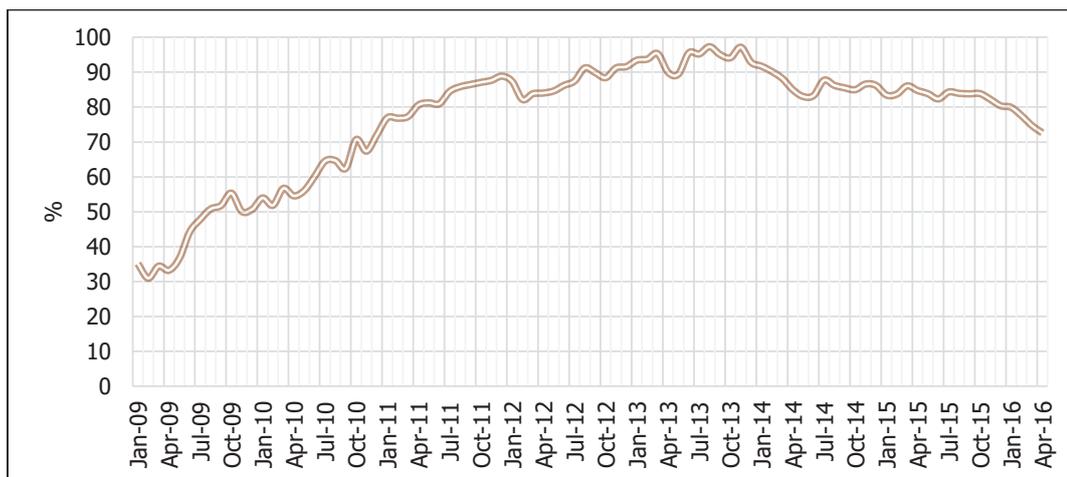
185. Commercial banks accounted for US\$4.65 billion (81.89%) of total banking sector deposits as at 31 March 2016.
186. By end of June 2016, commercial banks deposits had risen to US\$4.86 billion or 82.63% of total banking sector deposits.
187. However, the banking sector was exposed to cash shortages, largely as a result of macro-economic challenges facing the country, including lack of fiscal space and the current account deficit.

Credit to Private Sector

188. Mr Speaker Sir, the liquidity challenges I have alluded to have also affected the pattern of credit extension.

189. Consequently, the loans to deposit ratio was on the decline, with banks sitting on relatively more funds than what they have been previously lending.

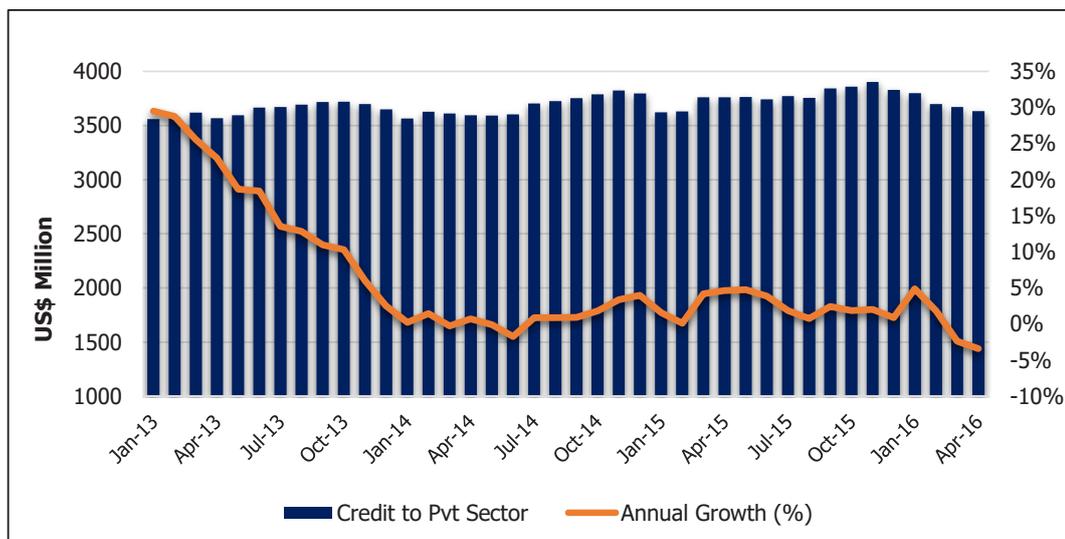
Loans to Deposit Ratio



Source: Reserve Bank

190. Loans and advances declined from US\$4 billion as at 30 June 2015 to US\$3.7 billion as at 30 June 2016, largely as a result of cautious lending approach by banking institutions, in response to the operating environment and disposal of non-performing loans to ZAMCO.

Credit to Private Sector



Source: Reserve Bank

191. Lending to individuals, which has predominated overall lending since 2013, remained the highest and is not all consumptive, as it includes loans to individuals for agricultural and other productive purposes.

Sectoral Distribution of Credit (%)

Sector	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 Jun 2014	31 Dec 2014	26 Jun 2015	31 Dec 2015	30 Jun 2016
Individuals	15	18	24	25	25	25	28	29
Services	18	18	17	18	16	17	14	18
Agriculture	18	15	16	16	16	17	17	16
Manufacturing	20	17	15	14	13	12	12	11
Communication	1	7	8	7	2	2	2	1
Mining	6	7	5	4	4	6	5	4
Distribution	7	9	8	8	8	13	15	13
Financial Firms	3	3	3	2	2	3	2	2
Construction	4	4	4	4	4	3	3	4
Transport	3	3	2	3	3	2	2	3
Total	100							

Source: Reserve Bank

192. The banks' short-term liability structures continue to constrain banking institutions capacity for enhanced financial support to construction, communication and mining sectors which require medium to long term funding.

Prudential Liquidity Ratio

193. An average prudential liquidity ratio of 49% as at end March 2016, was above the stipulated minimum regulatory requirement of 30%. Seventeen out of the eighteen operating banks were compliant with the prudential liquidity ratio as at end March 2016.

194. The high average prudential liquidity ratio is partly attributed to a cautious approach to lending by some banking institutions in a bid to contain non-performing loans and to enhance liquidity risk management.

195. Banking institutions with temporary liquidity challenges can access the African Export Import Bank Trade Debt Backed Securities (AFTRADES) facility.

196. The AFTRADES facility was set up to lower the risk of borrowing among banks by transferring it to an external financial institution and, thus, encouraging confidence in lending among banks, thereby stabilising the financial sector.

Interest Rates

197. Mr Speaker Sir, in order to allow affordable lending to productive sectors and also instil confidence in the banking sector, the Reserve Bank and the Bankers Association of Zimbabwe have been engaging individual banking institutions to reduce lending interest rates to a maximum of 15%.
198. To that end, I am pleased to report that banking institutions have heeded the call, resulting in a downward re-adjustment of the structure of lending rates.
199. The Reserve Bank and the Bankers Association continue to monitor the situation, with individual banks required to adequately disclose and communicate their lending terms and conditions to customers.
200. Mr Speaker Sir, lower interest rates will inevitably reduce the cost of capital and, thus, improve the competitiveness of domestically produced products on the export markets.

Bank Charges

201. Mr Speaker Sir, the core business of banks is financial intermediation, i.e. taking deposits and on-lending them, and in the process principally earning interest income.

202. Hence, over-reliance on income from levying charges, fees and commissions on customers undermines this role.
203. Government, therefore, welcomes initiatives by the Reserve Bank and the Bankers Association to lower bank charges.
204. Already, charges on electronic transactions were reduced effective 14 June 2016, as part of the interventions to support use of plastic money.

Financial Inclusion

205. Mr Speaker Sir, I have previously reiterated the importance of sustained and inclusive economic development through ensuring that low income and other vulnerable groups have access to appropriate financial services and instruments.
206. Against this background, Government is implementing the National Financial Inclusion Strategy, which was launched on 11 March 2016 in collaboration with the Reserve Bank and other stakeholders.
207. The overarching objective of the Strategy is to open up access to appropriate financial services to the marginalised and the unbanked, that way deepen financial intermediation.

Zimbabwe Stock Exchange

208. The 34% decline in market capitalisation since January 2015 is a reflection of the contraction of the economy, which weakened share prices.
209. In addition, subdued trading, disinvestment by mainly foreign investors, and weak local investment, also led to value erosion on the Zimbabwe Stock Exchange.
210. Foreign investor participation on the Stock Exchange declined, as reflected by an increase in net outflows of US\$1.1 million and US\$15.4 million in the first quarter of 2015 and that of 2016, respectively.
211. Companies in the commodities and manufacturing sector were the most affected, in light of declining aggregate demand, on the back of waning consumer spending power, as well as weak international commodity prices.

Insurance and Pensions Industry

212. The performance of the insurance and pension sector has largely remained sluggish, as a result of the prevailing liquidity crunch and general slowdown in the economy.

Capitalisation

213. As at 31 March 2016, a total of nine out of fifty-four registered underwriters were not compliant with the Minimum Capital Requirements as stipulated in Statutory Instrument 21 of 2013.

214. The Table below shows the level of compliance to minimum capital requirements for different classes of business.

Compliance with Minimum Capital Requirements as at March 2016

Class of Business	Requirement (US\$)	Number of Entities	Non-Compliant Entities
Non-life Insurance	1 500 000	23	3
Non-life Reinsurance	1 500 000	6	-
Composite Reinsurers	3 000 000	2	-
Life Assurance	2 000 000	12	2
Funeral Assurance	1 500 000	9	3
Life Reassurance	1 500 000	2	1

Source: IPEC

215. In my previous Budget, I announced an upward review of minimum capital requirements in the 2016 Budget Statement. The necessary legislation to effect the increase is being finalised.
216. The legislation will also address the undesirable practice that the regulator has witnessed, whereby shareholders, in a bid to comply with minimum capital requirements, purport to inject assets, especially properties, into insurance companies without the transfer of the requisite ownership.
217. As a result, these assets are never available to support policyholder obligations and in the case of liquidation, policyholders are usually left exposed.

Insurance Industry Business

218. Mr Speaker Sir, the volume of business written by direct insurers in terms of total Gross Premium Written amounted to US\$163.51

million for the quarter ended March 2016, reflecting a 5.86% increase from US\$154.46 million reported for the comparative period in 2015.

219. The increase was mainly driven by the growth in life insurance business, in particular funeral policies written by both life and funeral assurers. However, non-life business was depressed, recording a 6.06% decrease as compared to first quarter performance for 2015. This is a reflection of the sensitivity of insurance to the general performance of the economy.

Performance of the Insurance Industry in Terms of Business Written

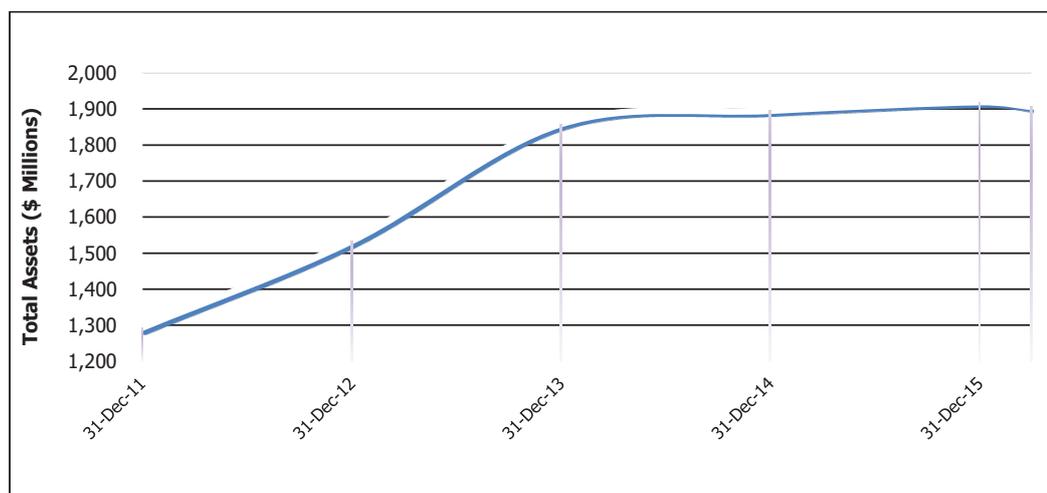
Class of Business	Gross Premium Witten (\$)		Percentage Change
	31 March 2015	31 March 2016	
Non-life Insurers	70 887 087	66 592 788	-6.06%
Life Assurers	74 470 000	87 650 000	17.70%
Funeral Assurers	9 101 000	9 267 000	1.82%
Total Direct Insurance	154 458 087	163 509 788	5.86%

Source: IPEC

220. Total assets for all the underwriters in the insurance sector decreased marginally by negative 0.71% from US\$1.92 billion as at 31 December 2015 to US\$1.91 billion as at 31 March 2016.

221. The Table below shows the trend in total assets since 2011.

Trend in Total Assets for the Insurance Industry



Source: IPEC

222. The breakdown of total assets per sub-sector of the industry is as shown in the Table below.

Breakdown of Total Assets in Terms of Subsector (US\$ mil)

Class of Business	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Mar-16
Non-life Insurance	145.47	163.56	179.66	193.95	193.95
Non-life Reinsurance	116.82	121.14	119.12	134.43	143.23
Life Assurance	1 205.77	1 482.09	1 535.13	1 525.56	1 499.74
Funeral Assurance	60.21	78.29	47.73	51.44	53.04
Life Reassurance	5.58	13.35	13.79	14.19	13.83
Total	1 533.84	1 858.43	1 895.43	1 919.57	1 924.70

Source: IPEC

Prescribed Assets Compliance

223. The insurance and pensions industry's compliance to prescribed assets as at end of March 2016 is depicted in Table below.

Compliance to Prescribed Assets

Class of Business	Prescribed Assets Requirement	Level of Compliance as at 31 March 2016	Level of Compliance as at 31 March 2015
Pensions Funds	10%	7%	5%
Life Assurers	7.5%	10.75%	3.50%
Funeral Assurance	7.5%	0.7%	0.53%
Short-Term (non-life) Insurers	5%	10.96%	1.27%
Short-Term (non-life) Re-insurers	5%	8.18%	2.96%

Source: IPEC

224. Whilst there has been an improvement in compliance to the prescribed assets requirements across the industry, it should however be noted that a few players whose prescribed assets holdings were far above the minimum requirement accounted for the overall industry's compliance above the minimum requirement. The majority of the players remained non-compliant.
225. Out of 54 underwriters that were operating as at end of March 2016, only 17 were compliant with the minimum prescribed assets ratio.

Regulatory Concerns

226. The insurance industry continues to be-devilled by poor corporate governance challenges emanating mainly from owner managed insurance entities, conflict of interest and related party transactions.
227. It has been noted with concern that some shareholders are engaging in undesirable practices whereby they use their

insurance companies as cash-cows to fund their non-insurance business ventures, at the expense of creating the necessary insurance pools (reserves), required to meet insurance claims as and when they arise.

228. In order to address the challenges mentioned above, the Commission has drafted Corporate Governance Guidelines for implementation before year end, after necessary consultations with the industry.

229. The guidelines are aimed at, among other things:

- Revising the maximum shareholding threshold for individuals and their close relatives;
- Putting in place maximum shareholding thresholds for executives of insurers;
- Providing guidelines on board and board committees composition;
- Imposition of fiduciary duties on directors through a statutory instrument; and
- Providing guidelines on oversight functions.

230. The Insurance and Pensions Commission (IPEC) will, therefore, be taking necessary regulatory action against the offending insurance entity in order to protect interests of policyholders.

Interface Information Technology System

231. Honourable Members will recall that in my 2016 National Budget, I advised that IPEC will be introducing an IT system that would enable the pension and insurance industry to electronically file returns, as well as produce real time reports for prompt decisions.
232. The IPEC has taken necessary procurement steps for the installation of the interface IT system, which will be operational by the end of the year.

Anti-Money Laundering and Combating Financing of Terrorism

233. Mr Speaker Sir, Government is implementing our National Anti-Money Laundering and Combating Financing of Terrorism Strategic Plan for 2015–2018.
234. In this regard, guidance is drawn from the recommendations of the National Risk Assessment Report conducted over the period 2014–2015, with assistance of the World Bank.
235. One of the major aspects raised through the National Risk Assessment Report is enhancing capacity of investigators and prosecutors, as well as that of the Bank Use Promotion and Suppression of Money Laundering Unit (Financial Intelligence Unit).

236. As part of addressing these considerations, the National Prosecuting Authority has already established a Unit dedicated to prosecuting Anti-Money Laundering offences. The Unit works closely with the Bank Use Promotion and Suppression of Money Laundering Unit in the Reserve Bank, as well as with the Police.
237. In order to further strengthen the Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) regime, and also keep abreast with FATF standards, Government is considering setting up a dedicated Money Laundering Investigation Unit within the Police. This will allow specialisation and improved capacity on money laundering investigation.
238. In the same vein, Government is strengthening cooperation among law enforcement agents, including the Bank Use Promotion and Suppression of Money Laundering Unit currently in the Reserve Bank, the National Prosecuting Authority, the Police and the Zimbabwe Revenue Authority, which is critical for success in the fight against money laundering.
239. Furthermore, as part of capacity building, the Bank Use Promotion and Suppression of Money Laundering Unit has acquired a Go-AML system for instantaneous receipt and analysis of suspicious transaction reports.

240. The system allows easier and faster detection of suspicious transactions in banking and non-banking financial institutions, including the securities sector, thereby assisting in maintaining the integrity of the country's financial system
241. On the other hand, technical training for various investigating entities is ongoing, including the recently completed Capacity Building Support in the area of risk based anti-money laundering and countering financing of terrorism, which was funded by the World Bank.
242. Furthermore, additional capacity building support will be received from the United Nations Office on Drugs and Crime for the period to 2018.

Presidency of ESAAMLG

243. Mr Speaker Sir, Government takes seriously its obligations with regards to countering the evils of money laundering, terrorism financing and proliferation of weapons of mass destruction.
244. In this regard, Honourable Members will be aware that last week Zimbabwe took over leadership of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) when we hosted the 32nd Task Force of Senior Officials Meetings well as the 16th Council of Ministers Meetings in Victoria Falls, held over the period 28 August to 3 September 2016.

245. Accordingly, Zimbabwe assumed the Presidency of the ESAAMLG Council of Ministers for a period of one year, commencing in September 2016.
246. Government appreciates the opportunity to assume the responsibility of leadership of ESAAMLG as our region's financial systems address challenges related to anti-money laundering and combating the financing of terrorism.
247. During the Victoria Falls meetings, the 2nd Round Mutual Evaluation Report for Zimbabwe, which was carried out by ESAAMLG over the period 13–24 July 2015, was considered and subsequently adopted by the 16th Council of Ministers.
248. Zimbabwe welcomed the frank discussion of this Report whose recommendations will be used as a basis for reviewing and strengthening the country's laws, institutional arrangements and effectiveness in fighting money laundering and terrorism financing.
249. Government fully appreciates the spirit behind the mutual evaluation process to evaluate the AML/CFT systems in place in order to inform interventions in terms of policy and institutional capacity development with regard to AML/CFT initiatives.

250. In terms of the legal framework, the region has made concerted efforts to ensure that Member States' AML/CFT laws and policies are comprehensive.
251. Generally, the basic foundation of the required framework, such as legal, regulatory and institutional infrastructures, is now in place in many of the region's member states, albeit the need for continuous improvement in line with the new Financial Action Task Force (FATF) standards.
252. The development of effective capacity among ESAAMLG Member States cannot be over emphasised in light of the ravaging impact crimes related to money laundering have on socio-economic development in our region.

Mutual Evaluation of Zimbabwe

253. Mr Speaker Sir, the Mutual Evaluation Report for Zimbabwe which I alluded to above will be published on the ESAAMLG website during the last quarter of 2016.
254. The Report assesses the country's Anti-Money Laundering, Counter Terrorism Financing and proliferation financing systems against the Financial Action Task Force (FATF) Recommendations.
255. In terms of compliance of the country's legislation to the FATF standards, the Report noted that Zimbabwe has a relatively

sound legal, regulatory and institutional framework to combat money laundering and terrorism financing.

256. In particular, the country's laws were found to adequately criminalise all predicate offences to money laundering, meet the requirements of the United Nations Security Council Resolutions on terrorism and terrorism financing, and provide for adequate record keeping of both domestic and international transactions, among others

257. The Report, however, recommends some improvements in the legal and regulatory framework in the following areas:

- Enhancing the legal and institutional capacity to supervise and monitor Non-Profit Organisations' activities and potential for terrorism financing through amendment of the Private Voluntary Organisations Act [*Chapter 17:05*].
- Amendment of the Companies Act [*Chapter 24:07*] to improve transparency of legal persons particularly Trusts, Nominees, and Shelf Companies, among other complex legal arrangements, to enable identification of beneficial owners (natural persons) of transactions that may be associated with money laundering or terrorism financing.
- Amendment of the Money Laundering and Proceeds of Crime Act [*Chapter 9:24*] to address the legal autonomy and operational independence of the Bank Use Promotion

and Suppression of Money Laundering Unit, protection of the intelligence information held by the Unit, dissemination of suspicious transactions reports to other law enforcement agents, in addition to the police, and to obligate financial institutions to put in place risk based anti-money laundering controls, among others.

258. Mr Speaker Sir, Government welcomes the ESAAMLG Mutual Evaluation Report, and will implement the necessary reforms as informed by the recommendations of the Mutual Evaluation Report.

259. In this regard, a Post Mutual Evaluation Implementation Plan to holistically address recommendations of the Mutual Evaluation Report will be developed by end of March 2017, for reporting at the next Task Force of Senior Officials Meeting in April.

260. Furthermore, the necessary legislative reforms will be completed by end of December 2017, in line with ESAAMLG Procedures for Mutual Evaluations.

De-risking

261. Mr Speaker Sir, there is a growing trend whereby international correspondent banks and other financial institutions terminate financial relations with financial institutions in the ESAAMLG member states, including Zimbabwe.

262. The process commonly referred to as de-risking has adversely affected trade transactions and portfolio investments which largely rely on correspondent banking relationships.
263. Mr Speaker Sir, whilst economic sanctions are a factor in de-risking, the phenomenon is, however, also adversely affecting jurisdictions that are not under economic sanctions.
264. For a number of countries in our region, the main reason being cited by correspondent banks' host jurisdictions is high money laundering and terrorism financing risks, coupled with AML/CFT controls.
265. It is, therefore, important that our local financial institutions undertake institutional risk assessments and strictly adhere to the requirements of the AML/CFT controls in order to comply with requirements of their correspondent international banks.
266. Meanwhile, ESAAMLG will be conducting surveys in the region to determine the impact of de-risking, and proffer recommendations for consideration and adoption by member states.

External Sector

267. Mr Speaker Sir, the external sector is also characterised by unsustainable trade and current account imbalances, reflecting

declining exports, low foreign direct investment flows, and limited offshore lines of credit, against high current account outflows, primarily in the form of imports.

Exports

268. As at end of June 2016, exports, which contribute over 60% of the liquidity flows into the country, totalled US\$1.124 billion.

269. In comparison with the corresponding period in 2015, exports declined by 9% from US\$1.232 billion.

Exports (US\$)

	2015	2016
January	267 020 357.00	249 187 245.97
February	260 732 005.80	209 589 639.89
March	188 435 836.28	166 595 684.91
April	185 714 488.01	157 875 383.79
May	137 501 649.41	165 325 205.30
June	192 897 024.92	176 418 990.37
Total	1 232 301 361.42	1 124 992 150.23

Source: ZIMSTAT

270. The decline in export performance is a reflection of the overall slowdown in real economic activity in 2016, weighed down by the following factors.

- Drought-induced contraction in agriculture;
- Declining global mineral prices;
- Weakening of regional and other trading partner currencies;

- Suppressed capacity utilisation in the manufacturing sector;
and
- Lack of affordable external lines of credit.

Imports

271. The import bill for the first half of 2016, though down 14% on the US\$2.9 billion for the corresponding period in 2015, remains unsustainably high at US\$2.5 billion.

Imports (US\$)

	2015	2016
January	519 568 574.97	395 364 970.01
February	474 425 593.24	427 727 110.01
March	499 402 078.04	478 066 878.36
April	438 407 700.50	356 493 195.37
May	452 935 239.34	408 364 622.32
June	532 342 522.07	430 555 618.58
Total	2 917 081 708.16	2 496 572 394.65

Source: ZIMSTAT

272. The decline in imports is also beginning to benefit from a combination of the Priority list put in place by the Reserve Bank in May 2016 to ensure effective utilisation of foreign exchange and the recently gazetted Statutory Instruments, which removed goods that are locally available from Open General Import Licence exemption.
273. The still relatively high import level has also meant a high current account deficit, which is estimated at US\$2.5 billion during the first half of the year, and constituting 12% of GDP.

274. This represents a significant and unsustainable outflow of liquidity from the domestic economy.

275. Mr Speaker Sir, the containment of over dependency on imports should limit the overall balance of payments projection to a deficit of US\$397.6 million for 2016.

Diaspora Remittances

276. Diaspora remittances, which are a major source of liquidity in the country after exports, declined by 15% over the first half of the year mainly as a result of rapid currency depreciation in source markets against the US dollar.

277. During the first six months of 2016, diaspora remittances amounted to US\$387.9 million, compared to US\$457.8 million received during the corresponding period in 2015.

278. However, part of the decline might also be reflective of increased use of informal transfer channels.

Diaspora Remittances (US\$)

Month	2015	2016
January	75 943 245.00	62 936 481.71
February	76 526 890.00	62 602 105.42
March	78 945 298.00	67 413 139.47
April	76 048 379.00	70 763 202.45
May	80 349 221.00	63 190 342.90
June	70 086 300.00	61 027 884.69
Total	457 899 333.00	387 933 156.64

Source: Reserve Bank

279. The anticipated decline in diaspora remittances beyond 2016 would exert further pressure on the country's balance of payments.

280. It is, therefore, vital that we expedite the implementation of the National Diaspora Policy to provide an enabling framework that promotes the flow of the funds through the formal financial system.

Foreign Private Capital

281. Mr Speaker Sir, private sector offshore external loans have been an integral source of liquidity in the economy since adoption of the multi-currency system in 2009. These loans have mostly been utilised for working capital and capitalisation.

282. During the period from January–June 2016, the Reserve Bank approved and registered a total of 156 private sector loan facilities totalling US\$976.4 million. The agriculture sector has the highest contribution of 49%, which is mostly buoyed by the tobacco sector.

283. Comparison with the same period in 2015 shows that as at end June 2015, a total of 185 facilities had been approved with total monetary value of US\$1.2 billion.

Loan Approvals

Month	2016		2015	
	Number of Facilities	Approved Amount (US\$ mil)	Number of Facilities	Approved Amount (US\$ mil)
January	28	27.4	18	98.8
February	21	133.1	28	129.8
March	29	126.6	52	170.4
April	18	73.9	31	373.9
May	23	427.5	24	111.3
June	39	187.8	32	278.5
Total	158	976.4	185	1 162.0

Source: Reserve Bank

284. Mr Speaker Sir, dependency on loan financing as opposed to equity financing to fund business investments is often symptomatic of investors' mitigation of perceived unfavourable investment climate and risks.
285. This is also true for investors who resort to using the Engineering Procurement Construction (EPC) model as opposed to equity investment.
286. Unfortunately, loan financing is costly and carries with it obligations related to loan repayment, interest payments, as well as establishment and drawdown fees and charges.
287. Mr Speaker Sir, Government is working to reverse this trend by introducing measures supportive of equity based foreign direct investments, consistent with experiences of rapidly developing economies in the region.

288. Hence, Mr Speaker Sir, it is of utmost importance that the country improves its ease of doing business environment and investor confidence in order to attract more foreign direct investment, and other offshore inflows critical for growth.

IV. POLICY REVIEW THRUST

Policy Priorities

289. Mr Speaker Sir, notwithstanding the prevailing depressed economic activity, Government remains focussed on ensuring that the Zim Asset programmes and targets remain on track, with relentless efforts being directed, first and foremost at stimulating production in all key sectors of the economy.

290. This should be complimented by demand side measures, critical for building a conducive operating environment for our productive sectors and macro-economic stability.

