



ZIMBABWE

THE 2014 MID-YEAR FISCAL POLICY REVIEW STATEMENT

*“Towards an Empowered Society and a Growing
Economy”*

Presented to the Parliament of Zimbabwe on

Thursday, 11 September, 2014

by

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Minister of Finance & Economic Development



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INTRODUCTION

1. Mr Speaker Sir, the Mid-Year Fiscal Policy Review complies 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. Pursuant to this, the Fiscal Policy Review updates the Nation on the fiscal and economic developments during the first half of the year, concurrently providing progress on the implementation of the 2014 National Budget, which is anchored on the Zimbabwe Agenda for Sustainable Socio-Economic Transformation: 2013-18 (ZIM ASSET).
4. Mr Speaker Sir, measures proposed through the Monetary Policy Statement recently issued by the Reserve Bank complement this Statement.
5. The Review also provides the economic outlook to December 2014, and proposes measures supportive of the positive performance of the economy.
6. Mr Speaker Sir, before highlighting domestic economic developments, the Review begins by providing a brief on global economic developments, given the linkages that exist between our economy and the rest of the world.

7. These linkages are particularly reflected through trade, official development cooperation, capital flows, among others.

GLOBAL DEVELOPMENTS

Growth

8. The World Economic Outlook, Mr Speaker Sir, forecasts global economic growth for 2014 at 3.4%, an improvement from 3% in 2013.
9. The improvement reflects enhanced economic activity in advanced, emerging and developing economies, as indicated in the Table below.

Growth Outlook

	2013	2014 July Proj
World Output (%)	3.0	3.4
Advanced Economies (%)	1.3	1.8
Emerging Economies (%)	4.7	4.6
Sub-Sahara Africa (%)	4.9	5.4
SADC (%)	3.3	4.0

Source: World Economic Outlook, July 2014, IMF

10. The re-bounce in economic activity is a result of moderating fiscal consolidation and accommodative monetary policy stances in most advanced economies.

11. In emerging and developing economies, growth recovery is led by China, benefiting from targeted supportive policy measures to boost business activity.
12. These included interventions related to some tax relief for relatively smaller businesses, accelerated fiscal and infrastructure spending, as well as cuts in bank reserve ratios to stimulate lending.
13. However, growth in other emerging and developing economies remains more sluggish than anticipated, owing to power supply constraints affecting most Sub-Saharan economies, weaker demand and investment, poor agricultural seasons linked to climate change, particularly for India, as well as the impact of overall slow growth in advanced economies.

Downside Risks

14. Downside risks to growth prospects for both developed and developing economies include political tensions in the Middle East and Eastern Europe, as well as developments in both international capital and commodity markets.

15. Geo-political tensions in the Middle East are expected to affect oil production and, hence, pushing oil prices from an average of US\$104.1 in 2013 to US\$106.1 per barrel.
16. In financial markets, expectations are that there will be renewed rise in interest rates, with negative impact on developing economies. This is associated with future gradual movement away from accommodative monetary and expansionary fiscal policies.
17. With regards to commodities, mineral prices eased during the second quarter of 2014 and are projected to remain on a downward trend to year end, owing to weakening demand, especially from emerging economies, against improved supply from earlier investments.

Commodity Prices

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

Source: World Economic Outlook, July 2014, IMF

18. Prospects for lower mineral commodity prices pose potential risk with regard to our export earnings from such minerals as gold and platinum.
19. Cereal prices are forecast to decline on the back-drop of improved harvests during the 2013-14 season.
20. Tobacco prices are expected to remain firm on the international market, averaging US\$4.80 per kg for 2014. This compares to US\$4.60 in 2013. If sustained, this should translate into improved domestic prices in coming marketing seasons.
21. Prospects for global cotton prices, however, remain subdued, compromising viability of our cotton farmers. This reiterates the need for beneficiation, as enunciated in ZIM ASSET.

Inflation

22. Mr Speaker Sir, low inflation pressures are projected to the end of 2014, against the background of continued depressed consumption in both developed and developing economies.

Prices

	2013	2014 Proj	2015 Proj
Advanced Economies (%)	1.4	1.5	1.6
Emerging Economies Europe (%)	4.1	4.4	4.1
Emerging Economies Asia (%)	4.5	4.5	4.3
Sub-Sahara Africa (%)	6.3	6.1	5.9

Source: World Economic Outlook, July 2014, IMF

Capital Flows

23. With regards to annual foreign capital flows, those to Africa and the Middle East remain low at only 9.1% of the global US\$1.1 trillion. This is inclusive of equity investment, foreign credit and official inflows.
24. On the other hand, capital flows to Emerging Asia are estimated at US\$521 billion for 2014.
25. Inflows of capital are projected to remain sensitive to specific country risks, particularly regarding political stability, sustainability of the balance of payments, and credibility of domestic macro-economic policy frameworks.

DOMESTIC ECONOMIC DEVELOPMENTS & OUTLOOK

Agriculture

26. Mr Speaker Sir, agriculture remained the bigger driver of the economy during the first half of the year. This was on account of an improved agricultural season, benefiting from the good rainfall season and improved funding arrangements.
27. Resultantly, tobacco output surpassed the initial target of 171 million kgs to record 215.2 million kgs. Inflows of earnings from tobacco sales amounted to US\$678.3 million as at end of July 2014.
28. Similarly, maize output recorded 1.46 million tons, from the original target of 1.3 million tons.

Crop Production 000 tons

	2013	2014 Budget Proj	2014 Revised Proj
Agriculture growth (%)	-2.6	9	23.8
Tobacco (flue cured)	166.6	171	216
Maize	798.6	1 300	1 456
Beef	56.3	57	57.1
Cotton	143	178.9	180
Sugar cane	3 469	4 550	4 000
Horticulture	55	59.4	59
Poultry	59	105.7	65.2

Groundnuts	86.7	136	135
Wheat	39.2	29	29
Dairy (m lt)	65.6	78.3	70
Coffee	0.4	1.3	0.5
Soyabeans	76.9	97.5	85
Paprika	4.5	5	5
Pork	6.6	26	7.2
Sorghum	69.2	98	136

Source: Ministry of Finance and Economic Development, Ministry of Agriculture, Mechanisation and Irrigation Development, Reserve Bank and the Zimbabwe Statistical Agency

29. Improved crop outputs were also registered with respect to cotton, sorghum, cane-sugar and soya beans, among other crops.

Mining

30. In 2014, the mining sector was initially projected to grow by 10.7%, largely driven by anticipated increased output for nickel, coal, gold and diamonds.
31. However, weak international prices for some minerals, frequent power outages, obsolete equipment and inadequate funding for recapitalisation undermined performance during the first half of the year.
32. Consequently, output for gold, platinum and diamond were subdued, necessitating a downward revision of sector growth to -1.9%.

33. Performance of individual minerals during the first half of the year is indicated in the Table below.

Mineral Output

	2013	2014 Budget Projection	2014 Jan-June Outturn	2014 Revised Projection
Chrome \000't	450	500	180	650
Coal \000't	4 980	4 000	2 744	6 476
Cobalt \t	319	342	181	342
Copper \t	8 275	8 867	4 173	8 487
Gold \kg	14 065	15 000	6 800	13 800
Nickel \t	14 057	15 020	8 591	16 232
Palladium \kg	10 153	11 200	5 241	10 257
Platinum \kg	13 066	14 000	6 435	13 200
Rhodium \kg	1 146	1 190	590	1 175
Ruthenium \kg	1 012	1 036	479	1,037
Diamonds \000'carats	10 528	10 000	3 184	8 000

Source: Chamber of Mines and Ministry of Mines and Mining Development

34. With regards to diamonds, notwithstanding the anticipated decline in output from 10.5 million carats in 2013 to 8 million carats in 2014, the adoption of the open auction marketing system beginning this year resulted in improvement in diamond price realisations.
35. In this regard, average prices for our diamonds rose from about US\$33 to as high as US\$76 per carat.

Gold Buying Centres

36. Honourable Members will be aware that Government designated Fidelity Printers and Refineries as the sole buyer, refiner and exporter of gold.
37. Mr Speaker Sir, I am pleased with Fidelity's execution of this mandate.
38. As at August 2014, a total of 8.5 tons of gold was refined and exported. The target is to achieve a minimum of 10 tons by year end, in order to facilitate re-accreditation into the London Bullion Marketers Association.
39. In order to achieve this target, Fidelity has established gold buying centres in the active gold buying areas throughout the country.

Gold Buying Centres and Distribution Agents

Gold Buying Centres	Distribution Agents
Gwanda	26
Filabusi	19
Zvishavane	29
Bulawayo	41
Gweru	33
Kwekwe	25
Kadoma	66
Chinhoyi	11
Bindura	3
Masvingo	8
Mutare	5

Source: Fidelity Printers & Refineries

40. Mr Speaker Sir, the above buying points are the principal receptors of gold in these gold buying areas.
41. In addition, for added convenience, Fidelity Printers and Refineries has also licenced custom millers and elution plant owners as its gold buying agents, thereby expanding gold buying centres coverage.
42. Fidelity Printers and Refineries, working in conjunction with other stakeholders, namely the Ministry of Mines and the Reserve Bank, will continue to explore commercially viable ways of further expanding the gold mobilisation coverage.
43. Mr Speaker Sir, I am inviting all those with active elution plants and milling centres who for one reason or another have not been appointed gold buying agents by Fidelity Printers and Refineries and issued with a valid agency licence, to approach Fidelity for accreditation as agents.
44. Accordingly, there should, therefore, not be any gold milling centre or elution plant operating in the country which should not be found on the Fidelity Printers and Refineries gold delivery list by end of the year.

45. This is so because it has been observed that the largest source of leakage is around elution plants and milling centres, hence, the need to ensure all register with Fidelity.
46. I am pleased to note that a notable improvement in the gold mobilised from the small scale gold sector has been noted following implementation of the above arrangements.

Manufacturing

47. Mr Speaker Sir, for manufacturing, the favourable agricultural season is anticipated to spur positive growth in food processing, as well as textiles and ginning.
48. This positive development should ameliorate challenges in such other sub-sectors as transport and equipment as well as paper, printing and publishing, among others.
49. Overall challenges to industry relate to antiquated and obsolete machinery, influx of imports, high cost of borrowing and weak demand due to liquidity constraints.
50. Government will, therefore, be instituting measures to support the recovery of manufacturing, through promoting value chain and industrial linkages, leveraging the diverse domestic raw material resource base.

Tourism

51. The recovery of tourism is restoring the role of the industry as one of the drivers of the ZIM ASSET growth targets.
52. Bed occupancy at the major hotels is up by 12%, with most of the major hotels in the prime destinations experiencing improved business.
53. Growth in tourism is benefitting from the prevailing political stability in the country, investment in tourism facilities and infrastructure, revamping of domestic flights capacity, all complemented by investment in marketing campaigns.
54. The increasing participation of locals is also serving to support the recovery of tourism performance.
55. Tourism has also benefited from Conference business during the first eight months of 2014, with the country successfully hosting a number of conferences including Routes Africa, the SADC Summit and growing religious conferencing.
56. Government interventions with regards to fiscal incentives have also under-pinned tourism investment refurbishment

programmes. Already, a number of capital intensive refurbishments have been completed at some hotels and facilities.

57. The challenge now is on further investment in expansion of tourism facilities and infrastructure, as well as expansion of Air Zimbabwe coverage to increase frequencies and servicing of more tourist areas. This will ease accessibility to domestic tourist destinations.
58. Resultantly, tourism contribution to GDP should rise to 15%, from the current 10%. This would see generation of earnings rise from the current US\$749 million to over US\$1.8 billion, as tourist arrivals increase from 2.5 million to 3.2 million by 2015.
59. Subsequently, the sector should generate an additional 100 000 employment opportunities. Currently, both direct and indirect employment in the industry is around 300 000.

Communication

60. Mr Speaker Sir, developments in the ICT sector during the first half of the year show significant investments in network expansion and fibre optic infrastructure.

61. A total of US\$40 million has been invested into the sector by mobile and fixed operators, as well as internet service providers, in this period.
62. As a result, total mobile subscribers increased from 13.6 million to reach 13.9 million subscribers at the end of June 2014, raising the mobile penetration rate to 106.4%.
63. Similarly, use of internet data services rose to 43.1% over the same period, with data and internet subscribers growing by 2.9% to reach 5.6 million from 5.4 million.
64. Furthermore, fixed telephone subscribers increased by 7.2% to reach 326,183 subscribers at the end of June 2014, compared to 307,202 subscribers recorded in December 2013.

Research and Development

65. Mr Speaker Sir, in line with experiences of advanced and growing economies such as China, India and Brazil, the future of our economic progress will also be dependent on the adoption and adaptation of domestic production structures to more modern technological systems and processes.
66. Hence, expenditure on Research and Development across various sectors cannot be over-emphasised. This is more-so as

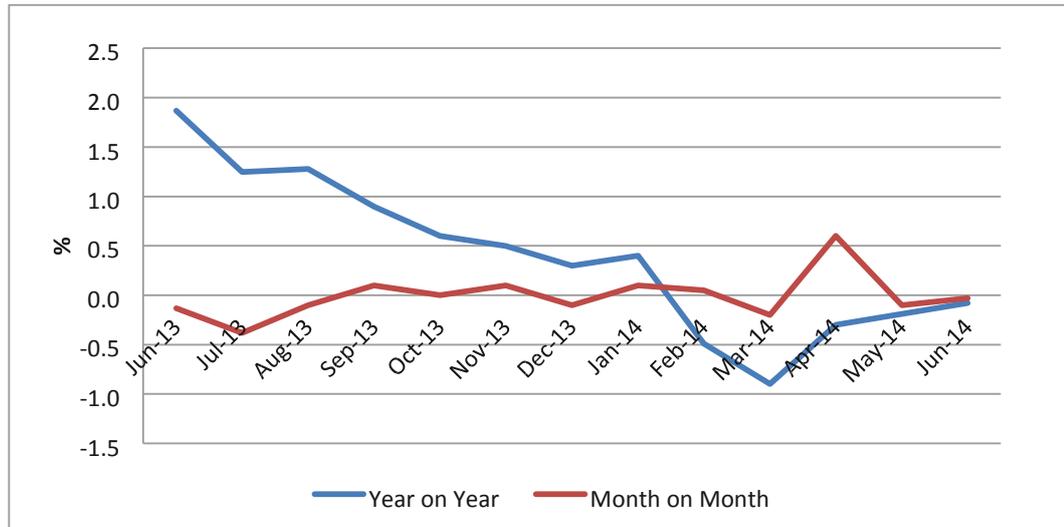
empirical evidence indicates that a 10% increase in research and development translates to about 0.7 - 1% growth in output.

67. Therefore, in pursuit of this objective and also in line with our commitment to meet the UN recommended minimum expenditure thresholds of 1% of GDP on research and development, Government will continue to work closely with the private sector on financing and promoting research and development.
68. Appropriate incentives will also be considered for private players in the 2015 National Budget.

Prices

69. With regards to prices, annual inflation opened in January at 0.4%, before pushing down to deflation trends of -0.5%, -0.9%, -0.3%, -0.2% and -0.1% in February, March April, May and June, respectively.

Inflation Profile



Source: ZIMSTAT

70. The major categories of items that were driving inflation down were mainly such tradable goods as food and beverages. Generally, the prices of services, with the exception of education, health, communication and rentals, remained flat.
71. In the outlook, inflation is expected to be influenced by aggregate demand, international oil and food prices, as well as the country's real effective exchange rate against our major trading partners.
72. Therefore, inflation in the last half is expected to remain subdued, although some pressures are foreseen, especially in oil prices, which have the potential to push the average headline inflation for the year to about 0.02%.

External Sector

Exports

73. During the period January to June, total exports stood at US\$1.2 billion compared to US\$1.5 billion realised in the corresponding period in 2013.
74. The decline in exports during this period reflects in part, slowdown in commodity prices.
75. The Table below shows monthly exports for the period January to June 2014.

Exports

Month	2014 (US\$)
January	278 197 743
February	192 465 779
March	156 413 793
April	178 995 578
May	184 256 202
June	238 036 098
Total	1 228 365 193

Source: ZIMSTAT, 2014

76. Minerals and tobacco continued to contribute the bulk of exports.

Sectorial Export Contributions: Jan-June 2014

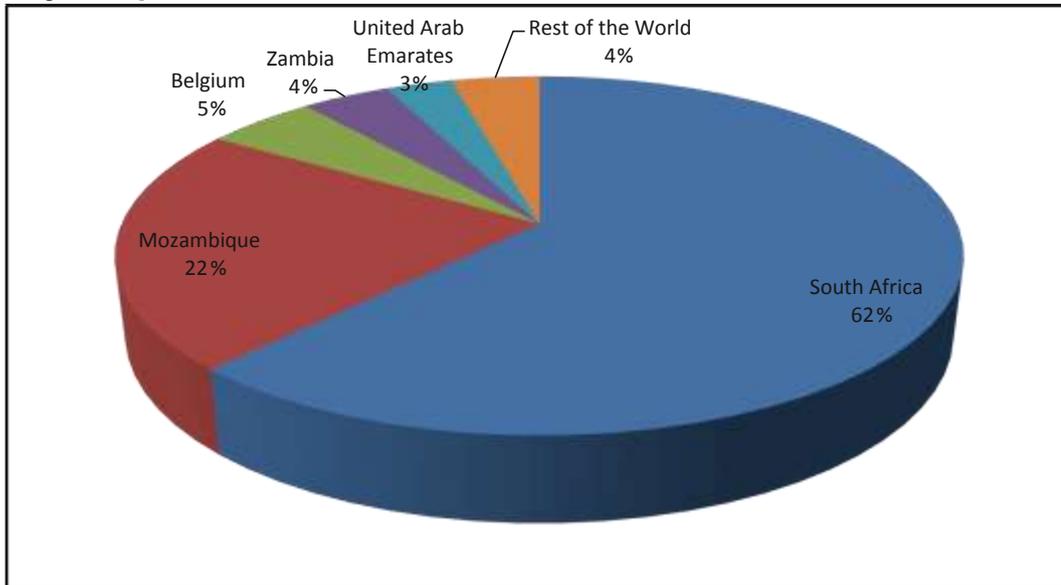
Sector	%
Mining	52
Agriculture including tobacco and horticulture	21

Manufacturing	13
Services which include transport and tourism	11
Other exports	3
Total	100

Source: Reserve Bank of Zimbabwe

77. In the half year period, major export destinations were South Africa (62%), followed by Mozambique (22%) and Belgium (5%).

Major Exports' Destinations



Source: ZIMSTAT

Imports

78. While total imports for the first half of the year are down on last year, relatively these remain high at US\$3 billion. Corresponding imports for last year were US\$3.9 billion.

