



## **THE 2012 NATIONAL BUDGET**

*Sustaining Efficient Inclusive Growth with Jobs*

**Presented to the Parliament of Zimbabwe**

**By the**

**MINISTER OF FINANCE**

**Hon. T. Biti, M.P.**

24 November 2011



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*Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over-activity of repressive states. Despite unprecedented increases in overall opulence, the contemporary world denies elementary freedoms to vast numbers – perhaps even the majority – of people.*

*Development as Freedom (2000): Amartya Sen*

## I. MOTION

1. Mr Speaker Sir, the crafting of the 2012 Budget was a daunting task, given the triple ‘demons’ of a highly charged political environment, insatiable fiscal demands on the State and a highly volatile global financial environment.
2. This is more so in 2012 where, in addition to our traditional ‘elephantine’ demands, the obligations of monetising the Peace Process, particularly the Constitutional Referendum, are unavoidable.
3. Mr Speaker Sir, the demands on the Budget are so large vis-à-vis the resource envelope such that in the words of Oliver Baloyi, ‘*tawanzisa mbambo padehwe reshindi varume we*’.

4. Thankfully Mr Speaker Sir, through the grace of God, I have the pleasure of moving a Motion in terms of Standing Order No. 94(1) of the Esteemed Rules of this August House that leave be granted to bring in a Bill in connection with the Revenues and Expenditures of the Republic of Zimbabwe for the fiscal year January–December 2012.
5. Mr Speaker Sir, this Motion is brought in compliance with the provisions of our Law.
6. Section 103 (1) of the Constitution of Zimbabwe, read together with Section 28 (1) (a) of the Public Finance Management Act [*Chapter 22:19*], obliges the Minister responsible for Finance to prepare and lay before Parliament, on a day on which Parliament sits, before or not later than 30 days after the start of each financial year, Estimates of Revenue and Expenditure of Zimbabwe for that financial year.

## **II. INTRODUCTION**

7. Mr Speaker Sir, it has been a long, lonely and bumpy road that we have traversed since 16 February 2009—exactly 1 013 ‘tortured’ days to date.
8. Mr Speaker Sir, it was evident from the very first day of the Inclusive Government that the State of our Economy was parlous and atrophying, demanding that difficult, but strategic choices had to be made, which were both curative and palliative.

9. Those decisions, Mr Speaker Sir, were made through the Government Work Programme and the Short Term Emergency Recovery Programme (STERP), representing the first step towards the economic rehabilitation of our country.

10. STERP focused on:

- Restoring macro-economic stability, with special emphasis on curtailing the cancer of hyper-inflation;
- Restoring basic social services, including the re-opening of hospitals and schools;
- Job creation and supply side recovery;
- Restoring the functionality of enablers and public utilities, in particular energy, water and sanitation; and
- Nation building and peace building through:
  - Establishment of peace and stability in the country; and
  - The Constitutional Making Process and the advancement of the Democratisation Agenda.

11. The tough decisions made in the nascent days of the Inclusive Government brought material dividends which included the following:

- Macro-economic stabilisation, particularly in containing inflation;
  - Improved capacity utilisation in the productive sectors of agriculture, mining and manufacturing, from averages below 10% to around 30-50%;
  - Removal of price distortions, in both foreign exchange and goods markets;
  - Resuscitation of financial sector services;
  - Improvement in public service delivery, particularly in the areas of water and sanitation, transport, health and education sectors;
  - Improvement in social protection programmes for vulnerable groups;
  - Overall business confidence building;
  - Policy consistency and predictability on key policy fundamentals;
  - The enactment of key legislation dealing with the credibility of public accounts; and
  - Re-engagement with the international community.
12. Following the implementation of policy measures to stop economic haemorrhage and melt-down, Government, in STERP II and the 2010 Budget, increased attention on capital formation and overcoming the overall infrastructural deficit.

13. Under STERP II and the 2010 Budget theme "**Reconstruction with Equitable Growth and Stability**" we, thus, in this period increased the share of public resources allocated towards Public Sector Investment Programmes (PSIP) and other public works.
14. Mr Speaker Sir, Honourable Members will recall that the extensive consultations we carried out last year in preparation for the 2011 Budget had highlighted the high level of despondency, alienation and reification over public affairs amongst our people.
15. Clearly, the majority of our citizens felt that they were excluded and that they were innocent bystanders in an economic environment that was perceived as neither fair nor inclusive, prompting the theme of our 2011 Budget - "**Creating a Fair Economy: Shared Economy, Shared Development, Shared Transformation**".
16. Doing justice to this, however, remained constrained by the confines of the little fiscal space we have, further challenged by a disproportionately high wage expenditure allocation consuming over 60% of our resources and that way compromising expenditures towards human capital development, social delivery and capital formation.

17. Our work in the last 35 months, executed under the various thrusts of **stabilisation, reconstruction and creating a fair economy**, has been intended to stop the haemorrhage, stabilise the economy, reconstruct and graduate it towards sustainable rapid growth. We had to catch up with the rest of Africa that had shown us a clean pair of heels in the preceding 15 years.

## Budget Consultations

18. Mr Speaker Sir, consultations and preparations for the 2012 Budget benefitted from the guidance offered by the issuance of a Pre-Budget Strategy Paper which Treasury prepared in August 2011.
19. The extensive consultations saw Treasury teams receive views of our people throughout the country, that is from Nyamaropa to Nyamandhlovu, Chiendambuya to Chimhandamabgwe, Chirimuhanzu to Chivi, Nerupiri to Nembudziya, Zibhowa to Ziyaminya, Muzokomba to Muzarabani, Forty Four to Fort Rickson, from Dotito to Dongamuzi.
20. In this regard, allow me, Mr Speaker Sir, to thank the hundreds of people that we interacted with.

21. These ranged from captains of industry and their chambers, the CZI, ZNCC, Chamber of Mines, to trade unions, including the ZCTU, ZFTU, and Government Staff Associations.
22. Mr Speaker Sir, ordinary individuals also had opportunity to input into the Budget Consultative process.
23. Hence, we were able to listen to the likes of Brighton Murimi, Pardon Mudzimu we met in Murehwa, Oliver Baloyi, Sylvester Chin'anga, Tichaona Sithole we met in Zaka, Nation Ndhlovu, Mainos Dube we met in Gwanda, Eric Bloch, Donald Khumalo, Calvin Ncube we met in Bulawayo, to name a few.
24. Mr Speaker Sir, the 2012 Budget consultative process would have been incomplete in the absence of the engagement of Parliament and its Committees, including the Budget, Finance and Investment Portfolio Committee.
25. Mr Speaker Sir, allow me, therefore, to express my appreciation for Parliament's invaluable contribution to the Budget consultative process.
26. The inputs of the Budget, Finance and Investment Portfolio Committee, and all the Honourable Members of the House of Assembly and the Senate who were able to either attend or

input into the Pre-Budget Seminar for Members of Parliament held in Victoria Falls over 2-5 November 2011 were invaluable.

27. In particular, I would like to pay a special appreciation to your leadership and guidance, Mr Speaker Sir, as well as that of Madam President of the Senate, throughout the Pre-Budget consultative process.
28. Overall, our Budget Consultative public outreach programme was as enriching as it was humbling. The fact of the matter is that our people know what they want and are able to recognise patronising ‘top down’ approaches in development issues that treat them as subjects and objects of policy and not shareholders and crafters of the same.
29. In this regard, it did not matter whether we were listening to our Traditional Leadership at Chibhangusa Hotel in Murewa or to ZAPU veterans in Gwanda.
30. Secondly, Mr Speaker Sir, once again the sense of alienation and despondency remains high. There is a clear anti-Harare sentiment out there.
31. The feeling is that everything happens in Harare and that to be a true and participating citizen of Zimbabwe one must be domiciled in Harare – ‘everything is in Harare and Harare is everything.’

32. Furthermore, Mr Speaker Sir, there is overwhelming self-evident frustration over the seemingly endless and on-going political discord and disunity within our country.
33. Mr Speaker Sir, the issues that are uppermost in our people's minds can be summarised as follows:
  - Political discord and disunity;
  - Power and energy crisis;
  - Unemployment;
  - Transparency over diamond revenue streams from mining at Chiadzwa;
  - Easy access to basic services, including business licences, national registration documents and banking services;
  - Education, health and other social service delivery;
  - Lack of liquidity in the economy and the high cost of money;
  - Labour market inflexibility, and wages and labour practices that are not connected to productivity;
  - Ministries' and Government Departments' indebtedness to Local Authorities and other public institutions;
  - Unproductive and uncontrolled Government expenditure;
  - Reconstruction and rehabilitation of road infrastructure and completion of on-going projects;
  - Guaranteeing clean water supply and improved sanitation services;

- Social protection and safety nets, including for people living with disability;
- Support for agriculture and household food security;
- Continued stability in the price level, including sustainable wage levels;
- Consistency in policy implementation.

### **III. THE THRUST OF THE 2012 BUDGET**

34. Mr Speaker Sir, the harsh reality from our consultations is that we are a small dual enclave economy, arrested by unevenness, inequality, poverty and under-development.
35. There is stagnant accumulation and total absence of linkages between the means of production and the means of consumption. In short, ours is a rent oriented economy dominated by under-production, informalisation and self-induced policy distortions.
36. Mr Speaker Sir, implementing the Medium Term Plan's (MTP) vision of "Enhancing a democratic developmental State anchored by a growing and transforming, socially just economy" would go some way towards answering some of the economic concerns being raised by our people out there.