291. Urgent priorities under the 2016 Mid-Year Policy Review, therefore, relate to the following:

- Poverty reduction;
- Stepping up efforts on stimulating productive sectors;
- Improving the investment/ease of doing business environment;
- Restoring fiscal discipline in the public sectors;
- Rebuilding confidence in the financial sector;

- Advancing the re-engagement process in order to fully normalise relations with the international financial community, that way eventually opening access to new financing;
- Enhancing efforts on mobilising domestic resources for our Zim Asset programmes; and
- Maintenance of the multi-currency regime.

Multiple Currency Arrangement

292. Mr Speaker Sir, the multi-currency arrangement remains central to our policy thrust as already enunciated in the Zim Asset.

293. I, therefore, also want to further allay fears and concerns of re-introduction of the Zimbabwe dollar through *'the back door'*.

294. As I have on many occasions previously reiterated, and as has also been stated by the Governor of the Reserve Bank, the economy is not yet ready to adopt its own currency, and will remain with the multiple currency regime, until such a time when our economic fundamentals are capable of supporting a local currency.

295. Hence, our efforts should be directed at building reserves in the different foreign exchange reserve multi-currencies, that way also mitigating against risks associated with using one currency.

296. This is also in view of difficulties, on the part of traders, in accessing other currencies owing to heavy reliance on the US dollar.

297. Indeed, some cooperating partners are preferring to be paid in other currencies beside the US dollar.
298. Government has, therefore, agreed to take steps to move away from sole reliance on the US dollar and encourage the use of other currencies such as the euro and the rand.
299. Promoting increased use of the euro and the rand will also boost investment and trade relationships between Zimbabwe and the European Union and South Africa, which both present huge markets for our various agricultural commodities.

V. STIMULATING PRODUCTION

300. Mr Speaker Sir, allow me now to turn to respective proposals on urgent policy interventions to stimulate production across the various sectors. This will also entail me touching on some of the specific sectoral developments during the first half of 2016.

Agriculture

Performance

301. Mr Speaker Sir, I have already alluded to the drought situation that undermined agricultural performance, against the background of the El-Nino effect on rainfall across Provinces.

302. This adversely affected most crops, with lower yields projected for 2016 compared to last year.

303. Decline in agricultural output of 4.2% comes even after taking account of rainfalls from January, which allowed some maize re-plantings in some farming areas.

Agriculture Production (tons)

	2009	2010	2011	2012	2013	2014	2015	2016
Tobacco (flue cured)	58.6	123.4	132.9	144.5	166.6	216.0	198.9	201.0
Maize	1 240.0	1 328.0	1 452.0	968.0	798.6	1 456.0	742.2	511.0
Beef	93.0	85.7	78.4	77.5	78.2	74.0	84.0	95.0
Cotton	211.0	270.0	250.0	350.0	143.0	143.8	105.0	32.0
Sugar cane	2 544.7	2 974.0	3 264.6	3 925.5	3 472.8	4 400.8	4 399.0	4 400.0
Horticulture	35.0	43.0	45.0	51.0	55.0	59.0	69.4	65.0
Poultry	42.0	46.9	65.3	69.0	102.7	138.1	151.0	151.0
Groundnuts	216.0	186.0	231.0	120.0	86.7	135.0	88.9	47.2
Wheat	48.0	41.5	53.1	33.7	39.2	58.7	62.3	60.0
Dairy (m lt)	56.3	58.8	63.0	67.2	65.6	66.7	71.9	75.0
Coffee	0.3	0.2	0.3	0.4	0.4	0.5	0.6	0.6
Soybeans	115.0	70.0	84.0	70.5	76.9	84.7	57.9	47.7
Tea	13.0	15.0	25.0	24.5	24.5	24.5	14.0	14.0
Paprika	3.0	4.0	3.5	4.0	4.5	5.0	5.5	5.5
Pork	7.1	7.1	8.9	9.1	9.4	8.4	8.9	10.8
Wildlife	56.0	56.0	47.0	48.0	49.0	49.0	51.0	30.0
Sorghum	181.0	132.0	95.0	64.8	69.2	136.5	39.7	36.3
Barley	40.0	44.0	44.0	44.0	47.2	19.5	18.0	18.0
Sheep & goats	3.2	3.2	6.4	8.3	7.6	8.0	10.3	10.6
Sunflower seeds	39.0	14.0	12.0	15.0	17.0	21.0	21.0	25.0
Ostriches	15.0	16.0	17.0	17.0	19.0	19.0	19.0	19.0
Growth Rate	31.1	33.5	8.4	4.3	0.0	23.0	-5.2	-4.2

Source: Ministry of Agriculture, ZIMSTAT

304. Tobacco, which is our main source of liquidity, recorded sales of 201 million kgs of crop as at 2 September 2016.

305. This surpasses the targeted crop of 170 million kgs for the year. The average price so far is US\$2.94 per kg, close to that for 2015 as indicated in the Table below.

Tobacco Deliveries as at 2 September 2016

Seasonal	Auction	Contract	Total 2016	Total 2015	% Change
Mass sold(kg)	35 915 132	165 589 545	201 504 677	195 654 867	2.99
Value(US\$)	91 218 213	501 344 799	592 563 012	576 390 463	3
Average price US\$/kg	2.54	3.03	2.94	2.95	(0.2)
Production Act/Target			170 000 000	198 900 000	

Source: Tobacco Industry Marketing Board

306. With regards to maize production this year, indications are that output will be around 511 816 tons, against the initial projection of 450 000 tons.
307. The higher than anticipated output is attributable to good rains received in the second half of the season that helped some of the late planted and re-planted maize crop.
308. Winter wheat growing is now at an advanced stage, with 11 206 hectares already planted as at 10 June 2015.

Grain Deliveries

309. Mr Speaker Sir, as at the end of August 2016, cumulative deliveries to the GMB from local farmers stood at 175 000 tons, worth US\$68.3 million.

310. The un-anticipated deliveries are attributed to our timeous payment to farmers as they deliver. Currently, payments are being made within 14 days of delivery.
311. Payments made by Government so far to farmers for deliveries to the GMB this marketing season amount to US\$60.3 million, leaving a balance of US\$7.7 million, which is currently being processed.
312. Resultantly, the GMB is currently holding 273 000 tons of maize in stock, inclusive of imports, which at an ex-GMB off-take rate of 35 000 tons per month represents seven months of GMB sales.

Grain Imports

313. This year's estimated maize grain harvest of 511 816 tons falls short of the normal national grain requirement of 2.2 million tons.

2015/2016 Grain Harvest Forecast

Crop	Tonnage
Maize	511 816
Sorghum	36 305
Millet	27 461
Total	575 582

Source: Ministry of Agriculture, Mechanisation and Irrigation Development

314. Government interventions to provide for the national maize grain deficit of 1.7 million tons are being complemented by private sector and development partners' imports.

315. In this regard, as at 29 July, Government had procured imports of 188 831 tons of maize, costing US\$71.5 million.
316. On the other hand, the private sector has so far imported 278 000 tons in the form of both maize and mealie meal, worth over US\$100 million.
317. Mr Speaker Sir, development partners are also supporting Government in mitigating the impact of the El Nino induced drought.
318. To this end, development partners, who pledged US\$360 million under their Drought Response Plan for April 2016 – March 2017, have as of July 2016, mobilised US\$110 million for importation of grain.
319. Development partner support is not only towards grain importation, but is also focussing on emergency rehabilitation of some rural water supply points for identified vulnerable households, and school feeding, among others. In this regard, US\$1.5 million has been spent on health and nutrition, while US\$0.4 million went towards water and sanitation.
320. Mr Speaker Sir, let me take this opportunity to thank our development partners for their unwavering support towards complementing Government's efforts in responding to the El Nino induced drought.

Livestock

321. Mr Speaker Sir, implementation of Government's Livestock Policy to sustainably promote the development of this sub-sector is underpinning recovery.
322. The cattle herd stood at 5.528 million, up from 5.477 million in 2014/15.
323. Recovery in livestock numbers across all categories, with the exception of goats, is in spite of the adverse effects of the drought.
324. Livestock drought mitigation projects over access to feed, coupled with rehabilitation of water points have helped farmers.

Smallholder Livestock Support Programme

325. The EU is supporting smallholder livestock through the rehabilitation of infrastructure which includes 50 dip tanks, 7 feedlots and 131 boreholes in Nkayi and Lupane districts, benefitting 40 000 households.
326. In addition, the EU is also supporting the livestock value chain with the development of formalised markets as well as animal health and disease control.
327. To this end, a total amount of US\$1.6 million has been disbursed towards these projects during the period January–June 2016, against a projection of US\$1 million for the year.

Dairy

328. Milk production stood at 31.9 million litres in the first six months of 2016, up from 27.6 million litres in the same period last year, benefiting from growth in the national dairy herd supported by the Dairy Revitalisation Strategy. About 72 million litres is projected to have been produced by the year end.
329. The training and capacitation of farmers by the Zimbabwe Association of Dairy Farmers Association, as well as the sharing and fusion of knowledge and expertise among farmers should support further positive performance.

Irrigation Development

330. Given the devastating effects of climate change being faced by the country, priority should be accorded to enhancing climate resilience and mitigation programmes in all climate sensitive sectors of the economy.
331. This includes scaling up on irrigation development, construction of water reservoirs, adaptation of low carbon and climate resilient development pathways, breeding of drought tolerant crop varieties, strengthening of early warning systems, among others.
332. In view of the above, Government views irrigation development as critical to raising productivity and output of the agriculture

sector, thus improving standards of living, especially in drought prone farming areas.

333. Through the Drought Mitigation Programme, Government has identified interventions needed to rehabilitate existing irrigation schemes.
334. Government is also collaborating with development partners, to compliment these interventions.

Irrigation Works

335. With assistance from Japan, Government is undertaking development and irrigation works at Nyakomba Irrigation scheme at a total cost of US\$15 million. Commencement of works is expected during the second half of 2016.
336. Government has also secured a grant of US\$25.5 million from IFAD under the Debt Sustainability Framework to fund rehabilitation of 4 000 hectares under the Smallholder Irrigation Revitalisation Programme in communal and old resettlement areas in Manicaland, Masvingo, Matabeleland South and Midlands Provinces at a cost of US\$53 million.
337. Furthermore, Government has requested additional co-financing from the OPEC Fund for International Development (OFID)

amounting to US\$20 million, and the Fund has expressed interest to support.

338. Let me also acknowledge the support we are receiving for irrigation development projects from the European Union (EU) and the Swiss Development Cooperation, and administered through the Food and Agriculture Organisation (FAO).

339. Under this programme, the EU is supporting rehabilitation of irrigation schemes, training of extension staff and farmers, as well as facilitation of market linkages for 20 smallholder irrigation projects in Beitbridge, Chipinge, Chimanimani, Gwanda, Matobo, Mangwe and Makoni districts.

340. To date, US\$1.6 million had been disbursed, against a projection of US\$4.5 million in 2016.

341. The Swiss Development Cooperation is funding the rehabilitation of 14 irrigation schemes in Bikita, Gutu, Masvingo and Zaka districts, targeting 657 hectares.

342. To this end, US\$1 million was disbursed over the period January–June 2016, against a projection of \$3.5 million for 2016.

Farmers' Participation

343. Sustainability of the irrigation schemes in the medium to long term requires that beneficiaries also reinvest their incomes towards maintenance of the schemes.
344. In order to build sustainability, consideration is being given to raising a charge against farmers who are beneficiaries of irrigation schemes for pooling into a Central Fund to be used for maintenance of schemes, consistent with the Land Tenure (Control of Irrigable Area) Regulations.
345. Consultations are ongoing with respect to the quantum of such a levy.
346. Farmers are also still expected to meet operational bills related to electricity and water consumption.

ARDA Graduation Programme

347. Government has, through ARDA, organised A1, A2 and commercial farmers with potential irrigable land to overcome challenges related to financial resources and technical capacity to join hands with the Authority for purposes of utilising land that would, in the absence of irrigation, otherwise lie idle.
348. To date, 375 farmers with a potential irrigable hactarage of 41 000 ha have tendered their farms for possible partnerships

with ARDA, with potential to produce 300 000 tons of maize, 320 000 tons of wheat and 30 000 tons of soya beans.

349. Government will facilitate mobilisation of the funding from the market, with beneficiaries being responsible for the repayment of the lines of credit.

Pipeline Irrigation Programmes

350. Furthermore, forthcoming programmes between Government and the IFIs have identified agriculture as central in transforming the economy.
351. Accordingly, respective priority agriculture and irrigation projects are being identified and will be integral under the IPRSP with the World Bank and the Joint Country Strategy with AfDB.

Mechanisation

352. Government received equipment worth US\$38.4 million under the More Food for Africa Programme from Brazil, with the equipment benefitting farmers under 155 irrigation schemes countrywide.
353. The Table below provides the distribution schedule of equipment under the First Phase of the Programme.

Distribution Schedule

Province	Equipment Distributed							Revenue Generated (US\$)
	Tractors	Disc Ploughs	Rom Discs	Planters	Fertiliser Spreaders	Knap Sack Sprayers	Commitment Fees (US\$)	Hiring
Manicaland	32	30	28	25	13	989	24 824	7 512
Midlands	31	25	26	26	7	546	33 292	20 214
Mashonaland Central	47	33	37	34	9	883	62 730	143 056
Mashonaland West	39	29	36	34	6	771	74 564	113 882
Mashonaland East	39	27	39	39	8	894	41 582	69 894
Masvingo	30	19	21	20	7	696	35 786	27 662
Matabeleland North	36	30	28	29	9	772	26 994	26 874
Matabeleland South	32	27	28	25	6	471	29 064	9 094
Total	286	220	243	232	65	6 022	328 836	418 188

Source: MOAMID

354. Discussions are underway for Brazil to disburse the second tranche of equipment worth US\$30 million.
355. The major guiding principle for the programme is that beneficiaries will fully service the loan and interest obligations. It should be noted that disbursements on the second tranche hinges on the success of the first programme.
356. However, repayment by farmers to date has indicated that collections will not be sufficient to cover the interest and capital repayments.
357. It is, therefore, imperative that the responsible Ministry ensures that collections from beneficiaries are consistent and adequate to meet both interest and principal repayments.

Season Preparations

358. Preparations for the forthcoming summer cropping season are already underway and Government, in consultation with the private sector, is working on the respective financing arrangements.
359. The forthcoming programme targets to put 2.25 million hectares under crop production at an estimated cost of over US\$1.5 billion.
360. Mr Speaker Sir, intervention programmes benefitting livestock are also in place, and are estimated to require some US\$500 million.
361. With regards to targeted crop production, allow me first to highlight the key elements of the Special Maize Production Programme.

Special Maize Production Programme

362. Mr Speaker Sir, for the forthcoming season, Government has adopted a Special Maize Production Programme targeting 400 000 hectares of land, expected to produce at least two million tons of maize, enough to meet national grain requirements for the country.
363. Of this targeted hectarage, 264 000 hectares is dry land, while 136 000 hectares is irrigable.
364. This import substitution maize production programme targets both A1 and A2 farmer-participants as well as Government institutional farms, particularly those near water bodies.

365. Already, more than 310 000 hectares of land has been identified, of which over 105 000 hectares is irrigable land, while over 204 000 hectares is dry land.
366. Farmers are signing performance contracts, initially for three consecutive growing seasons, commencing with the 2016/17 summer season, and will receive support covering maize seed, fertilizers and tillage.
367. The programme will cost approximately US\$516 million for the initial three years, and key expenditures relate to inputs and labour, including harvesting costs, land preparation and transport expenses, as indicated below:

Programme Requirements

Input type	Quantity (tons)	Value (US\$)
Seed	10 000	24 000 000
Double Compound D	100 000	79 000 000
Ammonium Nitrate	160 000	76 800 000
Lime	280 000	16 800 000
Chemicals		10 000 000
Irrigation development		168 000 000
Working capital		140 400 000
Total		515 800 000

Source: Ministry of Agriculture, Mechanisation & Irrigation Development

368. Government is engaging the banking and private sector to mobilise the respective resources to support farmers under this programme, on a cost recovery basis.

369. Already, a facility to the tune of US\$85 million is now in place, and is being coordinated through the Office of the President and Cabinet.

Fertilizer Supply

370. Mr Speaker Sir, in terms of fertilizer, the introduction of the Special Maize Production Programme has raised fertilizer requirements for the season to 232 500 tons of AN and 285 000 tons of compounds.

371. Local fertilizer companies have assured Government and farmers of their readiness to play their part with regards to supplies.

372. In this regard, current fertilizer stocks stand at 60 000 tons of top dressing, and 40 000 tons of compounds, which are sufficient to kick start the agricultural season.

373. The balance will, however, be met through additional fertilizer production and imports.

374. Accordingly, Government and the banking sector are mobilising resources to assist the fertilizer manufacturing companies to import raw materials for further fertilizer production.

Affordable Fertilizer

375. Mr Speaker Sir, Honourable Members will be aware of previous outcries from farmers over uncompetitive domestic fertilizer prices, with studies confirming local prices above import parity levels, which is compromising the competitiveness of local farmers.
376. In this regard, reports of domestic cost structures for ammonium nitrate (AN) of about US\$560 per ton, do not augur well in comparison to import parity quotations of US\$425 FOB ex-Beira, US\$200 ex-China, and US\$350 ex-Egypt.
377. With regards to phosphates, the local price is reported at about US\$250 per ton, against import parity prices of US\$220.
378. Hence, addressing the issue of high cost of domestic fertilizers is necessary as this constitutes a significant portion of crop output prices.
379. I will, therefore, be proposing temporary liberalisation of specific quantities of fertilizer imports for the next two years, from the 2017 season, that way supporting local farmers access cheaper fertilizer, while giving time for local fertilizer producers to capitalise, modernise and enhance competitiveness.

380. Government will, therefore, monitor pricing for imported fertilizer to ensure that it reflects importation price levels and that should see a gradual decline in prices of respective agricultural produce.

Seeds

381. With regards to seeds, local seed companies have assured Government of adequate supplies, with over 40 000 tons of maize seed available for the coming season.

Vulnerable Households

382. Mr Speaker Sir, in line with our Interim Poverty Reduction Strategy, household food security interventions also target support towards vulnerable households.

383. In this regard, Government, in partnership with development partners, targets to capacitate 800 000 vulnerable households with agriculture inputs to plant 0.4 ha each with maize or small grains during the 2016/17 Summer Cropping Season.

384. The inputs support programme, comprising of 10 kgs of maize or 5 kgs of small grains, 50 kgs each of compound D and ammonium nitrate, is estimated to cost about US\$61.6 million, as indicated in the Table below:

Inputs Support Programme

Type of inputs	Quantity (tons)	Value (US\$)
Maize seed	8 000	19 200 000
Compound D	40 000	20 800 000
Ammonium nitrate	40 000	21 600 000
Total		61 600 000

Source: MOAMID

Smallholder Cotton Farming

385. Furthermore, Government will support smallholder cotton growers with agriculture inputs to put 350 000 ha under a supervised cotton production programme.

Smallholder Cotton Input Support

	Price Per Ton	Quantity	Value (US\$)
Targeted hectares (ha)		350 000	
Cotton seed (tons)	1 700	7 000	11 900 000
Fertilizers			
Compound L (tons)	700	12 250	8 575 000
Top Dressing Fertilizer (tons)	650	12 250	7 962 500
Sub-total			16 537 500
Chemicals			
Aceternak 50g packet 20sp	18 000.0	36.8	661 500.0
Carbaryl (1 kg) 85 wp or Cartap	13 500	245	3 307 500
Lambda/Pyretheroids (500 ml)	9	367 500	3 307 500
Acaricides (250 ml)	13	35 000	448 000
Sub-total			7 724 500
Total			36 162 000

Source: Ministry of Agriculture, Ministry of Finance

386. The programme is estimated to cost US\$36 million to finance the procurement of fertilizers, chemicals and cotton seed, as indicated above.

More Food Africa Programme

387. In addition, Government will capacitate A1 and Communal farmers participating under the More Food Africa programme as well as Government institutional farms to meaningfully contribute towards food security, through provision of agriculture inputs targeting to increase the yield per hectare.

388. The objective is to support transformation of A1 participating farmers to become commercial farmers.

389. The inputs support programme will comprise of 25 kgs maize seed, 300 kgs of compound D and 300 kgs of Ammonium Nitrate, as well as respective agro chemicals per ha, and this is estimated to cost a total of US\$403 per ha.

390. This translates to US\$15.4 million to support the 38 000 ha under both the More Food Africa Programme and institutional farms.

Other Farmer Programmes

391. With regards to other cropping programmes such as tobacco, cotton, livestock, among others, the banking sector, as during

the previous season, has indicated readiness to extend above US\$1 billion in support of such programmes.

392. This is also being complemented by contract farming arrangements and own resources.

Horticulture

393. Mr Speaker Sir, horticulture used to be a major sub-sector with quick export returns of about US\$143 million at its peak in 1999/2000.

394. However, the country realised only about US\$54 million from exports of horticultural produce in 2015, though up from US\$49 million recorded in 2014. This is against US\$1.2 billion annual export earnings for Kenya.

395. In order to further promote horticultural production and exports, Government is working with identified partners, including those from Europe and China in supporting small scale farmers.

396. Further support will include incentives targeting crops such as flowers, fruits, coffee, tea and other crops that have quick turn-around.

397. Furthermore, export restrictions in the form of permits will be removed as part of the Ease of Doing Business.

Research and Extension Services

398. To improve agriculture productivity, concerted efforts will be directed towards targeted support for research, training and extension services, largely through capacitating extension, training and research institutions.

Producer Pricing

399. Currently, the Grain Marketing Board (GMB) is buying maize from farmers at US\$390 per ton while private buyers are purchasing at prices ranging between US\$240–US\$350.

400. The high prices being offered by the GMB are creating opportunities for arbitrage, with middle men buying from farmers at US\$240 and reselling to the GMB at US\$390.

401. Furthermore, the high prices are constraining the fiscus, while the intended beneficiaries and the desired outcome of boosting grains production is not being achieved.

402. An appropriate pricing policy is, therefore, that which ensures viability and efficiency of our farmers while at the same time avoiding the subsidy burden on the fiscus.

403. I, therefore, propose that we gradually converge the GMB floor price with the import parity market price from the 2016/17

agricultural marketing season, mindful of the necessity of guaranteeing viability of our farmers.

404. This requires that farmers and other agriculture stakeholders pay increased attention on achievement of higher yields.

Idle Agricultural Land

405. In my 2016 Budget, I reiterated the urgency of implementing Joint Ventures for idle or under-utilised arable land owned by various Government Departments such as ARDA, Prisons, Defence and the Police. This is important for leveraging all our resources for growth and development.

406. I am happy to report positive strides made by ARDA in implementing such joint venture models which are getting immense support from private players and the banking sector through increased capital injection into ARDA farms, that way promoting enhanced utilisation of land, as well as curbing ARDA's losses.

407. However, it has also come to my attention that there are still many other idle/underutilised farms under other various Government Departments.

408. Government is, therefore, undertaking an audit which will identify all idle/underutilised land across the country in order to promote Joint Ventures and other models of financing to ensure that all land is fully utilised.

409. Mr Speaker Sir, I will also be announcing appropriate incentives for those private companies that initiate Joint Ventures with the above Government Departments/Parastatals, as well as small scale farmers, in the full utilisation of this idle land.

Stop Order System

410. Mr Speaker Sir, side marketing outside contract farming agreements remains a challenge as I announced in my previous Budget Statements.

411. Government, through the Reserve Bank, with the support of key players such as financiers and farmer organisations, is pursuing this issue with a view of plugging loopholes to the Farmers Stop Order Act, thereby curbing side marketing and, hence, attracting additional funding for agriculture.

Commodities Exchange

412. The lack of markets is a discouraging factor for financing some of the crops.

413. The speedy re-introduction of a Commodities Exchange to serve as a marketing information hub for farmers, providing them with information on markets, timing and prices is essential.

414. This issue is, therefore, being speeded up in conjunction with Zimtrade and the AMA, and it will also facilitate the opening up of new markets in and outside the country for some of our agricultural products.

EU Supported Agriculture Programmes

415. Mr Speaker Sir, the EU is also supporting agriculture through an allocation of €88 million, targeting the following activities:

- Roll out and implementation of the National Food and National Security policy as well as the National Nutrition Strategy;
- Increasing the absorptive, adaptive and transformative capacities of households and communities in the face of climate related shocks and stresses; and
- Promoting research for conducive crops that can be grown by farmers as well as promoting the use of water bodies for irrigation, of which €19 million was committed to the Agriculture Based Economic Recovery and the Resilience Building and Food and Nutrition Security Programmes.

416. To date, €10.6 million has been disbursed towards the identified programme.

DFID Support for Food Security

417. Mr Speaker Sir, let me acknowledge the support we are receiving from the UK's Department for International Development (DFID) towards the livelihoods and food security programme.

418. The programme is being administered through FAO to the tune of US\$48 million. As at 30 June 2016, US\$7.8 million had been disbursed against a projection of US\$16 million for the year.

419. The project is focusing on 3 components namely, extension and advisory services, rural finance and market development. The project seeks to address the lack of funding by providing loanable funds to Microfinance institutions for on-lending to smallholder farmers and value chain actors.

420. Furthermore, the project targets 126 975 smallholder farmers in Manicaland, Mashonaland Central and Midlands provinces.

Mining

Prospects

421. Decline in mineral commodity prices from their peak, against the background of then strong demand, mainly from China,

continues to undermine mineral proceeds realisations for our economy.

422. Hence, the modest gains during the first half of this year in some of our mineral commodities remain inadequate to compensate for the global fall in mineral commodity prices.

423. Modest gains in mining since the onset of 2016, in terms of both output and market price trends, have been registered by most minerals, with the exception of diamonds, chrome and coal.

424. Resultantly, the value of mineral output for the first half of 2016 was up by 8.8% to US\$806 million, from US\$741 million during the comparable period in 2015.

425. Mineral output for gold, platinum, and nickel is expected to remain on a positive trend, whilst diamonds and ferrochrome output is anticipated to be subdued.

426. The Table below shows mineral production during the first half of 2016.

Mineral Production

	Jan	Feb	Mar	Apr	May	June	Cum to June	2016 Proj.
Gold \kg	1 508	1 829	1 768	1 555	1 907	1 793	10 360	24 000
Platinum \kg	1 223	1 728	1 370	1 179	1 148	1 320	7 968	16 500
Diamonds/ carats	241 595	164 805	250 161	261 645	120 686	98 676	972 765	2 600 000
Chrome \t	Monthly average Jan-Jun 2016 is 11 548						69 287	160 000
Coal \t	204 044	237 108	313 167	227 243	110 971	191 595	1 284 128	2 961 000
Copper \t	760	963	847	702	703	808	4 782	8 300
Nickel \t	1 534	1 494	1 846	1 286	1 385	1 556	9 101	18 000
Graphite \t	625	474	572	428	462	475	3 037	6 500
Iridium \t	47	86	58	45	44	50	329	550
Palladium \kg	970	1 394	1 098	945	933	1 063	6 403	12 000
Rhodium \kg	108	139	119	104	104	118	691	1 150
Ruthenium \kg	94	112	103	94	93	107	603	996
Cobalt \t	33	46	42	28	31	34	214	360

Source: Chamber of Mines, Ministry of Mines and Mining Development, Reserve Bank

427. Overall, the mining sector is projected to register a somewhat modest recovery growth of 13.2% in 2016, largely driven by the anticipated growth in gold, platinum group of metals and nickel.

Gold Production

428. Gold output stood at 10 360 kg in the first half of 2016, up from 8 869 kg produced during the comparable period in 2015.
429. As a result, revenues from gold exports rose from US\$340 million in the same period in 2015 to US\$415 million in the first half of 2016.

430. Out of the 10 360 kgs produced, large scale primary producers accounted for 55%, while 36% and 9% came from small scale and secondary producers, respectively.
431. The positive performance in gold was also against the background of supportive measures extended to the sector by Government.
432. These included the introduction of an export incentive bonus scheme and the review of royalties on gold, as well as that on some levies and fees being levied by Rural District Councils and the Environmental Management Agency (EMA). However, standardisation of Council levies charged on mining activity will also be pursued.