79. The Table below shows monthly imports for the period January to June 2014.

Imports

Month	2014 (US\$)
January	487 816 335
February	478 787 783
March	499 943 259
April	491 539 262
May	510 004 805
June	528 183 580
Total	2 996 275 024

Source: ZIMSTAT

80. Fuel, foodstuffs, machinery and equipment, wood, paper and plastic, and motor vehicles, were the major imports, as indicated in the Table below:

Major Imports: Jan-June 2014

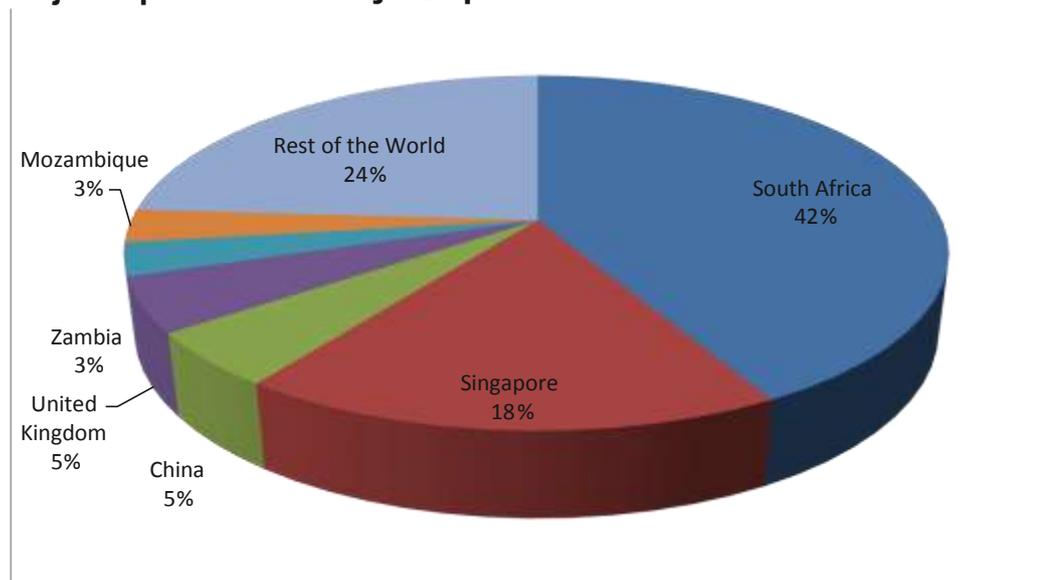
Import Category	%
Fuels	25.2
Machinery and Equipment	16.5
Food, Tobacco and Beverages	16
Wood, Paper, Plastics Products	12
Motor Vehicles	8.2
Metal Products	6
Pharmaceutical Products	5.2
Fertilizers and Chemicals	4.6
Other Manufactured Goods	2.7
Clothing and Fabrics	2.4
Building Materials	1

Transport Equipment	0.3
Total	100

Source: ZIMSTAT

81. The 16% share of food, tobacco and beverages in total imports indicates the over-reliance on items that can be produced domestically.
82. South Africa remained the major source of imports at 42%, followed by Singapore (18%) and China (5%).

Major Import Markets



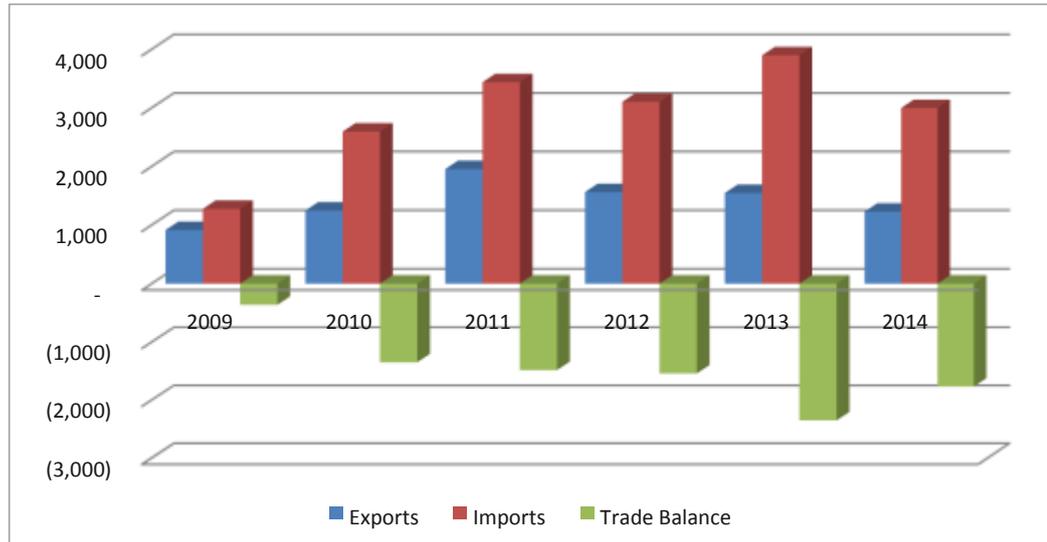
Source: ZIMSTAT

Trade Balance

83. Against the background of slowdown in imports, Mr Speaker Sir, a lower trade deficit of US\$1.8 billion was recorded for the period

January–June 2014, compared to US\$2.4 billion over the same period in 2013.

Trade Balance: Jan-June US\$ m



Source: ZIMSTAT

External Debt

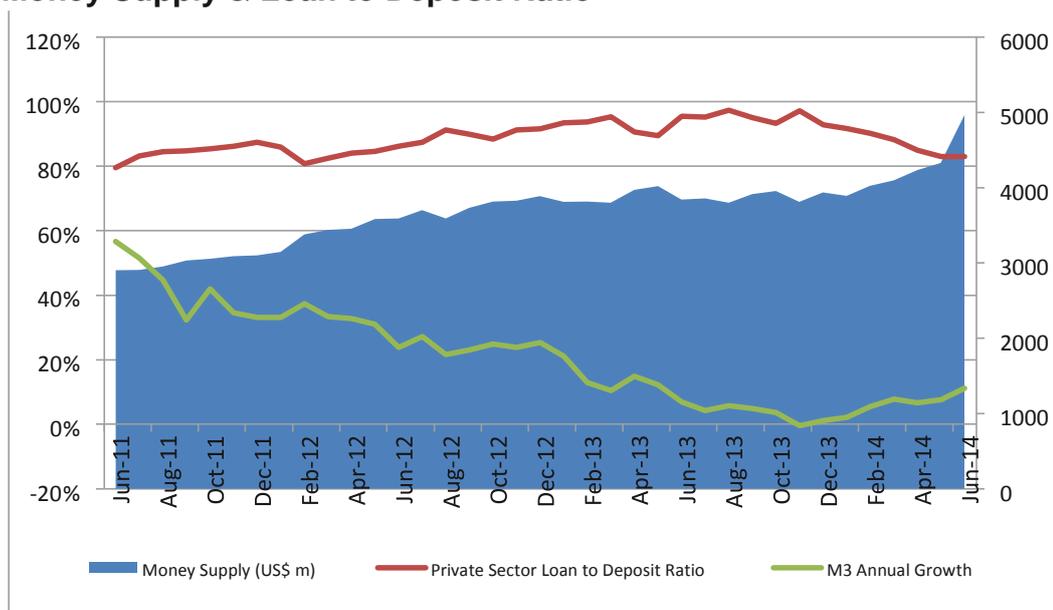
84. Mr Speaker Sir, Zimbabwe is saddled with an unsustainable external debt overhang amounting to US\$8.8 billion as at end June 2014.
85. Debt distress has continued to undermine the economy's capacity to meet debt servicing obligations, resulting in the accumulation of external payment arrears since 2000.
86. Public and publicly guaranteed debt accounts for US\$6.9 billion, which represents 51% of GDP. Private sector debt, which is, however, being fully serviced, totals US\$1.9 billion.

- 87. Of the US\$6.9 billion public debt, US\$5.5 billion are arrears, with the balance being penalty interest and other charges.
- 88. Projections to December 2014 indicate public and publicly guaranteed external debt further increasing to US\$7.2 billion.

Financial Sector

- 89. As reported in the Monetary Policy Statement of 25 August 2014, the financial sector remains stable with total banking sector deposits growing by 4.9% from US\$4.73 billion in December 2013 to reach US\$4.96 billion as at end June 2014.
- 90. However, the bulk of these deposits are short term and transitory, hence, the need to embrace strategies to encourage medium to long term deposits.

Money Supply & Loan to Deposit Ratio



Source: Reserve Bank

91. Notwithstanding the increase in bank deposits, challenges remain with regard to growing non-performing loans (NPLs).
92. The average ratio of non-performing loans to total credit in the banking sector increased to 18.5% in June 2014, from 15.92% recorded in December 2013.
93. The Reserve Bank is, however, addressing this issue through the setting up of a Special Purpose Vehicle – the Zimbabwe Asset Management Corporation, which will buy from banks some NPLs under commercial terms.
94. Challenges related to bank under-capitalisation are being addressed through the proposed three tier system for banks – Tier I, Tier II, Tier III which have different capital thresholds and functions.
95. Tier I has a minimum core capital requirement of US\$100 million by 2020, and entitles such an institution to participate in core banking activities, plus additional services such as mortgage lending, leasing and hire purchase.
96. Tier II has an immediate capital requirement of US\$25 million, and restricts institutions to core banking activities only. On the

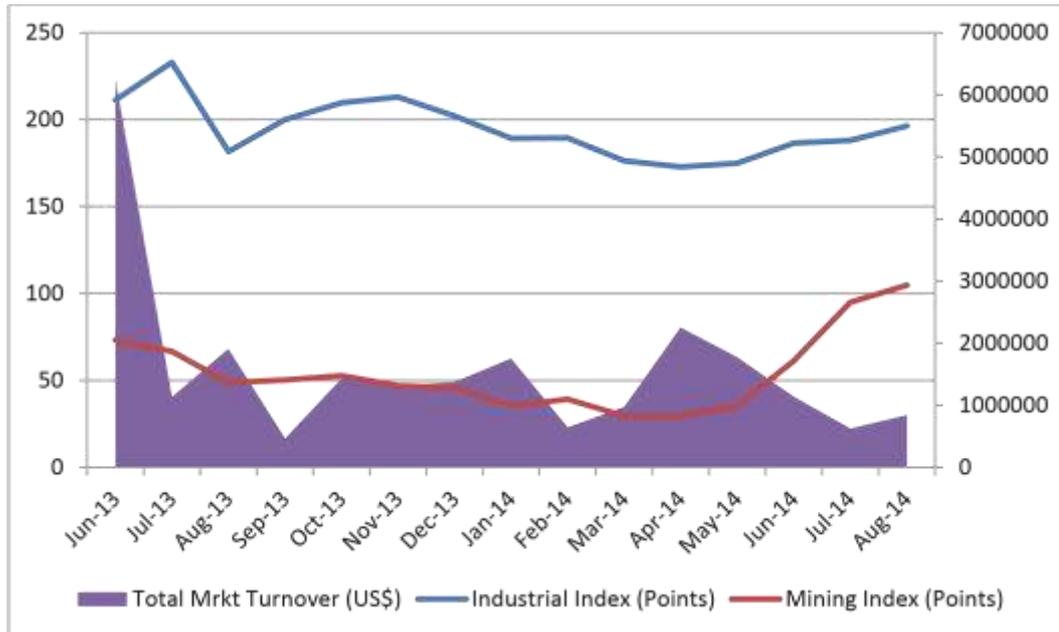
other hand, Tier III capital rises from US\$5 million to US\$7.5 million by 2020, with activities restricted to micro-finance deposit taking and lending.

97. Furthermore, inter-bank market activities are set to resume by end of September, a move that would help in distributing liquidity.
98. Total banking sector loans and advances increased from US\$3.7 billion in December 2013 to US\$3.81 billion as at 30 June 2014. Credit to the private sector accounted for US\$3.6 billion of this, as the loan to deposit ratio decreased to 83.3% from 95.5%.

Zimbabwe Stock Exchange

99. Activity on the stock market, with a total market capitalisation of US\$4.9 billion as at June 2014, should benefit from recent measures to promote participation of non-resident Zimbabweans who can now invest up to 100% in any listed counter. Previously, a limit of 70% was in place.
100. The Graph below tracks the developments on the stock market.

ZSE Indices



Source: ZSE

101. The turnover value for the first half of the year was US\$234.5 million, compared to US\$222.5 million over the same period in 2013.

Anti-Money Laundering

Legislative Reforms

102. Mr Speaker Sir, Zimbabwe being a member of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) remains committed to enforcing the laws on combating money laundering and financing of terrorism in line with the Financial Action Task Force (FATF) standards.
103. Pursuant to the above, the following legislative developments

took place during the first half of the year:

- Criminalisation of Sea Piracy through an amendment to the Criminal Law (Codification and Reform) Act (2014);
- Enactment of the Trafficking in Persons Act (No. 4 of 2014), criminalising human trafficking;
- Gazetting of Regulations for the implementation of UN Security Council Resolutions 1373 & 1267, and the Successor Resolutions on Freezing of Terrorist Assets through Statutory Instrument 76 of 2014;
- Reviewing of Criminal and Civil Penalties for money laundering offences to make them dissuasive to would be offenders; and
- Extension of effective supervision and enforcement of antimoney laundering and combating the financing of terrorism to cover insurance, securities, micro-finance, money transfer and bureau de changes through issuance of specific guidelines.

National Risk Assessment

104. In addition to the legislative developments, Government has embarked on a National Risk Assessment to identify, assess and appreciate money laundering and terrorist financing risks facing the country.

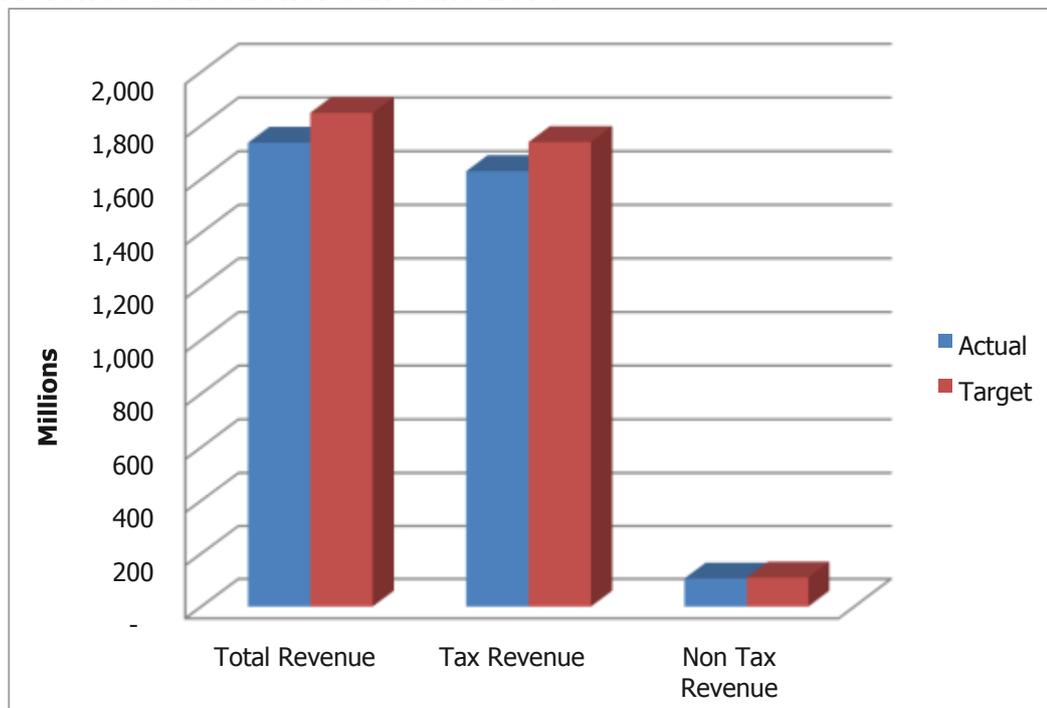
105. The results of the National Risk Assessment should enable Regulators to understand risks inherent in institutions under their jurisdictions. This would allow for the prioritised re-direction of resources towards higher-risk areas, and development of appropriate Risk Based Supervisory arrangements.
106. The National Risk Assessment will also help establish the extent of illicit financial flows in the economy arising from smuggling, tax evasion, transfer pricing, bulk cash movements, fraud, counterfeiting, bribery and kick-backs, among others.
107. This should place Government in a better position to develop counter-measures to deal with illicit financial flows, including leakages from the economy.
108. Participants in the National Risk Assessment extend beyond Government and regulatory bodies/law enforcement agents to include the private sector, academia and civil society.
109. Mr Speaker Sir, Government is calling upon all the stakeholders to cooperate and fully participate in the National Risk Assessment, that way also ensuring that the process is completed by the targeted date of end December 2014.

DEVELOPMENTS IN PUBLIC FINANCES

Revenues

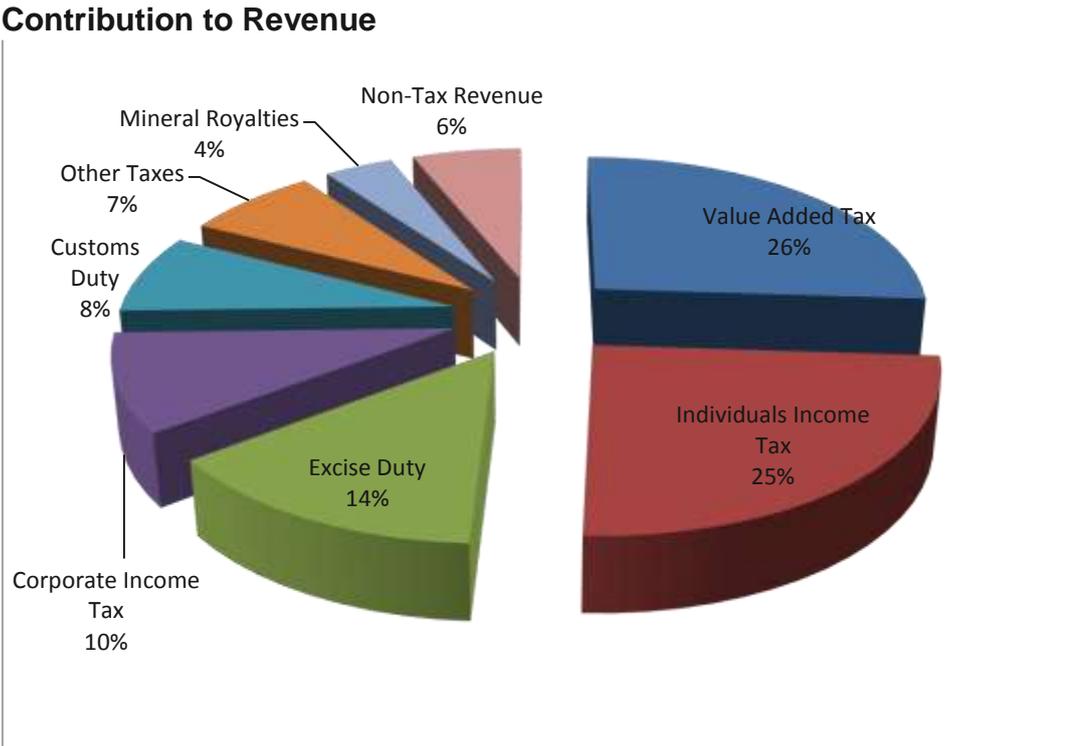
110. Mr Speaker Sir, the first half of the year has been challenging in terms of revenue under-performance.
111. Cumulative revenue collections for the period January-June 2014 amounted to US\$1.735 billion, against a target of US\$1.847 billion, resulting in a shortfall of US\$112 million or 6.1% of total projected revenue.
112. The Graph below shows the revenue performance for the first half of the year.