37. Rallying around such a unified common vision, underpinned by the implementation of programmes guided by the compass of the MTP, launched on 7 July 2011 is, Mr Speaker Sir, an imperator to addressing the prevailing development deficit.
38. In this regard, we have an obligation to shift Government resources from corrosive recurrent expenditure in favour of inclusive and pro-poor growth areas - a difficult task given the legacy issue of a high and disproportionate share of wages in overall Budget expenditures.
39. We have to live our motto “We eat what we kill”, avoiding fiscal sclerosis of unbudgeted expenditures, whether it be on account of wages, travel, support to ailing parastatals, among others.
40. Expenditure management and fiscal control requires discipline and deep appreciation that nations, like ordinary households, cannot live beyond their means without paying a price.
41. The penalty for fiscal indiscipline being macro-economic destabilisation, debt overhang and economic disequilibrium – in short, the dark days of our lost decade where we virtually rewrote every downside economic statistic.

42. Quite clearly, it is important that the top leadership of our Government remain at the forefront of fiscal prudence and discipline in this economy. Without their oversight and enforcement, their discipline and their wisdom, this economy will fail.
  43. Equally, this Parliament must carry out its Constitutional duties, as an overseer of the cataleptic omissions and commissions of the Executive.
  44. Civil society, ordinary citizens and the Press must also play their part in ensuring that national assets, including the Consolidated Revenue Fund, are not pillaged through corruption, clientelism, or bad decisions.
45. Thus, this Budget will focus on the following issues:
- Consolidating macro-economic stability, founded on an anti-cyclical macro-economic framework;
  - Deliberate focus on inclusive growth with jobs;
  - Attending to the issue of capital formation through Public Sector Investments, with special emphasis on completing outstanding capital projects as opposed to green fields;
  - Ensuring and establishing food security;
  - Redesigning the financial services sector to promote

savings, financial deepening, viability, sustainable finance to the business sector, as well as reduction of financial sector vulnerability;

- Decentralising allocation of resources, with special emphasis on even and equal treatment of Provinces;
  - Investment in social services delivery, in particular health and education;
  - Creating a conducive “Doing Business Environment”;
  - Monetising the Peace Process, in particular the Constitutional Referendum, National Healing and the GPA democratisation imperators;
  - Tackling critical enablers, in particular energy, water and sanitation; and
  - Special focus on rural under-development through addressing rural energy, water and agriculture.
46. In short, Mr Speaker Sir, we intend to focus on attaining both, growth that is pro-poor, broad based across all sectors and, a pattern of growth that moves us towards structural transformation.
47. More critically, Mr Speaker Sir, we intend, within the confines of the limited fiscal space we have to create and support an environment conducive for investment that addresses issues of equity and equality of opportunity across the country. Harare cannot continue to be the sole development centre of the State.

48. Mr Speaker Sir, put simply, the pursuit of inclusive growth, growth with jobs is the focus of this Budget.

## **GLOBAL OUTLOOK**

49. Mr Speaker Sir, our economic fortunes are also inter-twinned with developments in the global economy.

### **Output**

50. Recent global developments paint a gloomier outlook for the world economy, with some of the bigger economies, most notably the Euro zone and the USA, experiencing even deeper crises into the last half of 2011 and into 2012.

51. The crisis also comes at a time when parts of Asia are experiencing devastating natural disasters, while the Middle East and some northern parts of Africa are coming to terms with impacts of socio-political unrest.

52. The BRICS countries, particularly China, India and Brazil, are not spared either, with the same facing inflationary pressures.

53. Therefore, global economic growth is now projected to slow down to 4% in 2011 and 2012, from over 5% in 2010.

54. However, this growth will be uneven, with weak growth of about 1.5-2% in advanced economies, moderate growth of around 4.5-6% in Sub-Saharan Africa and Latin America and relatively high growth rates of around 8% in parts of developing Asia.

World Economic Output Growth (%)

	<b>2009</b>	<b>2010 Est.</b>	<b>2011 Proj.</b>	<b>2012 Proj.</b>
<b>World</b>	0.7	5.1	4.0	4.0
<b>Advanced</b>	-3.7	3.1	1.6	1.9
<b>Emerging &amp; Developing</b>	2.8	7.3	6.4	6.1
<b>Developing Asia</b>	7.2	9.5	8.2	8.0
<b>Latin America</b>	-1.7	6.1	4.5	4.0
<b>Sub-Saharan Africa</b>	2.8	5.4	5.2	5.8

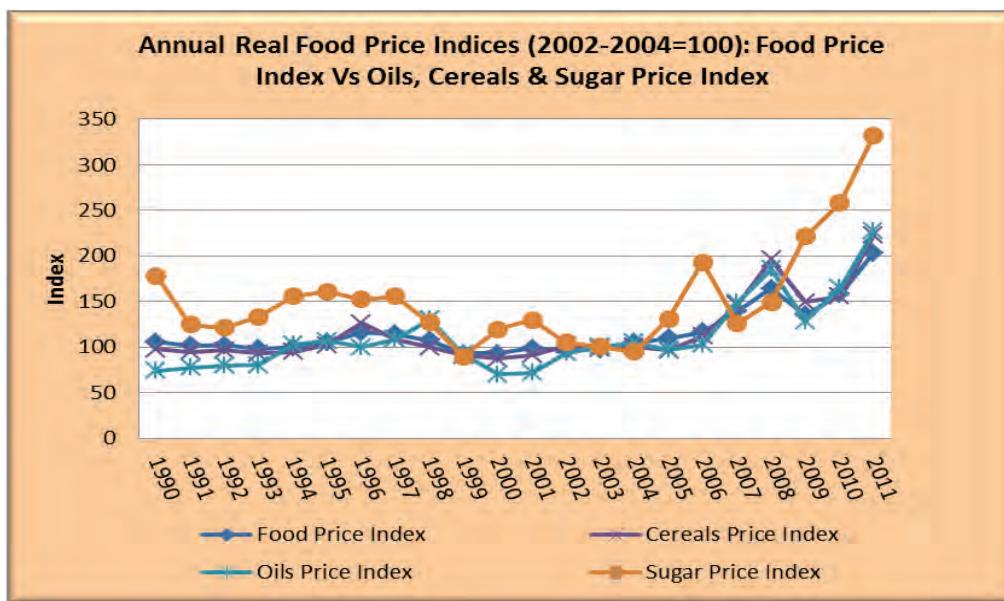
*Source: 2011 World Economic Outlook*

## Global Vulnerability

55. Slowdown in global economic activity also poses risks of large and abrupt capital outflows from emerging economies, including Zimbabwe.
56. This will likely trigger slow-down in financial lending, commodity prices and export realisations. Banks with underlying vulnerabilities related to excessive credit, might experience systemic risks.
57. Mr Speaker Sir, it is also pertinent to point out that in general terms, Sub-Saharan Africa is coping better with the present global financial crisis than it did with the previous ones of 1975, 1982 and 1991.

58. Core to this has been the existence of pre-crisis macro-economic policy buffers and the adoption of counter cyclical fiscal policy responses – key lessons for Zimbabwe.
59. Zimbabwe's vulnerability to growing global financial uncertainties is not small, given that our current account deficit is to a large extent financed by inflows of short-term capital.
60. Furthermore, to the extent that our recent growth pattern has been commodity driven, prolonged sluggish global growth would exert harder policy options for our economy.
61. In order to navigate this storm, Zimbabwe should adopt fiscal responses that anchor trade competitiveness and strengthen fiscal policy effectiveness in dealing with both global and domestic shocks.
62. In short, it is important to continue executing an anti-cyclical macro-economic policy framework, whilst at the same time creating fiscal space to finance critical infrastructure and social expenditures.
63. Furthermore, our limited access to external financing necessitates that we employ strategies for re-building fiscal buffers. This is precisely the reason why we continue to maintain the SDR as a reserve.

64. However, this is not enough. Productivity and equilibrium must be increased so that we are better able to protect ourselves against external shocks.
65. High food and energy prices also underscore the need for Zimbabwe to improve social safety nets and building of reserves and fiscal buffers – all of which require exercising prudent fiscal discipline.



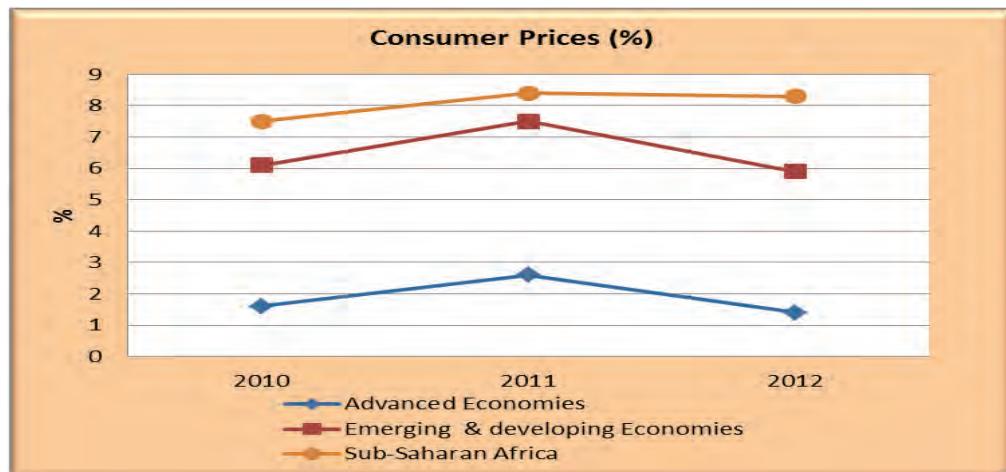
Source: FAO

66. Diversification should also be pursued to avoid over-reliance on a few commodity exports and markets, that way creating scope for developing countries to reduce the impact of shocks.