Curbing of Leakages

433. This positive performance is partly a result of gold mobilisation strategies, including an improved framework for purchasing all gold by Fidelity Printers from artisanal miners scattered across the country.
434. Curbing of gold leakages is also boosting gold deliveries to Fidelity Printers and Refiners. Hence, I propose to further capacitate the Mines and Minerals Unit in order to maintain this positive momentum.

435. In addition, Fidelity Printers and Refiners gold buying centres are limited to towns and a few mining areas, leaving the majority of areas where gold is being produced open to illegal buyers.
436. Government is, therefore, prioritising capacitation of Fidelity Printers and Refiners in order for it to be able to meet the cash demands of small scale miners, resultantly boosting gold deliveries from such miners. This measure is also essential to curtail diversion of some gold to the black market by some small scale miners.

Small Scale Miners

437. Outside of gold, Government will also continue to mobilise resources for the growing numbers of small scale miners producing other minerals and in need of support.
438. The Mining Industry Loan Fund, administered by the Ministry of Mines and Mining Development, remains a viable vehicle for channelling support towards facilitating and promoting the capitalisation of mining operations by small scale miners.

Environmentally Friendly Riverbed Mining

439. In the same vein, Government is pursuing the realisation of environmentally friendly riverbed mining.

440. Exploration to determine the lifetime of the mining project, as well as the extent of mineralisation, is being undertaken by the Zimbabwe Consolidated Diamond Mining Company (ZCDC).
441. This will ascertain scope for mineral expansion, equipment and additional funding requirements.
442. In addition, Government has identified Angwa, Mazowe, Gatshe Gatshe, Save, Odzi and Mutare rivers as other potential areas for riverbed mining.
443. In all this, Government continues to emphasise on the need to ensure environmentally friendly riverbed mining, that way avoiding challenges related to siltation and pollution of our rivers and dams.
444. Hence, the draft Minerals Amendment Bill before Parliament criminalises environmentally unfriendly riverbed mining, reserving this for Government or in joint venture partnerships.

Resuscitation of the Roasting Plant

445. Resuscitation of the Roasting Plant in Kwekwe will enable processing of refractory material widespread throughout the country, resulting in increased gold output and revenue to the State.

446. Already, Government has identified a partner to resuscitate the Roasting Plant, with the necessary joint venture agreement being finalised.

447. Resuscitation of the Roasting Plant will also enable the revival of closed mines with refractory ore which have been closed due to unavailability of requisite technology for processing ore.

Diamonds

448. Cumulative diamond output for the first six months of the year to June 2016 stood at 972 765 carats, with most firms losing production time during the month of February when Government moved in at Chiadzwa to consolidate the diamond sector.

449. Since March 2016, the ZCDC has been the sole producer of diamonds at Chiadzwa diamond fields, producing during the period to June as follows:

- March, 218 274 carats;
- April, 261 646 carats;
- May, 120 686 carats; and
- June, 58 396 carats.

450. The relatively low output levels, against a target of 6 million carats, is attributed to the lack of adequate capital on the part of operating companies under ZCDC as well as reluctance by previous companies to merge into the newly formed company.
451. Furthermore, the country is losing out on lost diamond production from the three concessions which are not yet operational.
452. There is, therefore, need to expedite the consolidation of all the concessions under one roof.
453. Meanwhile, to enhance diamond production at Chiadzwa, negotiations are underway for ZCDC to acquire machinery from Development Trust of Zimbabwe-Econendra of Russia (DTZ-OZGEO).
454. Furthermore, plans are on course to acquire additional modern equipment to enable ZCDC to undertake conglomerate mining.

Platinum

455. Platinum prices remain depressed and, hence, the increase in platinum revenues from US\$185 million to US\$396 million in the first half of 2016 was on account of output gains which were at 7 968 kg in the first 6 months of 2016, up from 4 919 kg registered during the comparable period in 2015.

456. The deferment of the 15% export tax on un-beneficiated platinum to January 2017 also supported platinum production, especially under an environment where platinum prices of US\$958 per ounce were 18% lower than US\$1 161 recorded in the same period in 2015.
457. The initiative by Zimplats to open Portal 6 Mine is also anticipated to increase production and consequently, revenue to the fiscus.
458. On the other hand, Government continues to engage the mining houses on progress of setting up a local platinum group of metals refinery.

Coal

459. Of the two main coal producing companies in the country, Makomo Coal Resources is leading, producing on average more than 300 000 tons per month and targeting 450 000 tons by year end.

Hwange Colliery

460. Hwange Colliery is producing on a contract basis (Mota Angil) on average only 150 000 tons per month, against potential capacity of about 300 000 tons, despite Government efforts to support the company. The company made a loss of US\$115 million in 2015 alone.

461. Hence, Mr Speaker Sir, institution of reform measures that will address challenges related to mis-management at Hwange are unavoidable.
462. This is necessary to ensure that the company operates at optimum capacity, that way allowing coal production to meet both export and local demand.
463. During its heyday, Hwange Colliery developed itself into an entity supporting all facets of Hwange town's life, including provision of various services to a population of about 55 000.
464. The services delivered included those normally associated with local and central Government, such as road maintenance, refuse collection, water and sewer reticulation, power generation, schools, health, housing, as well as recreational facilities which are not core to coal mining.
465. In addition, the company operated its own railway and road transport system, internal security and telephone system.
466. This socio-economic burden on the Colliery Company is compromising its core business of coal mining, resulting in incurrence of perennial losses.

467. Government is exploring scope for shedding off some of Hwange Colliery's non-core operations, including rationalisation of its workforce from the current 3 200 to levels that are commensurate with production.

468. Mr Speaker Sir, non-core operations at Hwange include provision of housing and other related amenities, schools, and health facilities.

Nickel

469. Nickel production increased to 9 101 tons, from 7 918 tons over the same period last year, with Bindura Nickel Company (BNC), accounting for 37% of production. The remaining 63% came from secondary platinum producers.

470. Nickel prices remained subdued, averaging US\$8 600 per ton in the first half of 2016, compared to US\$13 707 during the same period in 2015.

471. In order to further increase nickel production, Government is supportive of recapitalisation of BNC and re-engagement of Bamangwato Concessions Limited of Botswana for local toll smelting of nickel concentrates.

472. The operationalisation of such PGMs projects as Great Dyke Investments, Todal Mining and Global Platinum Resources is also essential to boosting nickel output, which comes as a by-product in PGMs mining.

Chrome

473. During the first half of 2016, chrome output declined to 69 281 tons, from 95 820 tons realised during the same period last year.

474. To enhance chrome production, Government is pursuing the re-allocation of claims acquired from ZIMASCO to interested potential miners.

475. Furthermore, plans are underway to facilitate setting up of small smelting facilities, leveraging on low operation costs to enhance the beneficiation and value addition of chrome ore.

476. However, continued provision of reliable and affordable electricity is critical to sustainable development of value addition chrome and steel industries in the country.

477. Success will also require the support of efficient and reliable rail transport network services.

Mining Investment

478. The mining industry requires about US\$3.9 billion to optimise production in the next five years, of which planned investments during 2016 are estimated at close to US\$500 million.

Capital Requirements in the Mining Sector: 2016-2020

Mineral	Total Capital Requirements (US\$ million)
Platinum	2 800
Gold	601
Coal	420
Chrome	38
Nickel	28
Total	3 887

Source: Chamber of Mines

479. Pipeline beneficiation projects are mainly in gold, platinum group of metals, base metals and energy minerals.
480. The combined cost of the beneficiation projects amounts to US\$362 million, of which about US\$217 million is for 2016.

Current and Planned Beneficiation Projects

Mineral	Nature of Projects	Estimated Cost (US\$m)	Expected Year of Commissioning
Coal	Coke Oven Rebuild and By-Products Plant	49	2016
Gold	Milling and Carbon in Leach Plant	11	2016
	Refractory Plant	40	2020
Ferrochrome	30 MVA Electric Arc Furnace (Furnace 2)	50	2021
Nickel	Smelter	26	2016
Platinum	Smelter	55	2018
	Base Metal Refinery	131	2016
Total		362	

Source: Ministry of Mines and Mining Development

Mines and Mining Development Legislation

481. The Mines and Minerals Amendment Bill and the Minerals Exploration and Marketing Corporation Bill are now before Parliament.
482. These Bills seek to establish a modern, transparent and stable mining governance and fiscal framework, necessary to attract capital into the sector.
483. The Acts, once acceded to, will also promote exploration, facilitate transparent licencing and utilisation of claims.

Leveraging Linkages with Industry

484. There are opportunities for leveraging linkages between mining and the manufacturing sector.
485. For example, increased output of cyanide by our local companies has a ready market as an ingredient for most mining companies, while various steel products are essential inputs for most mining companies.
486. Therefore, promotion of linkages with industry not only stimulates production and overall employment, but also reduces pressure on the import bill.

Lifting of Ban on Reserved Areas

487. Government proposes to review all reserved areas with a view to opening up some areas for prospecting and pegging for interested investors.
488. This is envisaged to increase mining activities, and consequently mineral output.

Leveraging Mineral Resources for Financing

489. The country has immense mineral resources, which it can leverage to secure financing of its various development projects. Fortunately, a number of investors are prepared to provide loans on the back of such resources, particularly gold.
490. In this regard, Government will identify claims, which will be surveyed to determine the quantum of resources available. These claims will then be either disposed of at 100% value, through auction or competitive bidding.
491. In the same vein, Government will also target the creation of a large gold reserve in a systematic manner for purposes of securitising borrowing for development programmes.
492. Measures to strengthen surveillance systems on plugging leakages are also being developed.

Review of the Electricity Tariff

493. Review of electricity tariffs for the gold industry, from USc12.8/KWh to the regional average of USc8/KWh, is also being considered with a view of aiding reduction of operating costs.
494. This will aid in attracting investment for recapitalisation of the mines operating below capacity and those closed and requiring resuscitation.
495. The tariffs that will be paid by mining companies will be on a sliding scale, whereby they will increase or fall in line with fluctuations in commodity prices.

Manufacturing

Capacity Utilisation

496. In the manufacturing sector, perennial challenges related to the weakening rand, influx of cheap imports, porous border posts, and the liquidity crunch, among others, continue to constrain capacity utilisation.
497. Manufacturing is further constrained by intermittent municipal water supplies, unreliable bulk rail services, and other challenges which Government continues to address.

498. In addition, monitoring the domestic market environment to ensure a level playing field for domestic producers stands to enhance competitiveness.
499. In view of the foregoing, the manufacturing sector is projected to grow by 0.2% on account of resilient activities in foodstuffs, drinks, tobacco and beverages, textiles and ginning, clothing and footwear, as well as non-metallic mineral products subsectors.
500. Capacity utilisation in the above sub-sectors, which are doing relatively better, is above 50%, despite the difficult economic environment.

Manufacturing Sub-Sector Production Volume Indices (2009=100)

	2014	2015	2016
Foodstuffs	99.0	98.0	98.7
Drinks, Tobacco and Beverages	97.2	96.7	96.0
Textiles and Ginning	79.5	78.7	78.0
Clothing and Footwear	83.0	91.8	94.0
Wood and Furniture	101.9	99.8	96.2
Paper, printing and Publishing	98.2	93.3	90.4
Chemical and Petroleum Products	90.2	88.4	87.4
Non-metallic mineral products	130.2	140.6	143.0
Metals and Metal products	70.3	67.5	66.5
Transport, Equipment	61.4	63.2	66.0
Other manufactured goods	60.5	63.5	66.7
Manufacturing Index	89.8	89.9	90.1
Manufacturing Growth Rate	-0.9	0.2	0.2

Source: Ministry of Finance, Reserve Bank and ZIMSTAT

501. However, activity in the sub-sectors such as textiles and ginning, wood and furniture, metal and metal, fertilizer, chemicals, pharmaceuticals products and transport and equipment remain subdued, with capacity utilisation levels of around 30 percent.

Support for Local Industry

502. Mr Speaker Sir, Honourable Members will be aware of the gazetting of SI 64 of 2016 which removed more goods that are locally available from Open General Import Licence exemption.

503. This expanded coverage of locally available goods removed from the Open General Import Licence exemption by the gazetting of SI 18-20 of 2014/15.

504. This implies that individuals and companies intending to import some of the specified goods would have to apply for licences and justify cause for importation of such commodities.

505. However, the overall objective is to support the local fragile industry from unfair competition, that way, facilitating employment creation and GDP growth.

506. The selection of goods that now require import licence was done after careful assessment of capacity of respective firms' ability to supply.

507. The import licencing requirement, therefore, provides the necessary key leverage as there is huge underutilised capacity within the domestic economy.
508. Similarly, the supportive import substitution measures through SI 64 to promote domestic production of basic and essential commodities will also create scope for employment generation and enhanced industrialisation.
509. However, the import substitution measure being pursued by Government, should be viewed as a short term measure meant to protect the ailing industries in the face of economic shocks facing the economy and in line with the SADC Industrialisation Strategy and Road Map.
510. Hence, companies should take advantage of these temporary measures to grow and become resilient on both the domestic and global markets.

Consignment Based Conformity Assessment

511. Mr Speaker Sir, it is also necessary that we protect local industry from the influx of sub-standard imports, some of which do not meet quality, safety, health and environmental standards in line with World Trade Organisation (WTO) Agreements.

512. In this regard, Government has engaged a French company, Bureau Veritas, to provide Consignment Based Conformity Assessment services, under the auspices of Statutory Instrument 132 of 2015.
513. The full implementation of this programme started on 1 March 2016, and only conforming listed products are being allowed to enter the country.
514. The programme has substantially reduced hazardous and sub-standard listed imported products, hence, protecting consumers and the industry from unfair competition.

Re-tooling

515. Mr Speaker Sir, the measures Government is instituting in support of domestic industry will need to be complemented by new investments into companies to address challenges related to reliance on cost ineffective antiquated and obsolete machinery and equipment.
516. Over and above foreign direct investment initiatives to attract new partner investors, Government interventions in support of industry also include reviewing of customs duties on imported equipment, and lowering company costs on capital borrowed from financial institutions.

517. Pursuant to this, discussions on finalising the second phase of the Distressed and Marginalised Areas Fund (DiMAF) and the Zimbabwe Economic and Trade Revival Facility (ZETREF) are on-going.

518. With regards to partnering with other investors in industrial revival, I am pleased to acknowledge some of the new investments which were approved in 2015, and are now coming on stream, with some at advanced stages of implementation.

519. Total capital injection for these projects is about US\$324 million, across sub-sectors such as food, drinks and beverages, transport and equipment, metal and metals products, pharmaceuticals, plastics, among others.

520. In addition, the Zimbabwe Investment Authority (ZIA) also processed 29 investment applications worth US\$49 million for the manufacturing sector.

Value Chains

521. Mr Speaker Sir, allow me to also acknowledge the support we continue to receive from cooperating partners with regards to support for revival of our industries.

522. In this regard, in promotion of value chains, the African Development Bank is supporting the Beef and Leather Value Chain programme under the African Development Fund Technical Support Facility and Fund for African Private Sector Assistance to the tune of US\$2 million.
523. This targets provision of resources to increase the overall competitiveness of the beef and leather value chains, targeting the dry areas of Matabeleland.
524. The respective agreement between Government and African Development Bank was signed on 21 January 2016 and the project implementation is expected to commence in the third quarter of 2016.
525. The project is expected to improve the competitiveness of the beef and leather value chain, primarily through building stakeholders' production capacities and enabling them to access local, regional and international export markets.
526. Furthermore, value addition in the cotton and leather sectors is benefitting from a €4.2 million grant received from the COMESA Fund, supportive of development of the sub-regional integration agenda.

527. This targets the cotton-to-clothing value addition chain, as well as value addition in the hides-to-leather sub-sector. Resources from the grant are also benefiting capacity building programmes.

Export Promotion

528. Mr Speaker Sir, Government has also been making parallel efforts to boost industrial exports by consolidating and expanding existing markets, whilst also exploring new markets with the strategic focus on the regional markets.

529. In the context of deeper regional integration, the country is pursuing the industrial export promotion agenda through SADC, COMESA and the Tripartite Free Trade Area of COMESA-EAC-SADC.

530. Government is also involved in negotiations for the establishment of the African Union Continental Free Trade Area which is aimed at boosting intra-African trade.

531. Industry is, therefore, being called upon to look beyond Zimbabwe's borders by exploring into regional export markets, taking advantage of the preferential trading arrangements the country has negotiated.

Empowerment

SMEs Supportive Framework

532. Mr Speaker Sir, given the structural shift in our economy, small and medium enterprises are increasingly becoming a major driver of economic growth and development, enhancing employment opportunities and poverty alleviation.
533. It is, therefore, imperative that Government continues to support the sector by addressing the challenges faced by SMEs such as finance, infrastructure provision, technology, management and entrepreneurial skills, as well as access to markets.
534. Notwithstanding fiscal constraints in support of SMEs, positive strides to promote this sector are benefitting from the operationalisation of the Indo-Zimbabwe G15 Project, training of SMEs in various areas of business management as well as promotion of linkage chains.
535. Completion of the review of the guiding policy framework is assisting the targeting of interventions in support of SMEs.
536. This includes the Micro, Small and Medium Enterprises Policy and Strategy Framework, and the Cooperative Development Policy. Development of the Savings and Credit Cooperative Society Bill is also underway.

Community Empowerment

537. Mr Speaker Sir, I am also pleased to announce that on 17 August 2016 I signed in Vienna the US\$7.6 million line of credit from the OPEC Fund for on-lending to cooperatives and other community income generating projects.

538. The objective of this poverty alleviation project is to improve access of beneficiary households to enhanced socio-economic services and income generating opportunities, through support to the following programmes and sub-projects:

- Livestock Development (cattle rearing, construction of cattle fattening pens, drilling of community boreholes);
- Optimisation of Local Endowments (value addition of locally available fruits, honey production and processing, fish farming, small scale mining, among others);
- Strengthening of Entrepreneurial Training Institutes (capacity building of personnel and upgrading of equipment for 3 identified Entrepreneurship Training Institutes); and
- On-lending to Savings and Credit Cooperative Societies (SACCOs).

539. The beneficiaries to this facility will be identified rural communities, households, entrepreneurs, training institutions and SACCOs in the following 3 Provinces:

- Masvingo;
- Manicaland; and
- Matebeleland North.

540. On its part, Government will contribute US\$700 000 as co-financing, bringing total financing of the project to US\$8.3 million.

541. Implementation of this project will be coordinated by the Ministry of Small and Medium Enterprises and Cooperatives Development.

Sectoral Linkages

542. Mr Speaker Sir, sectoral inter-linkages have become a fundamental strategy for promoting growth through the integration of large numbers of SMEs with established companies within an industry.

543. The backward and forward linkages throughout the whole supply chain, from production to marketing, promote growth for both SMEs and established companies.

544. The strategy also allows SMEs to become embedded in the supply chains of larger businesses, which will improve their own human and technological capital, and hence, their own productivity and performance.

Business Mentorship

545. Mr Speaker Sir, achieving Zim Asset’s vision of *An Empowered Society and A Growing Economy* also requires acknowledgement, identification and nurturing of upcoming entrepreneurs for support into their participation in the growing emerging new economy.
546. This should also entail harnessing the demographic dividend by engaging young people in socio-economic transformation.
547. A key element of this would be linkages with established companies, that would facilitate the participation of youth in the economy, and ensure their economic empowerment as entrepreneurs.
548. Established companies provide anchor platforms upon which to guarantee a conducive environment, being business ecosystems that secure value chains across sectors of the economy, within which potential entrepreneurs can be nurtured for growth in the prevailing cut-throat competitive business environment.
549. Effectively, there will be established a network of entrepreneurs who become the “empowered society” of business persons growing our national economy.

550. Mr Speaker Sir, in pursuing the above, it is also vital that our people establish their own companies to judiciously exploit our abundant natural and human resources, consistent with the call by His Excellency the President.

Incentives

551. In this regard, Government will soon be introducing incentives to those companies that embrace SMEs in their product and business supply chains in the forthcoming 2017 National Budget.

552. Furthermore, an allocation of US\$10 million is being channelled towards SMEDCO to capacitate the institution and enable it to provide credit to SMEs. This will be over and above incentives for SMEs already under consideration.

Capacity Building

553. Mr Speaker Sir, capacitating SMEs in project planning and management is essential for their success.

554. Through the African Development Bank support, Government is implementing the Youth and Tourism Enhancement Project, with significant progress having been recorded in the areas of training and skills development, strengthening youth information centres, and curriculum development.

555. To date, a total of 2 400 youths have been trained in eight Provinces as indicated in the Table below

Province	Number Trained	Discipline
Mashonaland East	300	<ul style="list-style-type: none"> • Tobacco; • Maize; and • Livestock production
Mashonaland West	300	<ul style="list-style-type: none"> • Small grains; • Maize; and • Livestock production
Mashonaland Central	300	<ul style="list-style-type: none"> • Gold Mining
Manicaland	300	<ul style="list-style-type: none"> • Fruit; and • Small grains production
Midlands	300	<ul style="list-style-type: none"> • Gold mining
Masvingo	300	<ul style="list-style-type: none"> • Small grains;and • Livestock production
Matebeleland North	300	<ul style="list-style-type: none"> • Small grains;and • Livestock production
Matebeleland South	300	<ul style="list-style-type: none"> • Small grains;and • Livestock production • Gold mining
Total	2400	

556. In addition, equipment for motor mechanics, construction, catering, metal fabrication, dress making and food processing is currently being procured for Tabudirira and Kaguvi Vocational Training Centres (VTCs) in Mashonaland East and Midlands provinces, respectively.

557. As of 30 June 2016, disbursements amounting to US\$2.3 million had been made against an allocation of US\$3.78 million, translating to 60.8% utilisation.

558. The project which is expected to be completed by 31 December 2016, is expected to improve youths' access to business information for effective operations of their businesses.

Empower Bank

559. Mr Speaker Sir, Government is also considering the establishment of a micro-finance institution, to be called *Empower Bank*, to facilitate financial inclusion of the unbanked, as part of the implementation of our National Financial Inclusion Strategy.

560. The modalities for the establishment of the proposed Empower Bank, including capitalisation, are being developed in consultation with all the relevant authorities, including the Monetary Authorities.

561. Given the constrained fiscal space Government is currently operating under, establishment of *Empower Bank* will not be seeking funding from the fiscus.

Women's Bank

562. In the same vein, in fulfilment of my proposal in the 2016 National Budget for capitalisation of the Women's Bank, Treasury is also

mobilising US\$5 million, which will be disbursed to the proposed micro-finance institution before year end.

563. This institution is very important for supporting various women and youth projects as a way of promoting their economic empowerment.

Tourism

564. Tourism has the quickest turn around, ahead of other sectors such as agriculture and manufacturing.

565. With tourist receipts averaging over US\$700 million per annum, the sector has potential to contribute to alleviating the liquidity challenges in the economy.

566. The first quarter of 2016 recorded an estimated 450 572 tourist arrivals, up from 387 557 during the same period in 2015, representing a 16% growth. All source regions recorded growth except for Oceania.

567. On the downward side, during the first half of 2016, two key Beitbridge hotels - Holiday Inn Express and Rainbow hotel - were

closed down in the border town. These two hotels accounted for about 57% of rooms in Beitbridge.

568. In order for the country to fully exploit its natural resources and tourism sites for the benefit of the economy, Government is already implementing the National Tourism Policy of 2014, with the National Tourism Master Plan expected to be completed by September 2016.
569. The Master Plan provides an organised and structured framework for tourism development and promotion.
570. Benchmarking exercises were carried out in February and June 2015 in South Africa and Tanzania, respectively.
571. Field visits to identify Tourism Development Zones were finalised and identification of Provincial projects was undertaken during July 2016.

Tourism Special Economic Zones

572. The Special Economic Zones Bill which has been approved by Parliament and awaiting Presidential assent, will boost tourism through implementation of the designation of Victoria Falls – Hwange – Binga – Kariba tourism corridor as a special economic zone.

Promotion and Marketing

573. Zimbabwe participated in some “must attend” tourism fairs that provide an opportunity to market the country as a safe tourist destination, endowed with natural wonders, a rich cultural heritage, and investment opportunities.

Branding

574. With the rise of globalisation, every Nation faces stiff competition from others as they compete for tourist arrivals, and investment.
575. The competitive edge that different tourism markets struggle for is a function of how positively or negatively, as the case may be, a Nation’s brand is perceived both at home and in the international community.
576. Consequently, Government in collaboration with the relevant stakeholders, is crafting a Nation Branding Concept.

Sanganai/Hlanganani

577. To showcase Zimbabwe’s tourism products and expand the country’s tourism source markets, the ZTA hosted the 9th Edition

of the Sanganai/Hlanganani World Tourism Expo from 16-18 June 2016 at the ZITF Grounds in Bulawayo.

578. The 2016 edition attracted leading African destinations and major world tourism markets, such as South Africa, Botswana, Malaysia, China, Zambia, Malawi, Kenya, Mozambique, Namibia, Indonesia, India, Italy, and many others.
579. The event also targeted National Tourism Boards, Embassies, International Airlines, Tourism destinations, Leading tour wholesalers, tour Operators and Travel Agents, Accommodation providers, car hire and transport operators, suppliers of goods and services to the tourism industry, investors and Government Departments.

Rand Based Pricing

580. In order for tourism industry to cushion itself from the current liquidity and cash crisis, it is highly recommended that the sector commences the use of the Rand Based Pricing System as agreed upon between the tourism ministry, the hospitality industry, and the Reserve Bank.

Research

581. The Visitor Exit Survey was successfully completed in June 2016 and is a huge stepping stone towards building a Tourism Satellite Account, as well as an intelligence tool for crafting robust marketing strategies.
582. There is need for further survey which include the Tourism Domestic and Outbound Survey and Tourism Employment Survey, as well as Census of Services and Census of Industrial Production to be conducted by ZIMSTAT.

Visa Regime

583. To promote inflows of tourists into the country, Government re-classified 37 countries from Category C to B, and moved Seychelles from Category B to A.
584. Mr Speaker Sir, Category A refers to countries whose nationals do not require a visa, while Category B refers to countries whose nationals are granted a Zimbabwean visa at a Port of Entry on payment of requisite visa fees.
585. On the other hand, Category C country nationals are required to apply for and obtain a visa prior to travelling to Zimbabwe.
586. Therefore, the relaxation of the visa requirements through re-classifications should increase socio-economic benefits from the SADC and other source markets.

587. Visa requirements were also relaxed for Chinese and Turkish nationals on tourism trips arranged through Travel Agents and Tour Operators.

Taxation of Tourism Capital Goods

588. In order to facilitate increased investment opportunities in the tourism industry, Government renewed Statutory Instrument 5 of 2016 for the purposes of exempting tourism operators from paying duty for the importation of capital goods.

589. This should enable tourism operators to import capital goods to improve on service delivery and improve product competitiveness.

Capacitating Wildlife Conservation

590. Mr Speaker Sir, our wildlife endowments are also central to us realising the country's tourism potential, hence the need to plough back some of the earnings in support of conservation programmes.

591. In this regard, a lift of the ban on ivory trade under the auspices of the Convention of International Trade in Endangered Species (CITES) stands to benefit the country.

592. Currently, Mr Speaker Sir, Zimbabwe is holding about 96 tons of ivory.

Environment

593. Mr Speaker Sir, the country continues to face multiple environmental management challenges that include pollution, poor waste management, de-forestation, land degradation, soil erosion, siltation, and poaching, among others.

De-forestation

594. Wide spread use of wood for curing tobacco and other fire wood uses as a source of energy for cooking is contributing to the fast disappearance of our forests.

595. De-forestation is giving rise to land degradation including siltation, hence, requires that communities engage in such sustainable conservation practices as establishment of woodlots, use of more efficient wood fire stoves, resort to biogas, and other energy sources for curing tobacco, such as coal.

596. Furthermore, widespread participation in such programmes as the National Tree Planting Day, observed on the first Saturday of December of each year, will be complementary to other on-going natural conservation programmes.