Revenue Collections: Jan-June 2014



Source: Ministry of Finance and Economic Development

- 113. Revenue developments over January–June 2014 also present under-performance on the 2013 collections for the same period, which amounted to US\$1.827 billion.
- 114. Tax and non-tax revenue contributed US\$1.629 billion and US\$106 million, respectively.
- 115. The breakdown of the overall contributions to total revenue is reflected in the pie chart below.

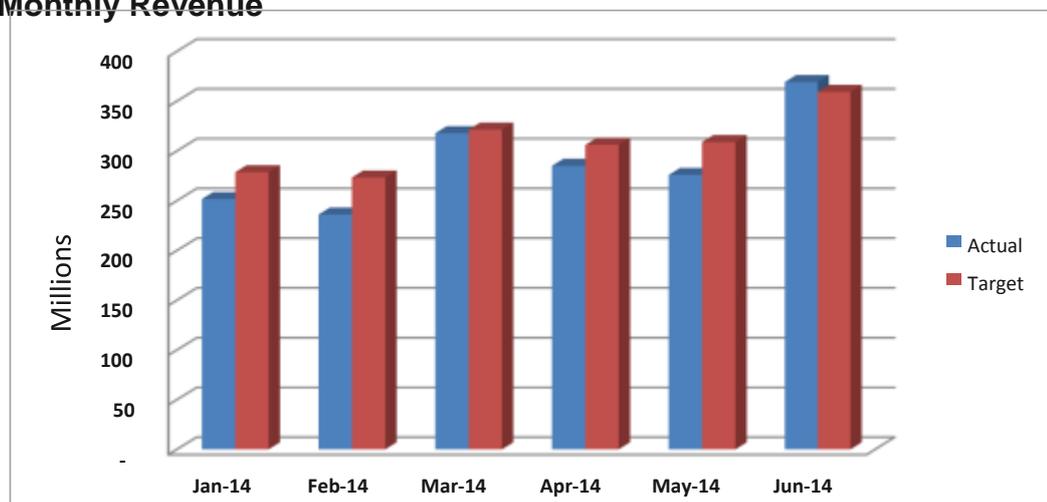


Source: Ministry of Finance and Economic Development, ZIMRA

- 116. While monthly revenue collections consistently under-performed during January–May, the month of June, at US\$369.2 million,

actually performed above the target of US\$359.4 million as shown in the Graph below:

Monthly Revenue



Source: Ministry of Finance and Economic Development, ZIMRA

117. Revenue heads dependent on consumption of taxable commodities, such as Value Added Tax, Excise and Customs Duty under-performed by US\$106.7 million, US\$56 million and US\$19 million, respectively.
118. Corporate Tax was also under target by US\$17.7 million, while mineral royalty payments recorded a negative variance of US\$10.8 million.
119. On the positive side, Pay as You Earn (PAYE), which relates to income tax on individuals, surpassed the target by US\$83.5 million.
120. The Zimbabwe Revenue Authority has been implementing

measures to recover unremitted tax from both the private and public sector. This is being broadened to embrace those previously trading outside the tax net, including those trading informally.

121. Periodic set-off exercises by Treasury to settle outstanding debts to both State owned and private companies through cash payment of their tax arrears to ZIMRA has also benefited revenue collection.
122. Such off-setting is possible where Government owes an entity, for example ZESA for electricity consumption, while the same entity has due tax obligations to ZIMRA.

Expenditures

123. Mr Speaker Sir, Government expenditure for the first half of 2014, inclusive of loan repayments amounted to US\$1.953 billion. This is against targeted expenditures of US\$1.848 billion.

Expenditures: 2014

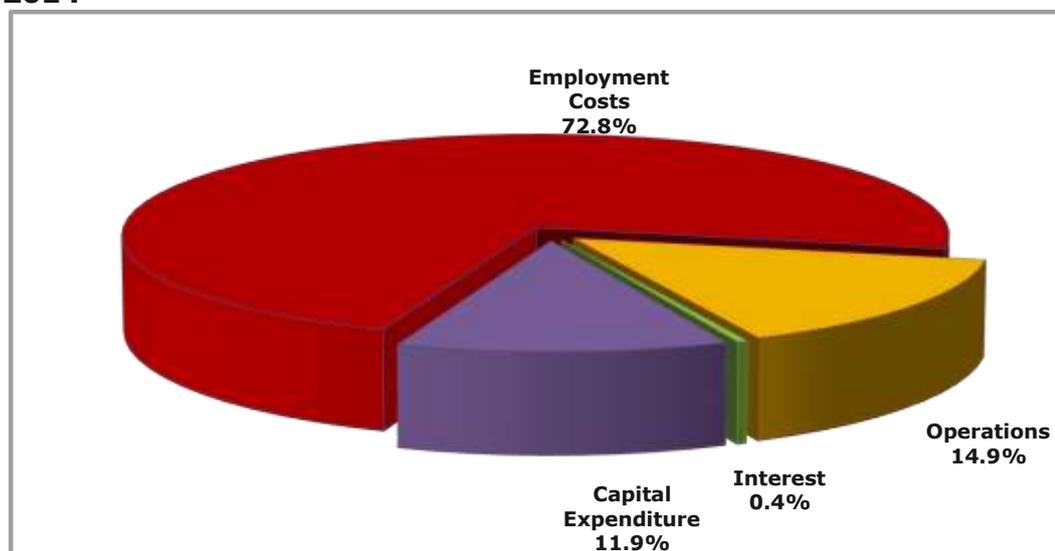
Item	Budget Estimate US\$ m	Jan-June Targeted Expenditure US\$ m	Jan-June Actual Expenditure US\$ m
Employment Costs	2 998.0	1 410.6	1 485.9
<i>o/wc</i>			
<i>Civil Service</i>	2 092.9	972.2	1 027.8

<i>Grant Aided Institutions</i>	455.1	213.4	219.7
<i>Pension</i>	450	225	238.4
Operations	615	236.2	147.3
Interest	15	15	17.8
Capital Expenditure	492	185.8	121.3
Total Expenditure	4 120	1 847.6	1 772.3
Loan Repayments	-	-	180.4
Total Expenditure & Loan Repayment	4 120	1 847.6	1 952.7

Source: Ministry of Finance and Economic Development

124. The expenditure profile for the first half of the year is not in tandem with planned expenditures, mainly on account of support to additional employment costs and loan repayments.

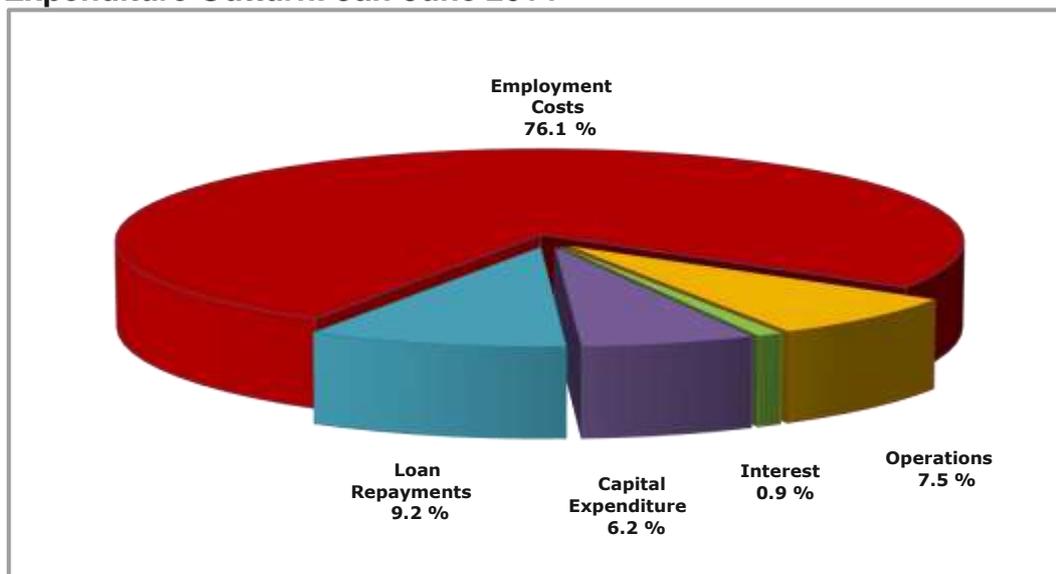
Expenditure Target: Jan-June 2014



Source: Ministry of Finance and Economic Development

125. Employment costs, which were originally targeted at US\$1.410 billion or 72.8% of total expenditures for the period January-June 2014, expended US\$1.486 billion or 76.1% of total expenditures, surpassing the target by US\$75.2 million.

Expenditure Outturn: Jan-June 2014



Source: Ministry of Finance and Economic Development, ZIMRA

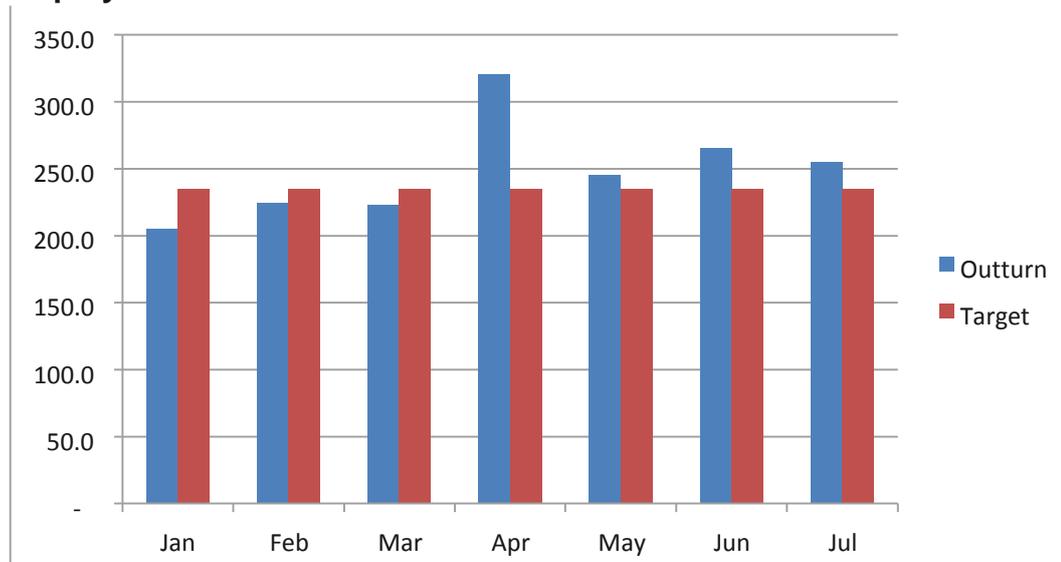
126. Similarly, *Loan* repayments which were not provided for recorded an outturn of US\$180.4 million.

127. The above expenditure overruns compromised other essential expenditures during January-June on *Capital* development programmes and *Operations*, which declined by US\$75.2 million and US\$89.9 million, respectively.

Employment Costs

128. The outturn on Employment Costs of US\$1.486 billion for the first half of the year was against the background of the remuneration review, effective January and implemented in April 2014.

Employment Costs



Source: Ministry of Finance and Economic Development

129. This development, which is running ahead of the target by around 5.3%, combined with projected expenditures in the last half of the year, has financing implications which I shall elaborate later.

Loan Repayments

130. Payments towards loan repayments amounting to US\$180.4 million, alluded to above, were targeted at unlocking new and additional loan facilities, critical for supporting take-off of ZIM ASSET development projects.

Contingent Liabilities

131. The Budget has also had to contend with un-anticipated expenditures arising as a result of Government guarantees on both public and private companies for various lines of credit which have since been called up.
132. Regrettably, in this regard, during January–June, payments amounting to US\$11.9 million have been made on account of loan repayment defaults by the following:
- Ziscosteel, US\$3.9 million;
 - Industrial Development Corporation, US\$2.2 million; and
 - Farmers’ World, US\$5.9 million.
133. Assumptions of these commitments have also served to undermine Budget implementation especially, over items that would have been provided for.

Reserve Bank Debt Assumption

134. Mr Speaker Sir, it will be recalled that the 2014 Budget Statement indicated that Government would take over the Reserve Bank debt which arose from the Bank’s quasi fiscal activities.
135. In line with this pronouncement, the Debt Assumption Bill to provide the legal framework for the assumption of this debt by

Government has since been drafted and is currently before Parliament.

136. In addition, validation and reconciliation of the debt by the Zimbabwe Aid & Debt Management Office is on-going. The amount of validated Reserve Bank debt as at end July 2014 is US\$200.4 million.

137. Pursuant to debt validation by the Debt Management Office, Treasury bonds are being issued against the debt owed to creditor institutions. The *tenors* for the TBs are *three, four and five years*.

138. To date, TBs amounting to US\$200.4 million have since been issued to various banks and institutions as shown in the Table below:

RBZ Debt Assumption TB Issues

Institution	FCAS US\$	Special Deposit US\$	Tobacco Retention US\$	Other Charges US\$	Total Issued US\$
Agribank	297 161		5 637 672		5 934 833
Allied Bank	811 514		906 878		1 718 392
BANC ABC	862 103				862 103
CBZ	60 806 601		1 588 832		62 395 433
Ecobank	2 337 777		327 499		2 665 276

FBC	324 774		810 025		1 134 799
Metbank	11 348		72 617		83 965
Stanbic Bank	27 517 812		719 401		28 237 213
Barclays Bank	14 194 620		1 650 107		15 844 727
Standard Chartered Bank	11 290 396		2 254 573		13 544 969
NMB	9 667		2 696 660		2 706 327
MBCA	5 902 234		1 766 262	1 876 453	9 544 949
ZB Bank	2 346 237		3 764 073		6 110 310
Meikles		49 645 665			49 645 665
Grand Total	126 712 245	49 645 665	22 194 599	1 876 453	200 428 961

Source: Ministry of Finance and Economic Development, Reserve Bank

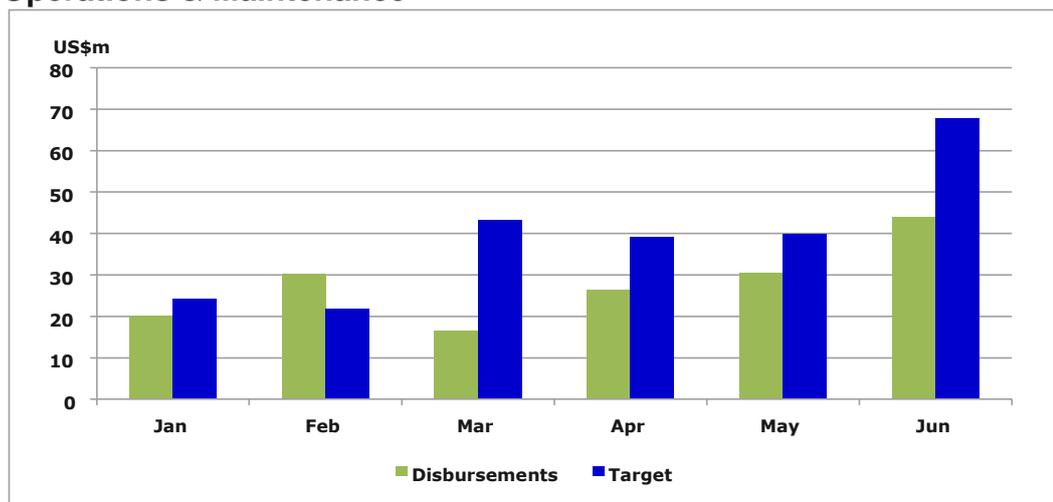
139. Furthermore, an amount of US\$27.4 million worth of TBs was issued to Seed houses for inputs supplied.
140. A further US\$30 million in TBs is being issued, following validation of the debt to Seed houses being undertaken in collaboration with CBZ.

Operations and Maintenance

141. As already alluded to above, Budget support for Operations and Maintenance is being affected by the need to provide for higher than budgeted expenditures on employment costs and loan repayments.

142. Resultantly, cumulative expenditures on Operations and Maintenance for the period January-June 2014 amounted to US\$147.3 million, against planned expenditures of US\$236.2 million.

Operations & Maintenance



Source: Ministry of Finance and Economic Development

143. Notwithstanding pressures on the Budget arising from employment costs and loan repayments, Government exercised caution with regards to protecting critical social expenditures in such areas as

health, education and social protection.

144. Hence, social expenditures of US\$26.5 million during the first half of the year exceeded the half year targeted level of US\$22 million.

145. Furthermore, consistent with Government's policy of containing accumulation of new domestic payment arrears, US\$27.4 million was expended towards the settling of domestic service provider bills.

Capital Budget

146. The 2014 Budget provided for total expenditures of US\$492 million to year end.

147. However, Mr Speaker Sir, the anticipated outturn to year end has been scaled down on account of shortfalls in Revenue collections, coupled with Government assumption of new expenditures on Loan repayments, as well as higher than anticipated costs on Employment.

148. Taking account of this, targeted capital expenditures from the first half of the fiscal year had been reduced to US\$139.8 million.

149. In this regard, cumulative capital disbursements to June 2014 amounted to US\$130.1 million, also in acknowledgement of the critical role of infrastructure in moving forward ZIM ASSET led transformation.

150. The Table below indicates the sectors that have benefited from the budget disbursements to June.

Capital Disbursements

Sector	Jan-June (US\$ m)
Transport & Communication	3.5
Water & Sanitation	21.3
Housing	6.8
ICT	4
Health	5.2
Education	2.8
Agriculture	52.2
Furniture & Equipment	0.5
Vehicles	0.6
Contingent Liabilities	11.9
Other	21.3
Grand Total	130.1

Source: Ministry of Finance and Economic Development

151. The above disbursements have been complemented by implementation of other Budget projects funded through *Loan Financing*.

152. Projects funded this way include:

- Kariba South Power expansion, at a cost of US\$533 million;
- Victoria Falls Airport new Terminal and Run-way construction, requiring US\$150 million;
- Medical Equipment Acquisition Programme for hospitals

costing US\$100 million;

- Deka Pumping Station US\$28.6 million upgrade;
- Harare Airport Road US\$13 million phase I dualisation; and
- Agriculture Mechanisation Programme costing US\$98.6 million.

153. Mr Speaker Sir, disbursements to date on the above projects stand at US\$200 million, raising overall capital budget expenditures to US\$330.7 million.

154. Progress with implementation of the above projects during the first half of the year is covered in detail under *Loan Funded Budget Projects*.

Harare–Goromonzi Turn-off Dualisation

155. Cumulative disbursements on the Harare-Goromonzi Turn-off dualisation road project amount to US\$18.9 million.

156. To date, 13 kms out of the targeted 18.3 kms have been completed and opened to traffic, including two of the three bridges.

157. Prioritisation to complete the remaining sections should see this project completed during the remainder of the year.

158. However, completion of the *road over the rail-bridge* should be by the first quarter of 2015.

Tokwe Mukosi Dam

159. The Tokwe Mukosi dam project is one of the major projects undertaken and supported through the Budget since 2010 with, so far, a cumulative fiscal support level of US\$163 million.

160. Disbursements during January-June 2014 amounted to US\$15.7 million. Targeted works included:

- Remedial works on the dam wall;
- Placement of rock fill on the embankment; and
- Construction of concrete lining of the spillways.

161. Government remains resolute to see the completion of the remaining works necessary for final completion of this project. This is estimated to require US\$38.5 million.

162. Furthermore, outstanding certificates for work already done amounting to US\$81.5 million, will also be paid.

163. In this regard, Government is engaged to the cash flow

requirements to cater for critical works that need to be undertaken before onset of the next rains, that way guaranteeing the safety of the dam wall structure.