## Prices

67. Inflation which was on the rise in 2011 is expected to slow down in 2012 in both advanced and emerging and developing

economies, as food and energy prices as well as inflation expectations moderate.



*Source: 2011 World Economic Outlook*

68. In this regard, the outlook for prices in emerging and developing economies is a slow-down from 2011 averages of around 7.5% to around 6% in 2012.
69. Similarly, inflation developments in Sub-Saharan Africa and advanced economies are forecast to decelerate from averages of around 8.2% and 2.3% in 2011 to 8.1% and 1.7% in 2012, respectively.

## **DOMESTIC DEVELOPMENTS**

70. Mr Speaker Sir, notwithstanding some revisions in agriculture and mining, overall growth to the end of 2011 is still projected at 9.3%. This is against the background of improved growth in other sectors, such as tourism, social sectors, finance and electricity.

71. This growth momentum is anticipated to be maintained in 2012 at 9.4%, underpinned by further positive performance in finance (23%), mining (15.8%), tourism (13.7%), agriculture (11.6%), manufacturing (6%), and transport and communication (6%).
72. Of the transport and communication, ICTs account for 55%, reflecting the large investments being made in that area.

**GDP Growth Projections 2012**

	2009	2010	2011 Est.	2012 Proj.
Agriculture, Hunting, and Fishing	21.0%	33.9%	7.4%	11.6%
Mining and Quarrying	33.3%	47.0%	25.8%	15.9%
Manufacturing	10.0%	2.7%	3.5%	6.0%
Electricity and Water	1.9%	1.5%	12.4%	4.9%
Construction	2.1%	1.5%	1.0%	1.5%
Finance and Insurance	4.5%	0.5%	24.0%	23.0%
Real Estate	2.0%	0.9%	1.0%	1.5%
Distribution, Hotels and Restaurants	6.5%	0.5%	10.3%	13.7%
Transport and Communication	2.2%	0.1%	5.5%	6.0%
<b>GDP at Market Prices</b>	<b>5.4%</b>	<b>8.1%</b>	<b>9.3%</b>	<b>9.4%</b>

*Source: MOF*

73. Overall, however, the performance of our real sectors is not yet optimal, given financing and power supply challenges that the productive sectors continue to experience.
74. Furthermore, prevailing public and private investment thresholds in capital development, as measured through gross fixed capital formation, remain at levels inconsistent with the support necessary to underpin rapid economic growth.

## **Gross Capital Formation**

75. Mr Speaker Sir, given that public and private investment in capital development is an essential imperator for economic growth, it will be necessary that our fiscal stance inculcates a culture of high savings and investment.
76. In this regard, countries such as China and India with gross capital formations of more than 50% and 32% of GDP, respectively, have managed to sustain high growth rates of more than 8% annually.
77. For developing countries such as Zimbabwe, gross capital formation of at least 30% of GDP is required to facilitate high and sustainable growth rates.
78. Between 2009 and 2010, the country's gross capital formation remained below 30%, ranging between 15-22% of GDP and is expected to remain within that range in 2011 – 2012 as indicated below:

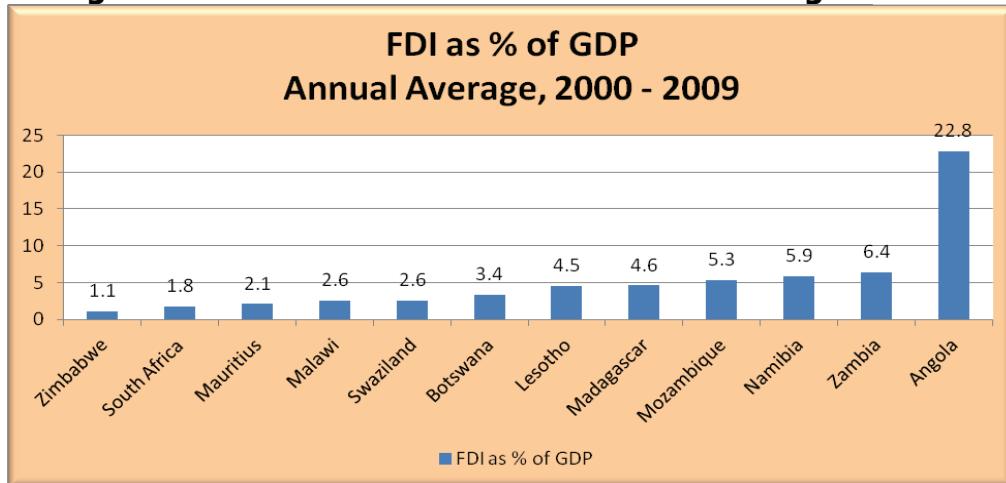
### ***Total Gross Capital formation: 2009 - 2012***

<b>Year</b>	<b>2009 % of GDP</b>	<b>2010 % of GDP</b>	<b>2011 est % of GDP</b>	<b>2012 proj % of GDP</b>
<b>Government Gross Capital Formation</b>	0.61	5.46	5.5	7.5
<b>Private Gross Capital Formation</b>	15.14	14.51	16.7	11.9
<b>Total Gross Capital formation</b>	15.75	19.97	22.2	19.4

## **Foreign Direct Investment**

79. Mr Speaker Sir, our domestic investment shortfalls necessitate that we intensify strategies to attract foreign direct investment, which is inextricably connected to growth and capital formation.
80. Foreign direct investment (FDI), which averaged 18% of GDP in the 1980s and 20% in the 1990s, was a mere 1.1% between 2000 and 2009.
81. Honourable Members, Zimbabwe's capital account inflows, thus, remain a sad story, with 2011 foreign direct investment levels at US\$125 million.

### **Foreign Direct Investment to Southern African Region**

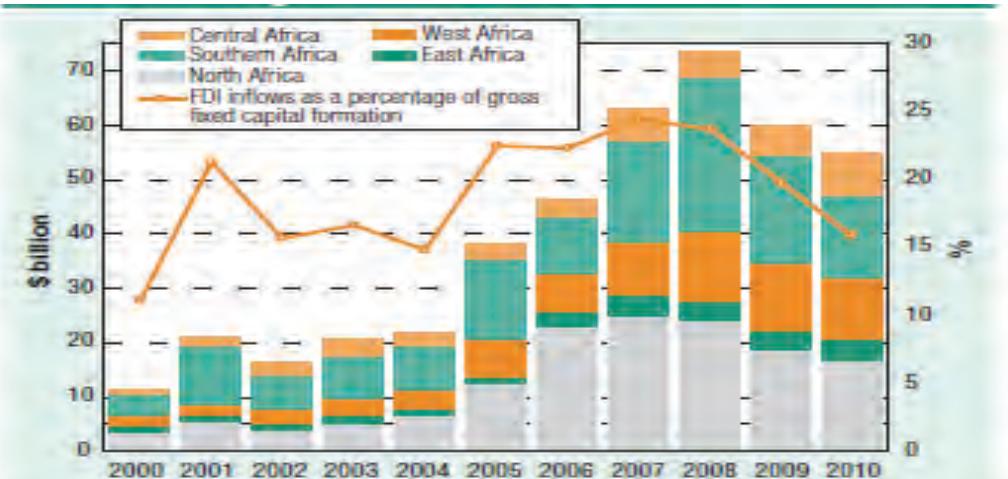


*Source: AfDB*

82. Mr Speaker Sir, the causes of Zimbabwe's declining FDI portfolio must be unpacked and addressed. However, falling FDI was not unique to Zimbabwe but to the rest of Africa.

83. Honourable Members, whilst global FDI rose modestly by 5% to reach US\$1.42 trillion in 2010, that to Africa declined by 10% to US\$55 billion.

**Graph: Africa FDI Inflows: 2000 - 2010**



Source: UNCTAD

84. Inflows into Southern Africa, in particular, fell by 20% – equivalent to US\$17.2 billion, a trend which is clearly disturbing.

## Agriculture

85. Mr Speaker Sir, the agricultural sector requires more than US\$2 billion annually to fully take advantage of its potential.
86. However, this can only be achieved through joint efforts between Government, the private sector and external partners.
87. Farmers also have to play their part, demonstrating preparedness for upcoming agricultural seasons.

88. In this regard, the projected growth in agricultural production of 11.6% in 2012 takes account of the number of financing facilities established by Government, the banking sector, co-operating partners, seed and fertilizer suppliers in support of the preparation for the 2011/2012 agricultural season.
89. The anticipated successful agricultural season is, hence, not only predicated on the anticipation of normal rainfall, but also critically on the adequate availability of agricultural inputs in the local market.