De-siltation

597. Mr Speaker Sir, in order to counter the adverse effects of siltation on our water bodies, Government is implementing a National

De-siltation Programme aimed at reclaiming and increasing the holding capacity of about 3 000 dams country-wide.

598. The Programme, which should also benefit from labour available under such Public Works programmes as '*food for work*' across our villages, will arrest any further siltation, that way allowing improved water supply to some of our communal irrigation schemes, and help mitigate the effects of climate change.

Solid Waste Management

599. Mr Speaker Sir, solid waste management challenges currently being experienced are emanating from littering, indiscriminate dumping of solid waste by both corporates and individuals, as well as poor waste management practices by local authorities, all of which are posing a health hazard and polluting the environment.
600. In this regard, it is critical that the Environmental Management Agency steps up awareness campaigns, as well as enforce the existing laws and penalties against those disposing waste in unsustainable ways.
601. On their part, local authorities should also ensure that they deliver on their waste disposal mandates, also taking advantage of opportunities for joint venture partnership arrangements with private players.

602. Furthermore, initiatives to promote recycling and re-use should also be pursued.

Climate Change

603. Government recognises the impact of climate change and variability, which is becoming more evident through increased incidences of droughts, floods, heat waves and hailstorms.

604. The reality of climate change poses serious social, political and environmental challenges, particularly for vulnerable communities, thus causing serious risk to food security and adaptive capacity if mitigation measures are not expedited.

605. Cognisant of the above, Government is finalising the Zimbabwe National Climate Policy, which seeks to provide an over-arching framework for the implementation of climate change initiatives in the country. This will assist in the domestication of Government's international commitments, targeted at addressing climate change related challenges.

606. Furthermore, the Policy will provide a framework under which existing strategies, such as the National Climate Change Response Strategy, National Adaptation Plan, Nationally Determined Contribution Implementation Plan and the Low Carbon Change Response Strategy, are espoused and implemented.

607. Already, to ensure coordination and full implementation of climate policy programmes and strategies for climate change resilience, Government is elevating the Climate Change Office into a fully-fledged Department within the Ministry of Environment, Water and Climate.

VI. ENABLING INFRASTRUCTURE AND UTILITIES

608. Mr Speaker Sir, an enabling infrastructure, supported by enabling utility supplies, is central to stimulating the productive sectors.

609. It is for this reason that Budget implementation during the first half of the year also emphasised expenditures on infrastructure and associated utility entities.

610. Similarly, the cost cutting measures which are being implemented on public finances are primarily meant to increase the Budget capacity to support infrastructure projects.

611. Furthermore, Government efforts have been directed at mobilising potential resources from various sources including external loans, development partner support, parastatal own resources, all with the objective of augmenting the limited Budget resources.

612. Mr Speaker Sir, cumulative disbursements towards infrastructure projects during the six months to June 2016 amounted to US\$112.6 million.

613. This was sourced through fiscal resources, US\$33.6 million; Statutory Funds, US\$26.6 million; loan financing, US\$36.5 million; and through development partners, US\$15.9 million.

614. The above mobilised resources benefitted projects in the following areas:

- Transport and communication, US\$28 million;
- Energy, US\$25.5 million;
- Water and sanitation, US\$20.2 million;
- Information Communication Technology, US\$18.5 million;
- Housing, US\$12.2 million;
- Irrigation rehabilitation, US\$4.6 million; and
- Education and health infrastructure, US\$3.6 million.

615. The detailed breakdown of the projects and sources of funding is contained in Annexure 2.

616. Mr Speaker Sir, allow me now to turn to developments during the first half of the year, before highlighting progress with project implementation, as well as some of the measures in support of the respective projects.

Energy

617. Mr Speaker Sir, adequate supply of electricity is inextricably linked to the economic growth and development of our country, as it allows us to unlock the potential of our productive sectors, as well as improve the quality of life for our people.
618. Improvement in electricity supply, as well as reliability, through investment in new generation plants has remained the cornerstone of our interventions in the sector, with power imports serving to provide cover for local generation shortfalls.
619. Ongoing electricity generation projects include Kariba South extension, rehabilitation works at Hwange Thermal, complemented by upgrading of water supplies from Deka Pump Station.
620. Honourable Members will also be aware of Government intervention measures to overcome load shedding through investment in the emergency Dema Peaking Power Plant.
621. This is against the background of reduced power generation capacity at Kariba, following reduced water inflows into the lake arising from successive droughts.

Lake Kariba Water Levels

622. The total amount of water allocated to Kariba South and Kariba North power stations from Lake Kariba for 2016 is 20 billion cubic metres, to be shared equally between the two stations.

Water Usage at Lake Kariba

Month	Kariba North			Kariba South			Cumulative Allocation for Kariba Complex (MCM)	Cumulative water used at Kariba Complex (MCM)	% of Allocation
	Water allocated (MCM)	Actual used (MCM)	% of Allocation	Water allocated (MCM)	Actual Used (MCM)	% of Allocation			
Jan	833.33	1 021.21	123	833.33	1 179.27	142	1 666.67	2200.48	132
Feb	833.33	975.46	117	833.33	876.67	105	3 333.33	4052.61	122
Mar	833.33	1 042.72	125	833.33	876.41	105	5 000.00	5971.74	119
April	833.33	1 116.43	134	833.33	845.68	101	6 666.67	7933.85	119
May	833.33	1 338.82	161	833.33	1 028.97	123	8 333.33	10301.64	124
Jun	833.33	1 356.44	163	833.33	979.52	118	10 000.00	12637.60	126
Jul	833.33	1 570.67	188	833.33	1 130.12	136	11 666.67	15338.39	131
Total	5 833.33	8 421.75	144	5 833.33	6 916.64	119	11 666.67	15338.39	131

Source: Zambezi River Authority

623. This implies that Kariba South Power Station has 3.08 billion cubic metres, whilst Kariba North Power Station 1.58 billion cubic metres of water to be utilised in the remaining five months to year end.
624. It is, therefore, clear that continued over-utilisation of water by both Power Stations will negatively impact on the volume of stored water at the end of the year. Depending on the rainfall to be received in 2017, this may also subsequently impact on the volume of water available for power generation in 2017.
625. Given the uncertainties of long term climate forecasts, it is critical that sustainable utilisation of water at Lake Kariba is prioritised to

ensure the reservoir level at the end of each year is not worse off than it was in the preceding year.

626. Subsequently, the Zambezi River Authority has maintained the allocation at 20 billion cubic metres of water available for energy generation for the rest of 2016, which requires the utilities to continue to adhere to the 550 MW combined generation to sustain the water availability at Lake Kariba into the next rainy season.

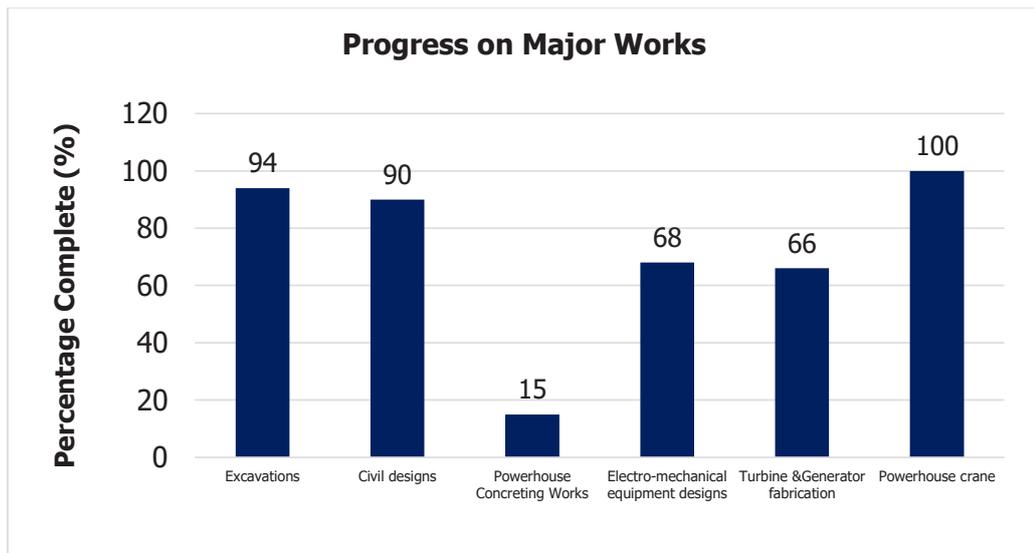
627. Currently, hydrological simulation shows a 3 year recovery period to normal lake levels, which could take longer if the 2016/17 rainfall is below average and utilisation continues to be above allocation. Therefore, both power stations at Lake Kariba continue to make efforts to remain within their 2016 water allocations, to allow for build-up of storage.

628. The Zambezi River Authority will also continue to monitor, review and inform the two utilities on the availability of water for power generation at Lake Kariba so that they can adjust their operations to allow for continued availability of water.

Kariba South Extension

629. The project, with potential to add an additional 300 MW to the national grid, is expected to be completed by March 2018.

630. An amount of US\$11.7 million was disbursed for the period to June 2016. Overall progress is now at 51% completion, with civil works now at 80% completion



Source: Ministry of Finance

Intake Concrete Structure for Generating Units Number 7 and 8



Source: Ministry of Finance

631. Manufacturing of electro-mechanical equipment is also progressing well in China, with powerhouse crane and penstock having been completed.

Upgrading of the Deka Pipeline

632. As Honourable Members will be aware, the Deka water pipeline project, whose works commenced in 2013, entailed the rehabilitation of the existing Deka river pipeline, drawing water from the Zambezi river, and attendant pump stations to Hwange Thermal Power Station.

633. Various works which include cathodic corrosion protection, installation of four 60 KVA transformers, and line valves have been completed and are awaiting commissioning.

634. A second new water pipeline will also be constructed to augment the existing pipeline.

635. The respective financing for this has been secured from India Exim Bank, following the signing on 19 January 2016 of an Engineering Procurement Construction (EPC) contract between the Zimbabwe Power Company (ZPC) and Angelique, an Indian contractor.

636. This should allow commencement of works from the last quarter of 2016.

Dema Peaking/Emergency Power Plant

637. Following reduced generation capacity at Kariba, from 750 MW to 285 MW, due to low dam water levels as a result of drought, Government made a decision to secure temporary emergency power cover.
638. Hence, the establishment of the Dema Emergency Power Plant by Sakunda Holdings with capacity to produce 200 MW.

Dema Emergency Power Plant Generators



Source: Ministry of Finance

639. The first phase of the project (100 MW) was commissioned at the beginning of July 2016 and is expected to reduce the level of power imports into the country.

640. The Zimbabwe Electricity Transmission and Distribution Company (ZETDC) signed a 3 year Power Purchase Agreement with Sakunda Holdings for supply of 100 MW from the Dema Emergency Power Plant, to be reviewed every 12 months.

641. Mr Speaker Sir, it is anticipated that restoration of adequate water levels for full power generation at Kariba dam would have been realised after 3 years.

642. Government has already waived duties and levies on fuel used as input towards generation of electricity at Dema, thereby reducing the final tariff from the diesel power plant to USc15.45/kWh.

Pipeline Electricity Generation Projects

643. Consistent with the Energy System Development Plan which guides investments in the energy sector, a number of projects are now at various stages of project development.

644. The Table below summarises progress on some of the targeted projects.

Pipeline Generation Projects

Project Name	Capacity MW	Comments
Hwange 7 & 8 Thermal Power Station	600MW	Memorandum of Understanding signed on 1 December 2015. ZPC is working towards achieving financial close to enable commencement of works.
Bulawayo Repowering	90MW	Loan agreement signed in October 2015. Procurement of EPC contractor underway with Expressions of Interest for prequalification of bidders for EPC works closing on 31st of May 2016.

Project Name	Capacity MW	Comments
Gairezi Hydro	30MW	Main EPC Contract was signed on the 4 March 2016. Preparations for pre-commencement work is ongoing
Gwanda Solar	100MW	EPC Contract was signed on 23 October 2015. Feasibility studies were completed and review by ZPC was done. Initial activities and ESIA studies are in progress
Munyati Solar	100MW	EPC Contract was signed on 20 November 2015. Feasibility report is under review and fundraising efforts have started.
Insukamini Solar	100MW	EPC Contract was signed on 23 October 2015. Due diligence on the contractor for decision to proceed is ongoing
Mutare Peaking Plant	120MW	EPC Contract was signed on 31 December 2015. Financial close process is in progress. Initial activities are in progress
Coal Bed Methane Power Plant	300MW	Awaiting for gas suppliers to carry out exploration studies. Power plant studies to follow feasibility studies. ZPC can only be an off-taker of the gas
Batoka Gorge Hydro	1 200MW Zim portion	Feasibility Studies are still in progress and expected to be completed during the third quarter of the year.
Harare Repowering	60MW	ZINWA/ ZPC negotiations for the water supply agreement are in progress.
CASECO	600MW	Shareholder agreement signed and now awaits approval of the loan from Chinese Financial Institutions.
Munyati Repowering	100MW	EPC Contract negotiations were completed with Jaguar Overseas Limited and the draft contract was initialed. Due diligence on the main subcontractor was completed and ZPC board is being engaged for way forward.

Source: ZESA

645. Of concern, however, is the fact that a number of contracts, signed with Independent Power Producers and financiers for the identified projects have failed to positively progress during the past few years.
646. It is, therefore, critical that we re-evaluate the capacity of project promoters to progress the projects with a view of ensuring speedier consummation of the projects.

Rural Electrification Programme

647. Mr Speaker Sir, grid extension under the Rural Electrification Programme saw 263 institutions electrified during the first half of 2016. Furthermore, works on an additional 101 institutions are in progress.
648. Total disbursements in support of the above grid extension in electrification during the first six months amounted to US\$9.8 million.
649. The distribution of the completed institutions is as indicated in the Table below.

Institutions Electrified to end June 30 2016

Province	Prim School	Sec School	RHC	Govt Ext	Chiefs	Bus. Centre	Village	Other	Total
Manicaland	33	8	8	5	2	3	7	3	69
Mash Central	17	9	2	1	0	0	0	0	29
Mash East	9	3	2	0	1	0	3	4	22
Mash West	15	6	2	0	0	0	1	3	27
Masvingo	16	7	4	3	1	2	0	3	36
Mat North	13	3	2	4	0	0	0	2	24
Mat South	9	8	2	4	0	4	2	3	32
Midlands	10	5	4	2	0	0	1	2	24
Total	122	49	26	19	4	9	14	20	263

Source: REA

Biogas

650. With regards to the Biogas Programme, one institutional biogas digester plant was commissioned at Gokomere High School in Masvingo Province.

651. This brings the total number of institutional biogas digester plants completed since inception of the programme in 2012 to 37.
652. Works on three additional biogas digester plants in Manicaland and Mashonaland East Provinces are at various stages of completion.

Emergency Power Infrastructure Rehabilitation Project

653. Mr Speaker Sir, progress is being made with regards to rehabilitation works being implemented under the Zim-Fund Phase II Emergency Power Infrastructure Rehabilitation Project in Harare, Kwekwe, Gweru, Bulawayo and Mutare, as well as Hwange Ash Plant.
654. Implementation of the project is at various levels of procurement, as shown in the Table below:

Project Implementation Status as at 30 June 2016.

Activites	Status
Pipe-laying: 33kV substations for PE Dam, Airport, Mufakose and Glenview and 33kV line from PE Dam to Airport Substation	Contract awarded to Angelique International Ltd. India.
Rehabilitation of Distribution infrastructure	Bid evaluation report produced and design work in progress.
Plant Drain System Containment and Effluent Treatment Study	Contract awarded to Aqualogus Engenharia e Ambiente Lda in joint venture with SIRDC and Aqualaogus Mocambique. Approval of the first Inception report is in progress.
Supply of Mobile Plant Equipment for the Ash Dam at Hwange Power Station	Bid evaluation completed on 2 June 2016. Contract expected to be awarded in the third quarter of 2016.
EPIRP II/004: 33kV substations for PE Dam, Airport, Mufakose and Glenview and 33kV line from PE Dam to Airport Substation	Contract awarded to Angelique International Ltd. from India.

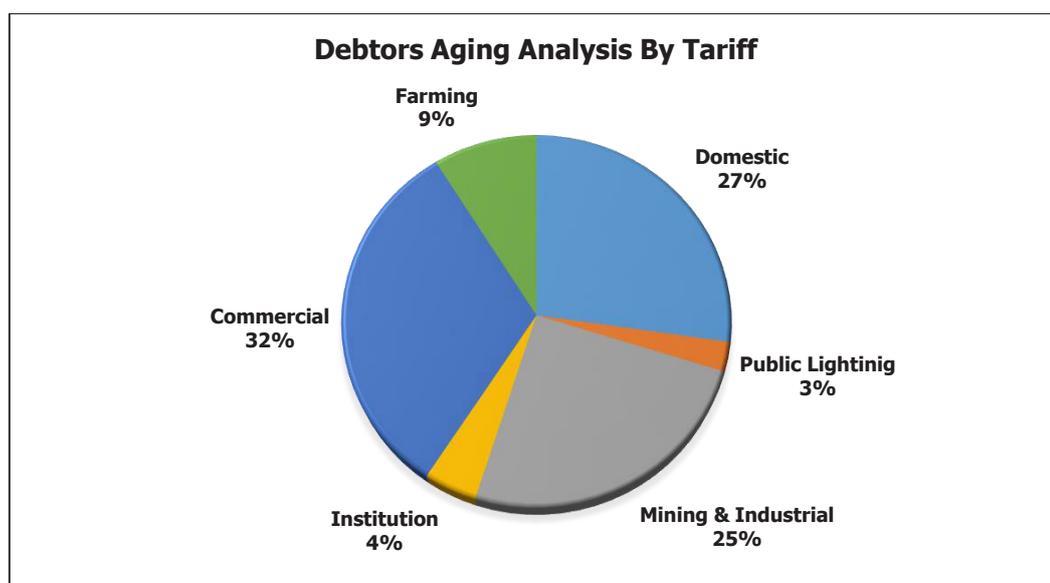
Source: African Development Bank

655. Completion of the project is expected to improve the availability, reliability, as well as access to electricity across the country.

ZETDC Debtors Book

656. Mr Speaker Sir, consumers need to pay for electricity consumption that way promoting sustainable supply of energy.

657. In this regard, we need to address the ZETDC debtors' book, currently at US\$1.1 billion.



Source: ZESA

658. Failure to collect revenue threatens the positive gains we have made thus far in attracting investments into the sector, as offtake arrangements involving the utility would no longer be viewed favourably by lenders.

659. Central to the huge debtor's book has been the utility's inability to ensure that customers pay for electricity consumed as policy has often discouraged disconnections in some instances.

660. There is, therefore, need to institute measures that ensure that each customer pays for all electricity consumed.

Electricity Supply

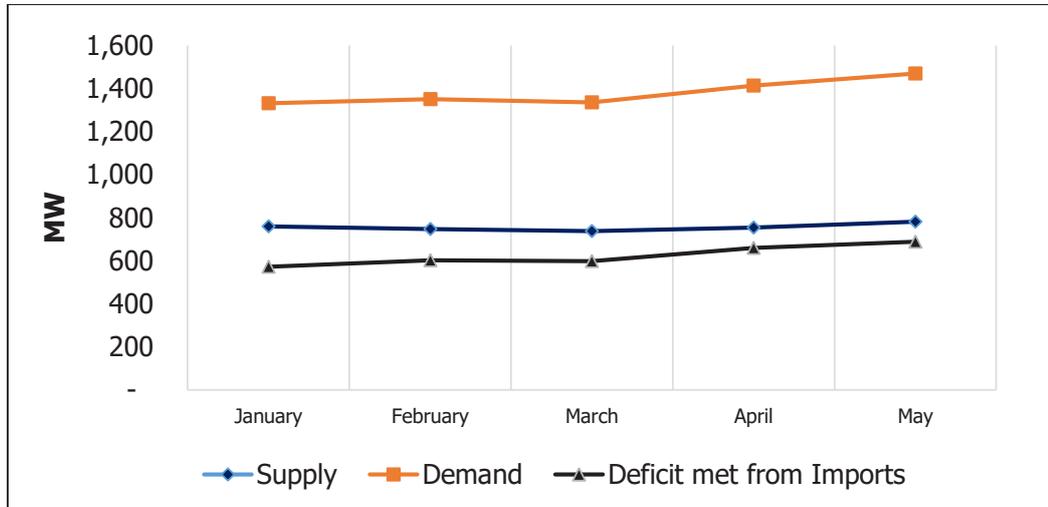
661. Monthly electricity generation during the first half of the year averaged 790 MW, against average demand of 1 380 MW, necessitating the need for imports, mainly from Eskom of South Africa and HBC of Mozambique to cover for the power deficit.

662. The reduced power generation at Kariba, due to low water levels, have largely been offset by improved reliability from Hwange Thermal Power Station and increased imports from the region.

663. This has enabled the country to enjoy uninterrupted power supply since December 2015, save for outages arising from transmission and distribution network challenges.

664. The Graph below shows the electricity supply in the country during the past six months.

Power Supply, Demand, Deficit and Imports



Source: ZESA

Water and Sanitation

665. Mr Speaker Sir, the poor rainfall received during the past two successive seasons has resulted in critical shortage of water in some settlements.
666. Some households are now travelling long distances to access water, with some settlements having a few months' supply of water remaining.
667. A survey undertaken by ZINWA identified immediate interventions required to ensure citizens in affected areas continue to access water until the next rain season, with costs estimated at US\$13 million.
668. The Table below shows some of the most affected areas and the resource requirements.

Water and Sanitation Requirements

Catchment	Station	District	Province	Current Status	Scope Of Works	Estimated Cost
MAZOWE	Parirewa	Goromonzi	Mash East	Dam dried May 2016	1. Site drill and equip 2 boreholes trench and lay pumping main. 2 Provide prefabricated water treatment unit at Makumbe Dam. Construct clear water pumping main to reservoir	2 440 000
	Kotwa	Mudzi	Mash East	Dam dried May 2016	1. Site drill and equip 3 boreholes trench and lay pumping main. 2. Construct Raw Water Pipeline from Kudzwe Dam. Construct raw water pump house. Equip pump house	2 500 000
	Mutawatawa	UMP	Mash East	Dam dried March 2016	Rehabilitate 3no x boreholes drill additional borehole lay pumping main connect boreholes into convectional treatment plant unit	92 500
	Mt Darwin	Pfura	Mash Central	River dried May 2016	Site drill and equip 3 boreholes lay pumping mains	128 500
	Chindunduma	Chaminuka	Mash Central	To last upto September 2016	site drill and equip 2 boreholes connect into existing pumping main	62 500
	Ruwangwe	Nyanga	Manicaland	To last upto September 2016	site drill and equip 2 boreholes connect into existing pumping main	73 800
	Goromonzi	Goromonzi	Mash East	Dam dried March 2016 and the situation is highly dire	Rehabilitate 5no x boreholes rehabilitate existing pumping main	45 000
	Mukumbura	Pfura	Mash Central	River dried May 2016	install sand abstraction point lay pumping mains and connect to existing mains	45 300
	Nyamapanda	Mudzi	Mash East	Dam Dried April 2016	site drill and equip 1 borehole lay pumping main	33 300
Total for Mazowe						5 420 900
GWAYI	Marula		Matebeleland North	Last upto August 2016	Flush and equip two boreholes and lay reticulation lines	35 000
	Nkayi		Matebeleland North	River dried May 2016 now relying on Sand Abstraction with much depressed yield	Flush and equip one borehole Purchase and install one flight pump Resuscitate booster pump Pumping main	30 000
	Tsholotsho		Matebeleland North	River dried May 2016 now relying on Sand Abstraction with much depressed yield	Flush and equip two boreholes Rehabilitate borehole pipelines Erect two elevated tanks	35 000
Total for Gwayi						100 000
MZINGWANE	Maleme water Supply		Matebeleland South	Dam dried May 2016	Flush and equip two boreholes.	30 000
	Guyu water Supply		Matebeleland South	River dried May 2016	Installation of new well points electrical connections pumping plant and connection to the existing reticulation.	30 000
Total for Mzingwane						60 000

Catchment	Station	District	Province	Current Status	Scope Of Works	Estimated Cost
MANYAME	Centenary		Mash West	River dried May 2016	Replace critical areas on the pumping main. Upgrade raw-water abstraction point.	80 000
						80 000
SAVE	Murambinda	Buhera	Mani-caland	To last upto September 2016	site drill electrify equip two bore-holes Rehabilitate 2 boreholes	75 400
	Hauna	Mutasa	Mani-caland	To last upto September 2016	Electrify current borehole site drill electrify and equip 2nd borehole connect to existing system	26 200
	Chitora		Mani-caland	River dried May 2016	site drill and equip borehole connection to existing system	16 700
	Checheche	Chipinge	Mani-caland	To last upto September 2016	Site drill electrify and equip two bore-holes. Connect to existing system	37 400
	Birchenough	Chipinge/Buhera	Mani-caland	To last upto September 2016	Site drill electrify and equip two bore-holes. Connect to existing system	38 000
Total for Save						193 700
RUNDE	Chatsworth			To last upto September 2016	Drill 2 b/h equip the b/hole connect b/h to reservoir repair leakages on the weir	45 000
Total for Runde						45 000
Grand Total						5 899 600

Source: Ministry of Finance

669. In order to ameliorate the hardships facing communities, Government unveiled an Emergency Water Supply Mitigation Programme which seeks to provide alternative water supply for the affected settlements.
670. From the limited fiscal revenues, an amount of US\$1 million has been availed during the first six months of the year to kick start the programme.
671. Furthermore, Government and development partners continue to prioritise water harvesting and distribution programmes in

both urban and rural areas, with US\$19.2 million having been disbursed during the first six months of the year.

Rural WASH Programme

672. Under the Rural WASH Programme, an amount of US\$6.4 million has been disbursed towards construction, repair and rehabilitation of boreholes, water supply schemes and provision of sanitation facilities.
673. Cumulatively, from January to June 2016, 1 498 new boreholes were drilled and equipped, 30 piped water schemes rehabilitated, whilst 10 255 boreholes were repaired and or rehabilitated in the targeted 33 districts.
674. As a result, about 3.08 million people benefited from improved sources of drinking water in the rural areas.
675. Mr Speaker Sir, Government would want to acknowledge development partners and UNICEF for complementing Government efforts in this regard.

Tokwe-Mukorsi Dam

676. Mr Speaker Sir, construction works at Tokwe Mukorsi dam are now at 95% completion of this critical water reservoir.

677. This follows resumption of works by the contractor from the beginning of June 2016, following payment of some of the outstanding amount.

678. Since resumption of works, the contractor has managed to complete plugging of the emergency spillway, lining of the outlet tunnel and construction of the tuff boom, a barrier for debris.

679. Works currently underway include the following:

- Construction of the bellmouth for the right bank spillway;
- Construction of the parapet wall base and walls forming the last four metres of the dam wall; and
- Plunge pool.

Plunge Pool Foundation



Source: Ministry of Finance

680. Government and the contractor have agreed to the execution of the remaining critical works, estimated at US\$20 million, comprising of outlet works, crest parapet wall, access bridge on the dam embankment and right bank spillway before December 2016 to allow for the impounding of water during the next rain season.

Plunge Pool Foundation



Source: Ministry of Finance

681. The amount of US\$20 million has been ring-fenced by Treasury for disbursement during the second half of the year in order to ensure that the dam starts to contribute towards raising agricultural output in the low-veld.

Urgent Water Supply and Sanitation Rehabilitation

682. Mr Speaker Sir, implementation of the Urgent Water Supply and Sanitation Rehabilitation Project, under Zim-Fund Phase II, is

also at various stages of procurement in the municipalities of Harare, Chitungwiza, Ruwa and Redcliff as shown in the Table below:

Project Implementation Status as at 30 June 2016.

	Beneficiary Area	Activities	Status
1	Harare	Rehabilitation of water distribution system & sewerage collection points Rehabilitation of pump stations & replacement of pipes	Pre-Qualification (PQ) of applications have been completed and tendering process is in progress
2	Chitungwiza	Water and Sewer Pipelines replacement	Bid closed on 10 May 2016 and bids are under evaluation.
3	Ruwa	Water and Sewer Pipelines replacement	Bid closed on 11 May 2016 and bids are under evaluation
4	Redcliff	Water and Sewer Pipelines replacement	Bids closing on 19 August 2016.