164. The critical works are estimated to cost US\$13 million, and, already an amount of US\$4.5 million has been disbursed after June 2014 to cover works under this programme.

Tokwe Mukosi Downstream Families Resettlement

165. The construction of Tokwe Mukosi dam and the unanticipated flooding in the upstream basin necessitated the evacuation and relocation of 3 324 families to its downstream basin.
166. The attendant costs relate to compensation, provision of such social infrastructure as roads, schools and clinics, as well as dip tanks.
167. With the total compensation requirement at US\$12.8 million, to date 1 423 families have been compensated at a cost of US\$5.8 million, leaving a balance of US\$7 million for 1 901 families.
168. Prioritisation of social infrastructure has seen the construction of a clinic and eight two-roomed houses which have since been handed over to the community. Materials for a second clinic are being procured.

169. Additionally, one secondary and three primary schools are at various stages of construction. Each of the schools has been provided with furniture and a minimum of ten ablution facilities per school.
170. Furthermore, 37 boreholes have been drilled to supply drinking water to the community, as well as construction of 550 toilets for residents.
171. The relocation of all families that had been resettled at Chingwizi transit camp to their four hectare plots at Chingwizi Farm helped overcome the unfolding of a humanitarian health hazard at the camp.

AU Region 5 Games

172. Zimbabwe will be hosting 15 countries for the African Union (AU) Region 5 Games being held in Bulawayo over 5 - 14 December 2014.
173. Targeted works to be undertaken in preparation of these games are estimated to require US\$9 million.
174. A breakdown of the targeted works which will be undertaken is indicated in the Table below.

AU Region 5 Games Projects

Name	Works	Budget
Hillside Teachers College	Infrastructure rehabilitation, plant & equipment, electricals, plumbing, carpentry, painting, building, civil works, catering equipment	735 000
Bulawayo Athletics Centre	Partitions, toilets, refurbishments to existing structures and generator house & electricals	163 000
Babourfields Stadium	Upgrading of changing rooms and other rooms, including touch ups on warm up grounds and movable sitting areas, electricals, storm water drains and roads	612 000
White City Stadium	Construction of tartan track, changing rooms and toilet VIP, netball changing rooms, refurbishments to existing structures, toilets, external works and generators house & electricals	3 137 000
Luveve Stadium	Upgrading of ablution facilities and VIP stage including rooms, generator house & electrical works	721 000
Bulawayo Swimming Pool	Construction of warming up pool, Renovations of changing rooms and other rooms, extension of current pool to cater for touch pads, pavilion, water heating system & electricals	1 375 000
Other Projects	Refurbishment of Courts at Bulawayo Athletic Club, White City Stadium, Hillside Teachers College	105 000
	Construction of Car Parks and refurbishment of warm up pitches at Bulawayo Athletic Centre and Bulawayo Swimming Pool	98 000
	Refurbishment of warm up pitch and quarry dust car park at Luveve & White City Stadium	136 000
	Electrical and structural works	1 918 000
Total		9 000 000

Source: Ministry of Finance and Economic Development

175. So far, resources amounting to US\$3.5 million have been availed towards the upgrading of the above facilities in Bulawayo which will be hosting the AU Region 5 Games' various sport disciplines.

176. Works have already started in earnest following the above disbursements.

177. Government remains confident that the facilities will be ready in time for the hosting of the games in December.

E-Government Flagship Applications

178. In order to improve efficiency and effectiveness in the provision of public services, Government has been implementing an E-Government programme.

179. Already, the programme has been rolled out to the following institutions:

E-Government Flagship Project Implementation

Institution	Progress To Date
Chitungwiza Hospital	The on-line patient management system for admissions, billing, treatment rooms, doctors rooms, wards and discharge is now live and ready for use.
Zimbabwe Investment Authority	The on-line human resources management system, financial management and procurement has been developed and is now being used. The investors service' application system is being finalised.
State Procurement Board	The financial management and internal procurement is now in use whilst the national e-procurement solution platform will be live by end of October
Cabinet Secretariat	The e-administration solution has been developed. However, the current system is being migrated to a new platform for it to be used.
Liquor Licencing Board	On-line liquor licencing application is now complete and ready for use.
Ministry of Lands and Rural Resettlement	The real estate module has been developed and users are undergoing training. Other on-line applications for land management are currently being finalised.

Deeds Office	The financial management system, including receipting, was completed and is currently in use. On-line deeds search and company registration applications are ready for use.
Ministry of Mines and Mining Development	The revenue and fleet management system is now ready for use in live state.
Civil Service Commission	The human resources management system is now live and being used.

Source: Ministry of Finance and Economic Development, Ministry of Information Communication Technology

180. Furthermore, a High Performance Computer Centre will be set up at the University of Zimbabwe at a cost of US\$7.4 million to operationalise E-Government applications service wide.

181. Cumulative disbursements to June amount to US\$4.4 million, covering work done on the *Flag-Ship* projects, as well as renovation works at the University of Zimbabwe that will house the High Performance Computer.

Education Infrastructure

182. The in-adequate availability of Budget resources continues to limit the capacity of Government to broaden the coverage of schools' and tertiary institutions' rehabilitation and upgrading.

Schools

183. In support of schools, an amount of US\$0.8 million was availed towards rehabilitation of infrastructure at 42 primary and 40 secondary schools in all the ten provinces.

Tertiary

184. Similarly, with tertiary institutions, focus has been on the completion of infrastructure for Lupane State University in order to speed up the relocation of the institution from Bulawayo, as well as reduce costs related to rentals of accommodation in Bulawayo.
185. The disbursement of US\$2 million to the institution during the first half of the year has seen completion of the Faculty of Agriculture, and construction of Halls of Residence to roof level.

Outstanding Certificates

186. Government owes contractors US\$146 million for work done as at June 2014.
187. The Table below shows the breakdown of the outstanding amounts by sector.

Outstanding Certificates

Sector	June (US\$ m)
Energy	
Transport & Communication	13.2
<i>O/W J.M Nkomo international airport</i>	3.4
<i>Harare International Airport</i>	2.1
Water & Sanitation	107.8

<i>O/W Tokwe Mukosi Dam</i>	81.8
<i>Gwayi Shangani Dam</i>	14.9
<i>Beitbridge Water Supply</i>	1.4
Housing	3.4
ICT	4.4
Health	8.8
Education	7.2
<i>O/W Lupane Faculty of Agriculture</i>	2
Agriculture	2
Grand Total	146.8

Source: Ministry of Finance and Economic Development

188. Failure to liquidate outstanding certificates has a negative ripple effect on contractors, throttling their capacity to undertake works elsewhere, some of whom end up facing litigation from creditors.
189. It is on this account that the Budget remains focussed on avoiding the thin spreading of limited fiscal resources across too many projects.
190. Hence, limiting the number of projects under implementation to the level of funding available for executing projects to completion can never be over-emphasised.

Loan Funded Budget Projects

191. Mr Speaker Sir, I have already alluded to the various Budget projects being implemented through accessing external financial resources.

192. In this regard, Mr Speaker Sir, Government's insistence on developing a culture and track record of honouring external obligations becomes paramount to unlocking further such financing.

193. It was in this spirit that Government made loan repayments amounting to US\$180.4 million during the first half of the year.

Loan Funded Budget Projects

Project	Project Cost (US\$ m)	Disbursements to Date (US\$ m)
Kariba South	533	32.1
Victoria Falls Airport	150	72.7
Medical Equipment	100	82
Agricultural Equipment	98	1.1
Deka Pumping Station	28.6	8.6
Harare Airport Road Phase I	13	3.4
Total	922.6	200

Source: Ministry of Finance and Economic Development

Medical Equipment

194. Mr Speaker Sir, Government is implementing a US\$100 million Hospital's medical re-equipment programme, funded through a combination of loan financing and use of Budget resources to the tune of US\$10.1 million.

195. In this regard, Government negotiated in March 2011 a loan facility with China Exim Bank to the tune of US\$89.9 million for the procurement of medical equipment, critical for re-establishing the country's *Hospital Referral System*.

196. To date, US\$71.9 million has been disbursed. This, coupled with Government's provision of a US\$10.1 million contribution has so far facilitated deliveries of equipment as tabulated below:

Medical Equipment Deliveries

EQUIPMENT	PAR	HC	CHIT	MP	UBH	MN	MS	MA	MC	ME	MV	MD	MW	TOTAL
LED Series Surgical Lights	5	5	3	3	3			4			4	4		31
Shadowless Operation Light(mobile)	5	5	3	3	3			4			4	4		31
Mechanical Operating table	5	6	2	5	4	6	6	6	6	6	6	6	6	70
Intelligent Operating table	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Multi-Purpose Head rack	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Examination Lamp Mobile	10	12	10	12	10	12	12	12	12	12	12	12	12	150
Digital Ultrasound Diagnostic System	2	2	1	2	1			4			4	4		20
Anesthesia machine	4	4	2	3	2	-	-	-	-	-	-	-	-	15
Anesthesia machine	1	1	-	1	1	1	1	1	1	1	1	1	1	12
Central Monitoring System	1	1	1	1	1	-	-	-	-	-	-	-	-	5
Digital portable Electrocardiograph	4	4	4	4	4	2	2	2	2	2	2	2	2	36

Patient Monitor	-	-	-	-	-	7	8	8	7	6	8	8	8	60
Multi-parameter patient monitor	-	-	-	-	-	7	8	8	7	6	8	8	8	60
Patient Monitor	12	12	12	12	12	-	-	-	-	-	-	-	-	60
Vital Signs Monitor	30	30	30	30	30	40	40	45	45	45	45	45	45	500
Chemistry Analyzer/reagents	-	-	-	-	-	3	2	3	2	3	3	3	3	22
Chemistry Analyzer/reagents	2	1	1	1	1	-	-	1	-	-	1	1	1	10
Auto Hematology Analyzer/reagents	-	-	-	-	-	6	6	7	6	6	7	6	6	50
Auto Hematology Analyzer/reagents	2	2	2	2	2	1	-	1	-	-	1	1	1	15
Diagnostic Ultrasound System	3	1	1	1	1	1	-	1	-	1	1	1	1	13
Breath resuscitation bag	8	8	8	8	8			8			9	8		65
Fetal heartbeat detector(doppler)	7	7	7	7	6			10			10	10		64
Transport Incubator	2	2	1	1	1			1			1	1		10
Infant Incubator	8	15	6	15	6									50
Infant Incubator								15			15	15		45
EQUIPMENT	PAR	HC	CHIT	MP	UBH	MN	MS	MA	MC	ME	MV	MD	MW	TOTAL
Infant Radiant Warmer	4	4	4	4	4			4			4	4		32
Phototherapy Equipment	6	12	6	12	6			8			8	8		66
Vacuum Extractor	4	4	3	4	3			5			5	8		34
Ambulances														11
CVP Monitors														16
Key	PAR - Parirenyatwa Group of Hospitals					HC - Harare Central Hospital				MP - Mpilo Central Hospital				
	UBH - United Bulawayo Hospital					MN - Matabeleland North				MS - Matabeleland South				
	CHIT - Chitungwiza Central Hospital					MA - Mashonaland Central				ME - Mashonaland East				
	MA - Manicaland					MD - Midlands				MW - Mashonaland West				
	MV - Masvingo													

197. With some of the equipment delivered already in use, installation of the other equipment is now in progress at various health institutions.

Kariba South Expansion

198. The expansion of Kariba South Power Station, following the award of the contract at a total cost of US\$533 million is expected to

contribute an additional 300MW of power into the National Grid.

199. Project completion is set for December 2017, after 42 months of construction.

200. Government, through the Zimbabwe Power Company (ZPC), has so far availed a total US\$32.1 million towards meeting commitments on the project. This covered the US\$9.5 million down-payment for the facility, and the required deposit into the Escrow Account of US\$17.2 million.

201. Development costs, comprising issuance of a generation licence from the Zimbabwe Energy Regulatory Authority (ZERA), environmental impact assessment and consultancy fees, accounted for US\$5.4 million.

202. With the conditions precedent to loan disbursement having

been met, the contractor is finalising the logistics for putting in place the required materials and services, in readiness for the commencement of major works in early September 2014.

203. Already, blasting operations for the underground works commenced on 16 April 2014 and are in progress on *Audits 1 and 2*. Furthermore, the new road to the new work site is under construction.

204. Implementation of the Kariba South Hydro Power Station Extension Project has since commenced following the Ground Breaking Ceremony officiated by His Excellency, the President, Cde R.G. Mugabe on 4 September 2014.

205. Allow me, therefore, to join Honourable Members in extending our appreciation to His Excellency, the President, for finding time to officiate at the formal launch ceremony.

206. Pursuant to the above, Government has requested China Exim Bank to effect the initial disbursement of US\$79 million.

Hwange Thermal Power Station

207. Mr Speaker Sir, Government has since resolved contractual problems surrounding implementation of the Hwange 7 & 8 Thermal Power Station Expansion Project by awarding the

tender to Sino-Hydro Corporation, following the cancellation of the initial

tender awarded to China Machinery Engineering Company.

208. Currently, Government through the Zimbabwe Power Company (ZPC) is in the process of finalising negotiations with SinoHydro Corporation. These are expected to be concluded by end September 2014.

209. Already, a feasibility study, economic analysis and environmental impact assessment on the project has been done, whilst a Generation Licence has also been issued to ZPC by the Zimbabwe Energy Regulatory Authority.

210. Mr Speaker Sir, signing of Power Purchase Agreements, coupled with the establishment of an Escrow Account in a commercial bank in Zimbabwe, will guarantee loan repayments for this project.

Net-One Network Expansion Phase II Project

211. Mr Speaker Sir, I am pleased to report that Government and the Export–Import Bank of China signed a Concessional Loan Agreement for RMB1.36 billion (approx. US\$218.9 million) on

25 August 2014 for the Net-One Network Expansion Phase II Project.

212. The project, to be implemented by Net-One over a period of 25 months, is a successor to the US\$45 million project implemented over the period June 2011 to December 2013.
213. Mr Speaker Sir, central to fulfilling the conditions precedent to loan disbursements will be the ratification of the Loan Facility by Parliament.

Gwayi – Shangani Dam

214. Mr Speaker Sir, Government has been financing construction of the Gwayi – Shangani Dam.
215. Since its resumption in January 2013, Government has so far disbursed US\$15.8 million. Works completed to date include dam foundations, concrete wall key trench, permanent access roads on the right bank, procurement and installation of concrete batching plant and aggregate crushing plant.
216. The contractor is currently preparing for placement of concrete as well as crushing of rock aggregates.

217. It is, however, critical that we expedite implementation of planned critical works.
218. Pursuant to this, Government has since secured a US\$53 million loan facility from the China Africa Sunlight Energy Company (CASECO), a joint venture company implementing the Gwayi Integrated Coal Mine and Thermal Power Station in the Gwayi area.
219. The loan re-payments to CASECO are to be set off against future sales of water.
220. This facility will enable the contractor to undertake grouting of dam foundations, installation of outlet pipes and valves, as well as construction of the concrete dam wall up to 33 metres out of the targeted 70 metres.
221. Mr Speaker Sir, this will enable the dam to store up to 30 million cubic litres of water and enable the CASECO to draw water from the dam.

Victoria Falls Airport

222. Government is upgrading the Victoria Falls Airport under a US\$150 million loan facility from China Exim Bank. To date, an amount of US\$19.5 million has been expended on the project.

223. Progress on the runway has seen laying of five sub-base layers of gravel and two base layers of crushed stone, whilst the laying of two layers of asphalt is in progress. This should be completed by end of October 2014, paving way for completion of the runway.
224. Plans are underway for the installation of Air-field Ground Lighting and navigation equipment.
225. Works done on the terminal building are estimated at 36%, with the foundation, service duct and pillars for the building having been completed.
226. Construction of walls and columns for the sub-structure to ground level are at 98% completion, and the contractor is now preparing to start works on the new Control Tower.
227. The project is expected to be complete by June 2015, and commissioned in December of the same year.

Deka Pumping Station

228. The first half of the year witnessed the onset of the rehabilitation and upgrading of the Deka Pump Station at Hwange Thermal Power Station.
229. This was pursuant to Government securing a US\$28.6 million

credit line from the Import-Export Bank of India.

230. Drawdowns under this facility towards procurement of equipment and materials amounted to US\$8.57 million as at June 2014.

231. Targeted works under the project include:

- Rehabilitation of the pump stations and holding tanks;
- Installation of process control system;
- Replacement of switch gear;
- Construction of new pipe line; and
- Resuscitation of cathodic protection equipment.

232. The project is expected to be completed in 2015.

Harare Airport Road Dualisation

233. The collapse of the 2007 Joint Venture Agreement between City of Harare and Augur Investments forced Government to take over completion of road construction works.

234. Construction by the Department of Roads of two roundabouts, and the remainder of the section between Glenara and Harare Drive, is now underway at an estimated cost of US\$13.2 million. Completion of road works is expected by December 2014.

235. Phase II of the road project includes the construction of the section between Glenara and Enterprise roads, as well as the *road over rail-bridge*. This should commence in 2015.
236. Government is committed to capacitate the Department of Roads through acquisition of state of the art road equipment, as we move towards giving greater responsibility to the Department for the construction of State Roads.
237. This will also entail putting in place incentives to attract back home Zimbabwean engineers currently working in the diaspora.

Agriculture Mechanisation

238. Mr Speaker Sir, in my 2014 National Budget Statement, I reported that Government had mobilised US\$98.6 million earmarked for agriculture mechanisation for sustainable food security.
239. I am pleased to report to Honourable Members that shipments under the first tranche of US\$38.6 million have commenced.
240. Already, equipment worth US\$1.1 million has been received in the country, with the balance of equipment and machinery under the first tranche expected by end of October 2014, in time for the 2014/15 agricultural season.

241. Under this Facility, Agribank has been designated as the Agent Bank through which interested and qualifying farmers will access equipment through hire purchase arrangements.
242. In this regard, Agribank will be required to undertake due diligence on each prospective beneficiary prior to extending a loan facility.
243. Such arrangement will, Mr Speaker Sir, safeguard against repeats of previous experiences where Government ends up being required to shoulder obligations of beneficiary farmers' failure to assume responsibility over their loan obligations.
244. Allow me to emphasise that, shipment of equipment under the second tranche of US\$30 million will be dependent on overall performance under the first tranche.
245. It is, therefore, critical that farmers benefitting from the first tranche demonstrate good track record with regards to honouring loan obligations.

Joint Venture Partnership Financing

Plumtree-Harare-Mutare Highway Rehabilitation

246. Honourable Members will be aware of the commencement in 2011 of the rehabilitation of the 820 km highway, including construction of 9 *Toll Gate Plazas* along the highway.
247. To date, 615 km of the road has been completed, with the section of 201 km between Plumtree and Shangani having been handed over to Infralink, the Joint Venture Company between ZINARA and the contractor Group Five.
248. *Toll Gate Plazas* have been completed at Figtree, Ntabazinduna, Treetop/Somabula, Kadoma, Norton and Rusape. That at Mutare is nearing completion, while works are underway at Goromonzi and Gweru.
249. ZINARA has since operationalised, from 1 September, the toll gates at Goromonzi, between Ruwa and Marondera, and that at Gweru, towards Kwekwe.