**Agriculture Production Statistics '000' tons**

	2009	2010	2011 est	2012 proj
Tobacco	58.6	123.4	133	150.0
Maize	1240	1328	1,451	1,800.0
Cotton	211	270	250	286.0
Sugar	259	333	370	400.0
Horticulture	35	43	45	51.0
Wheat	48	41.5	40	40
Dairy (m lt)	45	47.0	70	75.0
Soya beans	115	70	84	100

*Source: TIMB, Ministry of Agriculture*

90. The projected growth of agricultural output in 2012 will be led by increased output in tobacco, maize, cotton, soya beans and poultry.

## **Mining**

91. Mr Speaker Sir, approved lines of credit in support of investment in equipment into the mining sector in 2011 amounted to US\$502 million.

92. This is underpinning mining recovery, with the 2011 growth for the sector estimated at 25.8%, marginally down on the initial forecast of 33%. This is on account of revisions in production levels for platinum, nickel and palladium.
93. In 2012, mining is anticipated to remain the major driving force behind overall economic growth, benefitting from further private capital injections, firm international commodity prices and anticipated initiatives to minimise electricity supply interruptions.

**Annual Mineral Production**

	2010 Actual.	2011 Budget Forecast	2011 Revised Forecast	2012 Proj
<b>Gold/kg</b>	9 620	13 000	13 000	15 000
<b>Nickel/t</b>	6 133	7 680	7 700	8 800
<b>Coal/t</b>	2 668 183	3 000 000	3 000 000	3 500 000
<b>Chrome/t</b>	516 776	700 000	700 000	750 000
<b>Platinum/kg</b>	8 639	12 000	10 500	12 000
<b>Palladium/kg</b>	6 916	9 600	8 400	9 600
<b>Black Granite/t</b>	169 318	168 000	168 000	170 811

*Source: Ministry of Mines & Chamber of Mines*

94. Mr Speaker Sir, as indicated in the above Table, a growth of 15.9% is projected for the mining sector in 2012.

## **Manufacturing**

95. Mr Speaker Sir, further recovery in both agriculture and mining should have positive spill over benefits for manufacturing industry, which is projected to register a 6% growth in 2012.

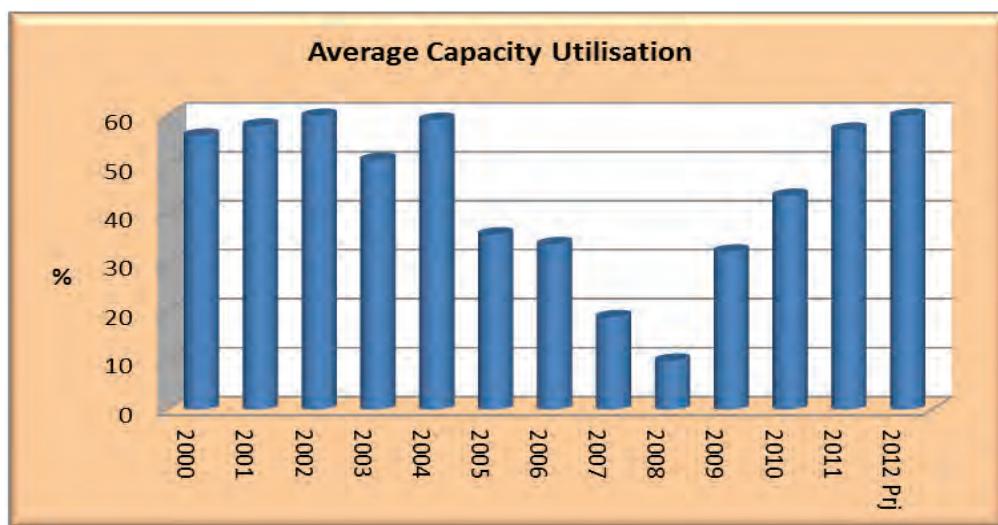
96. Challenges to be overcome include mobilisation of additional lines of credit for industrial re-tooling and other working capital requirements.
97. More importantly, Mr Speaker Sir, will be guaranteed minimal power supply, with predictable load shedding related supply interruptions.
98. Sub-sectors anticipated to drive growth in manufacturing will include food stuffs (6%), wood and furniture (8%), metals and metal products (11%), and non-metal products (25%).
99. Improved disbursements under our Industrial Revival Fund facilities<sup>1</sup>, coupled with the onset of facility windows<sup>2</sup> targeting the financing of potentially viable companies in distress and those in marginalised areas, will support the anticipated recovery of manufacturing.
100. Mr Speaker Sir, the maintenance of a fair playing field vis-à-vis imported products will also be necessary.

### ***Capacity Utilisation***

101. Mr Speaker Sir, developments during the first half of the year to June 2011 indicate that overall average capacity utilisation in the manufacturing sector improved to about 57.2%, compared to 43.7% last year.

<sup>1</sup> Zimbabwe Economic Trade and Revival Facility (ZETREF)

<sup>2</sup> Distressed and Marginalised Areas Fund (DiMAF)



Source: CZI, 2011 Manufacturing Survey

102. However, Honourable Members will be pleased to note that capacity utilisation in some of the higher performing sub-sectors is set to significantly improve, from current average levels of around 65%.

**Capacity Utilisation: High Performers**

Subsector	2010	2011	2012
Foodstuffs	38%	50%	57%
Drinks, Tobacco & Beverages	85%	93%	95%
Wood & Furniture	53%	69%	77%
Metals & Metal Products	52%	56%	66%
Non-metallic Mineral Products	47%	57%	83%

Source: Ministry of Finance & Various companies

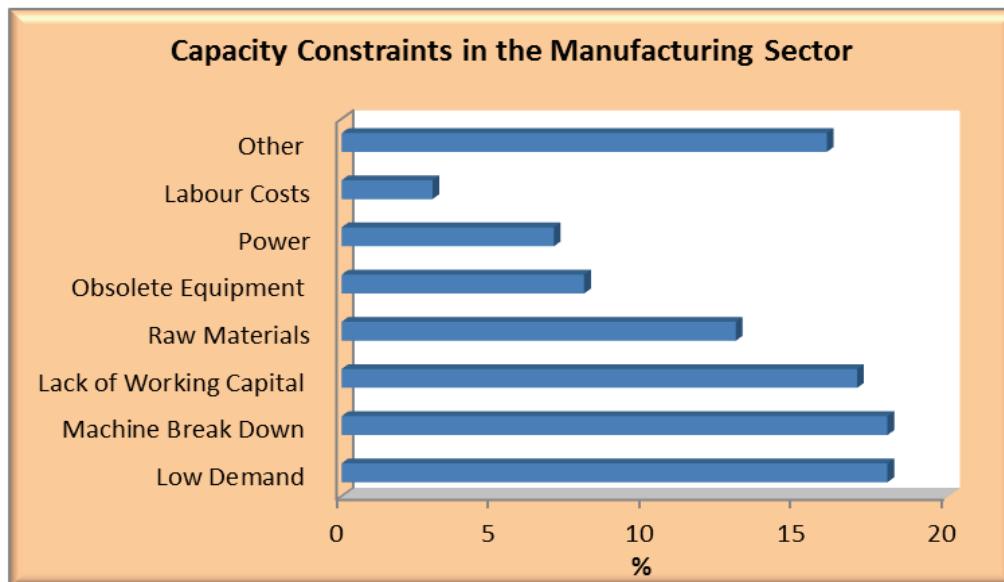
103. However, capacity utilisation in such sub-sectors as clothing, textiles and printing is set to remain poor, with levels of as low as 20% anticipated in some industries.

**Capacity Utilisation: Low Performers**

Subsector	2010	2011	2012
Chemicals & Petroleum Products	37%	43%	44%
Clothing & Footwear	30%	25%	25%
Textile & Ginning	23%	20%	19%
Paper Printing and Publishing	32%	25%	25%
Transport Equipment	22%	27%	30%

Source: Ministry of Finance & Various Companies

104. Major factors constraining capacity utilisation include low product demand, obsolete machinery susceptible to frequent breakdowns, lack of working capital and raw materials.