Source: African Development Bank

683. As of 30 June 2016, total disbursements were US\$1.05 million against a total of US\$4.4 million, translating to 23.9% of disbursements in 2016.

684. Implementation of the project is expected to benefit a total of 1.9 million people through improved access to clean water supply and reduced environmental pollution from raw sewerage, among others.

Bulawayo Water and Sewerage

685. Government is implementing the Bulawayo Water and Sewerage Services Improvement Project, with the support of US\$33.6 million from African Development Bank grant funding.

686. As at 30 June 2016, disbursements towards the project targeted the construction of public stand posts in Cowdray Park, and the rehabilitation of 40 public toilets within the city, among other works.

687. Completion of the project will improve municipal water supply and sanitation services, contributing to the improvement of the health and social well-being of over 750 000 people in the City of Bulawayo.

Transport

688. Mr Speaker Sir, in our globalised environment where economic opportunities are now dependant on the mobility of people, goods and information, the transport sector now plays an increasing important role in the transformation of our economies.

689. In this regard, strategies aimed at addressing the deficiencies that currently exist in our transport systems are central to our economy, with the Budget channelling US\$28 million during the first six months of the year towards the rehabilitation and upgrading of our road network, as well as airports.

Road Projects

690. Cumulative support towards the road sector amounted to US\$18.1 million, with the bulk of the resources (US\$16.8 million)

being mobilised through the Road Fund managed by ZINARA and channelled towards the road authorities.

Mabvuku Road-Over Rail Bridge



Source: Ministry of Finance

691. Construction of the Mabvuku Turn-off *Road Over Rail Bridge* structure, initially targeted for completion by end February 2016, is now complete and has since been opened to traffic.

Mabvuku Road-Over Rail Bridge



Source: Ministry of Finance

Road Fund

692. Mr Speaker Sir, ZINARA collections for the six months to June amounted to US\$74.6 million.
693. Of the above collections, disbursements amounted to US\$69.4 million as follows:
- servicing the Plumtree–Mutare Road Loan Facility, US\$21.8 million;
 - disbursements to road authorities, US\$14.8 million;
 - revenue generation cost, US\$12 million;

- administration, US\$6.6 million;
- other road related expenses of, US\$8.5 million; and
- staff and management costs, US\$5.6 million.

694. The Table below provides details of the disbursements by the Fund for the period under review.

Road Fund Budget Performance to June 2016

Item	2016 Budget/ Allocation	Actual Collection/ Expenditures (Jan-Jun)	% Collections Disbursement
Revenue	US\$	US\$	
Abnormal load fees	650 000	241 490	37.2%
Fuel levy	50 000 000	21 207 000	42.4%
Overload fees	1 500 000	556 028	37.1%
Toll fees	50 000 000	16 640 373	33.3%
Transit fees	21 000 000	8 151 762	38.8%
Vehicle license fees	67 500 000	26 178 643	38.8%
Limpopo Bridge Tolls @ 15% commission	2 400 000	1 022 614	42.6%
Presumptive tax @ 10% commission	25 000	68 134	272.5%
Road Access fees @ 10% commission	1 000 000	279 356	27.9%
Other Income	5 720 000		0.0%
ZBC @ 20% Commission	1 000 000	769 533	77.0%
Sub Total	200 795 000	75 114 933	37.4%
Expenditure			
Road Authority			
Rural District Councils	20 000 000	3 834 082	19.2%
Urban Councils	10 000 000	2 295 837	23.0%
Department of Roads	12 000 000	5 625 752	46.9%
District Development Fund	6 000 000		
Sub Total	48 000 000	14 784 228	30.8%
Other Road Related Expenses			
Plumtree - Forbes (DBSA Facility)	47 756 679	21 825 000	45.7%
Outstanding Obligations	18 105 975	6 107 762	33.7%

Item	2016 Budget/ Allocation	Actual Collection/ Expenditures (Jan-Jun)	% Collections Disbursement
Special Projects	6 000 000	2 463 626	41.1%
Emergency	2 500 000		0.0%
Sub Total	74 362 654	30 396 388	40.9%
Other Expenses			
Cost of Revenue Collection	32 804 741	12 009 324	36.6%
Staff & Management Cost	17 507 915	5 591 002	31.9%
Loan Repayment	12 000 000	3 240 354	27.0%
Administrative Expenditure	6 244 174	2 705 838	43.3%
Capital Expenditure	9 867 062	690 234	7.0%
Sub Total	78 423 892	24 236 752	30.9%
Total	200 786 546	69 417 368	34.6%

Source: ZINARA, Ministry of Finance

695. At 31% utilisation, disbursements to road authorities still remain low, particularly for urban and rural councils where late submission of acquittals undermine further disbursements to the councils.
696. The proportion of staff and other fixed costs, at 35% of expenditure, is too high and constrains the Road Fund to meaningfully provide resources for the maintenance of the 88 200 km road network in the country.
697. It is, therefore, critical that the cost structure of the Fund is re-examined with a view to creating additional space for support towards road construction and maintenance programmes.

698. Additionally, the servicing of the Development Bank of Southern Africa (DBSA) Facility is proving to be heavy. To this end, the Ministry of Transport together with ZINARA have opened negotiations with DBSA on this challenge.

699. The Table below shows the disbursements made towards road rehabilitation and maintenance for Road Authorities up to June 2016.

Disbursements to Road Authorities

Road Authority	2016		
	Allocation	Disbursements (Jan-June)	% Disbursement
	US\$	US\$	US\$
Department of Roads	12 000 000	5 625 752	47%
District Development Fund	6 000 000	3 028 557	50%
Urban Local Authorities			
Banket Town Council	191 857	107 013	56%
Beitbridge Town	232 413	34 862	15%
Bindura Municipality	252 903	75 871	30%
Bulawayo City	899 236	227 825	25%
Chegutu Municipal	293 754	44 063	15%
Chinhoyi Municipal	315 052	47 258	15%
Chipinge Town	220 319	110 764	50%
Chiredzi TC	240 633	49 500	21%
Chirundu LB	176 268	26 440	15%
Chitungwiza UC	363 332	54 500	15%
Epworth LB	170 509	25 576	15%
Gokwe Town	232 929	34 939	15%
Gwanda Municipality	253 962	86 094	34%
Gweru City Council	470 741	70 612	15%
Harare City Council	1 303 591	467 056	36%
Hwange Town	207 615	31 142	15%
Kadoma Municipality	283 612	42 542	15%
Kariba Municipal	282 493	42 374	15%
Karoi Town Council	271 322	40 698	15%
Kwekwe Municipality	276 087	37 565	14%
Lupane TC	174 355	26 153	15%
Marondera Municipality	224 722	67 416	30%
Masvingo City	344 908	51 736	15%
Mutare City	339 477	50 922	15%
Mvurwi Town	177 433	26 615	15%

Road Authority	2016		
	Allocation	Disbursements (Jan-June)	% Disbursement
	US\$	US\$	US\$
Norton Town Council	278 781	83 634	30%
Plumtree TC	193 601	29 040	15%
Redcliff Municipal	250 434	37 565	15%
Rusape Municipality	223 671	102 964	46%
Ruwa LB	167 500	25 125	15%
Shurugwi TC	216 094	32 414	15%
Victoria Falls Municipality	232 742	34 911	15%
Zvishavane TC	237 652	70 648	30%
Sub Total	10 000 000	2 295 837	23%
Rural Local Authorities			
Beitbridge	339 836	136 814	40%
Bikita	309 619	46 443	15%
Bindura	318 427	47 764	15%
Binga	431 836	64 775	15%
Bubi	323 576	97 073	30%
Buhera	338 161	54 422	16%
Bulilima	341 578	51 237	15%
Chaminuka	306 366	45 955	15%
Chegutu	358 841	53 826	15%
Chikomba	326 444	47 764	15%
Chimanimani	346 044	118 284	34%
Chipinge	309 470	124 136	40%
Chiredzi	330 000	49 500	15%
Chirumanzu	349 338	52 401	15%
Chivi	388 442	-	0%
Gokwe North	330 586	49 588	15%
Gokwe South	315,693	-	0%
Goromonzi	309 202	46 380	15%
Guruve	263 249	-	0%
Gutu	323 905	48 586	15%
Gwanda	368 481	55 272	15%
Hurungwe	367 058	151 513	41%
Hwange	401 048	120 314	30%
Hwedza	303 935	45 590	15%
Insiza	378 133	56 720	15%
Kusile	321 094	48 164	15%
Makonde	322 117	-	0%
Makoni	306 957	146 043	48%
Mangwe	361 302	104 195	29%
Manyame	336 609	50 491	15%
Marondera	316 880	47 532	15%
Masvingo	356 770	53 515	15%
Matobo	277 510	41 626	15%
Mazowe	287 911	43 187	15%

Road Authority	2016		
	Allocation	Disbursements (Jan-June)	% Disbursement
	US\$	US\$	US\$
Mberengwa	336 167	50 425	15%
Mbire	292 834	87 850	30%
Mhondoro-Ngezi	320 832	48 125	15%
Mudzi	333 197	83 299	25%
Murewa	295 311	44 297	15%
Mutare	363 851	180 365	50%
Mutasa	362 818	0	0%
Mutoko	299 258	44 889	15%
Muzarabani	331 388	49 708	15%
Mwenezi	332 657	49 899	15%
Nkayi	370 511	171 153	46%
Nyaminyami	333 788	100 136	30%
Nyanga	383 729	57 559	15%
Pfura	295 502	44 325	15%
Runde	308 483	46 272	15%
Rushinga	317 487	102 682	32%
Sanyati	309 655	46 448	15%
Tongogara	309 459	46 419	15%
Tsholotsho	367 690	55 154	15%
Umguzu	377 963	100 239	27%
UMP Zvataida	302 362	45 354	15%
Umzingwane	303 256	45 488	15%
Vungu	332 292	49 844	15%
Zaka	341 039	-	0%
Zibagwe	318 314	47 747	15%
Zvimba	393 740	137 295	35%
Sub Total	20 000 000	3 834 082	19%
Total	48 000 000	14 784 228	31%

Source: ZINARA

Beitbridge–Harare–Chirundu Carriageway

700. The project for the dualisation of the Beitbridge–Harare–Chirundu road was awarded to Geiger International and contract negotiations have commenced, aimed at achieving financial closure and, hence, commencement of works on the project.

701. A key component of the project is the minimum 40% participation by local contractors, professional experts, as well as local

materials, which is expected to provide downstream benefits to the economy.

702. The section from Beitbridge to Harare would be funded through the BOT model over a 15–20 year concession, while the Harare–Chirundu and Ring-road would be through loan financing.
703. The Framework Agreement was approved by Government, which paved way for signing of the MOU for the above projects on 22 August 2016, that way paving way for negotiations of specific project agreements. Thereafter, project implementation will commence.

Airports

704. Works on the Victoria Falls Airport new terminal building, runway, control tower, sewer reticulation system, aprons as well as the fire station have all been completed and are now in use.
705. Remaining works relate to the rehabilitation of the old terminal building which are still in progress. Once complete, the terminal will cater for domestic services.
706. Cumulative disbursements to the contractor as of June 2016 amount to US\$139.9 million, out of US\$150 million.

707. With regards to the Harare International Airport runway, rehabilitation works resumed in January 2016. However, being a live runway limits the available working hours during which to carry out rehabilitation works.

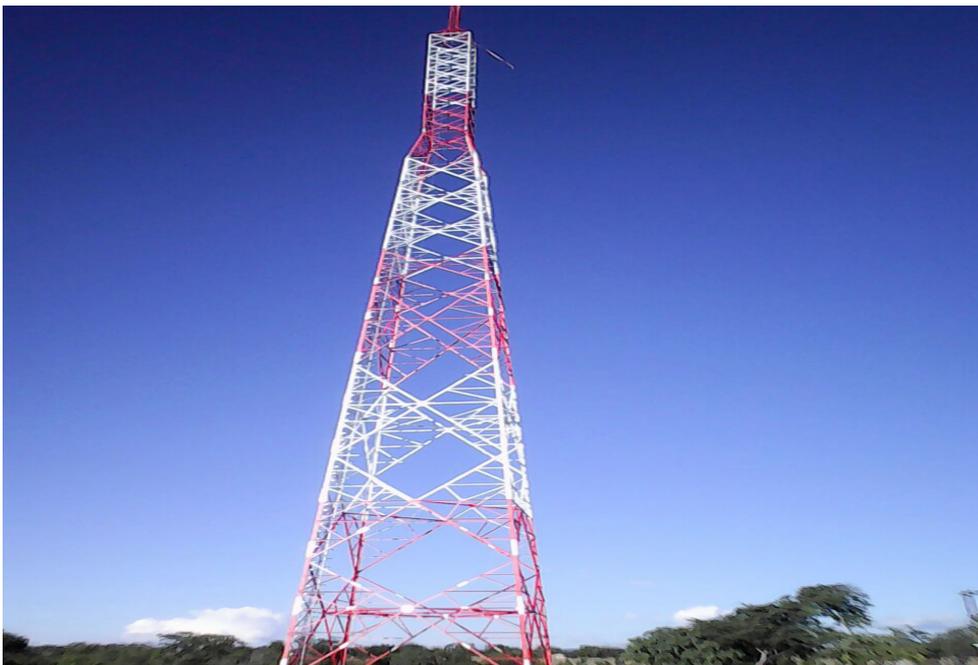
708. The water and sewer system upgrading project for the airport is now almost complete at 97%.

Information Communication Technology

Digital Broadcasting

709. Mr Speaker Sir, implementation of the Digitalisation Migration Project which began in February 2015 has been facing funding challenges as only US\$30.5 million out of the total requirement of US\$172.9 million has been disbursed to date.

The Completed Binga Transmission Tower



Source: Ministry of Finance

710. Funding for the Digitalisation Migration Project was envisaged to come from the Broadcasting Fund, leveraging on the digital dividend spectrum space, created through migration from the analogue to the digital system.
711. In this regard, the Broadcasting Authority sold the spectrum for US\$200 million to Net-One who, however, could not raise the requisite amount.
712. Therefore, given the importance of the project to the Nation, Government has taken a decision to dispose of the spectrum to suitable entities, with the Ministry responsible for ICTs looking at modalities for this disposal.
713. In the meantime, Government will facilitate implementation of the project with funding drawn from the Universal Services Fund, to be reimbursed once the resources have been mobilised from the market.

Net-One Network Expansion

714. Mr Speaker Sir, progress is being made in the implementation of Phase II of the Net-One *National Network Broadband Project* currently underway.
715. To date, US\$155.6 million has been disbursed to the project, enabling the following:

Mobile Soft-Switch and Media Gateway

716. Mobile Soft-switch and Media Gateway with capacity of 4 million subscribers have been installed.

Upgrade to 4G

717. Packet Core network has been upgraded to support 4G technology.

Base Stations

718. On the wireless network, 2 003 second and third generation Base stations (2G/3G) have been delivered, against a target of 2 236.
719. Furthermore, 150 fourth generation base stations have been deployed, against a target of 300, coupled with the delivery and deployment of 2 Radio Network Controllers and 3 Base station controllers.

Microwave Links

720. On transmission, 561 microwave links have been delivered, against a target of 817.
721. In addition, 35 optical terminal equipment units have been delivered, against a target of 64.

Pine Tree Towers

722. On civil works, 89 Pine tree towers have been delivered, against a target of 100.

723. Furthermore, 71 lattice towers have been delivered, against a target of 75.

Generators

724. To provide for uninterrupted power supply, 430 diesel engine generators have been delivered, against a target of 500, while two rectifiers for Bulawayo and Harare Switching centres have been delivered.

Housing

725. Mr Speaker Sir, realising targets of 313 368 fully constructed housing units or serviced stands by 2018 in line with the National Housing Delivery Programme for 2014-2018 is being undermined by availability of serviced land, affordable finance, as well as availability of such offsite and onsite infrastructure as roads, water and social amenities.

726. To this end, Government will continue to partner with private developers and building societies to ensure that basic services are provided in any new settlements.

727. However, attracting private sector support for development of orderly settlements requires restoration of sanity in the sector,

with the activities of the so called “Land Barons” and other unscrupulous land developers curtailed.

728. With regards to Government construction projects, cumulative disbursements for the period to June 2016 amounted to US\$12.2 million, mainly targeted at institutional accommodation.

Priority Infrastructure Projects to End of 2016

729. A number of projects financed through loans, both ongoing and those awaiting drawdown, are at risk of stalling due to our failure to meet loan service obligations related to this mode of financing.

730. Such projects include the following:

Priority Infrastructure Projects

Project Name	Status Of Development	Epc Cost
Kariba South Hydropower Station	Under implementation	319 455 921
Deka Pumping Station	Under implementation	28 600 000
Victoria Falls Airport	Under implementation	150 000 000
Net*One Network Expansion II	Under implementation	218 954 843
Tel*One Backbone and Access Broadband Access	Awaiting loan effectiveness	98 617 482
City of Harare Water and Sewer Treatment Works	Under implementation	140 825 000
Small and Medium Enterprises (SME) Poverty Alleviation Project	Awaiting loan effectiveness	7 600 000
IFAD Smallholder Irrigation Development Project	Awaiting loan effectiveness	25 000 000
Supply of Medical equipment and supplies	Under implementation	89 955 000
First Education Project	Awaiting loan effectiveness	20 000 000
Total		1 099 008 246

Source: Ministry of Finance

731. There is, therefore, need to create additional fiscal space on the Budget to support such critical expenditures, as well as priority projects to year end.

Joint Venture Projects

732. The Joint Ventures Act was promulgated on 27 May 2016 through Statutory Instrument 53 of 2016, and now provides the legal basis and institutional framework for the implementation of Joint Venture Projects in the country.

733. Following its enactment, all projects targeted for implementation through Joint Ventures should be developed and implemented in accordance with the provisions of the Act.

734. In this regard, it is now a legal requirement for contracting authorities to seek Treasury and Cabinet approval before engaging the private sector in the implementation of such projects.

735. Consistent with the Act, Treasury, is in consultation with the Public Service Commissions on the setting up and capacitation of the

Joint Ventures Unit which will be central to the development of such projects in the country.

736. Furthermore, Government is working on strengthening the regulations and guidelines around this mode of financing to facilitate their uptake by the private sector.

Infrastructure Bonds

737. Mr Speaker Sir, in view of the limited fiscal scope, Government continues to explore other financing options in the delivery of infrastructure services.

738. The 2016 Budget targets mobilisation of funding through infrastructure bonds that will be channelled towards construction, rehabilitation and upgrading of infrastructure in our schools and tertiary institutions.

739. Work is currently underway to procure financial advisors who will assist in the prioritisation and development of bankable project proposals that will be attractive to the private sector.

Spatial Development Initiative

740. Government, through the Ministry of Industry and Commerce, is currently spearheading the implementation of Spatial Development Initiatives (SDI), focussing on the promotion of development corridors.
741. The SDI focuses on identifying and implementing a variety of integrated road, rail, port and border post infrastructure initiatives through PPPs and joint ventures, as well as regulatory frameworks that promote efficient movement of goods and services in the domestic and international markets.
742. Already, movement of goods and services along the Beira Corridor has been on the increase, also benefiting from completion of the upgrading of the Forbes Border post road link to Harare, undertaken under the Plumtree-Bulawayo-Harare-Mutare highway rehabilitation project.
743. In addition, Government has already engaged contractors for the dualisation of the Beitbridge-Harare-Chirundu road, which is expected to link the country with COMESA-EAC-SADC markets.

VII. SOCIAL PROTECTION

744. Mr Speaker Sir, social services delivery has been at the core of our development thrust since Independence.

745. This invariably brings in the areas of health care, education as well as protection for the vulnerable groups as espoused under the Zim Asset.

746. The cornerstone of Government's social protection interventions remains that of reducing poverty at the household level, increasing access to child protection, provision of basic health and education services, as well as providing crop input support to vulnerable households that are food insecure.

Health Care

747. Mr Speaker Sir, the 2016 National Budget targeted strengthening preventive primary health care, as well as our public health referral system, with provision of adequate medicines and supplies, diagnostic equipment, as well as related infrastructural health facilities.

748. Budget provisions in the first half of the year, complemented by development partners' support, targeted malaria control, non-communicable diseases, improving maternal and child care, as well as strengthening capacity of our clinics and hospitals in terms of medicines, personnel, equipment and infrastructure.

749. Within the context of appropriated Budget resources of US\$330.8 million, overall Budget disbursements during the first six months of the year 2016 amounted to US\$164 million, inclusive of remuneration of our 26 700 public health care personnel which accounted for US\$149 million.
750. Budget support towards other non-wage health services was undermined by weak revenues. Consequently, against a Budget provision of US\$53.7 million, a disproportionate amount of US\$15 million was disbursed.
751. In this regard, US\$5.9 million was disbursed towards hospital care services, US\$3.2 million on primary health care, focusing on maternal and child services and US\$1.3 million on public health programmes.
752. Allow me, therefore, to acknowledge the strong financial support from development partners, mainly through Global Fund efforts to fight HIV/AIDS, Tuberculosis and Malaria, and the Health Development Fund.

Global Fund

753. Mr Speaker Sir, the Global Fund disbursed US\$102.6 million by end of the six months to June 2016 towards:
- The provision of anti-retroviral drugs, prevention of mother to child transmission, male circumcision; and voluntary counselling and testing;

- Procurement of medicines for multi-drug resistant TB and HIV/TB co-infection; and
- The distribution of 6.2 million Insecticide Treated Mosquito Nets to protect families against malaria.

Health Development Fund

754. The Health Development Fund, administered by UNICEF, disbursed US\$3.1 million towards improving maternal and adolescent health through the strengthening of health systems and nutrition interventions.
755. Furthermore, I am pleased to advise of additional support through the Health Development Fund from the Swedish Government towards the health sector.
756. In this regard, Government and UNICEF signed an agreement of 199 million krona or US\$24 million with Sweden for the period 2016–2020.
757. Mr Speaker Sir, of this, 49 million krona or US\$5.7 million will be disbursed during this year.

Education

758. Mr Speaker Sir, Budget expenditures to June 2016 of US\$547.8 million in the education sector remained heavily skewed towards wage costs for the employment level of 123 563 staff, mostly teaching.

759. This left only US\$6.6 million towards expenditures for operational support, mainly for Schools supervision and monitoring by provincial and district inspectors, as well as payment of utility bills.
760. Educational programmes, including in-service teacher training of 2 500 teachers already enrolled for ICT, Mathematics and Science degree programmes at five State Universities could not be supported due to Budgetary constraints.
761. The total cost for these programmes amounts to US\$2.4 million, for the period to end of June 2016, and disbursements will be prioritised during the second half of the year.

Curricula Review

762. Review of the national curricula for primary and secondary levels, however, benefitted from the disbursement of US\$10.6 million under the Education Development Fund administered by UNICEF.
763. The review offers the opportunity to address skills shortages in science and technology, mathematics and ICTs.

Science, Technology, Engineering and Mathematics

764. Mr Speaker Sir, the country is recording positive strides on the Science, Technology, Engineering and Mathematics (STEM)

initiative, a human capital development strategy initiated by His Excellency the President as far back as 2007.

765. Under the STEM initiative, US\$2.8 million was disbursed through the Zimbabwe Development Fund (ZIMDEF) towards the payment of first and second term school fees for around 5 132 A-level students, studying Mathematics, Physics, Biology and Chemistry.
766. The gender distribution of the total enrolled students on the STEM initiative was 3 347 (65%) male students, and 1 785 (35%) female students.
767. Mr Speaker Sir, initiatives to develop human capital create scope for technology partnerships, and linkages between institutions of higher learning and industry.

STEM Policy Strategy

768. Mr Speaker Sir, going forward, Government is finalising the STEM Policy Strategy for 2016–2026, with the Ministry of Higher and Tertiary Education, Science and Technology Development coordinating.
769. A major aspect of this Strategy that Treasury is considering supporting is the long overdue National Skills Survey, given that the last Survey was done way back in 1982.

770. Mr Speaker Sir, auditing the country's skills complement will assist us in identifying skills gaps, that way informing our STEM development and training plans. This is all in support of the country's industrialisation and modernisation thrust, in line with the African Union's Agenda 2063.

Education Infrastructure

771. Mr Speaker Sir, our constrained fiscal environment is inhibiting progress in dealing with the infrastructure gaps that exist at primary and secondary schools, including tertiary institutions, as well as the provision of science laboratories and library services.

772. In this regard, Government continues to seek ways of attracting private sector funding for schools infrastructure, leveraging on student fees and other charges.

773. The Ministries responsible for Education are currently identifying consultants to assist in project structuring, including developing the revenue stream framework conducive to commercial finance.

774. I am also pleased to report that significant progress has been made on the processes required for drawdown under the US\$20 million OPEC Fund loan. This will allow commencement of construction works of the targeted 17 rural schools.

Food Insecure Households

775. Guided by the 2016 Rural Livelihoods Assessment report produced by the Zimbabwe Vulnerability Assessment Committee (ZIMVAC), the Budget availed US\$3 million towards the distribution of grain to around 626 200 food-insecure households countrywide by end of June 2016.

BEAM

776. Furthermore, US\$2 million was disbursed towards examination fee support for around 20 000 vulnerable schoolchildren under the BEAM programme.

Cash Transfers

777. Mr Speaker Sir, during the first half of the year, the Budget disbursed US\$1.7 million towards 52 000 households headed by the elderly and orphans in the form of cash transfers, with an additional US\$350 000 disbursed in support of people living with disabilities.

778. This was complemented by development partner support through UNICEF, which disbursed US\$9.3 million out of the 2016 projection of US\$25.3 million for child protection programmes for orphans and vulnerable children.

779. Disbursements are through direct cash transfers, procurement of commodities and supplies of food, medicines, and vaccines, among others.

VIII. DEVELOPMENT PARTNER SUPPORT

780. In complementing Government efforts, Mr Speaker Sir, total Development Partner support for 2016 is projected at US\$474.4 million.

781. Of this, a total of US\$193.2 million was disbursed during the period January–June 2016, comprising of US\$73.8 million from bilateral and US\$119.4 million from multilateral sources, as indicated below:

Bilateral Development Partner Support as at June 2016

Development Partners	2015 Actual (US\$)	2016 Projection (US\$)	Jan–Jun 2016 Disbursement (US\$)
Bilateral			
Australia	7 896 000	5 150 000	560 000
China	14 406 349	—	—
Denmark	30 985 305	9 920 199	8 677 268
European Union	25 042 033	36 363 467	15 917 074
Germany	4 473 514	—	—
Japan	4 962 915	10 144 984	3 804 989
Netherlands	3 139 885	—	—
India	702 637	—	—
Norway	14 760 000	—	—
Sweden	237 630 298	83 216 215	10 065 000
Switzerland	9 661	8 404	—
UKAID	135 385 455	144 990 000	34 742 300
USAID	64 496 015	—	—

Development Partners	2015 Actual (US\$)	2016 Projection (US\$)	Jan–Jun 2016 Disbursement (US\$)
Sub Total	543 890 067	289 793 269	73 766 631
Multilateral			
AfDB	8 673 000	32 360 000	8 500 000
ACBF	1 057 286	800 000	700 209
FAO	1 044 366	188 706	175 063
Global Fund	100 902 030	139 315 405	102 596 125
ILO	212 747	572 000	67 204
IOM	217 405	—	—
ITU	312 700	—	54 170
UN Women	1 153 623	—	—
UNDP	6 099 665	1 822 730	2 317 095
UNESCO	277 568	32 000	30 503
UNFPA	2 890 545	345 581	166 838
UNIDO	190,000	—	—
UNICEF	7 664 143	6 200 000	5 173 096
UNODC	230 072	396 824	107 302
WHO	4 993 997	2 603 500	1 613 122
World Bank	8 000 000	—	—
Sub Total	143 919 147	184 636 746	119 380 596
Grand Total	687 809 214	474 430 015	193 147 227

Source: Ministry of Finance and Economic Development

782. Details of the Sectoral disbursements are indicated below

Sectoral Disbursements

Sector	2015 Disbursements	2016 Projection	Disbursements Jan-June 2016
Agriculture	68 579 056	117 160 855	12 000 000
Transport	1 272 713	1 680 000	644 000
Power/Energy	5 396 669	13 090 000	3 970 000
Water Supply & Sanitation	32 599 766	22 050 000	9 346 000
Health	218 832 982	159 396 824	110 980 398
Education	22 849 289	38 900 000	10 600 000
Basic Social Services	5 951 328	25 645 581	9 466 838
Governance	35 357 542	64 092 199	19 044 718
Capacity Building/TA	8 684 343	32 414 556	17 095 273
Total	431 626 084	474 430 015	193 147 227

Source: Ministry of Finance and Economic Development

European Development Fund

783. Mr Speaker Sir, under the 11th EDF National Indicative Programme (2014–2020), Zimbabwe was allocated €234 million earmarked for health, agriculture-based economic development, governance and institutional building.