Joint Venture Legislation

250. Government continues to promote Joint Venture financing to complement Budgetary resources in implementation of various infrastructure projects in the country.
251. A number of investors have shown immense interest in undertaking various infrastructure projects under the joint venture framework, which the Cabinet Committee on Infrastructure and Utilities is considering.
252. To facilitate such schemes, Government is finalising the legal framework for consideration by Parliament through a Joint Ventures Bill.
253. Meanwhile, pending the passing of the Joint Venture Bill into law, Cabinet has issued guidelines to facilitate the receipt and processing of joint venture proposals from line Ministries.
254. This should facilitate processing of joint venture proposals to enable the implementation of various infrastructure projects in the country.
255. On its part, the Budget will provide resources for implementing agencies to undertake feasibility studies for targeted projects.

Development Partners' Contribution to Zim-Fund

256. Mr Speaker Sir, public infrastructure projects have also benefited from support under the Programmatic Multi-Donor Trust Fund (Zim-Fund).
257. Total pledges from contributing development partners for this Fund amount to US\$144.5 million, of which US\$124.5 million has already been transferred into the respective account being administered by the African Development Bank.

Zim-Fund Contributions

Development Partner	Pledges (in original currency)	Pledges (US\$)	Disbursements into ADB Account (US\$)
Australia	AU\$20 million	19 864 040	19 864 040
Denmark	DK75 million	13 120 243.56	13 120 243.56
Denmark (additional)	DK113 million	20 000 000	-
Germany	Euro € 20 million	26 727 637	26 727 637
Norway	NOK 82 million	14 170 339.72	14 170 339.72
Sweden	SEK 90 million	13 103 380.04	13 103 380.04
Switzerland	CHF 4.9 million	6 112 749.61	6 112 749.61
United Kingdom	BP£ 20 million	31 411 000	31 411 000
Total		144 509 389.93	124 509 389.93

Source: Ministry of Finance and Economic Development

258. Of the US\$124.5 million disbursed by cooperating partners to the ADB, some 5% or US\$6 million relates to administrative charges, leaving US\$118 million available for project implementation.

259. This is split into US\$83.2 million for Phase I projects, and the balance of US\$34.8 million benefitting projects to be implemented under Phase II.
260. Such level of funding implied a financing gap of US\$33.67 million for Phase II projects, which require in total some US\$68.9 million.
261. Mr Speaker Sir, I am pleased to report that the Government of Denmark has since pledged an additional US\$20 million towards reducing this, leaving a balance shortfall of approximately US\$14 million.

Phase I Projects

262. Mr Speaker Sir, ADB disbursements out of the US\$83.2 million availed by cooperating partners currently stand at US\$37.4 million.
263. Targeted projects benefitting from the US\$37.4 million relate to the following areas:
- Rehabilitation of water supply and sanitation for six municipalities;
 - Refurbishment of the ash plant at Hwange Thermal Power Station; and

- Power transmission and distribution.

264. The local authorities benefiting from the rehabilitation of water supply and sanitation infrastructure are:

- Harare, US\$6 million;
- Mutare, US\$5.7 million;
- Kwekwe, US\$3.1 million;
- Chegutu, US\$2.3 million; • Masvingo, US\$1.9 million;
- and
- Chitungwiza, US\$1.6 million.

265. Disbursements towards power infrastructure during the first half of the year were as follows:

- Ash plant at Hwange Thermal Power Station, US\$2.86 million;
- Sub-transmission Reinforcement System, US\$6.48 million;
- and
- Distribution Reinforcement System, US\$7.18 million.

266. The status of implementation of the *Water and Power supply projects* being funded under Zim-Fund is summarised in the Table below.

Zim-Fund Allocation and Expenditures

Project	Allocation (US\$)	Expenditure Jan- June (US\$)	Works	Status
Power Infrastructure				
Hwange Ash Plant	10 615 500	2 861 465	Replacement of pumps, motors, four discharge lines and transformer cables	Fabrication of structures is in progress at 50% complete.
Sub-transmission Reinforcement System	8 565 535	6 476 726	Installation of power transformers and replacement circuit breakers.	Transformer assembling is 70% complete.
Distribution Reinforcement System	13 663 771	7 180 774	Supply and installation of distribution transformers.	Transformer installation is at 98% complete, while outstanding work remains in Harare and the Northern parts of the country.
Water & Sanitation				
Harare City Council	11 860 573	6 027 658	Rehabilitation of water and waste water treatment plants.	Morton Jaffrey and Prince Edward Water Treatment Works are at 50% completion. Firle and Crowborough Sewage Works completion rate stood at 60%.
Chitungwiza Municipality	3 262 091	1 611 764	Rehabilitation of water and waste water treatment plants.	Progress of the sewage treatment works is at 60% completion.
Chegutu Municipality	3 168 132	2 322 817	Rehabilitation of water and waste water treatment plants.	Pump stations and water treatment works are at 70% completion, whilst pump station refurbishments are at 50% completion.
Kwekwe City Council	5 217 881	3 145 263	Rehabilitation of water and waste water treatment plants.	Works at sewage pumping stations are 100% complete. Now working on civils.
Masvingo City Council	3 303 132	1 990 480	Rehabilitation of water and waste water treatment plants.	Sewage treatment works is at 60% completion, whilst the electro-mechanical works remain at 20%.

Mutare City Council	9 805 865	5 799 087	Rehabilitation of water and waste water treatment plants, storage reservoir and outfall sewer.	Storage tank almost complete, Odzani and Gimboki Sewage Treatment Works completed.
Total	69 462 480	37 416 034		

Source: Ministry of Finance and Economic Development, African Development Bank

Phase II Projects

267. Mr Speaker Sir, I am pleased to report to Parliament that the African Development Bank Board has approved Phase II of the Zim Fund programme, in addition to Phase I above.
268. Phase II, which was officially launched in March 2014, is in two Stages, with grant allocations of US\$15.42 million and US\$19.82 million of the first Stage targeting further upgrading of water and power supply infrastructure, respectively.
269. In this regard, water and sanitation projects to improve the health and social well-being of the population are in Harare, Chitungwiza, Redcliff and Ruwa.
270. The various components of Stage II's *Water* and *Sanitation* are broken down as follows:

Phase II Water Projects

Component	Cost (US\$ m)	Component Description
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Rehabilitation of water supply and Sanitation infrastructure	13.75	<p>Water Supply:</p> <ul style="list-style-type: none"> Rehabilitate pump stations Rehabilitate distribution systems including installation of control valves, pressure reducing valves and installation of bulk meters; Provide water meters; Provide operations and maintenance equipment (stock materials, leak detection, meter test bench, lab equipment, utility vehicles etc); and Rehabilitate water treatment plant at Ruwa. <p>Sanitation:</p> <ul style="list-style-type: none"> Rehabilitate pump stations; Replace sewer lines Rehabilitate sewage treatment plants Provide operation and maintenance equipment
Hygiene Promotion	0.21	<ul style="list-style-type: none"> Undertake participatory hygiene promotion intervention in the most vulnerable communities; Develop appropriate communication tools to create awareness for behaviour change among the population of the Project towns on pertinent WASH issues; and Integrate community based water quality monitoring and disease outbreak and water quality monitoring.
Institutional Capacity Building	1.08	<ul style="list-style-type: none"> Strengthen customer care; Train operation and maintenance staff; and Develop performance reporting capacity.
Project Management	1.11	<ul style="list-style-type: none"> Provide Project Management, Engineering design and supervision services; Provide Procurement Services; Undertake annual auditing services; and Monitor and evaluate Project delivery.
Total	16.15	

Source: Ministry of Finance and Economic Development, African Development Bank

271. With regards to *Power* projects, rehabilitation works will be at Hwange, as well as replacement of transformers at Mashava and Sherwood sub-stations.

272. The *Power* project components under Stage II are as follows:

Phase II Power Project

Component name	Cost (US\$ m)	Component description
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Power Infrastructure Rehabilitation	14.91	<ul style="list-style-type: none"> • Supply and installation of a 175 MVA transformer at Sherwood sub-station; • Supply and installation of a 50 MVA transformer at Mashava sub-station; • Rehabilitation works at HPS <ul style="list-style-type: none"> ➤ Rehabilitation of Dust Suppression System for Coal Handling Plant; ➤ Rehabilitation dirty drains system; and ➤ Replacement of Vacuum Cleaning Plant.
Power Sector Investment Plan	1.09	<ul style="list-style-type: none"> • Investment plan for power infrastructure
Project Management	1.52	<ul style="list-style-type: none"> • Provide Project Management, engineering design and supervision services; • Provide Procurement Services; and • Project audit
Total	17.52	

Source: Ministry of Finance & Economic Development and African Development Bank

273. Mr Speaker Sir, Government remains grateful for the support it is receiving from all the above development partners, as well as the African Development Bank which is managing Zim-Fund.

274. Their invaluable support is positively contributing to the welfare of our citizens.

Parastatals Performance

275. Mr Speaker Sir, most of our key Public enterprises continue to under-perform, in the process incurring deficits and remaining the albatross around the neck of the fiscus.

276. The poor performance of public entities is to a large extent attributable to weak corporate governance systems, and resistance to reform proposals by management.
277. Mr Speaker Sir, attempts to utilise PSMAS member contributions to settle ZIMRA tax obligations accumulated on account of individual members of management and the board are being encountered.
278. Challenges related to our public enterprises manifest through:
- Unsustainable salaries, allowances and benefits for Board members, chief executives and other top managers at the expense of service delivery;
 - Weak oversight on Public entities under line Ministries' purview;
 - Absence of Boards to give direction to a public entity, with some operating this way for long periods;
 - Corrupt practices through diversion of resources, interference on recruitment, selection, staffing and firing of employees; and
 - Failure to recover debts from customers which has undermined efforts to raise working capital and payment of creditors.

279. The above challenges highlight the need for Government to implement sustainable and practical turn-around strategies, without seeking recourse to the fiscus as their first port of call.

COOPERATING PARTNERS SUPPORT

280. Mr Speaker Sir, I have already acknowledged the positive role cooperating partners continue to play with regards to complementing Budget efforts over the capital budget through Zim Fund.

281. Furthermore, allow me to also extend Government's appreciation with regards to all the other cooperating partners supporting us as well, over both capital projects and social expenditures.

282. This is also in line with Zim-Asset's agenda for accelerated reengagement with the International Community, central to the resolution of our external indebtedness.

283. On its part, Government has already begun making regular monthly payments towards servicing of arrears to the IMF Poverty Reduction and Growth Trust, as well as quarterly payments to the World Bank and the ADB.

284. Payments towards servicing of arrears to the IMF amount to US\$150 000 monthly, with a cumulative total of US\$900 000 having been paid during the first six months of 2014.
285. During the same period, quarterly payments of US\$900 000 and US\$500 000 were also made to the World Bank and ADB, cumulating to US\$1.8 million and US\$1 million, respectively.
286. It is also important for Government to broaden cooperation to other partners, including the European Investment Bank. Already, normalising relations with other partners such as the Kuwait Fund and BADEA has seen the restructuring of loans and the respective repayments have since resumed.
287. Similarly, as a way of normalising relations, Government will also start making token payments to the European Investment Bank, whose debt amounts US\$314 million, of which US\$238 million are arrears.
288. This, Honourable Members, will demonstrate Zimbabwe's commitment towards resolution of its external debt challenges.
289. Mr Speaker Sir, pursuant to the normalisation of relations with international financial institutions, the IMF has since re-opened a Representative Office in Harare as of July 2014 after a decade

long absence.

Cooperating Partner Support through Aid Agencies and NGOs

290. Mr Speaker Sir, the bulk of cooperating partner support remains outside the National Budget framework.

291. Disbursement of such support during the first half of 2014 amounted to US\$370.6 million, with total disbursements to end December 2014 anticipated to reach US\$786.7 million.

292. Of the January–June 2014 disbursements, bilateral partners contributed US\$244.3 million, whilst multilateral institutions contributed US\$126.3 million.

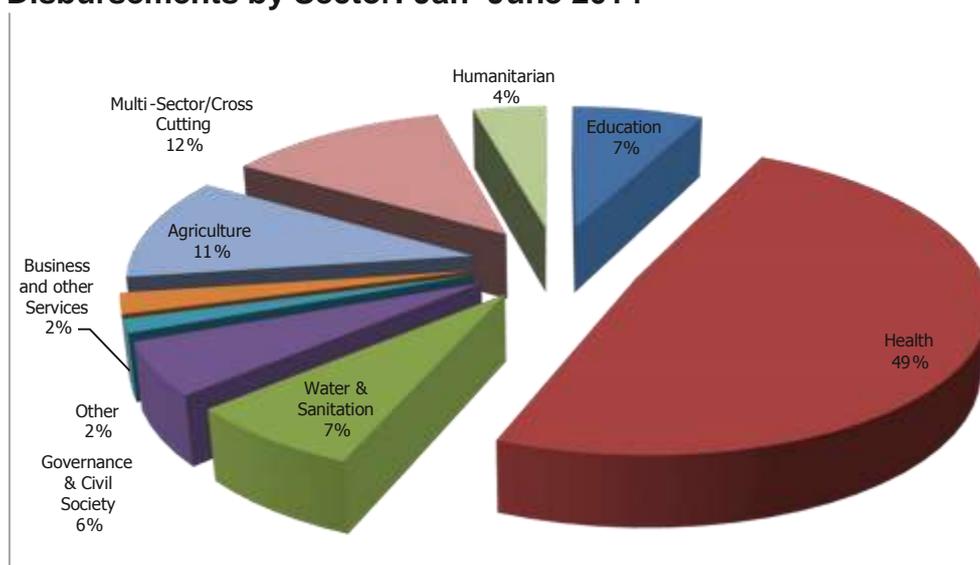
293. The support was channelled towards the following, among others:

- Health, US\$181.5 million;
- Agriculture, US\$40.9 million;
- Education, US\$26.6 million;
- Water and Sanitation, US\$26.9 million;
- Multi-sector, US\$45.3 million;
- Governance, US\$20.9 million;
- Humanitarian Assistance, US\$14.9 million; and

- Business Support, US\$8.2 million.

294. The above sectoral disbursements are also illustrated in the pie chart below.

Disbursements by Sector: Jan–June 2014



Source: Ministry of Finance and Economic Development

295. Mr Speaker Sir, I provide the breakdown of individual *Bilaterals* cooperating partner support during the first half of 2014 through Aid Agencies and NGOs in the Table below.

Bilaterals Support

Development Partner	2014 Jan – June Disbursements (US\$)	2014 Projection (US\$)
Australia	8 640 252	33 165 888
China	13 738 095	55 000 000
Denmark	10 456 292	32 604 561
European Union	28 184 628	77 241 150
Germany	9 570 686	16 326 900

Ireland	-	3 705 000
Japan	1 761 839	2 390 019
Netherlands	4 607 879	10 703 537
Norway	9 511 500	25 000 000
Sweden	16 342 996	10 498 000
Switzerland	6 265 046	11 195 895
UK	76 956 687	132 524 083
USA	58 251 006	113 846 612
Total	244 286 907	524 201 645

Source: Ministry of Finance and Economic Development

296. Similarly, the breakdown of individual *Multilaterals* cooperating partner support for January to June 2014, including projections to year end, are indicated below. **Multilaterals Support**

Partner	2014 Jan – June Disbursement (US\$)	2014 Projection (US\$)
AfDB	5 337 220	11 846 053
FAO	244 701	496 985
Global Fund	101 913 115	169 669 775
ILO	56 830	215 000
IOM	20 700	119 999
ITU	-	60 000
UN Women	498 631	1 236 538
UNAIDS	22 208	128 047
UNCTAD	-	-
UNDP	1 737 186	5 137 000
UNESCO	261 992	409 000
UNIDO	-	40 000
UNFPA	1 409 526	41 353 850
UNICEF	4 512 688	6 021 702
WFP	-	-
WHO	3 393 248	5 803 125
World Bank	6 890 213	20 000 000
Total	126 298 258	262 537 074

Source: Ministry of Finance and Economic Development.

297. Mr Speaker Sir, of the above support by multi-lateral agencies, allow me to highlight initiatives supported under the Global Fund.

Global Fund

298. Honourable Members will be aware that the Global Fund mobilises resources targeting interventions towards HIV/AIDS, tuberculosis, and malaria, as well as programmes strengthening health systems.

299. Between January and June 2014, Zimbabwe benefited from Global Fund support to the tune of US\$101.9 million deployed towards strengthening the country's health systems as well as mitigating effects of the above diseases.

300. The current arrangement is that all support from the Global Fund is channelled through the UNDP.

301. In implementation of programmes, UNDP partners:

- the Ministry of Health and Child Care;
- the National AIDS Council;
- Zimbabwe AIDS Network;
- Health Services Board;
- Nat-Pharm;
- Medicines Control Authority of Zimbabwe;

- Population Services International;
- SAFAIDS;
- Local Authorities of Harare and Bulawayo; as well as
- Community Support Groups.

Zimbabwe Reconstruction Fund

302. Mr Speaker Sir, the World Bank approved the establishment of a Country Programmatic Multi-Donor Trust Fund to be known as the Zimbabwe Reconstruction Fund (ZIMREF) on 9 May 2014.
303. ZIMREF, to be implemented over a period of five years (2014-2019), will be the successor to the Analytical Multi Donor Trust Fund and is aligned to ZIM ASSET and the Zimbabwe Interim Strategy Note III, an engagement framework between Zimbabwe and the World Bank.
304. To date, Mr Speaker Sir, the Fund has received pledges from *Cooperating Partners* estimated at US\$44 million, and the envelope is expected to grow over time, as results are demonstrated.
305. Individual *Cooperating Partner* pledges are as follows:
- DFID, £10 million;

- European Union, €5-10 million;
- Sweden, US\$5 million;
- Norway, US\$5 million;
- Denmark, US\$1 million; and
- Germany, US\$1 million.

306. ZIMREF will support private sector development, capacity building, resilience and livelihoods, and policy dialogue.

ADB Support

Grants

307. Mr Speaker Sir, cooperation with the African Development Bank during the first half of the year has seen the Bank provide US\$13.4 million in grant support.

308. Of this, the *Governance and Institutional Strengthening Project* worth US\$8 million is aimed at improving transparency and effectiveness in public finance and economic management.

309. Beneficiaries include the Ministries of Finance & Economic Development and Mines & Mining Development, as well as the Reserve Bank and the State Procurement Board.

310. Mr Speaker Sir, there is also the US\$4.1 million *Youth and Tourism Enhancement Project*, targeting improvement of an enabling environment for youth and tourism development.
311. The last project, the *Transport Sector Support Project*, is for US\$1.3 million, aimed at providing a Master Plan for the Transport Sector.

African Development Fund

312. Furthermore, Zimbabwe has been allocated US\$83.5 million under the 13th cycle of the ADB's African Development Fund (ADF).
313. ADF resources under this window are concessional, and are availed to member countries not only on the basis of need, but also take account of performance on macro-economic policies, as well as clearance of arrears to the Bank.
314. The ring fencing of US\$23.1 million to Zimbabwe under the ADF13 Performance Based Allocation takes account of the country's progress in its economic reform agenda, including improved macro-economic policies, pursuit of sound debt management and transparent public financial management systems.

315. In addition, Zimbabwe will access US\$69.2 million in grant support under Pillar I of the FSF window for capacity building and basic infrastructure development, as well as US\$3 million in grants under Pillar III to provide targeted supplementary support for capacity building and knowledge management.