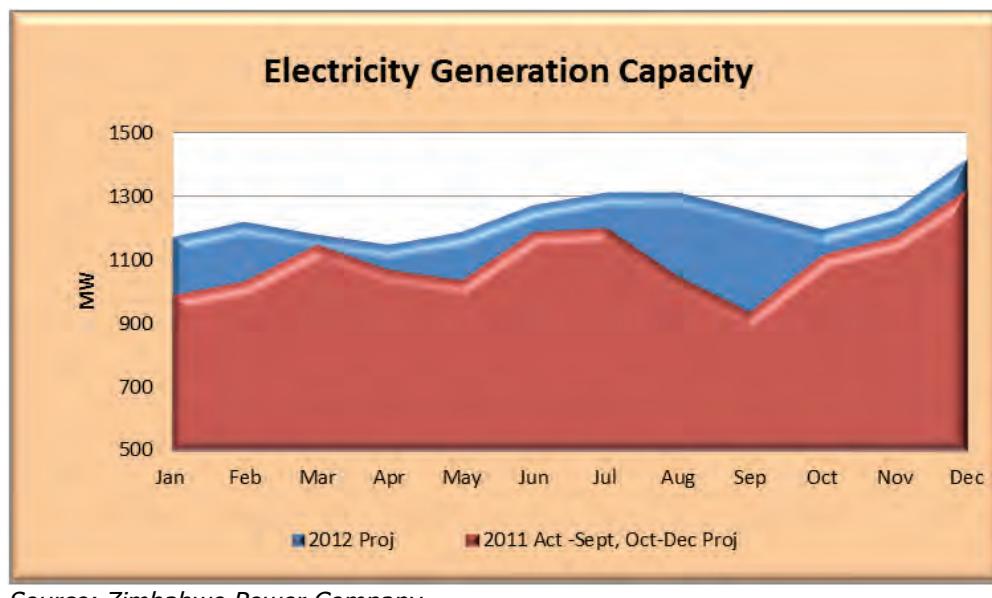


*Source: CZI, 2011 Manufacturing Survey*

## **Electricity**

105. Mr Speaker Sir, notwithstanding targeted and on-going rehabilitation programmes at Hwange, Kariba and small thermal power stations, power supply remains a major challenge for economic recovery.
106. In 2011 alone, about US\$40 million was disbursed for the energy programmes, however, resulting in only un-sustained marginal gains in power generation.
107. The targeted power supply in 2011 of 1 600 MW remains a challenge, as only an average of 1 105 MW has so far been realised, though some output improvement from 952 MW in 2010.

108. In 2012, electricity output is projected at 1 244 MW, reflecting only a 4.5% growth, a far cry from power supply levels required to drive sustainable increased production activity.



Source: Zimbabwe Power Company

109. Hence, power supply remains a major noose around the economy. Uninterrupted electricity supply will, however, hinge on sustained investments in power generation and transmission which, Mr Speaker Sir, will require the contribution of all beneficiaries.

## Tourism

110. Mr Speaker Sir, realising the potential of Zimbabwe's blessings of an array of natural wonders, the crown jewel of all being the inimitable Victoria Falls, will necessitate further work towards overcoming negative perceptions over our country.

111. Already, some success towards re-branding Zimbabwe's tourism facilities and infrastructure under the theme "Zimbabwe: A World of Wonders," coupled with the self-evident reduction of internal disharmony over the last 35 months, is being noted.

112. Central to both quantitative and qualitative growth in tourism will be marketing initiatives to penetrate new markets and develop new tourism products, against the background of increased competition, given challenges related to overall global economic slow-down.
113. The successful bid by Zimbabwe to co-host with Zambia the 2013 United Nations World Tourism Organisation General Assembly is, therefore, a positive development for the country. Successful hosting of this event should further boost tourist arrivals.
114. Mr Speaker Sir, acknowledgement and indebtedness must, therefore, be paid to the energetic and ubiquitous work of the Minister of Tourism as well as the Zimbabwe Tourism Authority and the Zimbabwe Council of Tourism.
115. The partial recovery of tourism has seen growth in average bed occupancy from 36% in 2010 to 37% in 2011.

**Room and Bed Occupancy**

Indicator	2008	2009	2010	2011 Est.	2012 Proj.
<b>Average bed occupancy rate (%)</b>	33	35	36	37	37
<b>Average room occupancy rate (%)</b>	41	46	52	56	60
<b>Overall sector growth (Tourism, Hotels and Restaurants (%))</b>	9.0	6.5	0.5	10.3	13.7

*Source: Zimbabwe Tourism Authority & Ministry of Finance*

116. In 2012, success of our tourism marketing initiatives should see room occupancy further improve from 56% in 2011 to more than 60% in 2012, translating to an annual growth of 13.7% for the sector in 2012 from 10.3% in 2011.

### *Domestic Tourism*

117. Mr Speaker Sir, our tourism development initiatives cannot be in isolation of the domestic tourism market, a backbone for most countries' tourism sectors.
118. In this regard, Honourable Members will also be happy to note initiatives by the tourism industry to nurture a domestic tourist market projected at around 3 million by 2015.

### *Success Factors*

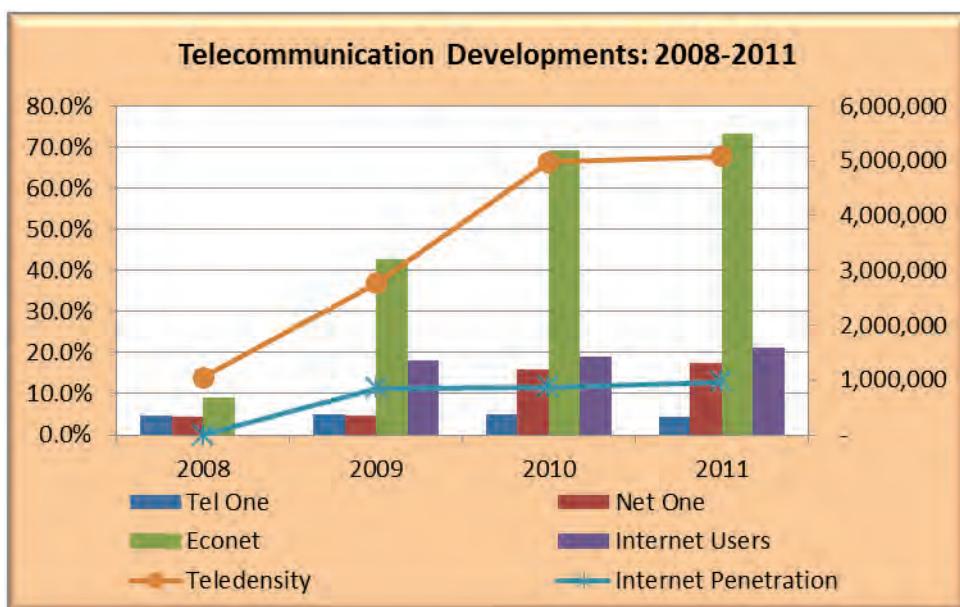
119. Mr Speaker Sir, successful development of our tourism will necessitate that we begin to address some of the major challenges in this sector, chief among them being the absence of ICT penetration, weak state of tourism infrastructure and the atrophying state of Air Zimbabwe.
120. It will, therefore, be important that we attend to such issues in 2012, including the following:
  - Development and implementation of a National Tourism Master Plan;
  - Review the Tourism Act to streamline the roles of the different players;
  - Strengthen the national web portal for ease of access of information and reservations by tourists, locally and internationally;
  - Establishment of efficient, well stocked and equipped Tourist Information Centres at all major ports of entry; and

- Rehabilitation and development of tourism infrastructure.

## **Information Communication Technology**

121. Mr Speaker Sir, the Information Communication Technology (ICT) sector remains one of the fastest growing sectors of the economy. According to the International Telecommunications Union (ITU), Zimbabwe was ranked 124 out of 152, jumping four places from the 128 it was in 2008.
122. Concurrently, the voice penetration rate or tele-density has improved, reaching 68% in 2011, of which mobile penetration accounted for 65%, making Zimbabwe one of the countries with the highest rates alongside South Africa, Botswana, and Mozambique.
123. However, the internet penetration rate at around 13%, remains below the international levels of 26.6%, although above the regional average of 11%.
124. Cumulatively, the three mobile service providers share close to 8.1 million subscribers, up from 7.7 million last year.
125. The incidence of E-commerce and mobile banking is an exciting ICT development for the country, which together with the coming of full 3-G technology will revolutionise doing business in Zimbabwe. Tribute is, therefore, paid to banks and mobile phone companies that have given paternity to this unequalled progeny.

126. The graph below indicates the trends in voice and internet penetration, based on volumes of subscribers over the years to 2011.



*Source: POTRAZ*

127. Mr Speaker Sir, given the growing importance of ICTs, it will be necessary that we fully appreciate that there is a fundamental difference between ICTs and transport.
128. A disaggregated expose of transport and communication is reflected below:

Transport and Communication Value-Addition 2009 - 2010

Year	2009 US\$ mil	2009 % of GDP	2010 US\$ mil	2010 % of GDP	2011 US\$ mil	2011 US\$ mil
Transport Value-Added	387.0	6.5	480.1	5.8	563.2	5.6
Communication Value-Added	467.8	7.9	586.8	7.0	688.4	6.9
Total Value Added Transport and Communication	853.8	14.5	1 066.9	12.9	1 251.6	12.5
Total GDP	5 899.1		8 289.6		10 006.8	

*Source: ZIMSTAT & MOF*

129. Globally, there has been convergence of information, communication, broadcasting and computers, and this is why the 2011 Budget identified ICTs as one of the champion pillars of our development.
130. Pursuant to this, a raft of policy measures has been adopted to facilitate the growth of this sector.
131. However, it is quite clear that there are still major policies to be implemented if the full value of this sector is to be achieved.
132. Chief among these is the Enactment of the ICT Bill to consolidate convergence and regulation, as well as establishing and implementing a policy on E-governance that will facilitate connectivity of all Government services. The latter aspect is particularly depressing.
133. Government Departments and parastatals are living in the out-dated era where expensive bond paper and un-linked stand-alone desktop computers are still the standard norm. Mr Speaker Sir, this situation needs urgent redress.

## **Transport**

134. Mr Speaker Sir, rail transport is the most competitive mode of transport for bulk goods internally, and with external markets.