784. The Table below shows projects currently under implementation through the 11th EDF National Indicative Programme:

Sector	Allocated Amount	Disbursed Funds
Health <ul style="list-style-type: none"> • Contribution to Health Transition Fund IV; and • Improving Health Outcomes for the Population of Zimbabwe. 	67 350 000	37 100 000
Agriculture <ul style="list-style-type: none"> • Agriculture Based Economic Recovery Programme; and • Resilience Building and Food and Nutrition Security Programme. 	80 000 000	10 627 619
Governance <ul style="list-style-type: none"> • Support to Institutional Strengthening in the Framework of the New Constitution; • Promoting Migration Governance in Zimbabwe; • Public Finance Management Enhancement Programme for Zimbabwe; • Support to the Consolidation of the Democratic Process in Zimbabwe; • Support to the Rule of Law and Access to Justice for all; and • Support to Culture and Peace. 	45 000 000	10 300 246
National Authorizing Office <ul style="list-style-type: none"> • Support to the National Authorising Office. 	3 150 000	75 000
Technical Cooperation Facility	3 850 000	474,389
Total	199 350 000	58 577 254

Source: Ministry of Finance and Economic Development

785. This valued support from EU will go a long way in support of Government's efforts towards economic development.

African Development Bank Supported Projects

786. Mr Speaker Sir, the African Development Bank, under the Zim Fund and the African Development Fund, also supported a number of projects in both the public and private sectors.

787. These include water supply and sanitation, power, transport, agriculture (beef and leather value chains), social services and capacity building as indicated below.

Supported Projects

Sector	Total Approved Amount (US\$)	2016 Annual projection	Cumulative Disbursements as at 30 June 2016
Water Supply & Sanitation <ul style="list-style-type: none"> • Bulawayo Water & Sewerage Services Improvement Project; • Zimbabwe Integrated Urban Water Management; and • Urgent Water Supply Sanitation Rehabilitation (UWSSR) Phase 2-Stage 2. 	71.94	4.49	1,416
Power/Energy <ul style="list-style-type: none"> • Emergency Power Infrastructure Rehabilitation Project (EPIRP) Phase II; and • Supplementary Financing EPIRP 	20.08	10.03	3.97
Social Services <ul style="list-style-type: none"> • Youth and Tourism Enhancement Project 	3.78	1.86	2.3
Transport <ul style="list-style-type: none"> • Transport Sector Master Plan Study 	1.23	1.68	0.644

Sector	Total Approved Amount (US\$)	2016 Annual projection	Cumulative Disbursements as at 30 June 2016
Capacity Building <ul style="list-style-type: none"> • Support to the Beef and Leather Value Chain Technical Assistance • Capacity Building Project for Public Financial & Economic Management • Governance Institutional Support Project • Strengthening Institutions of Transparency and Accountability 	32.64	10.75	13.51
Total	134.58	29.21	21.84

Source: African Development Bank

Zimbabwe Reconstruction Fund

788. Mr Speaker Sir, in May 2014, the World Bank established the Multi-Donor Trust Fund for the Zimbabwe Reconstruction Fund (ZIMREF).

789. ZIMREF is aimed at strengthening national systems for reconstruction and development, focusing on the following four thematic windows:

- Private sector productivity and competitiveness;
- Governance, efficiency and competitiveness of public expenditure;
- Reduced vulnerability and enhanced livelihoods; and
- Analytical policy and advisory work.

790. By 30th June 2016, commitments to the Zimbabwe Reconstruction Fund amounted to US\$40.4 million, of which US\$25.4 million was deposited into the World Bank account, who are managing the resources on behalf of Government.

791. To this end, let me take this opportunity to thank the Governments of Denmark, Germany, Norway, Sweden, Switzerland, United Kingdom, as well as, the EU and the World Bank through the State and Peace Building Fund for their contributions.

792. Furthermore, as at end-June 2016, all eight (8) approved projects under ZIMREF became operational. The projects are as shown in the Table below:

ZIMREF Projects

Approved Activities	Approved Project (US\$)	o/w Disbursed US\$
Water Supply & Sanitation	10 800 000	188 217
Capacity Building	27 385 000	2 740 421
<ul style="list-style-type: none"> • Public Financial Management Enhancement Project • Business Environment, Financial Sector & Investment Policy • Poverty Monitoring and Zim-Asset Monitoring and Evaluation • Results-Based Budgeting • Public Procurement Modernisation Technical • Climate Change Technical 		
Total	38 185 000	2 928 638

Source: World Bank

Financing of the African Union

793. Mr Speaker Sir, the African Union Heads of State Summit held in Kigali, Rwanda during the period 15–17 July 2016 decided to collect 0.2% levy from “eligible” imports from all member states to fund the African Union and its programmes.

794. The resolution was issued to remove financial dependency of the Union. More than 70% of the African Union budget is donor funded while the 54 member countries contribute less than 30%.

795. Mr Speaker Sir, this decision was tabled at the SADC Summit held at Lozitha Palace, Swaziland over the period 30–31 August 2016 so as to explore the modalities of implementing the African Union resolution for SADC member countries.

IX. IMPROVING THE BUSINESS AND INVESTMENT ENVIRONMENT

Investment Potential

796. Mr Speaker Sir, given our strategic geographical position, abundant natural resources, diversified industry, supported by well-developed infrastructure as well as a highly skilled labour force, we have much potential to attract foreign direct investment for rapid development of our economy.

797. In this regard, the rate and level of investment licence renewals also indicate high interest in investing in the country.

798. This requires that we concretise on all opportunities for investment, including all investment applications approved by the Zimbabwe Investment Authority (ZIA).

Approved Projects: Jan – Jun 2016

Sector	No. of Projects Approved	Value US\$
Agriculture	1	250 000
Construction	2	19 047 000
Energy	2	107 896 300
Manufacturing	29	48 208 078
Mining	25	50 710 541
Services	15	69 463 864

Sector	No. of Projects Approved	Value US\$
Tourism	4	2 522 000
Transport	6	6 490 000
Total	84	305 587 783

Source: Zimbabwe Investment Authority

799. During the first half of 2016, most of the US\$305.6 million investment applications were in manufacturing and mining.
800. Hence, initiatives to enhance investor confidence among existing as well as potential investors can, therefore, not be over-emphasised.

Empowerment Policy Framework

801. Government, in April 2016, provided clarification on the interpretation of the Indigenisation and Economic Empowerment Policy, for the guidance of Government Ministers, the business community and current and would be foreign investors.
802. Having clarified contentious issues around the indigenisation and empowerment policy, Government, as a matter of urgency, is now amending the respective Act in order to align the existing legislation to the pronouncements made by His Excellency the President, in April 2016.
803. Accordingly, I will be updating this August House on progress over this matter in the forthcoming 2017 National Budget.

Ease of Doing Business Reforms

804. Implementation of the Ease of Doing Business (EDB) Reforms to improve the investment climate as well as strengthening Zimbabwe's competitiveness in the global arena is advancing well.
805. The reforms have already begun to eliminate the disproportionate high regulatory, transactional and administrative burden that is mostly borne by businesses currently operating and wanting to operate in Zimbabwe.
806. The regulatory burden had left Zimbabwe ranked at 171 last year among 189 nations in the World Bank's Doing Business indices.
807. Improvement in the country's Ease of Doing Business ranking from 171 last year to 155 this year, therefore, bears testimony to the positive trajectory of our reform initiatives.
808. As at end of May 2016, the following milestones were achieved:

Legislative Milestones

No.	Area of Reform	Ministry	Remarks
1.	Deeds Registry Act	MoJLPA	Bill Approved by Cabinet.
2.	Small Claims	MoJLPA	Bill Approved by Cabinet.
3.	Commercial Court	MoJLPA	Bill Approved by Cabinet.

No.	Area of Reform	Ministry	Remarks
4.	High Court	MoJLPA	Bill Approved by Cabinet.
5.	Estate Administrators Act	MoJLPA	Bill Approved by Cabinet.
6.	Insolvency Act	MoFED	Bill Approved by Cabinet.
7.	Movable Property Security Interest Bill	MoFED	Bill Approved by Cabinet.
8.	RBZ Act	MoFED	Bill Assented into Law.
9.	Companies Act	MoJLPA	Draft Bill Completed (still to be submitted to the AG's office together with the principles.
10.	Shop Licencing Act	MoLGPWNH	Bill Approved by Cabinet.
11.	Manpower Development Act	MoHTSTD	Principles Submitted to Cabinet.
12.	NSSA Act	MoLPSSW	Principles Submitted to Cabinet.
13.	Regional Town and Country Planning Act	MoLGPWNH	No meaningful progress has been recorded on this area of reform.

Source: Ministry of Macro-Economic Planning & Investment Promotion

809. These administrative and legislative reforms were in the areas of starting a Business and Protecting Minority Investors, Enforcing Contracts and Resolving Insolvency, Getting Credit, Paying Taxes and Trading Across Borders, Construction Permits and Property Registration.

810. Mr Speaker Sir, legislative reforms are targeting the Companies Act and ancillary legislation, whilst the other facet deals with reforming the procedural, time and cost elements of doing business.

811. As the Ease of Doing Business initiative progresses, Zimbabwe's ranking is targeted at below 100 by the end of 2016, with further ranking improvement anticipated in the medium term.

Impediments to Exporting

812. Mr Speaker Sir, the Ease of Doing Business initiative also targets removal of impediments to exporting, a major source for our liquidity.

813. This is more so as such impediments as border efficiency management systems often end up undermining whatever export promotion programmes and incentives we put in place.

814. Targeted for immediate removal are such impediments as bureaucratic export permit requirements, as well as the attendant levies and fees related to these regulations and requirements.

815. Other impediments relate to export documentation, required deposits, high costs of road infrastructure in view of limitations with rail transport and the multiple taxes and levies from different authorities.

816. Government, as part of the Ease of Doing Business reforms, is reviewing these constraints with a view of streamlining export documentation to reduce processing time, creation of one stop

shop for processing of export and import documentation and the review of the related laws.

One Stop Investment Shop

817. As part of the Ease of Doing Business reforms, Government is pursuing operationalisation of the One Stop Investment Shop, capable of providing investors with adequate investment information and also facilitating investment licencing in a short space of time.

818. Mr Speaker Sir, I am pleased to report that relevant line Ministries and Departments have now seconded the respective staff capable of taking prompt decisions, at the ZIA One Stop Shop.

819. This arrangement is parallel to the development of an on-line investment licencing system.

820. This system brings benefits related to transparency, removal of travelling costs on the part of investors, speeds up the processing of investment applications, and access to information.

Special Economic Zones

821. Mr Speaker Sir, the set-up of the One Stop Investment Shop at ZIA to facilitate faster approval and licencing of new investments will also aid development of Special Economic Zones.

822. As indicated in my previous Budget Statement, Government is finalising the crafting of the necessary framework for the creation of Special Economic Zones (SEZs).
823. The Bill, which provides the incentive framework, has passed through Parliament and is awaiting Presidential assent to become law.
824. Consultations on the pilot project are ongoing and indications are that the Sunway City Integrated Industrial Park in Harare, the Victoria Falls Financial and Tourism Hub and the Bulawayo Industrial Hub would be used for trials before the SEZ initiative is spread to identified centres.
825. Successful implementation of Special Economic Zones will attract increased foreign direct investment, that way increasing capacity utilisation in the economy.

National Competitiveness Commission

826. Cabinet approved the National Competitiveness Commission Bill, which now awaits Parliamentary approval.
827. The Commission will be responsible, among others, for reviewing regulations on doing business in order to enhance the competitiveness and attractiveness of the country to investors.
828. Already, Board members comprising of captains of industry have been identified and are offering guidance on competitiveness.

829. In this regard, the Commission will spearhead the continuous scanning of the business environment, monitor the cost drivers and advise on measures needed to address emerging challenges.

Border Efficiency Management

830. In an effort to facilitate business and investment, Government has adopted a Border Efficiency Management System which seeks to promote trade facilitation and reduce congestion at the country's border posts through encouraging efficient and joint clearances by Border Agencies.

831. In this regard, Government has put in place an inter-Ministerial Committee to oversee implementation of the border efficiency system.

832. Critical, will be success with regards to efficient and joint clearances by Border Agencies, including the rationalisation of their operations.

833. In the medium term, further improvements are envisaged as we transform such *Ports of Entry* as Beitbridge into One Stop Border Posts.

Trade Insurance

834. Mr Speaker Sir, trade insurance is essential to mitigate risks related to exporting and importing.

835. It is in this context that Zimbabwe applied for membership in the African Trade Insurance (ATI) Agency in 2010. The membership Agreement was signed in 2011, ratified by Parliament and is now awaiting instruments of ratification to be issued by His Excellency the President.
836. In the 2016 National Budget, I indicated that Zimbabwe would be expected to contribute a minimum capital subscription of US\$15 million.
837. Of this, the AfDB pledged to support the country with US\$5 million, while US\$10 million was to be mobilised from local banks and the private sector.
838. In this regard, I am pleased to announce that Government, through the Reserve Bank, has paid US\$10 million for Zimbabwe's membership in ATI whilst the AfDB has availed UA2 080 000 (approx. US\$2.9 million).

X. RESTORING FISCAL DISCIPLINE

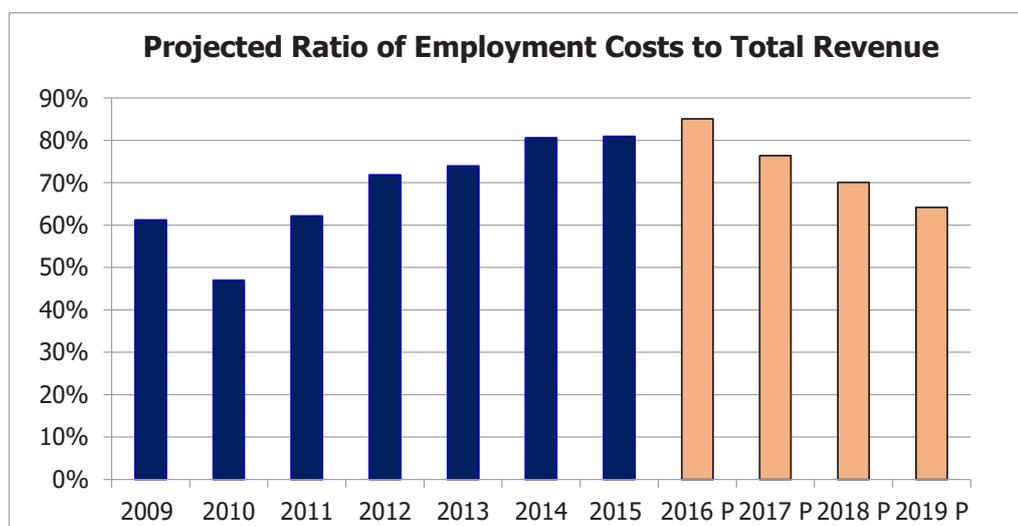
839. Mr Speaker Sir, as already alluded to, the fiscus was under-pressure during the period January–June 2016, with revenues persistently under-performing by about US\$183.7 million, while expenditures were way above the target to the tune of US\$308.4 million.

840. I have earlier on alluded to, Mr Speaker Sir, an untenable situation where employment costs alone took US\$1.638 billion between January and June 2016, which constituted 96.8% of total revenues.

841. It, therefore, becomes imperative that we urgently institute bold measures that reverse this unsustainable consumptive position, if we are to gear our economy on a development path.

Budget Rationalisation & Realignment Measures

842. Mr Speaker Sir, in view of the above revenue constraints, against expenditure pressures, implementation of the 2016 National Budget inevitably requires further fiscal reforms in order to rebalance expenditures with anticipated revenues, including rationalising public expenditures, as well as the reduction of employment costs in favour of capital and social spending.



843. In this regard, the medium term Public Service Wage Policy target is to reduce the consolidated wage bill – wages and salaries for central Government plus wage related transfers to grant aided institutions – to around 60% of revenue by 2019, thereby, creating additional fiscal space to support service delivery and growth enhancing infrastructural spending.

Employment Costs Approved Measures

844. Cabinet has already approved Civil Service wage bill rationalisation measures which will reduce the baseline public employment costs by around US\$118 million by end 2016.

845. In this regard, some of the key Wage Bill Rationalisation Measures have since been implemented, and are already yielding monthly savings of around US\$6.5 million, effective 1 January 2016.

846. The Public Service Wage Bill rationalisation measures being implemented by Government, effective 1 January 2016, constitute the first instalment of measures towards the gradual reduction of fiscal revenues required to support Wage expenditures.

847. From the measures already approved by Government, those instituted with effect from 1 July 2016, will yield additional monthly savings of about US\$6.9 million.

848. To this end, cumulative financial savings realised to end of August 2016, amounted to US\$64.4 million.

849. This will culminate in overall monthly savings of US\$13.4 million against targeted monthly savings of US\$14.7 million, translating into projected annual savings of around US\$118 million.
850. Progress realised over the implementation of the wage bill rationalisation measures over the year to date is reflective of the continued support from Cabinet.

Other Implemented Cost Cutting Measures

851. Seized with the challenges Government is facing, the following cost cutting measures were also instituted to create fiscal space in April 2016:
- Rationalisation of mobile phone and telephone allowances;
 - Standardisation of fuel benefits for members entitled to personal issue vehicles;
 - Government vehicles being required to be parked at work stations and police stations after work hours, during weekends and public holidays; and
 - Rationalisation of purchase and issuance of newspapers and reading material across all grades.
852. However, in order to further buttress the above cost cutting measures, Government has adopted further expenditure rationalisation measures in order to maintain the momentum for reforming the wage bill, targeting it at 50% of total revenues in the medium term.

Further Reinforcement Measures

853. Mr Speaker Sir, the respective adopted expenditure rationalisation measures are meant to reinforce the supply side measures proposed in this Mid-Year Fiscal Policy Review, sustain the wage bill, while creating scope for financing drought, debt service and other capital and operations programmes.

854. These relate to the following:

Wage Bill

- Reduction of salaries and allowances by 5-20% starting with Deputy Directors to Ministers effective October 2016.

Foregoing of Bonus

- Foregoing the 2016 and 2017 bonus. The proposal will translate to savings of around US\$180 million per annum, which will be channelled to essential expenditures relating to the drought.

Taxing Allowances

- Taxing civil servants allowances with effect from 1 October 2016 using a progressive tax structure. Taxation of civil servants allowances will also bring equity as similar allowances and benefits earned in the private sector are currently taxed. This is subject to engagement with respective Unions.

Contribution by Grant Aided Institutions to the Salaries

- Directing Grant Aided Institutions that are still being funded by the Government to contribute towards remuneration of their staff. This is in line with the decision that was made by the Cabinet in 2015, which would have required them to support a third of their salaries through the fees and charges they collect.

Condition of Service Vehicles

- Issuance of one condition of service vehicle to Deputy Ministers and Permanent Secretaries/equivalent grades. Directors and equivalent grades will migrate towards a broader vehicle loan scheme in replacement of condition of service vehicle.
- Review of condition of service vehicles will also apply to independent Commissions and Authorities, Statutory entities, and state enterprises' officials.

Rationalisation of the Foreign Service Missions

- To rationalise our diplomatic presence worldwide, by reducing the number of Embassies and Consulates.
- In consultation with the Ministry of Foreign Affairs, review benefits for diplomatic staff, including support for educational expenses, rental ceilings and travel support for children of diplomats.

Rationalisation of Foreign Travel

- Reviewing the class of travel arrangements for all Government officials including Ministers, Parliamentarians, independent Commissions and Authorities and state enterprises' officials; and

- Reviewing and enforcing compliance with official foreign business travel per diem rates, taking account of global cost of living developments since then. Where special rates are extended, the respective beneficiaries will be required to account and acquit.

Review of the Remuneration Framework for Public Enterprises, Statutory Entities and Local Authorities

- Instituting an enforceable guiding standardised Remuneration Framework which relates remuneration levels to size, service delivery, revenue performance and profitability of individual state enterprises and parastatals.

State Enterprises and Parastatals Bailouts

- Suspension of all Government bailouts of SEPs that are not supported by approved specific and measurable recovery plans that comply fully with Remuneration Framework and Public Corporate Governance Law.

Outlook

855. Mr Speaker Sir, even after implementing the above pending measures, the monthly wage bill will still remain high at US\$245 million, which is 76% of revenue.
856. At this level of employment costs, cash flow requirements for remuneration and commitments to meet treasury bill maturities, will continue to outstrip revenue inflows, leaving no room for development expenditure as well as critical debt repayments.

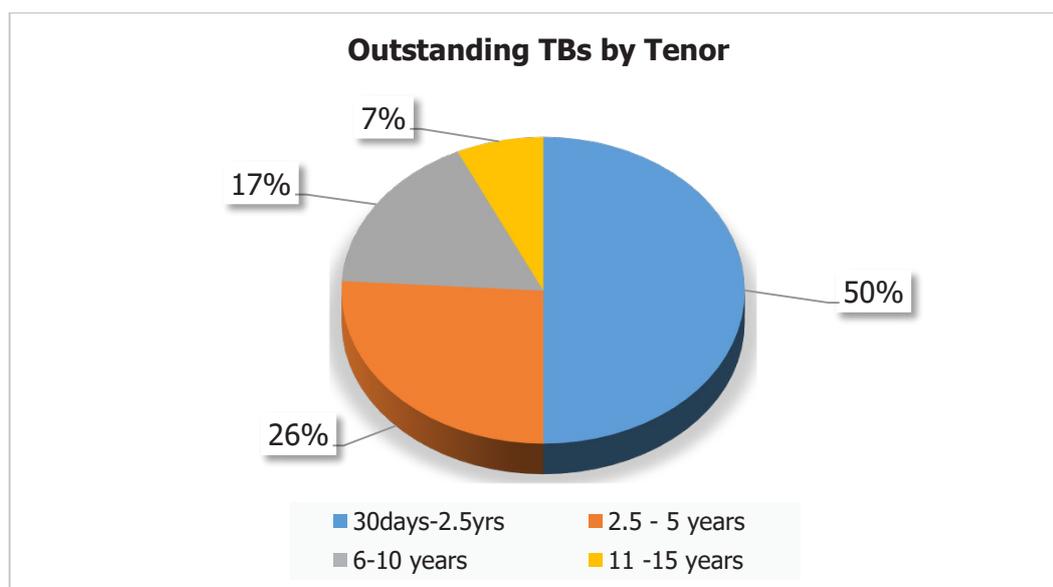
857. There would, therefore, be need, in the outlook, for further reduction in employment costs and I propose that, in addition to the above measures, we consider additional reforms to reduce the monthly wage bill as a continuation of the Zim Asset reform agenda to fully support economic stimulation.
858. In this regard, under the forthcoming 2017 National Budget, I will be proposing measures that target employment costs of US\$232 million per month by June 2017 and US\$219 million by December 2017.
859. At this level of employment costs, the wage bill translates to about 75% of total revenue, which is still high but a significant improvement from the current unsustainable position.
860. I propose to work with the Minister responsible for Public Service, Labour and Social Welfare and the Service Commissions on modalities of the programme.
861. This reduction is proposed to be achieved largely through downsizing the civil service from the current level of 298 000, hence, it is important for the Ministry of Public Service and Social Welfare as well as the Service Commissions to initiate the rationalisation process to enable me to reflect this in the 2017 Budget.
862. It is anticipated that the phased rationalisation of the civil service will bring down the size of the work force to 273 000.

863. The target to reduce employment numbers from the current 298 000 to 273 000 by end of 2017 will yield annual savings of US\$155 million, which would go towards supporting various development projects and programmes.

Domestic Debt Restructuring

864. Government has been issuing debt instruments relating to the Reserve Bank debt, under the Reserve Bank Debt Assumption Act, financing of the budget deficit, as well as settling some Government creditors for amounts owed in respect of services supplied.

865. Consequently, the market is holding a huge chunk of treasury bills, with up to 50% being held in medium to short term paper, as shown on the pie chart below:



Source: Ministry of Finance

866. As shown above, about 50% of the outstanding treasury bills will mature between 2016 and 2018.
867. The short to medium term nature of the maturity profile entails frequent and high debt servicing costs, which essentially crowd out resources which could otherwise be channelled towards productive use.
868. In this regard, new treasury bill issuances will now be guided by the projected cash flows, and in particular taking into account maturing treasury bills and bonds.

Treasury Bills Public Auction System

869. In my 2016 Budget Statement, I announced that Treasury will issue Government Securities through the public auction system, in order to improve transparency and confidence in the issuance of these instruments.
870. I am pleased to advise that modalities for this process have now been finalised for announcement in the 2017 National Budget Statement, hence, Government issuance of treasury bills and bonds through regular public auctions will resume from the new year.
871. This move will ensure market determined interest rates, and build up a proper yield curve for Government instrument that will serve as a benchmark for instruments traded in the secondary market.

Medium Term Debt Strategy

872. Zimbabwe is also developing a Medium Term Debt Strategy (MTDs), which is also a requirement enshrined under Section 8 of the Public Debt Management Act (September 2015).
873. The MTDS is a plan that Government intends to pursue and implement over the medium term (3-5 years) in order to achieve a desired composition of the Government debt portfolio.
874. It captures its debt preferences including the cost-risk trade off. It helps in ensuring Government's financing needs and payment obligations are adequately assessed, captured and contextualised within the economy's capacity.

State Owned Enterprises' Reform

875. As part of the accelerated implementation of Zim Asset, Government is advancing State Enterprises reform in order to eliminate their high dependency on the fiscus, which among others is crowding out capital requirements for private sector and community development.
876. Out of 97 SEPs, Government initially prioritised 10 State Enterprises, which if successfully turned around will bring relief on the fiscus and support economic growth and development.

877. However, given the urgency of countering risks from State Enterprises, Government has identified additional 10 SEPs for turnaround. Different funding arrangements are under consideration and a roadmap for their transformation is being developed.

878. The above two groups of State Enterprises are the largest and most strategic out of the 38 commercial State Enterprises.

Performance of SEPs

879. Government has an interest in the overall performance of State Enterprises and Parastatals (SEPs). Tracking performance of SEPs is highly critical given that the public sector is under intense pressure to improve SEPs operations so that they deliver products and services more efficiently and at the least cost to the taxpayer.

880. The objective is also to see SEPs timely responding to accountability requirements, improving service delivery, and reducing costs, while maximising output and increasing productivity.

881. This performance monitoring and evaluation process makes use of financial and operational performance indicators through periodic analysis and comparisons.

882. In line with sound corporate governance, SEPs are required to produce timely audited financial reports. In this regard, 26 SEPs

have managed to produce their 2015 audited financial reports while the rest are still finalising.