European Development Fund

316. Mr Speaker Sir, Zimbabwe stands to gain from full normalisation of development cooperation with the European Union under the 11th European Development Fund (11th EDF).

317. In this regard, the lapse of Article 96 of the Cotonou Agreement on 1 November 2014, as promised, offers opportunity for this.

318. The 11th EDF national indicative allocation to Zimbabwe of €234 million or US\$304 million over 2014 – 2020 targets:

- Health;
- Governance and institutional building;
- Agriculture based economic development; and
- Support to the National Authorising Office and civil society.

MACRO-ECONOMIC FRAMEWORK

319. Mr Speaker Sir, economic developments during the first half of the year, as alluded to above, together with projections to the end of the year, necessitated the revision of the 2014 Macro-economic Framework.
320. GDP growth for the year has been revised downwards from 6.1% to 3.1%, in view of the under-performance of mining and manufacturing.
321. The slowdown in GDP growth is also reflected in reduced revenue collections, depressed exports and imports, as indicated below.

Revised Macro-Economic Framework

	2013 Est	2014 Budget Proj	2014 Revised Proj
Nominal GDP US\$m	13 490	14 065	14 015
GDP Growth	4.5%	6.1%	3.1%
Inflation	1.7%	1.5%	0.02%
	2013 Est	2014 Budget Proj	2014 Revised Proj
Government Revenues US\$m	3 741	4 120	3 850
Government Expenditures US\$m	4 027	4 120	4 120
Exports of Goods and Services US\$m	3 694	5 024	3 530
Imports of Goods and Services US\$m	6 939	8 321	6 526
Current Account Balance US\$m	-3 568	-2 471	-3 506
Domestic Credit US\$m	4 069	4 243	4 156

Source: MoFED, RBZ and ZimStat

Implications on Expenditure Capacity

322. The above Macro-economic Framework indicates expenditure capacity of US\$4.12 billion to year end.
323. Given that there are other additional demands estimated at around US\$951.3 million, further prioritisation as well as targeting additional revenue collection will both be unavoidable.
324. Apart from budgeted expenditures, the additional demands are indicated in the Table below:

Additional Budget Requirements

Item	US\$ million
Employment Costs	209
Interest Payments	28.7
Grain Procurement	58
Agriculture Input Support Debts	38
New Season Input Support	252.3
Other Requirements	27
Loan Repayments	
<i>Domestic Debt</i>	<i>284.3</i>
<i>Foreign Debt</i>	<i>54</i>
<i>Total</i>	<i>951.3</i>

Source: Ministry of Finance and Economic Development

325. Of the above, additional resources estimated at around US\$209 million will need to be mobilised in support of salaries for the Civil Service, inclusive of Pensioners to year end.

326. We, therefore, project to spend around US\$3.2 billion on Employment Costs by year end, against a Budget estimate of US\$2.998 billion.

Budget Revision

327. Furthermore, Mr Speaker Sir, as I have already indicated, the 2014 National Budget has already incurred expenditures outside budgeted levels.

328. In this regard, some Votes will end up exceeding the originally approved Appropriations, necessitating revision of the 2014 National Budget.

329. This entails presentation of the revised Budget to Parliament in terms of Section 305 (5) of the Constitution of Zimbabwe, Amendment (No. 20) Act 2013.

PROPOSED POLICY INTERVENTIONS

330. Mr Speaker Sir, allow me to propose some policy interventions for implementation as part of the review of the 2014 National Budget.

331. In some cases, I will be proposing specific measures for immediate implementation, whilst other broad policy areas will be

highlighted with a view to be implemented under the 2015 National Budget framework.

332. The proposed policy interventions, Mr Speaker Sir, will embrace the following areas:

- Support for Agriculture;
- Support for domestic Industry;
- Facilitation of Foreign Investor Partnerships;
- Clarity on Indigenisation;
- Demonetisation;
- Continuation of the Use of the Multiple Currency System;
- Formalisation of Business Activities for Tax purposes;
- Additional Revenue measures in support of the 2014 Budget;
- Review of Public Procurement;
- Parastatal Reforms; and
- Debt Resolution Strategy.

Support for Agriculture

Outlook for 2014/15 Agricultural Season

333. Mr Speaker Sir, let me again reiterate the importance of timely preparations for the success of the forthcoming 2014/15 agricultural season.

334. This is more-so in view of the recent weather forecast from the SADC weather experts, who predict for most of the region, including Zimbabwe:

- normal to above normal rainfall during the first half of the season, October – December 2014; and
- normal to below normal rainfall conditions during the second half of the season, January – March 2015. In particular, the southern parts of the country are forecast to experience the effects of a mid-season drought.

335. Therefore, Government is establishing mitigatory measures to counter the impact of dry spells and the shorter second half rainfall period by ensuring early accessibility to inputs and support for early planting.

336. Furthermore, Government is setting aside resources in support of cloud seeding, in order to enhance increased rainfall during the anticipated dry spells.

Preparations for the 2014/15 Farming Season

337. Mr Speaker Sir, the successful 2013/14 agricultural season benefited from timely interventions by Government under the US\$160 million support for the communal, old resettlement, A1

and small scale farmers.

338. It is, therefore, necessary that similar support frameworks be put in place in preparation for the 2014/15 season.

339. Pursuant to this, and to improve food security at both household and national levels, and consistent with the objectives and priorities of ZIM ASSET, Government in collaboration with other key stakeholders such as input suppliers, financiers and farmers, is putting in place various financing strategies in support of the 2014/15 agriculture season.

Presidential Input Scheme

340. On its part, Mr Speaker Sir, Government is mobilising about US\$252.3 million in support of agriculture under the following programmes for the 2014/15 season.

Maize/Small Grains

341. Government will capacitate 1 600 000 Communal, Old Resettlement, Former Small Scale Purchase Areas and A1 Households to be self-sufficient in food through provision of agriculture inputs valued at US\$184.8 million.

342. The inputs package targeted at grain producers, both maize and small grains, valued at around US\$115.5 per household and will comprise the following:

- 10 kgs of seed;
- 50 kgs of double compound D; and
- 50 kgs of Ammonium Nitrate.

343. Mr Speaker Sir, small grain seed packs will also draw from repacking of stocks delivered to the GMB, currently estimated at 2 534 tons.

Cotton Input Pack

344. In order to facilitate value addition, as pronounced in ZIM ASSET, Government is supporting cotton production.

345. Therefore, an Input Pack for about 300 000 cotton farmers will be availed to cover half a hectare of cotton. The cotton input pack, valued at US\$33 per household, will comprise the following:

- 10 kgs of seed;
- ½ kg Carbaryl;
- ½ litre Karate;
- 5 ml Acaricide; and

- 50 g Acenark.

346. Mr Speaker Sir, the impact of this support on cotton production should be to raise the hectarage by 150 000, resulting in additional output of about 90 000 tons of cotton valued at US\$45 million.

347. The impact, including the potential to create the much needed employment in the country, is much greater as we move to implement value addition and beneficiation strategies.

Livestock

348. The package for about 1 600 000 household livestock farmers is valued at US\$32 per household and will comprise the following:

- 500 g Tick grease; •
1 litre of De-wormer;
and
- 500 ml Wound Remedy.

Soya Beans/Cowpeas

349. In pursuit of realising the value addition and food nutrition objectives, as pronounced in ZIM ASSET, Government is also supporting soya beans production.

350. Accordingly, a scheme targeting 1 600 000 households is being introduced under which each household receives a 2 kg of Soya Bean seed or Cowpeas seed at a total cost of US\$6.4 million.

Inputs Suppliers

351. Mr Speaker Sir, Government acknowledges the need to capacitate input suppliers to supply seed and fertilizer in support of the forthcoming season.

352. In this regard, Government, in collaboration with the Reserve Bank, is supporting the mobilisation of resources towards this.

353. Already, obligations related to outstanding debts to input suppliers have been extinguished through a combination of both cash payments and Treasury bill issuance to the tune of US\$27.4 million, with a further US\$30 million in TBs being issued in consultation with CBZ.

A2 and Other Farmers

354. Government acknowledges the role of the banking sector in supporting A2 and other farmers in view of its limited financing capacity.

355. In this regard, the Reserve Bank has engaged the financial services sector in establishing credit facilities under direct bank credit extension to the farmer.
356. Furthermore, contract farming arrangements will also be available to finance such crops as tobacco, cotton, soya beans, barley among others.

Payments for Grain Deliveries

357. Delays in payment for delivered grain and other crops through the GMB have previously compromised farmers' financial capacity to timely prepare for coming seasons.
358. This year, processing of payments to farmers for deliveries to the GMB has benefitted from direct Budget transfers to the GMB, as well as financial sector support through participation in AMA bills issued to finance grain procurement.
359. Hence, US\$32.9 million has so far been paid to farmers for all the 78 067 ton deliveries made to the GMB by end of August 2014 as a measure to capacitate farmers to refinance their 2014/15 cropping programmes.

360. With regards to additional grain deliveries to the GMB, Government is committed to mobilising the necessary resources to support procurement.

Support for Domestic Industry

Value Addition

361. Mr Speaker Sir, ZIM ASSET recognises that challenges in industrial capacity utilisation necessitate concerted efforts by all stakeholders, including Government, in supporting the reemergence of domestic value addition and product beneficiation

by our industries.

362. Consistent with ZIM ASSET, which emphasises the need to value add and beneficiate our mineral and agricultural resources, it will be necessary that we buttress the value addition initiative, extending this to such agricultural commodities as tobacco and cotton currently being exported in raw form.

363. The value addition initiative, with the strategy and plans for platinum beneficiation already in place, also reduces exposure to commodity price fluctuations. Already, depressed prices against the background of global slowdown have seen a 23% decline in

overall export proceeds during the first half of the year.

364. Reliance on the export of raw commodities remains high, with mineral commodities alone accounting for over 50% of the country's total export proceeds. This scenario exposes the country to fluctuations in international commodity prices.

Buy Zimbabwe Campaign

365. By enhancing industry capacity utilisation, Government will be able to resolve some other challenges relating to an unsustainable current account deficit, products competitiveness, liquidity crunch, growing unemployment, as well as fiscal space, among others.
366. Pursuant to this, the measures contained in this Mid Term Fiscal Policy Review complement the efforts of and submissions from stakeholders, including our Chambers of industry, mining and commerce.
367. Government acknowledges the significant efforts made by our Chambers in support of the Buy Zimbabwe Campaign.
368. All stakeholders, therefore, need to walk the talk by inculcating the necessary supportive strategies to realise the goals of this campaign.

369. Government, on its part, is instituting measures to align public sector procurement arrangements to the Buy Zimbabwe campaign, as necessary, on its consumables and those of institutions drawing on the public purse.

370. However, the application of these measures will not facilitate nonadherence to quality, extortionate pricing, and other production inefficiencies.

Competitiveness of Industry

371. Measures in support of the competitiveness of domestic industry will embrace a sectoral approach. Priority in terms of support will be given to strategic companies.

372. This will be guided by the substitution effect, capacity of local industries, and import concentration.

373. In this regard, targeted areas include the following, among others:

- Motor Industries;
- Beverages;
- Agricultural Commodities;
- Clothing Industry; and

- Leather Industry.

374. The strategy will also curb the influx of non-essential imports, also targeting the containment of the current account deficit which is clearly not sustainable.

Leakages

375. The successful implementation of the above measures will require that we eliminate leakages by tightening of *Border Posts* control, and enforcement of procurement arrangements for both the public and private sectors.

Measures to Manage Imports

376. Mr Speaker Sir, Government is reviewing duties on selected products to ensure that non-essential imports and products that are locally available are not disproportionately displaced by imports.

377. In addition, as alluded in the Monetary Policy Statement, the Reserve Bank is putting measures to monitor import payments to ensure that the country obtains fair value on resources spent on imports.

Support for Exports

378. Exports continue to play a major role in enhancing liquidity in the economy and as such Government will continue incentivising exporters.
379. Over and above the revenue measures in this Statement, the 2015 forthcoming National Budget will contain further incentives which enhance competitiveness for our export sector.

Lines of Credit

380. Government efforts in support of the domestic industry re-equipment and re-tooling initiatives will benefit from initiatives to broker additional lines of credit.
381. In this regard, Government is putting in place, in collaboration with the Reserve Bank, financial structures to harness medium to long term finances to support the economy, including the Lender of Last Resort function of the Bank.
382. This is more so in view of the necessity to increase the prevailing low capacity utilisation, necessary to attain higher GDP growth levels, as well as meeting value addition strategy objectives.

Doing Business Reforms

383. Furthermore, it will be necessary that Government continues to champion the implementation of on-going *Doing Business* reforms.
384. In this regard, an Inter-Ministerial Committee is already in place to tease out on these issues.
385. Mr Speaker Sir, a Doing Business Reform and Global Competitiveness agenda has been drawn, which highlights potential areas of reform that would allow Government to have a direct impact on business conditions by addressing some of the shortcomings through legal, regulatory or administrative reforms.
386. The necessary reforms relate to cumbersome processes on:
- Licencing requirements;
 - Permits' issuance and administration;
 - Company registration;
 - Property registration; and
 - Access to electricity and other utilities.
387. In this regard, coordination of reforms on improving the 'doing business environment' by the Zimbabwe Investment Authority, in conjunction with other implementing agencies, also relates to

licencing, permit issuance, property registration, among others.

388. Already, a study has been conducted with the support of COMESA, and implementation will be expedited in order to facilitate investment inflows into the country.

Synchronisation of the Investment Regulatory Framework

389. Zimbabwe has a number of pieces of legislation governing the conduct of foreign investment in the country.

390. The regulatory framework is fragmented, and characterised by a number of statutes governing different aspects of foreign investment.

391. These include:

- Exchange Control Act, [*Chapter 22:05*];
- Zimbabwe Investment Authority Act, [*Chapter 14:30*];
- Indigenisation and Economic Empowerment Act [*Chapter 14:33*];
- Securities and Exchange Act [*Chapter 24:25*];
- Local Authority by- Laws;
- Immigration Act; and
- Environment Management Act.

392. For example, whilst Exchange Control and the ZSE have a common threshold for foreign investor participation in local entities of between 40-100%, the ZIA and Indigenisation Acts have a 49% threshold.
393. The variation in the underlying thrusts of these pieces of legislation creates administrative challenges, and also has the effect of sending conflicting information to potential investors.
394. There is, therefore, need for synchronisation of investment legal instruments and regulations, to establish an investor-friendly environment, also ensuring that the country receives true and fair value in joint venture partnership arrangements.

Formalisation of Business Activities

395. Mr Speaker Sir, over the years, informal business ventures which, in the 2014 Budget Statement, I referred to as the '*The New Economy*' have become a key source of productivity, growth and job creation in the economy – a development which facilitates distribution of economic activities and fostering equitable income distribution.
396. Their performance and the environment in which they perform are an important factor for economic development.

397. In this regard, Government will continue supporting the formalisation of such business ventures, including measures to simplify the registration process of small business operations and maintenance of a database under the Office of the Registrar of Companies.
398. Such a database of informal businesses will include the nature of *Trade, Address*, among other things, and this information will be shared with micro-finance institutions, banks and ZIMRA.
399. This information will also be used to facilitate support for the informal sector, micro, as well as small and medium scale enterprises in terms of financing and infrastructure provision, among others.
400. This will not only see greater contribution to the fiscus by this sector, but also offer scope for prioritisation of infrastructure provision in order to open avenues for organised business activities.

Facilitation of Foreign Investor Partnerships

401. The above initiatives in support of domestic industry will require that they be complemented by measures to facilitate access to capital, technology and markets, all of which have to be underpinned by significant growth in investment.

402. This, Mr Speaker Sir, will require that we recover rapid growth in foreign direct investment flows into the country. Over the past decade, these had remained significantly low, denying the economy the much needed capital.
403. In 2013, foreign direct investment into the country amounted to only US\$400 million, against US\$1.7 billion for Zambia and about US\$5.9 billion for Mozambique.
404. These investment trends are not consistent with the country's potential, given its vast natural resource endowments, which are ready for exploitation.
405. Accordingly, it is in the best interest of the country that we align our investment initiatives to the ZIM ASSET objectives of attaining investment inflows of over US\$1 billion annually.
406. Central to the recovery of investment, will be the facilitation of foreign investor partnerships with our own domestic industry, and in the case of infrastructure projects, joint venture partnership investments.
407. Facilitating foreign investor partnerships will also benefit from clarity on our empowerment provisions.

Clarity on Indigenisation

408. Mr Speaker Sir, seemingly contradictory interpretations over our Indigenisation and Economic Empowerment policy have nurtured negative country perceptions which, in turn, are used to undermine potential investment into the country.
409. This is notwithstanding that the guiding legal framework actually provides for sector specific indigenisation and empowerment policies
410. Drawing from the clear articulation by His Excellency, the President, the Indigenisation & Economic Empowerment Laws are not intended to stifle foreign investment, but rather premised on the mutually beneficial partnerships between Zimbabweans and foreign investors in order to guarantee security of investment.
411. In his articulation, His Excellency the President, further made an open invitation to investors to come and invest into the country and that they should also be willing to partner with locals in the form of joint ventures and other initiatives.
412. Hence, ownership thresholds are not the only way in which foreign owned business could comply with our Indigenisation policy framework.

413. Mr Speaker Sir, compliance, can therefore be through the following:

- listing on the Zimbabwe Stock Exchange;
- Implementation of programmes which empower local communities;
- Compliance points being part of incentive packages which can be offered to investors who invest in needy sectors of the economy;
- Joint Ventures;
- Contract Farming/Land Use Agreements; and
- Build-Own-Operate-Transfer projects.

414. The Minister administering the Indigenisation and Empowerment Act will, therefore, be communicating the necessary clarification by way of a *Notice* in the *Government Gazette* in terms of *Section 5(4)* of the Regulations.

Women Empowerment

415. ZIM ASSET prioritises mechanisms and measures which ensure effective participation of women in various empowerment programmes.

416. This is also consistent with the position of Cabinet, as well as

the Women Economic Empowerment Framework launched by His Excellency the President in 2012, both of which called for the establishment of a Women's Bank.

417. The proposed Women's Bank will, Mr Speaker Sir, be a deposit taking micro-finance bank.
418. Already, study tours on the experiences of such successful countries as India, Tanzania and Bangladesh, among others, have been undertaken.
419. Consequently, the experiences derived will feed into the development of this project by Government, complemented by the support of other stakeholders for early implementation.
420. The proposed Women's Bank will complement other on-going women empowerment programmes.

Demonetisation

421. Mr Speaker Sir, Honourable Members will recall that in the 2014 National Budget Statement, Government indicated that it shall be proceeding to put in place measures to demonetise the local currency, on the basis on which the Nation converted books of accounts in 2009.

422. The amount to be spent on this exercise will be guided by, among other factors, balances with banks, taking into account bank accounts which were rendered nil as a result of hyper-inflation, as well as the Central Bank and Zimbabwe dollar balances outside the banking system.
423. The information on balances with banks and the Central Bank is already secured by the Reserve Bank.
424. With regards to amounts of cash outside the banking system, the Reserve Bank will be publishing detailed surrender processes.