135. Hence, the poor state of our rail transport system and network continues to undermine the competitiveness of Zimbabwean goods in markets.
136. Major challenges at the National Railways of Zimbabwe (NRZ) relate to run-down track, obsolete signalling systems and rolling stock.
137. As a result, business is forced to resort to the more expensive road transportation, threatening further damage to the road network.
138. The marginal improvement in rail tonnage movement in 2011 to 3.79 million tons, from 3.54 million tons in 2010, following extension of US\$2 million to the NRZ for rehabilitation and upgrading of track infrastructure, remains a drop in the ocean.

**Rail Tonnage Movements: 2009 – 2012**

Year	Q I	Q II	Q III	Q IV	Total
<b>2009</b>	457,117	558,435	824,044	896,489	<b>2,736,085</b>
<b>2010</b>	582,646	904,666	1,100,660	956,710	<b>3,544,682</b>
<b>2011</b>	725,397	994,283	1,071,628	998,654**	<b>3,789,962**</b>
<b>2012</b>					<b>6,076,649**</b>

*Source: NRZ, \*\* Projection*

139. Mr Speaker Sir, additional interventions will, therefore, be necessary, targeting tonnage movements of 6.08 million tons in 2012.

## **Construction**

140. Mr Speaker Sir, construction activity is often a useful barometer for underlying business activity in any economy.

141. Hence, absence of meaningful construction activity over the past decade mirrored the challenges crippling overall economic activity in the country.

142. Similarly, the stabilisation of the macro-economic environment since 2009 has allowed the construction sector to slowly emerge from the crisis of the past decade, with positive growth of 1% estimated for 2011 and 1.5% for 2012.

143. Mr Speaker Sir, challenges related to intermittent supply side bottlenecks of such critical inputs as cement and bricks, coupled with under-capitalisation of the major construction companies and liquidity constraints, all serve to limit the sector's capacity to seize on emerging green shoots of economic recovery.

144. Further, undermining the rapid recovery of construction activity remains shortage of the requisite human resources, following skills flight.
145. However, with gradual improvement in investment in the production of the key building materials such as cement and bricks, activity in the sector is set to improve.

#### *National Housing*

146. Similarly, with the inception of PPPs as a way of complementing Government capacity and the launch of the National Housing Policy, the construction sector is poised to play a leading role in housing and other infrastructural programmes in transport and water, among others.
147. Already, Government has availed the US\$25 million facility in 2010 through the IDBZ for housing projects in various local authorities.
148. Of this amount, US\$14.8 million has so far been spent on various housing projects in a number of local authorities, which include:
  - Willowvale Flats; Sunway City, Dzivarasekwa and Marimba in Harare;
  - Lower Paradise in Marondera;

- Mbizo in Kwekwe;
- Chikanga in Mutare;
- Parklands in Bulawayo;
- Checheche in Chipinge; and
- Nemamwa in Masvingo;
- Spitzkop in Gwanda; and
- Tshobani in Chiredzi.

149. The following Table highlights resources utilisation in the implementation of the above public housing projects:

**Public Housing Projects Resource Utilisation**

Name of Project	Planned Housing Units	Contract Value US\$ (mil)	Amount Spent to Date US\$ (mil)	Contract Balance US\$ (mil)
Willowvale Flats	240	6.74	6.17	1.31
Sunway City	225	1.72	1.11	0.94
Lower Paradise	108	0.62	0.47	0.36
Mbizo	22	4.14	4.33	0.28
Chikanga	197	0.59	0.73	0.26
Parklands	136	1.54	0.78	0.93
Dzivarasekwa	800	3.86	1.03	3.61
Checheche	156	0.65	-	0.74
Spitzkop (Gwanda)		1.3	0.17	1.49
Marimba	720	0.59	-	0.68
Nemamwa		0.52	-	0.59
Chiredzi	300	0.18	-	0.21
<b>Total</b>		<b>18.38</b>	<b>14.82</b>	<b>11.46</b>

150. Works on these projects are at various stages of completion, and an estimated balance of US\$11.46 million will see the completion of these projects.

151. Mr Speaker Sir, a total of US\$18.38 million was initially required to complete the above projects. However, with US\$14.82 million

having been utilised so far, the required balance is US\$11.46 million.

152. This, Honourable Members, raises concern over escalating costs, and or costing challenges, which now mean that additional financing to the tune of US\$7.9 million would have to be provided for.
153. Mr Speaker Sir, the above Budget supported national housing initiatives would have to be complemented by a Local Authorities Incremental Development Policy which prioritises servicing of pre-housing development infrastructure.

### **Inflation**

154. Mr Speaker Sir, since the inauguration of our Inclusive Government 35 months ago, inflation management and oversight remains the apogee of our macro-economic targets.
155. Treasury, therefore, carefully analyses monthly inflation developments, scrutinising all price related data, and the causes thereof of any marginal shifts in inflation points.
156. Annual inflation, which started the year at 3.5%, dropped to 2.5% in the second quarter of the year. By the third Quarter of the year, inflation was on the rise, reaching 3.3% in July, 3.5%

in August and 4.3% in September. Month on month inflation also oscillated in almost the same pattern.

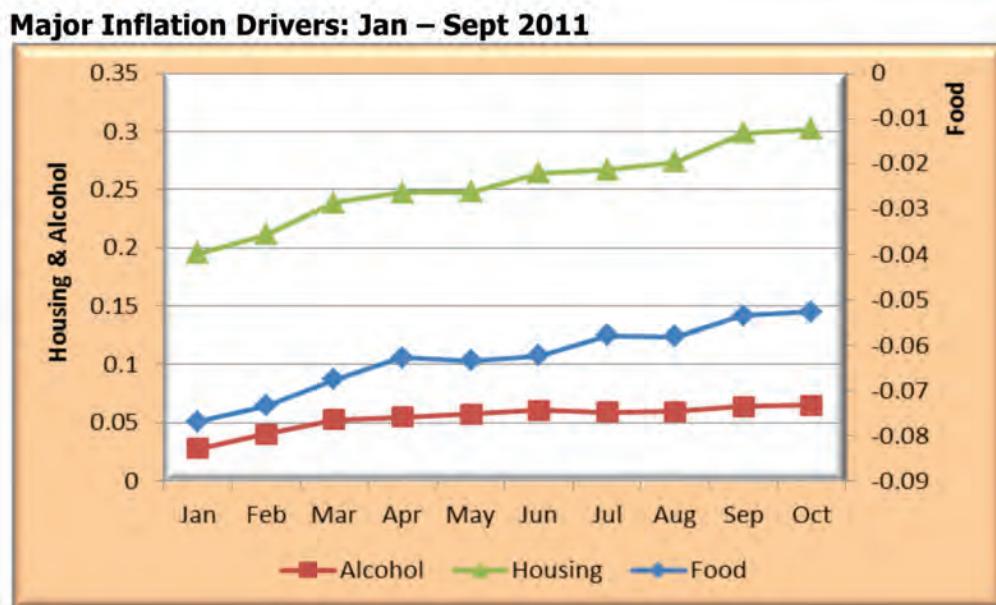


Source; ZIMSTAT

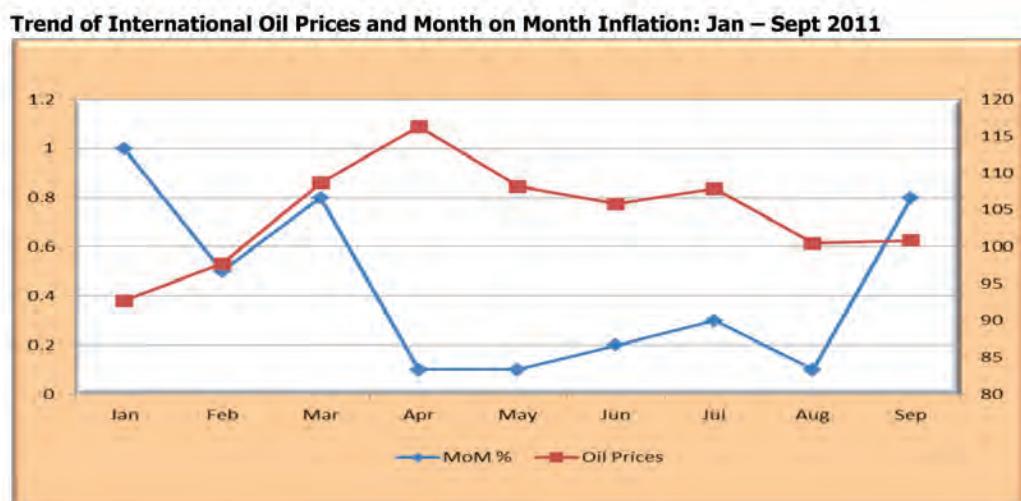
157. Developments in the month of October witnessed some reversal, with monthly inflation falling to 0.1%. Monthly inflation in September was 0.8%, a level last registered in March. The significant deceleration in inflation during October saw the year-on-year inflation falling to 4.2%.
158. The major drivers of inflation so far in 2011 have been housing and rental costs, alcohol and food.
159. There was a sharp increase of 0.5% in food prices between August and September, related to unwarranted retrogressive price adjustments on some basic commodities, following review of import duties.