Summary of SEPs Financial Performance 2013–2015

Public Entity	2015	2014	2013	Comment
1. Agribank	✓	✓	✓	
2. Tel-One	✓	✓	✓	
3. Net-One		✓	✓	Finalising 2015 audit
4. Cold Storage Company Limited				2013-15 Accounts not submitted
5. Grain Marketing Board	✓	✓	✓	
6. Agriculture and Rural Development Authority				2011-13 audit in progress 2014-15 Accounts not submitted
7. Air Zimbabwe				2010 Audit in progress
8. National Railways of Zimbabwe	✓	✓	✓	
9. National Social Security Authority	✓	✓	✓	
10. Zimbabwe National Roads Administration		✓	✓	2015 Audit in progress
11. Zimbabwe Mining Development Corporation				Finalising 2013-14 audit
12. ZESA Holdings (Pvt) Ltd	✓	✓	✓	
13. Agricultural Marketing Authority	✓	✓	✓	
14. Postal and Telecommunications Regulatory Authority of Zimbabwe	✓	✓	✓	
15. Reserve Bank of Zimbabwe	✓	✓	✓	
16. Industrial Development Corporation of Zimbabwe		✓	✓	2015 Audit in progress
17. Infrastructure Development Bank of Zimbabwe	✓	✓	✓	
18. People's Own Savings Bank	✓	✓	✓	
19. Zimbabwe National Family Planning Council	✓	✓	✓	
20. Environmental Management Agency		✓	✓	2015 Audit in progress
21. Petrotrade		✓	✓	Finalising 2015 Audit
22. Rural Electrification Agency				Finalising 2013 audit 2014-15 Accounts not submitted
23. Urban Development Corporation		✓	✓	Finalising 2015 Audit
24. Consumer Council of Zimbabwe	✓	✓	✓	
25. Tobacco Industry and Marketing Board	✓	✓	✓	
26. Tobacco Research Board		✓	✓	Finalising 2015 Audit
27. Environmental Health Practitioners Council of Zimbabwe		✓	✓	2015 Audit in progress
28. Medical Laboratory and Clinical Scientists Council of Zimbabwe		✓	✓	2015 Audit in progress
29. Medical Rehabilitation Practitioners Council		✓	✓	2015 Accounts not submitted
30. Forestry Commission		✓	✓	Finalising 2015 Audit

Public Entity	2015	2014	2013	Comment
31. Printflow (Pvt) Ltd	✓	✓	✓	
32. Securities and Exchange Commission of Zimbabwe	✓	✓	✓	
33. Small and Medium Enterprises Development Corporation		✓	✓	2015 audit in progress
34. National Incomes and Pricing Commission	✓	✓	✓	
35. National Libraries and Documentation Services				2009-15 Accounts not submitted
36. Insurance and Pensions Commission	✓	✓	✓	
37. Medical and Dental Practitioners Council of Zimbabwe	✓	✓	✓	
38. Medicines Control Authority of Zimbabwe		✓	✓	Finalising 2015 audit
39. National Aids Council of Zimbabwe		✓	✓	Finalising 2015 audit
40. Zimbabwe Council for Higher Education	✓	✓	✓	
41. Zimbabwe Schools Examination Council		✓	✓	Finalising 2015 audit
42. National Arts Council of Zimbabwe		✓	✓	Finalising 2015 audit
43. National Indigenisation and Economic Empowerment Board		✓	✓	Finalising 2015 audit
44. Nurses Council of Zimbabwe		✓	✓	2015 Audit in progress
45. Pharmacist Council of Zimbabwe		✓	✓	Finalising 2015 audit
46. Pig Industry Board	✓	✓	✓	
47. Radiation Protection Authority of Zimbabwe	✓	✓	✓	
48. Zimbabwe Energy Regulatory Authority		✓	✓	
49. State Procurement Board				Reviewing 2012-14 audit and 2015 audit is in progress
50. Research Council of Zimbabwe	✓	✓	✓	
51. Traffic Safety Council of Zimbabwe	✓	✓	✓	
52. Zimbabwe Institute of Public Administration and Management			✓	2014 Audit in progress 2015 Accounts not submitted
53. National Pharmaceutical Company	✓	✓	✓	
54. ZARNet (Pvt) Limited		✓	✓	Finalising 2015 audit
55. Minerals Marketing Corporation of Zimbabwe		✓	✓	2015 Accounts not submitted
56. Civil Aviation Authority of Zimbabwe	✓	✓	✓	
57. CMED (Pvt) Ltd		✓	✓	Finalising 2015 audit
58. Depositors Protection Corporation of Zimbabwe	✓	✓	✓	
59. Zimbabwe National Water Authority		✓	✓	2015 Accounts not submitted
60. Zimbabwe Parks and Wildlife Management Authority		✓	✓	2015 Audit in progress
61. Zimbabwe Revenue Authority	✓	✓	✓	
62. Allied Timbers		✓	✓	2015 Audit in progress
63. Allied Health Practitioners Council		✓	✓	2015 Accounts not submitted

Public Entity	2015	2014	2013	Comment
64. Zimposts (Pvt) Ltd		✓	✓	Finalising 2015 audit
65. National Biotechnology Authority		✓	✓	2015 Accounts not submitted
66. Zimbabwe Investment Authority	✓	✓	✓	
67. Health Services Board	✓	✓	✓	
68. National Oil Infrastructure Company of Zimbabwe		✓	✓	Finalising 2015 Audit
69. Transmedia Corporation		✓	✓	2015 Audit is in progress
70. Broadcasting Authority of Zimbabwe		✓	✓	2015 Accounts not submitted
71. National Handcraft Centre				2009-15 Accounts not submitted
72. Zimbabwe Broadcasting Corporation				Finalising 2011-13 Audit 2014-15 Accounts not submitted
73. Zimbabwe Statistics Agency				Finalising 2012 audit 2015 Accounts not submitted
74. Zimbabwe United Passenger Company		✓	✓	Finalising 2015 audit
75. Health Professions Authority	✓	✓	✓	
76. National Museums and Monuments of Zimbabwe		✓	✓	Finalising 2015 audit
77. Zimtrade	✓	✓	✓	
Commissions				
1. Zimbabwe Electoral Commission			✓	2014-15 Audit in progress
2. Zimbabwe Media Commission		✓	✓	2015 Audit in progress
3. Anti-Corruption Commission				Finalising 2011 audit 2012-15 Accounts not submitted
Hospitals				
1. Harare Central Hospital		✓	✓	2015 Accounts not submitted
2. Ingutsheni Central Hospital	✓	✓	✓	
3. Parirenyatwa Group of Hospitals		✓	✓	Finalising 2015 audit
4. Chitungwiza Hospital			✓	2014 audit in progress 2015 Accounts not submitted
5. United Bulawayo Hospitals	✓	✓	✓	
6. Mpilo Hospital			✓	2014-15 Accounts not submitted
Universities And Colleges				
1. University of Zimbabwe		✓	✓	Finalising 2015 Audit
2. Bindura University of Science Education	✓	✓	✓	
3. National University of Science and Technology	✓	✓	✓	
4. Chinhoyi University of Technology	✓	✓	✓	
5. Great Zimbabwe University	✓	✓	✓	
6. Lupane State University	✓	✓	✓	
7. Harare Institute of Technology	✓	✓	✓	
8. Midlands State University	✓	✓	✓	
9. Zimbabwe Open University	✓	✓	✓	
10. Bulawayo School of Hospitality and Tourism		✓	✓	2015 Accounts not submitted
11. Zimbabwe School of Mines	✓	✓	✓	

Source: Ministry of Finance

883. Notwithstanding the general prevailing trend of depressed performance, there were a number of SEPs that managed to post positive results under difficult conditions while others continue to makes losses as indicated in the Table below.

SEPs Financial Performance 2015 (US\$ mil)

State Owned Enterprise	Profit/ (Deficit) (US\$ mil)	Dividend Declared (US\$ mil)
Agribank	(5.89)	
AMA	1.10	
Deposit Protection Corporation	7.31	
IDBZ	(5.05)	
NOIC		4.19
NRZ	(40.90)	
NSSA	34.80	
POSB	7.90	1.98
Printflow (Pvt) Limited	(3.96)	
Tel-One	5.81	
ZIMRA	7.71	
ZINWA	(13.25)	

Source: Ministry of Finance

884. Overall, the challenges undermining performance of SEPs are as follows:

- High cost of capital;
- Limited access to external lines of credit;
- Poor balance sheets, unattractive to lenders;
- Old and inefficient, and in other cases, dilapidated infrastructure, machinery and equipment installed in 1960's and 1970's;
- Defaulting consumers, leading to high level of debtors from both the public and private sector;

- High inter-parastatal indebtedness;
- Non-compliance to good Corporate Governance;
- High staff costs relative to income;
- Inadequate capitalisation;
- Power and water inadequacies;
- Flouting of Procurement procedures;
- Legacy debts;
- Limited fiscal space for PSIP Projects; and
- Tariff structures, reflective of inefficient operations.

885. These challenges, coupled with the depressed economic environment mentioned above, resulted in generally below average and poor operational and financial performance at most State Enterprises and Parastatals.

Corporate Governance Framework

886. Government has intensified its focus on addressing corporate governance deficiencies within the SEPs, and a number of initiatives have already been taken.

887. These include Government's 2010 Corporate Governance Framework, Cabinet approved Principles of Corporate Governance (March 2014), and the Zimbabwe National Code of Corporate Governance (April 2015).

888. To give legal effect and consequent to all this, Government is currently finalising the Public Sector Corporate Governance Bill.

Guarantee and On-lending Fees

889. Total external debt of Public Enterprises that has been guaranteed by the Government is estimated at USD\$2 billion as at end June 2016. Public Enterprises are failing to service their debt and all the guarantees of US\$2 billion have been called up.

890. This has contributed to an increase of Government arrears by US\$1.75 billion (25% of total external debt), further worsening the country's low credit worthiness.

891. The above calls for a re-assessment of the moral hazard implications on guarantees issued by the Government as well as on-lending by Government to public institutions.

892. There is, therefore, need to strengthen public debt management by increasing oversight on contingent liabilities, both explicit and implicit, of public entities.

893. Effective monitoring of guarantees and on-lending will help in enhancing safeguards against the risk of moral hazard.

894. In this regard, *Section 20, Subsection 4* of the Public Debt Management Act (2015), provides for the Minister of Finance to

prescribe any fees on beneficiaries of Government on-lending or loan guarantees.

895. More specifically, *Section 28 Subsection 1* item (d) gives the Minister the powers to charge fees on guarantees and other services (such as, on-lending fees).

896. In this connection, guarantee/on-lending fees are charged on a concave scale from 0.15% to 0.5% depending on the risk profile of the Public Entities seeking a guarantee and the viability of the particular project.

897. These fees also consider the credit risk assessment on the viability of the project to be undertaken as well as the financial soundness of the local authorities or Public Entities.

898. This means, companies with lower probabilities of default are charged lower fees while those with higher probabilities pay higher fees. This is intended to encourage better performance and impose financial discipline by the Public Entities.

Local Authorities Service Delivery

899. In my 2016 National Budget, I alluded to various service delivery challenges facing local councils countrywide, which are largely emanating from inappropriate cost structures and slowdown in revenue collections, coupled with capacity constraints.

900. The human resources cost structures of local councils has in a majority of cases been the biggest impediment to service provision. Hence, Government called on local authorities to comply with the 30/70% remuneration guidelines in managing human resources costs, along the same lines as State controlled entities.
901. However, non-adherence to the above policy not only chokes service delivery by local authorities but also fuels the challenge of salary/wage arrears, running into several months.
902. Councils are, therefore, required to demonstrate high levels of accountability to their rate payers through meaningful service delivery, sustained by improved financial management efficiencies, which are consistent with current economic realities.

Ratepayers Compliance with Municipal Dues

903. While Government requires local authorities to realign their cost structures and improve on service delivery, it is also imperative that ratepayers complement this effort by upholding the culture of timely settlement of their bills and other statutory dues for overall smooth operations and management of local authorities.
904. In this regard, Government is also urging local authorities to speed up the introduction and installation of prepaid water meters, which will improve on revenue collections, also to support financing of water programmes.

PUBLIC PROCUREMENT REFORMS

905. Government is also implementing the public procurement reforms as part of the Ease of Doing Business reforms. These reforms commenced in February 2015 after a procurement reform road map was formulated by Government.
906. The Public Procurement Bill has already been approved by Cabinet and it seeks to transfer the responsibility of awarding tenders to procuring individual entities, with the State Procurement Board assuming a regulatory role.
907. In order to ensure the efficiency and effectiveness of the new arrangement, the Bill is supported by a two year training/capacity building plan for all procurement entities.

XI. REVENUE MEASURES

908. Mr Speaker Sir, the revenue measures I am proposing seek to consolidate support to local industry, improve efficiency in tax administration and promote the *Ease of Doing Business* through reduction in transactions costs.
909. These measures will, however, not require me to Table a Bill before this August House since they can be effected through subsidiary legislation.

Support to Industry

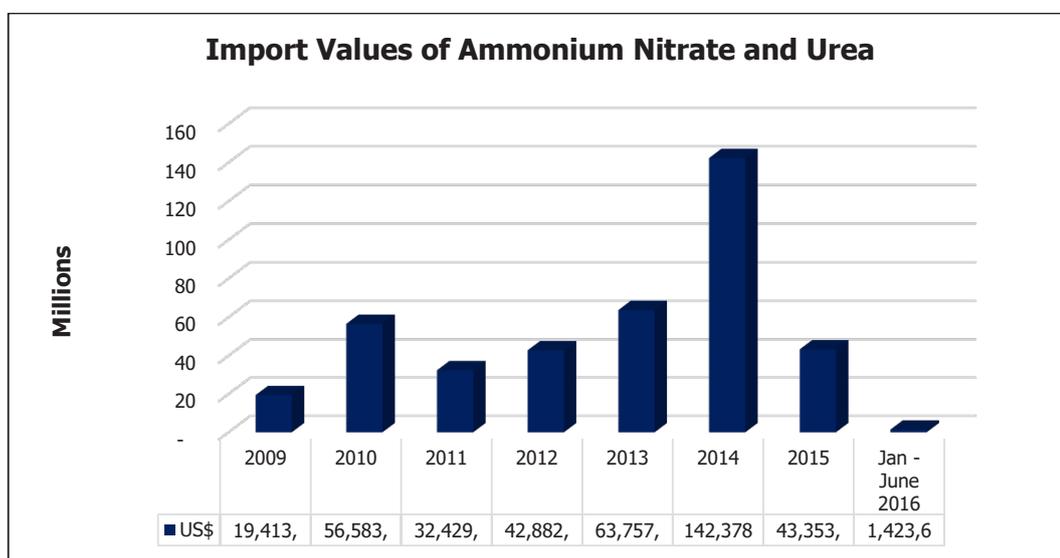
910. Despite efforts by Government to resuscitate the manufacturing sector, through various measures that include reduction of Customs Duty on inputs, and modest protection against imported finished products, growth of the sector, however, remains subdued.
911. The major constraints faced by the manufacturing industry include, competition from imports, mainly due to depreciation of regional currencies and porous borders, low aggregate demand, liquidity challenges and antiquated machinery, which cannot be replaced due to high costs of capital, among other factors.
912. It is, thus, necessary that we continue to provide support to the manufacturing sector, through reduction of Customs Duty on inputs, and modest protection on competing imported products, in order to enhance the competitiveness of locally produced products.

Fertilizer Sub-sector

913. The Industrial Development Policy for 2012–2016 identifies the fertilizer industry as one of the priority sectors that anchors industrial growth.
914. In order to encourage local production, Government, in 2015, reviewed duty from 0% to 25% on imported Compound and Blended fertilizers.

915. Government further ring-fenced adequate quantities of Ammonium Nitrate and Urea for importation under Suspension of Duty for the 2015/2016 agricultural season.

916. Consequently, the value of imported Ammonium Nitrate and Urea drastically declined from US\$142.4 million in 2014, to US\$43.4 million in 2015, as shown on the Graph below:



Source: ZIMRA

917. However, due to the EL-Nino induced drought, there was low aggregate demand for fertilizers during the 2015/2016 agricultural season, hence, about 100 000 metric tons of fertilizers remain in stock.

918. However, this is against national demand of 350 000 metric tons for the 2016/2017 agricultural season, comprised of 170 000 tons basal Compounds and 180 000 Top dressing fertilizers.

919. Consultations with the fertilizer industry indicate capacity to produce about 200 000 metric tons of both basal Compounds and Top dressing fertilizer for the 2016/17 agricultural season.
920. The shortfall for the forthcoming season, thus, amounts to about 55 000 metric tons, comprised of Ammonium Nitrate and Urea, since basal fertilizer can be adequately produced locally.
921. In order to avail fertilizer at affordable prices, whilst also promoting local fertilizer production, I, propose to ring fence importation of Top dressing fertilizers under Suspension of Duty for the 2016/2017 agricultural season as follows:
- 35 000 tons of Ammonium Nitrate; and
 - 20 000 tons of Urea.
922. Fertilizer companies are, however, expected to continue reducing fertilizer prices, in order to lower production costs.
923. Excess fertilizer requirements to meet shortfall of fertilizers which may arise from the Special Maize Production Programme will be ring fenced for importation under Suspension of Duty, after drawing from local supplies.
924. Under the ring-fenced facility, 75% of the fertilizer requirements will be imported through existing fertilizer companies, whereas the

remainder will be imported by individual farmers and contracting firms.

Review of Export Tax on Wet Salted Hides

925. Mr Speaker Sir, the main objective of the Zimbabwe Leather Sector Strategy for 2012 to 2017 is to transform the domestic leather value chain from the production and export of raw materials and partly processed products, to the production and export of such value added products as finished leather, footwear and leather garments.
926. In order to encourage value addition and discourage export of raw hides, in line with the Leather Sector Strategy, Government introduced, with effect from 2014, an export tax of US\$0.75 per kg on raw hides.
927. This policy has, to a large extent, assisted local tanneries to enhance capacity. In this regard, capacity utilisation at one of the companies has risen to 90% during 2016.
928. However, production of hides, which currently averages 33 000 per month, outstrips local tanneries demand, due to a depressed international market for wet blue hides. This has resulted in accumulation of excess hides, which cannot be absorbed by the local market.

929. In order to minimise loss of valuable excess raw hides, I propose to exempt from export tax, the sale of raw hides accumulated during the period January to July 2016.
930. The relief granted shall not exceed the prescribed quantities for each individual exporter.
931. Furthermore, information provided by abattoirs showing monthly production, consumption by tanneries and excess hides for export will be used to avail tax relief on prescribed quantities for export.

Agricultural Implements

932. Honourable Members will recall that Government introduced a specific customs duty of US\$5 per Kg on a *Plough Beam* imported from within the region, with effect from 1 January 2016. This was aimed at enhancing the competitiveness of local producers of such animal drawn implements as *Ploughs, Harrows, Cultivators and Planters*.
933. While importation of *Plough Beams* from within the region declined as a result of the new duty structure, there, however, has been a surge of imported *Plough Beams* from outside the region.
934. I, therefore, propose to align the level of duty on *Plough Beams* imported from the region and beyond, with effect from 1 October 2016.

Shoe Manufacturing Sub-Sector

935. Mr Speaker Sir, I highlighted, during the presentation of the 2016 National Budget Statement last year, opportunities available for value addition on agricultural commodities. These include processing of beef, leather and horticultural products, among others.
936. The shoe manufacturing subsector currently employs above 1 200 workers, and also has huge potential to export to regional markets and beyond.
937. In order to enhance competitiveness of the sub-sector, I propose to extend a *Rebate of Duty* to approved shoe manufacturers, to accommodate essential inputs such as chemicals, rubber and latex, among others.
938. This measure takes effect from 1 November 2016.

Cold Chain Manufacturing Industry

939. Mr Speaker Sir, the engineering, metals and metal products sub-sectors have potential to yield quick wins.
940. Government, thus, in 2015 introduced modest protection on *Metal Cladded Insulated Panels*, which are critical inputs for installation of cold rooms, air conditioning and cold room vans.

941. However, the new Customs Duty regime of 25% on *Metal Cladded Insulated Panels* has been insufficient to curtail surging imports, and stimulate growth of the industry.

942. I, therefore, propose to increase Customs Duty on *Metal Cladded Insulated Panels* from 25% + *Surtax*, to 60%+ *Surtax*.

Other Metals

943. Local companies produce a wide range of metal products, which include chains, grill nets and trolleys. Growth of the sector is, however, hampered by uneven stiff competition from imports.

944. Consequently, operating hours and employment levels in the industry have been reduced.

945. I, thus, propose to review Duty on selected *Metal Products* in order to level the playing field between imported and locally produced goods.

946. The proposed review is shown on the Table below:

Duty on Selected Metal Products

Tariff Code	Product Description	Current Rates Of duty SADC/ MFN (%)	Proposed Rates of Duty SADC/ MFN (%)
7315.1210	Transmission chains	0/10	40
7315.8200	Other Welded link	0/20	40
7315.8900	Other	0/20	40
7315.9010	Chains	0/20	40
7315.9090	Chains	0/20	40
7226.9099	Wire products	0/15	40
8716.8090	Trolleys	0/25	40
9402.2000	Shelving	10/40	40
8504.2110	Distribution Transformers	0/20	40
7318.1500	Other screws and bolts, whether or not with their nuts or washers	10/15	10% + US\$1/kg
7314.4100	Cloth, grill, netting and fencing	0/20	Us\$0.25/kg
8309.1000	Crown corks	0/15	25
7310.2100 (tariff split)	Cans which are to be closed by soldering or crimping	0/20	25

Source: Ministry of Finance

947. The above measures take effect from 1 October 2016.

Printing and Packaging

948. In order to revive the local printing and packaging industry, Government levied Duty on finished products and also extended the Manufacturer's Rebate on raw materials imported by approved manufacturers.

949. A number of companies have since invested into new capital equipment, thereby improving productivity.

950. However, the gains achieved are under threat due to competition, particularly from products imported through regional trade arrangements.

951. I, therefore, propose to provide modest protection on finished products, with effect from 1 October 2016, as shown on the Table below:

Tariff Code	Product Description	Current Rates of duty SADC/ MFN (%)	Proposed Rates SADC/ MFN (%)
4823.9050	Finished till roll	0/10	30
4823.7010	Moulded or pressed articles of paper pulp	15/15	25/40
3215.1100	Black printing ink	0/10	10 + US\$1/Kg
3215.1900	Other ink	0/10	10 + US\$1/Kg
3215.9000	Other ink	0/15	10 + US\$1/Kg

Electrical Manufacturers' Rebate

952. Government introduced the Electrical Manufacturers Rebate in 1999 in support of the assembly of electrical goods such as refrigerators, kettles and radios.

953. The rebate provides for duty free importation of *Completely Knocked Down Kits*, which the industry utilises in the production of finished products.

954. However, advancement in technology has resulted in the design of a new generation of electrical gadgets which require different types of components to manufacture.

955. I, thus, propose to include additional components under the Electrical Manufacturers Rebate, with effect from 1 October 2016.

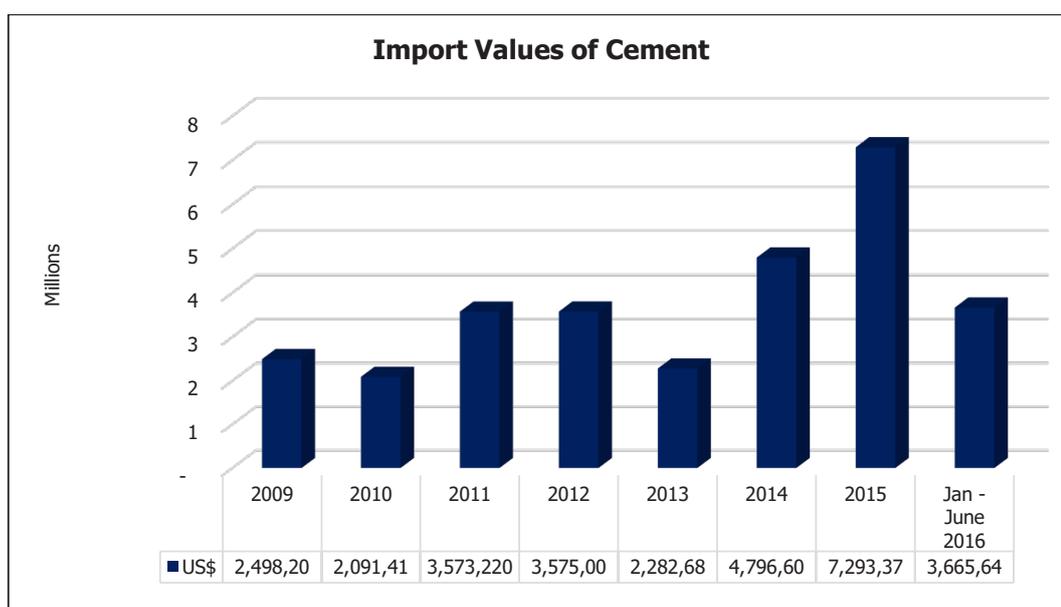
Cement

956. Honourable Members will recall that, Government in 2014, reviewed Customs Duty from 15% to 25%, and also introduced a Surtax of 25% on cement in order to avail modest protection to the local cement manufacturing industry.

957. Furthermore, cement was also removed from the Open General Import Licence.

958. The cement manufacturing industry has invested about US\$185 million in kiln upgrades, packaging, grinding and other cement processes, thereby improving operational efficiencies and capacity to meet national demand.

959. Notwithstanding the above measures, the depreciation of regional currencies against the United States Dollar has resulted in erosion of the effective customs duty rates, hence importation of cement has since surged as shown on the Graph below.



Source: Ministry of Finance

960. In order to level the playing field between imported and locally produced cement, I, propose to review Customs Duty on cement imported from the region and beyond from 25% and Surtax of 25%, to US\$100 per metric ton, with effect from 1 October 2016.

Suspension of Duty on Point of Sale Machines

961. The growth of mobile and electronic money platforms has promoted the use of plastic money mainly through Point of Sale (POS) Machines.

962. This is contributing towards improved financial inclusion and convenience to the low income households and micro enterprises who are, thus, able to access financial services that were previously beyond their reach.

963. Apart from easing cash shortages, the use of POS machines is also beneficial to both Government and business, due to simplification of involved accounting processes, inventory management and reduced paper work, whilst promoting transparency.
964. In order to enhance the use of electronic payments, I propose to suspend Customs Duty on *POS machines*.
965. The Suspension of Duty on POS machines will reduce the cost of installation of POS machines, thereby enhancing efficiency in business transactions.

Revenue Enhancing Measures

VAT Fiscalised Recording of Taxable Transactions

966. Mr Speaker Sir, during the 2015 Mid Term Fiscal Policy Review, I advised that the majority of Category C operators had fully fiscalised their operations as at 30 June 2015.
967. ZIMRA has also set up a platform to receive data from the devices, hence is able to monitor transactions in real time.
968. In order to further enhance revenue collections, it is imperative that the fiscalisation programme be extended to other categories of taxpayers.

969. I, therefore, propose to extend the fiscalisation programme to Category A, B, and D taxpayers providing taxable goods and services, with effect from 1 January 2017.

Regularisation of Fiscalised Devices Distributed by ZIMRA

970. The success of the fiscalisation programme is anchored on the use of tamper proof devices supplied by approved reputable companies.

971. In this regard, the supply of the fiscal devices was restricted to suppliers approved by ZIMRA, with the concurrence of the Minister responsible for Finance, upon fulfilling the stringent supplier conditions provided in the regulations.

972. In order to further enhance the fiscalisation programme with a view to improving the contribution of Small to Medium Enterprises to the fiscus, ZIMRA acquired additional fiscal devices.

973. The devices have since been distributed to various taxpayers within the SMEs sector.

974. I, therefore, propose to regularise the use of additional gadgets that have been distributed by ZIMRA.

ZIMRA to Client Server Interface

975. Currently, a registered operator providing taxable goods and services is required to use an electronic signature device or a fiscalised electronic register for the purposes of recording taxable transactions.
976. Mr Speaker Sir, detailed transaction and client information, which assists in reduction of tax refund fraud, is not availed through fiscalised devices. Hence, for purposes of monitoring, ZIMRA has been exploring server-to-server connections, with a selected category of taxpayers.
977. Operators connected through their servers to ZIMRA are, however, obliged to fiscalise in accordance with VAT (Fiscalised Recording of Taxable Transactions) Regulations of 2010.

Introduction of a VAT Withholding System

978. Mr Speaker Sir, Value Added Tax is a multi-stage consumption tax that is collected at every stage of the production and distribution chain.
979. It is based on an input-out tax mechanism, whereby, a VAT registered operator is required to charge and account for output tax on supplies of standard or zero-rated goods and services. The operator can also claim or account for input tax on purchases made to provide taxable supplies.