Continuation of the Use of the Multiple Currency System

425. Mr Speaker Sir, Government is very consistent on the continuity of the use of the multiple currency system in the country as clearly spelt out in the Monetary Policy Statement by the Reserve Bank.
426. Government has no appetite to change this policy position and I would urge the Nation to take comfort in this continuous re-assurance from both the Monetary and Fiscal Authorities.
427. The procurement of special foreign coins to provide small change as announced in the Monetary Policy Statement, under a US dollar bond facility by the Reserve Bank, is a clear testimony meant to buttress the multiple currency system and to enhance

business confidence.

Public Enterprise Reform

428. Mr Speaker Sir, the outrage that followed the revelation of financial irregularities at Premier Service Medical Aid Society (PSMAS) necessitated follow up interventions by Government to broaden the necessary clean up exercise to other public enterprises.

429. This included the establishment of a Cabinet Committee on State Enterprises and Parastatals Development dedicated to spearheading appropriate corrective measures in conjunction with line Ministries.

430. Mal-administration challenges at our public enterprises have meant that they have remained a drain on the fiscus.

431. This compares negatively to similar entities in economies such as China, in which, although the State is a shareholder, public enterprises contribute significantly to economic development and are managed efficiently.

Legal Framework

432. In dealing with challenges at our public enterprises, review of the legal framework governing parastatals would be unavoidable.

433. Review of the legal framework will be necessary to deal with concerns over public entities management of public resources, poor governance arrangements, deployment of resources to nonpriority areas at the expense of service delivery and the entities core mandates.

434. This, Mr Speaker Sir, will also entail introduction of a Governance Code for all parastatals.

Remuneration

435. Furthermore, the Remuneration Policy Framework for State Enterprises, Parastatals and Local Authorities to address remuneration anomalies is being finalised and will be in place by end October 2014.

436. The Framework will:

- Classify public entities into various categories;
- Outline the remuneration principles for all categories of public entities;
- Require each Board to enter into a Performance Agreement with the Chief Executive Officer; and
- Require the shareholder to enter into a Performance Agreement with the Board, based on specific performance

targets.

Audits

437. Already, Mr Speaker Sir, the Auditor-General was engaged to carry out audits whose outcome will inform on the appropriate remedial measures to be instituted to establish remuneration levels of management, as well as of Board members.

Public Finance Management Act

438. Furthermore, to enhance the effective management of and accountability for public resources, the Public Finance Management Act will, by year end, be reviewed to enhance Treasury's financial oversight of State enterprises and local authorities through incorporating additional review and reporting provisions.

439. The proposed amendments will include:—

- Requiring State enterprises and local authorities to submit their corporate and financial plans to Treasury not later than three months before the beginning of each fiscal year;
- Mandating Treasury to review the budgets of public entities to ensure that deployment of resources is consistent with set priorities and service delivery objectives/mandates;

- Empowering the Minister of Finance and Economic Development to direct entity boards to amend their corporate plans where necessary to align with the national development agenda;
- Incorporating provisions requiring State enterprises and local authorities to submit quarterly financial statements and performance reports not later than thirty days after the end of the respective quarter. The financial information and commentary will facilitate assessment of performance against budget and identify the causes of major variances to allow for timely policy interventions; and
- Strengthening the enforcement arrangements to effectively deal with cases of non-compliance.

440. Government will also use the review to align other provisions of the PFM Act with the new Constitution.

Parastatal Investment Opportunities

441. Mr Speaker Sir, there are public entities where Government will take advantage of joint venture opportunities to unlock value in some enterprises.

442. In this regard, there are opportunities to enter into joint ventures to utilise idle CSC facilities and ARDA land, with partners

required to bring in both capital and management, as well as access to technology and markets.

Procurement Regulations

443. Honourable Members will agree that a transparent and efficient public procurement system is critical to strengthening governance

and accountability in public resource management, achieving value for money and improving service delivery by public institutions.

444. The current public procurement framework has resulted in concerns with respect to the following:—

- Delays in finalising procurement processes that adversely affect timeliness of project/programme implementation;
- The negative impact of cost escalations arising from such delays on service delivery; and
- Absence of mechanisms to hold non-performing contractors to account.

445. It is, therefore, necessary that the Procurement Act be reviewed to tighten the public procurement framework and make it more efficient and transparent.

446. This will entail the following, Mr Speaker Sir:

- Decentralising procurement to procuring entities to improve timeliness by allowing managers the latitude to make procurement decisions within set frameworks;
- Giving the State Procurement Board a framework setting regulatory and monitoring role to ensure procuring entities operate within the agreed parameters;
- Enhancing integrity, transparency and accountability of the public procurement system through linking procurement planning to budget formulation; and
- Providing for a review mechanism to facilitate verification of bidders' capacity, mandatory progress and contract completion reports, coupled with publication of major contract awards and naming and shaming of non-performing contractors.

Debt Resolution Strategy

447. In dealing with our debt distress it is unavoidable that we go through with the implementation of a comprehensive Zimbabwe Accelerated Arrears Clearance Debt and Development Strategy.

448. Mr Speaker Sir, I will, therefore, be submitting to Cabinet the Debt Strategy road map for its consideration and approval in the coming fortnight.

449. The implementation of the debt relief strategy will entail the following elements:

Removal of Sanctions

450. Mr Speaker Sir, sanctions imposed by the USA and the European Union have had a debilitating effect on the economy.

451. In this regard, it will be important for the Government to continue engaging the international community, and more specifically

lobby the EU to unconditionally remove the sanctions and the USA to repeal ZIDERA.

Implementing ZIM ASSET Policies and Reforms

452. Implementing ZIM ASSET policies and reforms should facilitate the establishment of a credible track record of implementing comprehensive and sound macro-economic policies and reforms to send clear and positive signals to creditors.

453. In this regard, ZIM ASSET has provided an important anchor for policy reforms under the continued implementation of our Staff Monitored Program (SMP) with the IMF.
454. It will be important for Zimbabwe to negotiate a successor SMP after the expected successful conclusion of the third review of the existing SMP in September 2014.
455. An IMF Review Mission will be in the country during 17 September – 1 October 2014.
456. The successor SMP should also relate to ZIM ASSET, support a stronger policy framework for the economy and build on the achievements to date.
457. In this regard, Government is committed as enunciated in ZIM ASSET, to continue implementing a comprehensive reform programme of policies to foster sustained and inclusive economic growth, aimed at significantly reducing poverty levels.
458. This should be under-pinned by fostering investment, especially foreign direct investment and increasing productivity.

Debt Relief Negotiations

459. Mr Speaker Sir, debt relief will entail negotiating for significant debt relief with the major Paris Club creditors as well as stepping up re-engagement with all the other non-Paris Club creditors.

Honouring our Obligations to Creditors

460. As Zimbabwe negotiates for debt relief, it will be important for the country to honour on its obligations to cooperating partners.

461. In some cases, making token regular payments will suffice to demonstrate Zimbabwe's commitment to its obligations, instilling confidence and good faith with creditors.

Poverty Reduction Strategy

462. Furthermore, the preparation of an Interim Poverty Reduction Strategy Paper will be an instrument to elaborate Government's vision and direction for poverty reduction and socio-economic development, in support of the ZIM ASSET cluster on Social Services and Poverty Eradication.

Review of the Aid Coordination Architecture

463. Mr Speaker Sir, the 2014 Budget Statement acknowledged the need for a review of the Aid Coordination Policy Framework which

outlined the platform on how Government and Development Partners engaged under the structures of the then Inclusive Government.

464. This is also in line with the new Constitutional provisions, as well as the composition of new Government Ministries and their respective mandates.

465. The review of the development assistance framework should result in a clear and well-coordinated development cooperation framework, which is necessary for the streamlining of any fragmented structures and overlaps.

466. In particular, the proposed review of the Aid Coordination Policy is envisaged to address the following challenges in aid coordination and management:

- Fragmentation, duplicity and overlap of aid coordination functions;
- Diverse and complex reporting requirements;
- Lack of transparency in disclosing Development Partner commitments and actual funding by both implementing entities and Cooperating Partners;
- Perceived/actual bureaucratic systems on both sides;

- Multi development partners' complex procurement procedures;
- Ineffective inter-Ministerial communication and coordination;
- Lack of coordination with Civil Society Organisations and NGOs; and
- Focus mainly on humanitarian assistance as compared to infrastructure development.

467. Furthermore, the review is to create conditions necessary for increased use of the National Budget systems for channelling of development assistance.

468. Pursuant to this, Mr Speaker Sir, Cabinet announced in March 2014 the establishment of the Cabinet Committee on Aid Coordination (CCAC), to be chaired by the Minister responsible for Finance and Economic Development.

469. The CCAC will be supported by a Working Party of Officials co-chaired by Secretary to the Treasury and a Deputy Chief Secretary to the President and Cabinet, and also to include sector coordination groups, which would be organised along the ZIM ASSET clusters.

470. Structures to support CCAC and the Working Party of Officials are being finalised, and will include the following:

- Aid Coordination and Management Procedures Manual;

- Aid Reporting Template, with focus on predictability and timeliness of disbursements;
- Automated Aid Reporting Platform; and
- Outline of Quarterly Development Assistance bulletins for transparency and accountability.

ZIM ASSET AWARENESS

471. Mr Speaker Sir, broadening awareness of stakeholder obligations with regards to ZIM ASSET is essential to enhancing stakeholder ownership and participation in its implementation.

472. A coordinated Information dissemination approach is also important to avoid misinterpretations on key policy positions as well as progress on the Programme's implementation.

473. Therefore, Government will capacitate the Ministry of Information and Publicity through requisite resources to ensure timely and adequate publicity of the Programme's policies and its implementation.

Ebola Preparedness

474. Mr Speaker Sir, the emergence and ongoing spread of the Ebola outbreak in West Africa, a highly communicable and severe

disease requires that Zimbabwe, in collaboration with its regional SADC partners, further enhance urgent response capacity to combat the potential spread of this health challenge.

475. In this regard, Government has recently established an InterMinisterial Task Force on Ebola, with a mandate to strengthen National Response systems.

476. Already, existing National Response systems are geared to address potential eventualities.

477. Focus is on, among others, risk mapping, infection control mechanisms, training and sensitisation of health and related personnel, screening at *Ports of Entry*, education and information dissemination.

478. In line with our role as Chair of SADC, the Ministry of Health and Child Care is leading efforts to coordinate regional response measures to counter the potential outbreak of Ebola within the region.

479. Mr Speaker Sir, I now turn to the respective revenue measures.

REVENUE MEASURES

480. Mr Speaker Sir, the *Revenue Proposals* that I am presenting seek to build on the existing measures that Government has already implemented in support of the productive sectors.

481. The measures also seek to enhance revenue, curb the influx of non-essential imports, as well as strengthen tax administration.

Revenue Enhancing Measures

Pay As You Earn (PAYE)

Fringe Benefits

482. A number of organisations remunerate employees through fringe benefits which include cash and non-cash payments over and above their salaries and wages.

483. These benefits range from the use of a company vehicle or accommodation, access to low interest loans and other subsidised or discounted goods and services, among others.

484. In order to restore equity and fairness to those employees who do not receive fringe benefits and also enable the tax administration to fairly assess taxpayer liability, gross income

includes any amount equal to the value of an advantage or benefit in respect of employment, service, office or other gainful occupation.

485. Whereas the Income Tax Act obligates employers to deduct and remit PAYE to the Zimbabwe Revenue Authority, the trend that has been observed, especially in public enterprises, is that fringe benefits were not subjected to employees' tax.
486. Consequently, Public Enterprises incurred unnecessary expenditure on penalties and interest on unremitted tax which is supposed to be recouped from the employees.
487. Due to the governance structure, whereby the affected employees are mainly the management, there is unwillingness to recover the assessed tax from the employees.
488. Notwithstanding the current provisions that compel ZIMRA to recover outstanding tax from the employer, I, propose to further empower ZIMRA to collect the assessed tax directly from employees or board members, who are currently serving, have resigned or retired from the institutions.

Tax Amnesty

489. Mr Speaker Sir, the economic challenges experienced over the past decade have resulted in a number of companies neglecting their tax obligations in order to fund their operations.
490. In some instances, potential taxpayers have totally avoided registering for tax purposes with the Zimbabwe Revenue Authority, thereby accumulating unrecorded debts.
491. In order to encourage taxpayer's to voluntarily regularise their tax affairs, I propose that His Excellency, the President grants a limited *Amnesty* to all taxpayers who disclose their tax obligations within a period of six months, and also pay within a period of six months.
492. The *Amnesty* will cover all taxpayers in respect of their tax obligations for the period beginning 1 February 2009 to 30 September 2014, without any further extension.
493. To facilitate disclosure, the whistle blower facility will be suspended during the *Amnesty* period.
494. Furthermore, no penalties and interest will accrue on the tax

obligations within the period of the *Amnesty*.

495. The *Amnesty* takes effect from 1 October 2014.

Excise Duty

Fuel

496. Excise duty on diesel and petrol is currently pegged at 25 and 30 cents per litre, respectively.

497. In order to raise additional revenue to finance inescapable expenditures, I propose to increase excise duty on diesel and petrol from 25 and 30 cents per litre to 30 and 35 cents per litre, respectively, with effect from 15 September 2014.

Telecommunications Airtime (Voice & Data)

498. Mr Speaker Sir, as already alluded to, Government faces a challenge to raise additional revenue to finance non-discretionary expenditures.

499. I, therefore, propose to levy excise duty of 5% on air time for voice and data, with effect from 15 September 2014.

Customs Duty

Mobile Telephone Handsets

500. Honourable Members would recall that Government reduced rates of customs duty on mobile handsets, with effect from 1 August 2009, in recognition of access to information as an essential tool to enhance decision making in the global village, and also to encourage the development of Information Communication Technology (ICT), in line with international trends.
501. Handset purchases have increased significantly and mobile telephone penetration rates have also increased substantially to over 100%. Customs duty reduction has, thus, achieved its intended purpose.
502. I, therefore, propose to levy customs duty on mobile handsets at a rate of 25%, with effect from 1 October 2014.

Review of Fees and Charges

Housing Rentals

503. Mr Speaker Sir, fees and charges play an important role in augmenting tax revenues necessary to enhance service delivery. It is, thus, important to continuously review these fees and

charges taking account of developments in the economy, in particular

increased costs for provision of services.

504. Rentals for housing units under the National Housing and National Guarantee Funds were last reviewed in 2010. The current rentals

for housing units range from US\$20 to US\$500 per month.

505. Consequently, revenue collected from rentals is not adequate to maintain the respective properties, the majority of which are in a dilapidated state.

506. I, therefore, propose to review rentals to cost recovery levels, in order to raise adequate funds to refurbish and also maintain the housing units, with effect from 1 October 2014, as follows:

Property Type	Current Rental Range (US\$)	Proposed Rental Range (US\$)
Government Pool (GP) Flats	20-100	75-225
GP Houses (High Density)	30-100	50-150
GP Houses (Medium Density)	35-120	75-225
NHF Cluster Houses	40	100
Worker's Quarters	10	30
Garikai/Hlalani Kuhle Houses	10-25	25-75
Gunhill Villas	500	750
Canteens	35-110	100-500

507. The proposed fees exclude utilities.

508. Mr Speaker Sir, in order to ensure accountability and transparency in the collection of revenue, Treasury will

collaborate with the Ministry of Local Government, Public Works and National Housing over the provision of quarterly returns detailing:

- Category and location of rented facility;
- Floor space of rented facility;
- Rentals; and,
- Revenue collections.

509. This will inform any necessary periodic review of rental levels.

99-Year Leases

510. Mr Speaker Sir, 99-year leases offer entitlement and security of tenure. The long-term nature of the lease enables farmers to commit resources towards substantive investments, thereby enhancing the viability of agriculture.

511. Efforts by Government to mobilise resources to undertake land surveys, have, however, not yielded adequate revenue.

512. In order to expedite issuance of the 99-year leases, I propose that A2 beneficiaries of the land reform programme contribute towards the cost of survey of the land allocated.

Measures in Support of the Productive Sectors

Value Addition

Export Tax on Raw Hides

513. Honourable Members would be aware that Government introduced an export tax of 15% per kg on raw hides with effect from 1 January 2014, in order to encourage value addition.
514. A review of the measure has, however, revealed a challenge whereby some companies entered into prior contracts containing penalties on unscheduled opt-out clauses with international companies. They, thus, had exported raw hides between January and March 2014, before promulgation of the Finance Act.
515. Furthermore, the local tanneries have inadequate capacity to process raw hides, resulting in excess supply, which does not have a local market.
516. In order to mitigate closure of companies that had forward contracts, and also boost incomes of smallholder farmers from the sale of excess raw hides and skins, I propose to exempt from export tax, the sale of raw hides and skins, for the period January to December 2014.
517. Furthermore, in line with the Zimbabwe Leather Sector Strategy (2012-2017), export tax of US\$0.75 will apply on exports of raw

hides other than domesticated bovine animals such as goats and sheep, beyond the export quota stipulated below:

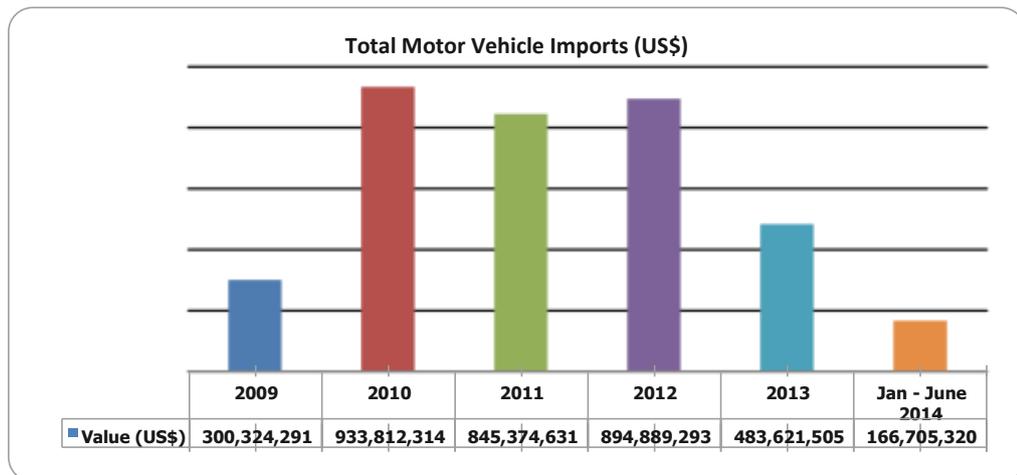
Export Product	Period
25 percent of Output of Raw Hides and Skins	January 2015
15 percent of Output of Raw Hides and Skins	January 2016
0 percent of Output of Raw Hides and Skins	January 2017

518. Modalities to monitor the above will be put in place through subsidiary legislation, after consultation with stakeholders.
519. I further propose to exempt crocodile skins from export tax, since there is no local capacity to value-add this type of raw hides.

Motor Industry

520. Mr Speaker Sir, imports of motor vehicles for the period January to June 2014 account for about 10% of the import bill.
521. This is despite the existence of capacity by the local assembly plants to produce light commercial vehicles, buses, Double Cabs and passenger motor vehicles.
522. The graph below shows annual motor vehicle imports for the above-mentioned for the period 2009 to June 2014:

Total Motor Vehicle Imports
Total Motor Vehicle Imports



Source: ZIMSTAT

Source: ZIMSTAT

523. As I have already alluded to, a lot of foreign currency is channeled towards importation of motor vehicles to the detriment of the local motor vehicle assembly plants, which are currently operating at below 1% of installed capacity.