160. The housing related inflation clearly arose following review of civil service remuneration in January and July.

161. The following Table captures the trend of the inflation drivers:

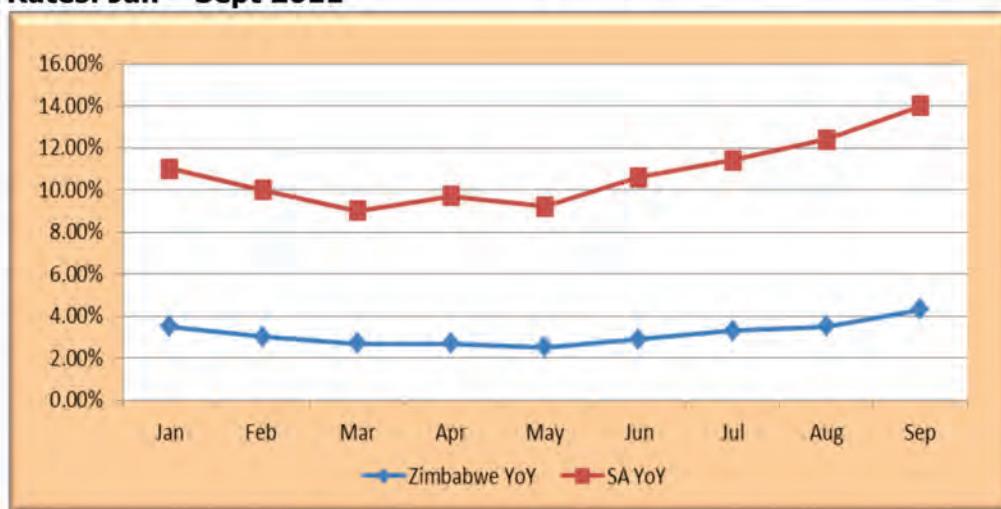


162. International oil prices have been volatile and mostly on the decline from April 2011. However and surprisingly, there was no corresponding movement in domestic prices.



163. Mr Speaker Sir, our domestic price developments also reflect the economic integration pattern between our economy and that of South Africa, a major source of our imports.
164. Hence, some of the price movements in South Africa are reproduced asymmetrically in Zimbabwe, as reflected in the Table below:

**Comparison of Zimbabwe and South Africa Annualised Inflation Rates: Jan – Sept 2011**



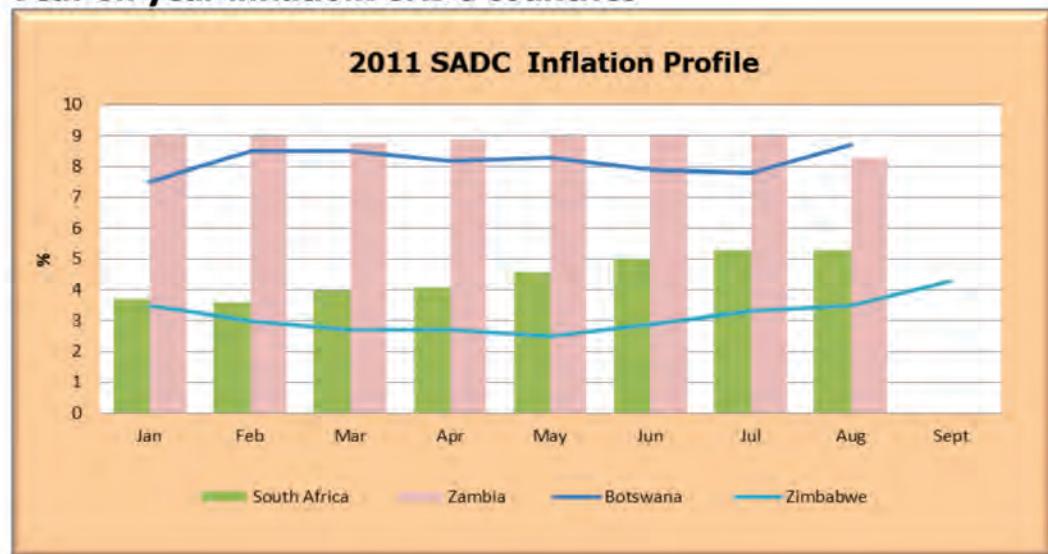
165. Mr Speaker Sir, Government review of utility tariffs has also had a bearing on inflationary pressures in the economy, in particular the 31% electricity adjustment in September 2011.
166. Projections to year end, however, show annual average inflation remaining within the targeted range of 3.5-4.5%.

	<b>Month on Month</b>	<b>Year on Year</b>
<b>Jan-11</b>	1.0%	3.5%
<b>Feb-11</b>	0.4%	3.0%
<b>Mar-11</b>	0.7%	2.7%
<b>Apr-11</b>	0.1%	2.7%
<b>May-11</b>	0.1%	2.5%
<b>Jun-11</b>	0.3%	2.9%
<b>Jul-11</b>	0.3%	3.3%
<b>Aug-11</b>	0.1%	3.5%
<b>Sep-11</b>	0.8%	4.3%
<b>Oct-11</b>	0.1%	4.2%
<b>Nov-11 Projection</b>	<b>0.2%</b>	<b>4.3%</b>
<b>Dec-11 Projection</b>	<b>0.4%</b>	<b>5.1%</b>
<b>Average Projection</b>		<b>3.5-4.5%</b>

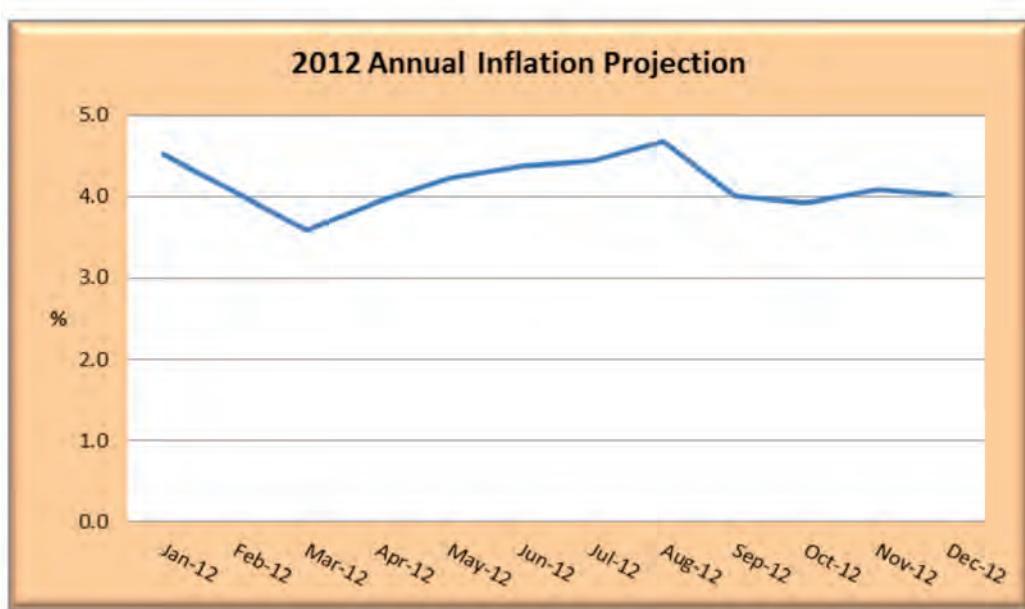
Source: ZIMSTAT, Ministry of Finance

167. At this level, our inflation levels remain within the SADC macro-economic convergence criteria thresholds.

#### **Year on year inflation: SADC countries**



168. Mr Speaker Sir, avoiding repeat of inflation ever becoming a major threat to macro-economic stability will necessitate that Government remains ready to invoke all available anti-inflation policy tools during 2012.
169. This will necessitate Government coordination of reviews to utility tariffs, charges, fees and rates by quasi Government institutions.



## Financial Services

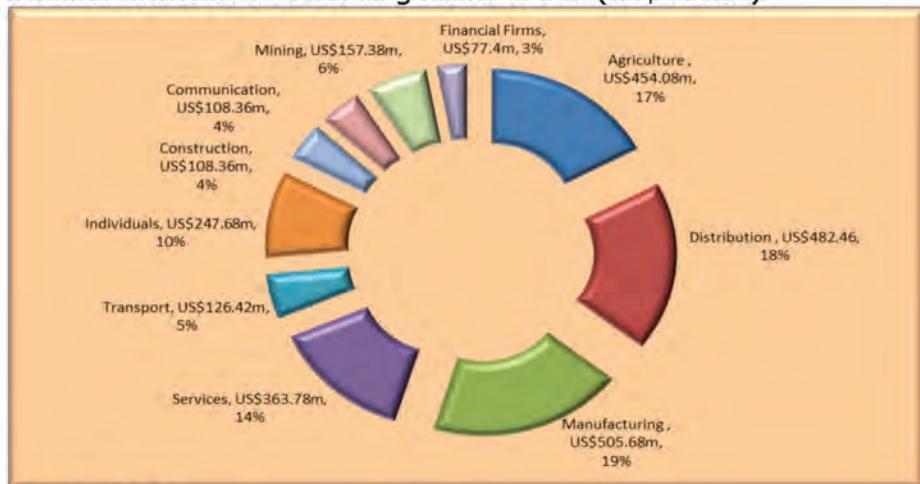
170. Mr Speaker Sir, there is no doubt that, over the last 35 months, developments in the financial sector have been progressively upwards, with the deposit base now estimated at US\$3.3 billion by end of September 2011.