980. At the end of each tax accounting period, a registered operator making taxable supplies is expected to remit to or claim as a refund from ZIMRA, the difference between the output and the input tax.
981. A refund is payable when the input tax claim is higher than the output tax charged. This is common with registered operators such as exporting companies that make zero-rated supplies. On the other hand, a remittance is made to ZIMRA when the output tax claim is higher than the input tax claim.
982. It has, however, been observed that some registered operators are under-declaring the extent and value of their supplies to large corporates, thereby suppressing the output tax charged and potential VAT remittances to ZIMRA.
983. Consequently, the input-output mechanism is compromised since some operators genuinely claim input tax refunds on the basis of output tax that was under-declared and remitted to ZIMRA by their suppliers. Government, thus, ends up financing refunds of VAT from other revenue streams such as Personal Income Tax or Excise Duty.
984. An audit recently undertaken by ZIMRA in the fourth quarter of 2015 revealed that of the 3 311 suppliers to mining companies, state owned enterprises and some local authorities, 2 239 did

not make correct declarations of the sales made or output tax charged, thereby prejudicing the fiscus of about US\$40.7 million in tax.

985. In order to minimise loss of revenue arising from failure to fully declare and remit VAT, I propose to introduce a 10% withholding VAT on output tax charged by suppliers of goods and services, with effect from 1 October 2016.

986. ZIMRA will be responsible for designating agents to withhold the output VAT.

Other Measures

Mining Fees and Charges

987. Honourable Members would recall that Government, in January 2016, reviewed downwards mining fees and charges in order to enhance the viability of the mining sector, promote investment in prospecting and exploration activities, as well as advance the beneficiation agenda.

988. However, further representations from the mining sector indicate that some of the fees are still considered high, hence the need for further review, targeted at enhancing the Ease of Doing Business in Zimbabwe.

989. The Table below shows some of the current mining fees:

Mining Fees

Nature of Fee	Fee (US\$)
Ground Rental for Diamonds per Hectare per Year	3 000
Ground Rental Fee for chrome Special Block per hectare per year	1 500
Registration for Platinum Prospecting Licence	500 000

Source: Ministry of Finance

990. Mr Speaker Sir, in order to encourage prospecting activities, as well as reducing the cost of doing business, I propose a further downward review of mining fees and charges, in consultation with the Ministry of Mines and Mining Development.

Retention of Revenue by Government Ministries and Departments

991. In line with the Public Finance Management Act, Government Ministries and Departments are authorised to retain a specified percentage of revenue collected.

992. This is intended to augment resources that support specialised service delivery functions that would not have been adequately funded, as well as incentivise collection of revenue.

993. Whereas the Constitutions of retained funds specify how the revenue deposited into the Fund should be utilised, this has, however, in a number of cases, not been adhered to.

994. Furthermore, an analysis of the expenditure patterns of some Funds indicates that the bulk of the expenditure incurred is

inconsistent with the principles enshrined in the Constitutions that established such Funds.

995. In order to maximise value for money and enhance transparency in the utilisation of retained funds, I propose that retained funds be utilised only in line with a budget approved by Treasury.

996. I, further, propose to exclude expenditure related to purchase of Motor Vehicles, as well as Travel and Subsistence, from transactions that are financed from retained revenue.

Interface between ZIMRA and Central Vehicle Registry

997. In order to curb revenue leakages arising from fraudulent use of manually issued customs clearance documents, I direct that registration of motor vehicles be done through an electronic link between the Zimbabwe Revenue Authority and the Central Vehicle Registry.

Clearance of Goods by Hired Carriers

998. Under-declaration of goods carried especially by informal carriers undermines growth of the local industry, revenue to the fiscus, as well as crowd out *bona fide* transporters. Government, thus, compelled all consignments transported on behalf of third parties to be cleared under commercial importation.

999. Whereas this measure has improved efficiency in administration at Beitbridge Border Post, some *bona fide* travellers have, however, been prejudiced of their entitlement to the Travellers' Rebate since their consignments are deemed as commercial.

1000. I, thus, propose that *bona fide* travellers whose goods are consigned through buses drawing trailers be allowed their entitlement to the travellers' rebate, provided they carry personal effects.

1001. Buses drawing trailers will, however, continue to undertake customs clearance procedures at the commercial clearance bay in order to ease congestion.

XII. ADVANCING THE RE-ENGAGEMENT PROCESS

1002. Mr Speaker Sir, the implementation of the country's Arrears Clearance road map remains on track, following the successful implementation of the Staff Monitored Programme (SMP) with the IMF, which ended in December 2015.

1003. The SMP accomplishment was subsequently endorsed by the IMF Board on 2 May 2016.

1004. The subsequent Round Table dialogue with the international financial institutions (IFIs) and bilateral cooperating partners in

Lusaka in May 2016 also provided further endorsement of our Arrears Clearance Programme, a strong basis for access to financial arrangements with the IFIs and bilateral cooperating partners from the fourth quarter of 2016.

1005. The targeted external payment arrears under this arrangement comprise of, firstly the US\$601 million arrears to the AfDB, US\$110 million with the IMF, and US\$1.1 billion with the World Bank.

1006. It is, therefore, critical that we complete the remaining steps on Arrears Clearance in order to unlock resources from the IFIs and bilateral cooperating partners.

1007. As part of the country's readiness to the Post Arrears Clearance period, Government has formulated respective engagement programmes with the IFIs.

1008. The re-engagement Programmes with IFIs draw and build on Zim Asset, His Excellency the President's 10-Point Plan of August 2015, the 2016 National Budget, and the Sustainable Development Goals (SDGs) for 2016-2030, as well as Government's various sectoral intervention plans and strategies.

1009. Hence, our re-engagement programmes with IFIs are consistent with our development agenda, as well as the mandates of the respective IFIs and development partners.

1010. The respective Programmes are:

- The Programme for Accelerated Economic Transformation with the IMF, which was produced by Government.
- The Interim Poverty Reduction Strategy Paper (I-PRSP: 2017 - 2018) with the World Bank, also produced by Government.
- The Joint Country Strategy Paper is being finalised by the African Development Bank, after Government having submitted its inputs.

1011. These are summarised below:

Programme for Accelerated Economic Transformation

1012. Beyond the SMP, advancing the re-engagement with the IMF will be guided by the Programme for Accelerated Economic Transformation that Government has formulated, drawing from the Zim Asset.

1013. Specific areas under the Programme include the following:

- Implementing public sector finance management reforms;
- Financial sector reforms;
- Debt resolution;
- Governance reforms in State Owned Enterprises (SOEs); and
- Raising productivity, and promoting private sector-led growth and competitiveness in agriculture, mining and infrastructure, among other productive sectors.

1014. The Programme also runs concurrent to the I-PRSP and the Joint Country Strategy Paper with the World Bank and the African Development Bank, respectively, which all also draw from Zim Asset.

Interim Poverty Reduction Strategy Paper (I-PRSP: 2017 - 2018)

1015. Government, through a broad based consultative process, has developed an Interim Poverty Reduction Strategy Paper, which will also facilitate the re-engagement with the World Bank.

1016. The IPRSP focuses on promoting inclusive growth and poverty reduction, through implementing practical and targeted measures, in the short term (2016-2018), but with long lasting impacts that guarantee improvement in the welfare of the citizenry.

1017. Specifically, such measures will focus on improving the investment climate, diversifying the economy, creating employment, improving public finances, strengthening service delivery and dealing with other poverty related issues.

1018. Formulation of this Programme was entirely through broad-based consultations with all stakeholders conducted from May 2016, at national, provincial, and district levels. This was also followed by a Validation Workshop held on 22 June 2016, which drew further inputs from a broad range of stakeholders.

1019. Line Ministries and Government departments have also provided additional inputs, to enrich the I-PRSP before its launch and publication.

1020. The poverty reduction strategies contained in the IPRSP were clustered together under the following six pillars:

- **Pillar I:** Agriculture Productivity, Growth and Rural Food Security, focusing on agriculture productivity, irrigation rehabilitation and development, financing of agriculture, marketing of agricultural commodities, land use planning and restructuring of agricultural parastatals;
- **Pillar II:** Social Sector Policies and Expenditures, focusing on health, education water and sanitation, social protection, gender, women and youth development;
- **Pillar III:** Private Sector Development, focusing on manufacturing, micro, small and medium enterprise development, mining, tourism and inclusive banking;
- **Pillar IV:** Infrastructure Development, relating to energy, information and communication technology, housing and transport;
- **Pillar V:** Environment and Climate Change, focussing on climate and the environment;
- **Pillar VI:** Strengthening Governance and Institutional Capacity, to strengthen our laws and effective service delivery and combating corruption.

1021. Mr Speaker Sir, Government proposes that we launch the Interim Poverty Reduction Strategy for 2016–2018 on 26 September 2016, and I invite Honourable Members to be part of this launch.

Joint Country Strategy Paper

1022. Re-engagement with the AfDB will be through the Joint Country Strategy Paper, which is being developed, based on joint programmes and projects' scoping between Government and the African Development Bank.

1023. The interim Joint Country Strategy will, as already agreed with the AfDB, initially prioritise agriculture and energy.

1024. In this regard, interventions in agriculture also target development of agriculture corridors throughout the country, with the AfDB also funding the necessary study for the design of the implementation modalities.

1025. In line with the mandate of the AfDB, the focus will be on programmes and projects related to development of agriculture infrastructure.

1026. In the energy sector, projects that have regional impact have been targeted, with the following initially identified:

- ZIZABONA Power Transmission Line—This is a Zimbabwe, Zambia, Botswana and Namibia regional project meant to

improve trade in energy among the respective countries through construction of a 400kv transmission infrastructure line in two phases, at a cost of US\$65 million, that way easing congestion and enhancing system reliability to existing infrastructure;

- MOZISA Power Transmission Line—This is a Mozambique, Zimbabwe and South Africa regional project involving construction of another new 400kv power transmission line, linking the respective countries in order to also improve connectivity and electricity trading. The Zimbabwean component is expected to cost US\$365 million.

1027. It needs to be noted, therefore, that the Mid-Term Fiscal Policy Review introduces Post Arrears Clearance Programmes for re-engagement with the IFIs as briefly outlined above.

1028. However, it needs to be clarified that through their structures and processes, the respective IFIs, will announce collaborative programmes at the appropriate times.

XIII. ACCOUNTABILITY

Plugging Leakages in the Economy

1029. Mr Speaker Sir, given the resource constraints in the economy and losses through corruption and mismanagement, it is necessary

that more effort be applied to establishing robust systems and enforcing rules, regulations and procedures.

1030. This includes enhanced follow ups on findings and recommendations of the Auditor General.

1031. Attention is also being given towards redressing revenue leakages at border posts, as well as in other areas, including leakages involving such natural resource endowments as diamonds and gold.

1032. Furthermore, tightening of controls that enhance more efficient utilisation of retention funds is also being effected.

DEALING WITH CORRUPTION

1033. Mr Speaker Sir, the scourge of corruption, in both the public and private sectors, has reached alarming proportions and, is now stifling growth and revenue mobilisation efforts.

1034. Corruption is an additional cost to doing business. It scares away potential investors, represents a leakage of resources from the mainstream economy and deprives Government of much-needed fiscal resources.

1035. In the public sector, the Auditor General has detailed rampant corruption and inefficiencies across Government Ministries, Departments and Agencies.

1036. I applaud current Government efforts to fight the disease, but certainly much more needs to be done. Our efforts in this regard should be more visible in order to restore and instil public confidence across the country.

Performance Monitoring Units

1037. Mr Speaker Sir, under the 2016 National Budget, I made proposals for establishing two distinct units, one for carrying out performance audits for parastatals, and the other for analysing audit reports, enforcing issues of compliance raised by the Auditor General and ensuring that Government is responsive to issues raised by the Auditor General and this August House.

1038. I am pleased to report that consultations with the Civil Service Commission aimed at establishing the two units are at an advanced stage, and I expect the units to be in place under the 2017 National Budget Framework.

1039. Honourable Members should, therefore, anticipate significant responsiveness on the part of Government from the last quarter, to issues raised by this August House as well as the Auditor General on performance of Government entities.

Strengthening Institutions of Transparency and Accountability

1040. Mr Speaker Sir, enhanced transparency and accountability requires a strong governance and institutional framework capable of managing enforcing best practices and ethics.

1041. Government, with the support of a number of cooperating partners is undertaking a number of programmes on strengthening our institutions for this purpose.

Public Finance Management

1042. Mr Speaker Sir, under the 11th EDF National Indicative Plan, governance and institutional building was allocated €45 million to support institutional strengthening, migration governance, consolidation of democratic processes and the public finance management enhancement project, among other initiatives.

1043. As at 30 June 2016, a total of €20.6 million had been committed to different programmes, of which €10.3 million was disbursed. A further €6 million is earmarked to support Civil Society organisations, €3 million towards supporting the National Authorising Office, as well as €4 million for the Technical Cooperation Facility.

1044. To date, €470 000 has been utilised to fund studies and research for the above three focal areas.

Parliament and Auditor General

1045. Government signed a grant Protocol of Agreement with the African Development Bank on Strengthening Institutions of Transparency and Accountability on 24 August 2015, with an allocation of US\$2.9 million.

1046. As at 30 June 2016, the project had disbursed US\$420 000, against a total allocation of US\$2.8 million, translating to 15% utilisation.

1047. The project seeks to improve transparency and accountability in the public sector through building capacity and effectiveness of the Parliament of Zimbabwe and the Office of the Auditor General.

Other Institutional Support

1048. Mr Speaker Sir, the African Development Bank is also supporting implementation of the Governance Institutional Support Project to the tune of US\$7.28 million.

1049. The project seeks to improve transparency and effectiveness in public finance and economic management within the beneficiary institutions, namely:

- State Procurement Board;
- Reserve Bank; and
- Ministry of Mines and Mining Development's Geological Survey Department.

1050. As at 30 June 2016, a total of US\$4.38 million had been disbursed towards the project, against projections of US\$6.48 million in 2016, I am pleased with progress being made in this project.

Public Service Capacity Building

1051. Mr Speaker Sir, the successful implementation of Zim Asset requires an efficient and effective public service capable of guaranteeing quality public service delivery on time.
1052. In this regard, the Government Training and Development Policy has noted skills gaps which require to be filled in order to successfully match the implementation requirements under the Zim Asset clusters.
1053. Accordingly, the Ministry of Public Service, Labour and Social Welfare in collaboration with the Service Commissions, will be spearheading the capacity building of civil servants through the Zimbabwe Institute of Public Administration (ZIPAM) and the other thirteen Government Training Institutes.

Availability of Statistics

1054. Mr Speaker Sir, calling on institutions to account for public resources also requires monitoring. In this regard, timely compilation of statistics becomes important.
1055. Timely and reliable statistics are also vital for planning by both Government and private sector entities, which calls for capacitation of data compilation at the respective institutions, including at the Zimbabwe Statistics Agency (ZIMSTAT), ZIMRA, the Reserve

Bank, among others. This is in terms of both manpower and financial resources for operations.

1056. ZIMSTAT of late, has produced quite a number of important publications and reports such as the 2012 Population Census, Prices, Income, Consumption and Expenditure Survey, Production statistics, including agriculture, industrial, production, manufacturing, business tendency, transport, power generation and mineral production surveys, Consumer Price indices, services, among others.

1057. Major on-going surveys relate to updating data on the above sectors, and also include surveys on tourism, household consumption patterns, state of rural and water sanitation, as well as other crime and community service statistics, which are all important for development planning purposes.

1058. Treasury will, therefore, be prioritising resource allocations to ZIMSTAT, to ensure that the Agency fully and efficiently fulfils its mandate of availing timely and reliable data.

Public Institutions' Websites

1059. Similarly, Mr Speaker Sir, in this age of ICTs, well managed public institutions' websites provide vital information, and hence, are tools of enhancing transparency over Government processes and operations.

1060. Unfortunately, most websites are currently outdated and lack timely updating, that way compromising and depriving the public access to information.

1061. Government, through the Office of the President and Cabinet, will require all line Ministries and Departments to efficiently manage their websites in line with current modern trends, as part of the ongoing E-Government programme.

XIV. CONCLUSION

1062. Mr Speaker Sir, this Mid-Year Fiscal Policy Review contains comprehensive measures meant to address both the supply side and demand side challenges in order to ensure a growing economy supported by the requisite environment that guarantees fiscal and macro-economic stability.

1063. These measures will be buttressed by other measures during the forthcoming 2017 National Budget.

1064. Developments on the re-engagement front with international financial institutions will also shed light on future opportunities for our development agenda.

1065. However, it is also imperative that we urgently address the fiscal position of a growing deficit that has become a major threat to the stability of the financial sector and the overall economy.

1066. Resolving this challenge will also support our efforts on stimulating economic activity as well as building the necessary capacity for the economy to manage future obligations arising from the re-engagement with the international community.

1067. I, therefore, commend this Mid-Year Fiscal Policy Review to this August House.

I Thank You.

Hon. P. A. Chinamasa (M.P.)

MINISTER OF FINANCE & ECONOMIC DEVELOPMENT

8 September 2016

XV. ANNEXURES

Annexure 1: Measures at ZIMRA

Measure	Status	Impact	Recommendations
<p>VAT Fiscalised Taxable Transactions Recording Project</p> <ul style="list-style-type: none"> ZIMRA to set up a fiscalisation platform capable of receiving data from fiscal devices deployed to clients. 	<ul style="list-style-type: none"> The platform to receive data from VAT category C clients who were fiscalised in terms of SI 104 of 2010 has been set up and to date 2025 devices have been linked to the platform and now sending data to the ZIMRA servers. 33 selected large clients have been linked server to server (i.e. ZIMRA to Business) and transmitting data real time. An additional 2900 devices, of the 3000 acquired devices, were distributed by ZIMRA to VAT category A & B clients and these are linked and transmitting data to the platform. 	<ul style="list-style-type: none"> The system now allows ZIMRA to verify invoices timeously. VAT collection from the connected clients has improved and audit checks and verifications are now being done real time. 	<ul style="list-style-type: none"> Increase availability of devices on the market through engaging existing suppliers as well as increasing the number of suppliers. To increase coverage for the rest of the market by fiscalising all clients
<ul style="list-style-type: none"> Public awareness on fiscalisation 	<ul style="list-style-type: none"> Publicity campaign plan has been put in place. Implementation has been delayed due to budgetary constraints. However, workshops have been conducted at regional and station levels to educate key stakeholders such as business associations and accountancy firms. 	<ul style="list-style-type: none"> Awareness within the members of the public remains low. Increased uptake of devices by traders and a reduction of resistance. 	<ul style="list-style-type: none"> Concerted public awareness campaigns to educate the general public. Establish a lottery system to encourage members of the public to demand fiscal invoices

Measure	Status	Impact	Recommendations
<ul style="list-style-type: none"> VAT Exemption on Selected Goods 	<ul style="list-style-type: none"> Enabling legislation in place No implementation challenges 	<ul style="list-style-type: none"> Contributed to the reduction in VAT refunds which declined from US\$154 812 442.60 in 2015 to US\$98 723 765.96 in 2016 resulting in a 36.23% favourable reduction; and The improvement of the performance of local VAT on Local Sales for firstst half of 2016. 	<ul style="list-style-type: none"> Further evaluation of the zero rated products with the view of reducing the list of zero rated products. Avoid any additions to the list of zero rated products.
<ul style="list-style-type: none"> VAT exemption on short term insurance premiums 	<ul style="list-style-type: none"> Legislation in place and being implemented. 	<ul style="list-style-type: none"> Loss of potential VAT revenue in the short term. 	<ul style="list-style-type: none"> Continue monitoring the growth of the industry and its contribution to revenue.
<ul style="list-style-type: none"> VAT on short term insurance commission earned by brokers 	<ul style="list-style-type: none"> The enabling legislation is in place. 	<ul style="list-style-type: none"> Increased the tax base as 15 Brokers were registered and more than half a million dollars was collected in the first half of 2016. 	<ul style="list-style-type: none"> To continue monitoring performance of the sector.
<ul style="list-style-type: none"> To provide traders with a right to recover Withholding tax from the payee 	<ul style="list-style-type: none"> Enabling legislation in place 	<ul style="list-style-type: none"> Traders are now able to recover the principal amount from payee 	<ul style="list-style-type: none"> To continue monitoring performance of the measure
<ul style="list-style-type: none"> Reduce levels of Travellers' rebate and remission 	<ul style="list-style-type: none"> Enabling legislation in place 	<ul style="list-style-type: none"> There was a marginal reduction in the importation trends of private consignments as based on revenue collection trends under this revenue head, which is in line with the intentions of the policy to protect the local industry. 	<ul style="list-style-type: none"> A full impact analysis should be done at the end of the year.
<ul style="list-style-type: none"> Extension of commercial rebates; Luggage, agriculture implements, soap manufacturers, clothing, tourism, powdered milk. 	<ul style="list-style-type: none"> Enabling legislation in place 	<ul style="list-style-type: none"> Uptake of this rebate to date has not been as expected because of the requirement for a bonded store covered by a financial guarantee. 	<ul style="list-style-type: none"> Ministry of Finance to engage with relevant ministries and stakeholders to facilitate affordable acquisition of financial guarantees to cover duty at stake.

Measure	Status	Impact	Recommendations
Green Routes <ul style="list-style-type: none"> Implement the green route concept at all border posts in order to ease congestion. 	<ul style="list-style-type: none"> Green route has been implemented at border posts where infrastructure permits 	<ul style="list-style-type: none"> Expedited clearances where it has been implemented 	<ul style="list-style-type: none"> Need for infrastructural development
Single Window Facility <ul style="list-style-type: none"> Implement the Single Window Facility at all ports of entry whereby all fees and charges due to Government are collected by ZIMRA in order to facilitate fast clearance of cargo and movement of travellers. 	<ul style="list-style-type: none"> Platform in the ASYCUDA World system was developed. Enabling legislation is not fully in place for all stakeholders. Relevant ministries are being engaged through the Ease of Doing Business initiative driven by the OPC in consultation with the World Bank. 	<ul style="list-style-type: none"> Multiple stops from various stakeholders in the clearances process continue to be experienced 	<ul style="list-style-type: none"> To continue engagement with other stakeholders to ensure legislative reforms are finalised.
<ul style="list-style-type: none"> Enhancement of Transfer Pricing legislation 	<ul style="list-style-type: none"> Amended legislation is in place. Technical officers have received training on transfer pricing. 	<ul style="list-style-type: none"> Taxpayers have sufficient guidance on treatment of related party transactions. Skills transfer to officials with technical assistance from ATAF resulted in establishment of additional tax amounting to US\$105 million 	<ul style="list-style-type: none"> Continuous evaluation and monitoring of transfer pricing legislation. Pursue more cases on transfer pricing perpetrated by multinational enterprises.
	Extension of rebate of duty on capital goods	<ul style="list-style-type: none"> The enabling legislation is in place. 	<ul style="list-style-type: none"> Uptake by industry was positive. Goods valued at US\$41 million were imported during first half 2016.

Measure	Status	Impact	Recommendations
	Reduction of rate on Royalty on gold	<ul style="list-style-type: none"> The enabling legislation is in place. 	<ul style="list-style-type: none"> Currently the impact is not visible since the tax credit will first be accounted for in 2017.
	Tax exemption on long term deposits	<ul style="list-style-type: none"> The enabling legislation is in place. 	<ul style="list-style-type: none"> Long term deposits increased from US\$1.69 billion in the first quarter of 2015 to US\$1.81 billion in the first quarter of 2016, an indication that the policy has managed to promote long term deposits. (Source: RBZ Bulletin April 2016).
	Reduction of tobacco levy on growers	<ul style="list-style-type: none"> The enabling legislation in place 	<ul style="list-style-type: none"> Revenue foregone by this measure amounted to US\$8.3 million.
	Transit Fraud <ul style="list-style-type: none"> Implementation of first phase of the electronic cargo tracking system to curb fraud 	<ul style="list-style-type: none"> An interim electronic cargo tracking system is still being procured. As a stop gap measure, a cargo tracking and monitoring unit within ZIMRA has been set up at national level. 	<ul style="list-style-type: none"> Outstanding RITS for the first half of 2016 with a duty at stake of US\$12 million have been reduced to US\$3.7 million through genuine acquittals and revenue recovered amounts to US\$104 853.36.
	Automated Verification of Travellers for Rebate of Duty <ul style="list-style-type: none"> ZIMRA to install by June 2016 an ICT system that timeously detects the frequency of travel for purposes of traveller's rebate. 	<ul style="list-style-type: none"> The private clearance systems is in place. Implementation awaits release of data by the Ministry of Home Affairs - Registrar General's Office. 	<ul style="list-style-type: none"> Delayed implementation will result in continued attempts to abuse travellers rebate by clients.

Measure	Status	Impact	Recommendations
	Authorised Economic Operators <ul style="list-style-type: none"> Put in place regulations to operationalise AEO, a fast customs clearance concept of commercial goods for tax compliant operators. 	<ul style="list-style-type: none"> The enabling legislation in place and being implemented. 	<ul style="list-style-type: none"> To date 7 clients have qualified for the AEO facility and are benefiting from the facility.
	<ul style="list-style-type: none"> Revenue Monitoring-Installation of dashboard in the office of the Minister and Secretary to the Treasury. 	<ul style="list-style-type: none"> This has been implemented and the Minister is receiving the Revenue Performance Reports on a daily basis. 	<ul style="list-style-type: none"> Timeous submission of revenue performance information.

Source: ZIMRA

Annexure 2: Infrastructure and Utilities' Funding

Sector	Appropriation (US\$)	Statutory Funds (US\$)	Development Partners (US\$)	Loan Financing (US\$)	Total (US\$)
ENERGY					
Kariba South Extension				11 713 383	11 713 383
Transmission & Distribution			3 970 000		3 970 000
Rural Electrification Agency		9 816 958			9 816 958
SUB TOTAL	-	9 816 958	3 970 000	11 713 383	25 500 341
TRANSPORT & COMMUNICATION					
Trunk roads and bridges	764 882	7 625 752			8 390 634
Local Authorities Roads		6 129 919			6 129 919
Rural Feeder Roads	546 000	3 028 557			3 574 557
Airports	31 884			9 874 081	9 905 965
SUB TOTAL	1 342 766	16 784 228	-	9 874 081	28 001 075
HOUSING DEVELOPMENT					
Central Registry	1 200 000				1 200 000

Sector	Appropriation (US\$)	Statutory Funds (US\$)	Development Partners (US\$)	Loan Financing (US\$)	Total (US\$)
CID Headquarters and Forensic Building	1 800 000				1 800 000
Border Posts	4 300 000				4 300 000
Other Government Buildings	4 913 265				4 913 265
SUB TOTAL	12 213 265	-	-	-	12 213 265
AGRICULTURE					
Irrigation Development	1 962 961		2 600 000		4 562 961
SUB TOTAL	1 962 961	-	2 600 000	-	4 562 961
WATER AND SANITATION					
Tokwe Mukorsi Dam	7 658 157				7 658 157
Mutange Dam	500 000				500 000
Beitbridge Water Supply	980 000				980 000
Lupane Water Supply	320 000				320 000
Bulawayo Water			366 000		366 000
Mtshabezi Water Supply	300 000				300 000
Rural Wash Programme	300 000		6 100 000		6 400 000
Urban Wash Programme	780 000		1 830 000		2 610 000
ZIMFUND			1 050 000		1 050 000
SUB TOTAL	10 838 157	-	9 346 000	-	20 184 157
SOCIAL SERVICES					
ECD Junior & Secondary Education	1 176 638				1 176 638
Higher and Tertiary Education	479 266				479 266
Hospital Infrastructure	1 917 777				1 917 777
Child Protection and Probation Services	40 000				40 000
SUB TOTAL	3 613 681	-	-	-	3 613 681
ICT					
Net*One Network expansion				14 927 816	14 927 816
E-Government	3 585 859				3 585 859
SUB TOTAL	3 585 859	-	-	14 927 816	18 513 675
GRAND TOTAL	33 556 689	26 601 186	15 916 000	36 515 280	112 589 155

Source: Ministry of Finance