524. Local assembly of motor vehicles benefits downstream industries, such as paint, carpet material, glasses', tyres'; and batteries' manufacturers, among others. These industries have, however, either closed or are operating at very low capacity due to low demand for goods and services from local motor vehicle assembly plants.

525. In line with the ZIM-ASSET strategic cluster to enhance value addition and beneficiation, I propose to increase customs duty on

the following range of motor vehicles in order to complement efforts by the local motor industry as follows:

Type of Vehicle	Current Duty Rate (%)	Proposed Duty Rate (%)
Single cab of a payload more than 800kgs but not exceeding 1 400kgs	20	40
Double cab trucks	40	60
Buses of carrying capacity of 26 passengers and above	0	40
Passenger motor vehicles of engine capacity below 1 500cc	25	40

526. The application of this measure will take into account the need to protect consumers from unfair pricing and substandard products.

527. Furthermore, Government Departments and parastatals will purchase motor vehicles from the local assembly plants in line with the Directive from the Office of the President and Cabinet issued through Circular Number 16 of 2011.

528. The above measure takes effect from 1 November 2014.

Textiles and Clothing

529. Mr Speaker Sir, in view of the opportunity for growth of the clothing industry, Government with effect from 1 January 2013, granted a rebate of duty on imported raw materials for use in the manufacture of clothing, provided that such raw materials are not produced locally.

530. The clothing industry, however, remains uncompetitive, mainly due to high costs of production arising from unsustainable labour and utility costs, as well as competition from low value imports and second hand clothes.
531. These challenges are exacerbated by rent seeking behaviour at Ports of Entry which results in importation of finished goods under the guise of raw materials, under-invoicing and transit fraud, among others.
532. In order to discourage minimum value addition through cut and trim, I propose to levy customs duty on blankets imported as raw materials, with effect from 1 October 2014.

Mining

Royalty on Gold

533. The mining sector has shown enormous potential to be the centre piece of economic recovery and growth, hence, exploitation of existing deposits has to be intensified.
534. Government also recognises the potential for small scale gold miners to significantly contribute towards the growth of the economy, hence, a lower royalty rate of 3% on small scale gold

producers, whose output does not exceed 0.5 kg per month, was introduced with effect from 1 January 2014.

535. International prices of precious metals, in particular, gold, however, remain subdued, thereby threatening the viability of most of the mining houses.

536. I, therefore, propose to review downwards, royalty on gold produced by primary producers from 7% to 5%.

537. I, further, propose to reduce presumptive tax on small scale gold miners to 0% from the current 2%.

538. These measures take effect from 1 October 2014.

Mobilising Funds for Low Cost Housing Development

Tax-Free Saving Instrument

539. In pursuance of the National Housing Policy's objectives of providing decent accommodation, Government supported mobilisation of resources through a tax-free saving instrument issued by building societies.

540. The instrument generated funds for on-lending towards low cost housing at prescribed interest rates.

541. The country, however, continues to experience a housing backlog estimated at over 1 million units, due to rising demand in urban and resettled areas.
542. Delivery of housing has been constrained by a number of factors, in particular, lack of access to housing finance.
543. In order to facilitate mobilisation of resources for low cost housing projects, I propose to exempt from tax, interest earned on a savings instrument that will be issued by financial institutions involved in mortgage financing, with effect from 1 November 2014.
544. The features of the financial instrument will include the following:
- Fixed term deposit;
 - Tax exemption status;
 - Prescribed rate of return; and,
 - A cap on the amount that can be invested.

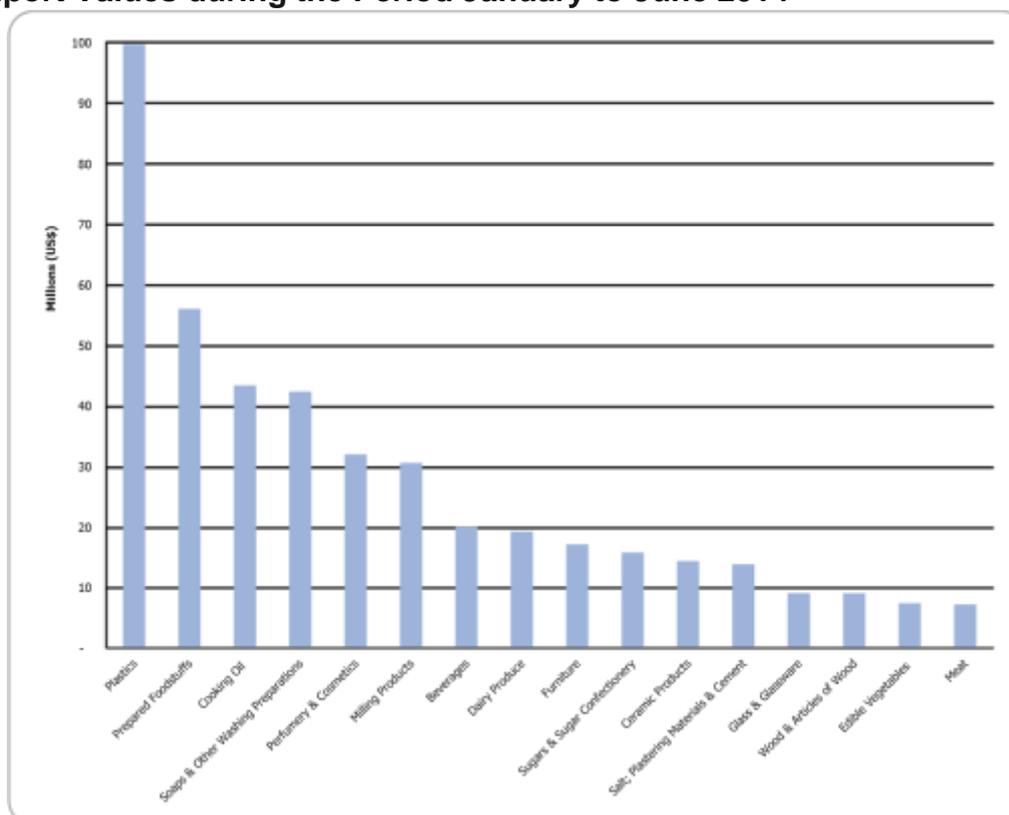
Current Account Deficit

545. Mr Speaker Sir, although Government has been implementing a

tariff regime that endeavours to balance the sustainability of our balance of payments and support the competitiveness of the local industry, imported goods, however, continue to surge, amounting to about US\$3 billion for the period January to June 2014.

546. The bulk of the imports are finished products, most of which are already produced locally.
547. These include cooking oil, poultry, soap, maize meal, flour, beverages, dairy produce, furniture, sugar, fresh and canned fruits and vegetables, among others.
548. The influx of imports, thus, continues to undermine growth of the agricultural sector and recovery of the local industry.
549. The following graph shows the level of imports of selected products during the period January to June 2014:

Import Values during the Period January to June 2014



Source: ZIMSTAT
Source: ZIMSTAT

550. I, therefore, propose to review the duty structure on the following products:

Meat and Edible Meat Offals

Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
0206.1000	Edible offals of bovine animals, fresh or chilled	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0206.2100	Tongues	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0206.2200	Livers	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher

0206.2900	Other, of bovine animal	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0206.3000	Of swine, fresh or chilled	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0206.4100	Livers of swine	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0206.4900	Other	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0206.8000	Other, fresh or chilled	40	0	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0206.9000	Other, frozen	40	0	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.2400	Of turkeys, fresh or chilled	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.2500	Frozen	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.2600	Cuts and offals, fresh or chilled	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher

Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
0207.2700	Cuts and offals, frozen	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher

0207.4100	Ducks, fresh or chilled	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.4200	Frozen	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.4300	Fatty livers	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.4400	Other, fresh or chilled	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.4500	Other, frozen	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.5100	Of Geese, fresh or chilled	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.5200	Frozen	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.5300	Fatty livers	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.5400	Other, fresh or chilled	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0207.5500	Other, frozen	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)

0207.6000	Of Guinea Fowl	40	15	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0303.5500	Frozen Jack and horse mackrel	0	0	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher
0305.5990	Dried fish, not smoked (excl. cod), fresh water	10	0	40% or US\$1.50/Kg whichever is higher	15% or US\$1.50/Kg whichever is higher

Dairy Produce

Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
0401.2000	Milk and cream of >1% but =<6% fat content, not concentrated or sweetened	US\$0.25/L	US\$0.25/L	US\$0.50/L	US\$0.50/L
0401.5000	Milk and cream of a fat content >10%, not concentrated or sweetened	US\$0.25/L	US\$0.25/L	US\$0.50/L	US\$0.50/L
0402.1090	Other milk & cream solid containing sugar /conce/other sweetening matter>=1.5%fat	US\$2.50/kg	US\$2.50/kg (Bulk)	US\$5/kg (Retail Package)	US\$5/kg (Retail Package)
0402.2190	Milk and cream (excl 0402.2110)...of a f.c.b.w. >1.5% n.c.a.s. etc.	US\$2.50/kg	US\$2.50/kg (Bulk)	US\$5/kg (Retail Package)	US\$5/kg (Retail Package)
0403.9010	Fermented Milk	40	10	40 +US\$0.25/L	25 +US\$0.25/L
0403.1000	Yoghurt	40	10	40+US\$0.50/L	10+US\$0.50/L
0405.1000	Butter	0	15	40+US\$0.50/kg	15+US\$0.50/kg

0406.9000	Cheese, nes	40	15	40+US\$0.50/ kg	15+US\$0.50/ kg
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Vegetables and Miscellaneous Edible Preparations

Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
0704.1000	Cauliflowers and headed broccoli, fresh or chilled	40	10	40+ Surtax	25+Surtax
0707.0000	Cucumbers and gherkins, fresh or chilled	40	10	40+ Surtax	25+Surtax
0709.5900	Other mushrooms and truffles nes	40	10	40+ Surtax	25+Surtax
0709.6010	Chillies, fresh or chilled	40	10	40+ Surtax	25+Surtax
0709.9300	Pumpkins, squash and gourds(cucurbita) fresh or chilled	40	10	40+ Surtax	25+Surtax
0709.9900	Other vegetables fresh or chilled nes	40	10	40+ Surtax	25+Surtax
0710.1000	Potatoes, frozen	40	10	40+ Surtax	25+Surtax
0710.4000	Sweet corn, frozen	40	10	40+ Surtax	25+Surtax
0710.8000	Vegetables, frozen, nes	40	10	40+ Surtax	25+Surtax
0713.6000	Pigeon peas(Cajanus cajan)	40	10	40+ Surtax	25+Surtax
0714.2000	Sweet potatoes, fresh or dried, chilled or frozen	40	10	40+ Surtax	25+Surtax
1103.1300	Groats and meal of maize (corn)	10	10	25	25
1208.1000	Soya bean flour and meal	10	0	20	20
1208.9000	Other flours and meal of oil seeds or oleaginous fruit, nes	10	0	20	20
1704.9000	Sugar confectionery (incl. white chocolate), not containing cocoa, nes	40	15	40+Surtax	25+Surtax
1901.2000	Mixes and doughs for preparation of bakers' wares of 19.05	40	15	40+Surtax	15+Surtax

1901.9090	Other food preparations of flour nes.. (excl 19019010 and 19019020)	40	10	40+Surtax	10+Surtax
1902.1900	Uncooked pasta, not containing eggs, not stuffed	40	10	40+Surtax	10+Surtax
1902.3000	Other pasta, nes	40	10	40+Surtax	10+Surtax
1905.3100	Sweet biscuits	40	10	40+Surtax	25+Surtax
Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
1905.9090	Other bread, cakes, biscuits, etc, nes; communion wafers, rice paper, etc	40	10	40+Surtax	25+Surtax
2102.1000	Yeast	10	15	40	25
2102.2000	Inactive Yeast	10	0	40	25
2309.1000	Dog or cat food, put up for retail sale	40	0	40+Surtax	25+Surtax
2309.9010	Other preps for feeding dogs, cats, cage birds, or aquarial fish...nes	40	0	40+Surtax	25+Surtax

Beverages

Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
2202.1010	Flavoured aerated waters, with added sugar, sweetener, etc	60+Excise	0	60+Excise	10+Excise
2202.1090	Waters incl mineral aerated with added sugar sweetened etc	85	0	85	10+Excise
2202.9000	Other non-alcoholic beverages, nes	85	0	85	10+Excise
2203.0099	Other clear beer made from malt nes	100+Excise	0	100+Excise	10% + Excise

Mineral Products

Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
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2523.2100	White portland cement	15	15	25+Surtax	25+Surtax
2523.2900	Portland cement (excl. white)	15	15	25+Surtax	25+Surtax
2712.1090	Other petroleum jelly	40	10	40+Surtax	25+Surtax

Perfumery, Cosmetics and Soap

Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
3303.0000	Perfumes and toilet waters	40	15	40+Surtax	25+Surtax
3304.1000	Lip make-up preparations	40	15	40+Surtax	25+Surtax
3304.2000	Eye make-up preparations	40	15	40+Surtax	25+Surtax
3304.3000	Manicure or pedicure preparations	40	15	40+Surtax	25+Surtax
3304.9100	Powders, whether or not compressed, for cosmetic/toilet use	40	15	40+Surtax	25+Surtax
3304.9990	Other beauty, makeup, skin care nes	40	15	40+Surtax	25+Surtax
3305.1000	Shampoos	40	15	40+Surtax	25+Surtax
3305.2000	Preparations for permanent waving or straightening	40	15	40+Surtax	25+Surtax
3305.9000	Preparations for use on the hair, nes	40	15	40+Surtax	25+Surtax
3307.2000	Personal deodorants and antiperspirants	40	15	40+Surtax	25+Surtax
3307.3000	Perfumed bath salts and other bath preparations	40	15	40+Surtax	25+Surtax
3307.4900	Preparations for deodorizing rooms, nes	40	15	40+Surtax	25+Surtax
3405.1000	Polishes, creams and similar preparations for footwear or leather	20	0	40+Surtax	25+Surtax

3405.2000	Polishes, creams and similar preparations for maintenance of woodwork	20	0	40+Surtax	25+Surtax
3405.4000	Scouring pastes and powders and other scouring preparations	20	0	40+Surtax	25+Surtax
3405.9000	Other polishes, creams and similar preparations, nes	20	0	40+Surtax	25+Surtax

Furniture

Tariff Code	Product	MFN Rate of Duty (%)	SADC Rate of Duty (%)	Proposed MFN Rate of Duty (%)	Proposed SADC Rate of Duty (%)
9403.3000	Wooden furniture of a kind used in offices (excl. seats)	40	10	40+Surtax	25+Surtax
9403.4000	Wooden furniture of a kind used in the kitchen (excl. seats)	40	10	40+Surtax	25+Surtax
9403.5000	Wooden furniture of a kind used in the bedroom (excl. seats)	40	10	40+Surtax	25+Surtax
9403.6000	Wooden furniture, nes	40	10	40+Surtax	25+Surtax

551. The above measures take effect from 1 October 2014.

Duty Free Certificates for use by Government Departments

552. Mr Speaker Sir, in order to facilitate the effective operation of Government, essential goods for the exclusive use of Government that are not available locally may be imported free of duty, provided a certificate issued by the responsible Ministry is furnished to ZIMRA.

553. It has, however, been noted that some Government Duty Free Certificates are being used to import items such as foodstuffs,

washing preparations and beverages, thereby undermining value addition efforts by the local industry as envisaged under ZIM-ASSET.

554. I, therefore, propose to remove the following goods from the Duty Free Certificate facility, with effect from 1 October 2014:

- Foodstuffs;
- Washing preparations; and,
- Beverages

Rebate of Duty on Goods Imported by Relief, Charitable or Welfare Organisations

555. Government recognises the complementary role of charitable or welfare organisations in the provision of relief supplies, particularly

in cases where droughts and other natural disasters occur.

556. Government has, thus, provided a rebate of duty on goods imported for free distribution among persons in need or on donations imported by associations involved in charitable work or relief organisations.

557. It has, however, been observed that some of the imported goods are produced locally.

558. In some instances, the donated goods end up being sold on the

local market.

559. Importation of these goods, thus, undermines growth of the local industry and also prejudices revenue to the fiscus.

560. I, therefore, propose to exclude selected foodstuffs imported by welfare organisations from rebate of duty, in order to encourage growth of the local industry.

561. This measure takes effect from 1 October 2014.

Efficiency in Tax Administration

562. Mr Speaker Sir, in order to enhance efficiency in the operation of the Revenue Authority, it is necessary to strengthen and simplify tax laws.

563. I, therefore, propose a number of legislative amendments, with effect from 1 October 2014.

Withholding Tax on Non-Resident Artistes

564. I propose to provide a penalty for failure to remit amounts withheld
from payments to non-resident artistes and entertainers.

565. Furthermore, I propose to introduce legislation to compel agents to issue a certificate showing amounts withheld from a non-

resident artiste.

Mortgage Finance

566. To provide for exemption from tax on interest earned by the financial institutions on mortgage finance, I propose to amend the terms “financial institution” and “building society”.

Mobile Money Transfers

567. The definition of “financial institutions” is amended to include providers of mobile banking services for the purposes of intermediated transfer tax on mobile banking services.

Fiscalised Devices

568. Currently, there are two definitions of fiscalised devices. I propose to repeal the older definition of fiscalised devices provided for in the Finance Act of 2012.

Withholding Tax on Tenders

569. Mr Speaker Sir, supplies by unregistered taxpayers are subject to withholding tax on tenders.

570. I propose to amend the amount subject to withholding tax on tenders from US\$250 per transaction to an aggregate of US\$250 per year of assessment.

571. The legislative amendment ensures that the aggregate amount of US\$250 that is subject to withholding tax is for a year of assessment and not per transaction.
572. This avoids evasion of tax through break up of consignments by taxpayers into tranches of less than US\$250.

Stamp Duty

573. The Finance Act prescribes two rates for stamp duty of US\$0.25 and US\$0.50 for every US\$100 or part thereof on the acquisition or the registration of property.
574. I, therefore, propose to repeal the amount of US\$0.25 for every US\$100 or part thereof on the acquisition or the registration of property.

CONCLUSION

575. Mr Speaker Sir, this Mid-Year Review remains focused on ensuring the successful implementation of the 2014 National Budget anchored on ZIM ASSET.
576. Indeed, there are a number of challenges facing the economy. However, these are not insurmountable, and with unity of purpose and all stakeholder participation, we should be able to ensure

realisation of the objectives of ZIM ASSET.

577. Already, the political certainty ushered in by the Harmonised Elections of 31 July 2013, provided a solid platform for harnessing consensus around national objectives.

578. Accordingly, invigorating our domestic industry remains our goal to industrialise for attaining sustained economic growth, capable of creating jobs and equal opportunities for all.

579. Mr Speaker Sir, I, therefore, invite and call upon all the stakeholders and economic agents to focus now on the implementation of the measures enunciated in this policy document.

580. I will also be coming back to this August House with more comprehensive measures under the 2015 National Budget to support a sustained economic growth trajectory.

581. I am, through this Statement, inviting all Stakeholders to start submitting their various insights and inputs towards the 2015 National Budget.

582. Mr Speaker Sir, I therefore, commend this 2014 Mid-Year Fiscal Policy Review to the August House.

I thank you.

Honourable P.A. Chinamasa, M.P.

Minister of Finance and Economic Development