171. Indeed, other estimates indicate that the deposit base could have been much higher had our institutions been fully embracive with regards to the mobilisation of all potential domestic savings.
172. Hence, part of the liquidity challenges our financial system is experiencing is on account of deposits that are allowed to remain with the public.
173. It is estimated that over US\$2 billion remains outside the formal banking system, on account of absence of incentives and historical confidence concerns, among others.
174. In 2012, the deposit base is estimated at above US\$3.8 billion, of which about 80% will be available for lending.



175. Lending to the productive sectors grew to US\$2.59 billion over the period, constituting 78.4% of total deposits. Primary beneficiaries were in the sectors of agriculture (18%), manufacturing, (20%), distribution (19%) and mining (6%).

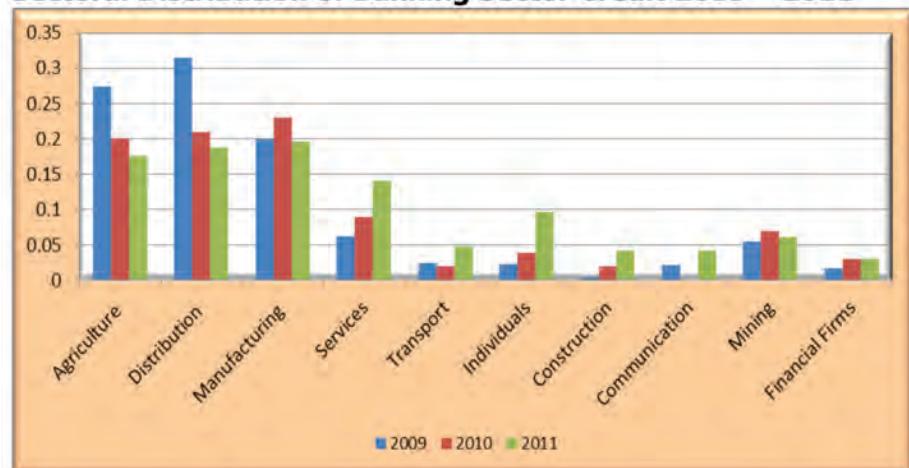
**Sectoral Distribution of Banking Sector Credit (US\$ million)**



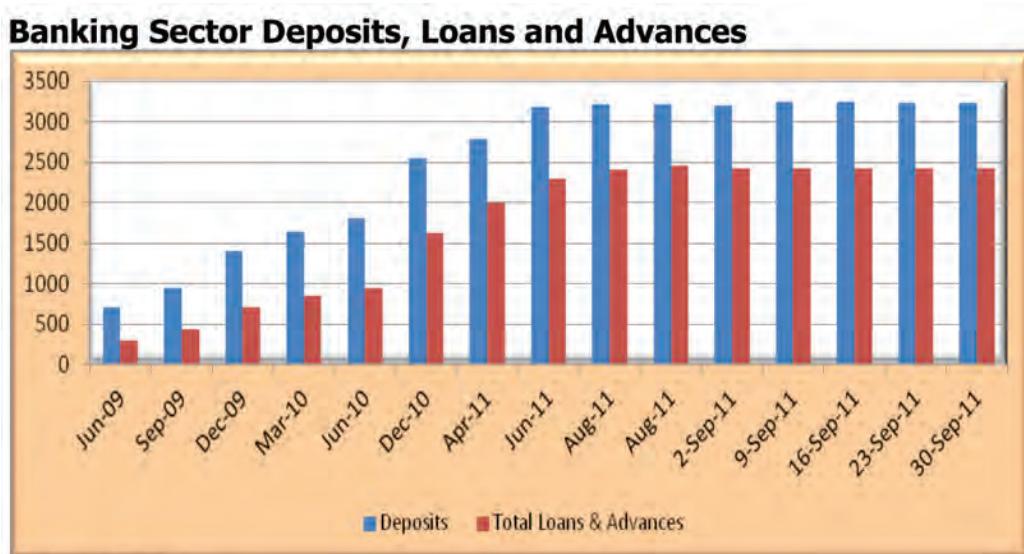
*Source: RBZ*

176. However, compared to previous years, there is a gradual shift in the proportion of lending towards services, construction, communication and individuals, while the share of lending to agriculture, mining and manufacturing remained relatively stagnant.

**Sectoral Distribution of Banking Sector Credit 2009 – 2011**



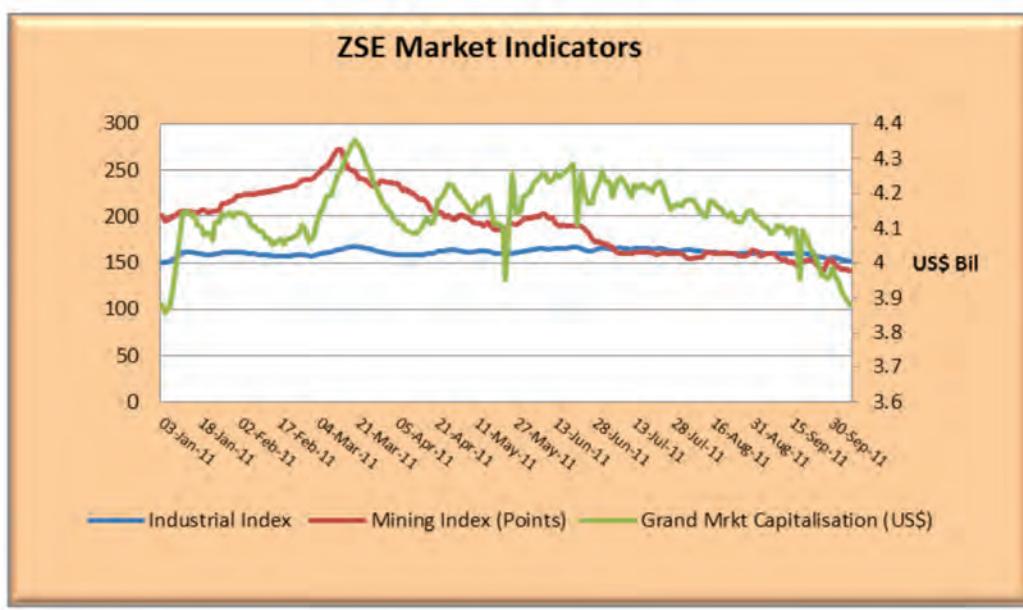
177. Beneficiaries continue to face high lending interest rates of about 15-30%, against deposit rates of as low as 0.2%.
178. Notwithstanding the above, the financial service sector in Zimbabwe must be commended for continuing to effectively play its intermediation role of transferring investable resources to the productive sectors under an extremely difficult environment.
179. The graph below shows the fantastic growth of this sector in the last 35 months, in terms of deposits and advances, a situation which should not be disturbed by 'our own' policy distortions.



180. Mr Speaker Sir, the long and short of it is, therefore, that this is a very important but vulnerable sector which should not be undermined.

## **Zimbabwe Stock Exchange**

181. Activity on the Zimbabwe Stock Exchange remained sluggish, as a result of uncertainties shrouding the implementation of the Indigenisation and Empowerment Regulations and liquidity challenges in the economy.
182. Reflecting this, the industrial index averaged 158.6 in January, 165.3 in June and 148.1 in October. Similarly, the mining index averaged 206.1 in January, 217.5 in July, before declining to 139.3 in October.



183. Accordingly, market capitalisation was US\$3.9 billion by September 2011, down from US\$4.3 billion in January 2011.

### ***Lines of Credit***

184. Mr Speaker Sir, I have already alluded to the reality that the liquidity challenges in the domestic financial market make it unavoidable that we complement the limited available domestic resources by recourse to external lines of credit.
185. As I have previously reported some progress has been made, with a number of Industrial Revival Fund facilities approved.
186. Unfortunately, disbursements from approved facilities continued to underperform during the year, with the main culprit being protracted approval processes by some of the lenders. This was exacerbated by other delays related to local banks fulfilling conditions precedent.

### ***Zimbabwe Economic Trade Revival Facility (ZETREF)***

187. Following the signing of the Facility Agreement on 9 March 2011, projects worth US\$30.2million have been approved for disbursement. This amount has been channelled towards manufacturing, pharmaceuticals, agro-processing, tourism, textiles, among others.
188. In 2012, it is anticipated that the full amount of US\$70 million will be disbursed, given the demand for these resources. Therefore, a top up of this facility would be necessary.

*Distressed and Marginalised Areas Fund (DiMAF)*

189. DiMAF is a five year collaborative Facility with a seed capital of US\$40 million from the Government and Old Mutual Zimbabwe, of which both parties are contributing US\$20 million each.
190. The establishment of this Facility is informed by the need to improve access to borrowed capital, targeting potentially viable companies which are either in distress or in marginal areas.
191. Following the launch of the Facility on 10 October 2011 in Bulawayo, modalities for the disbursement of the funds are now in place and invitations for applications by companies have been made by CABS.
192. The Fund will allow companies to purchase equipment and raw materials to enhance output and quality of produced goods.

*Diaspora Bond*

193. Mr Speaker Sir, our efforts to improve the economy's access to liquidity have acknowledged the need to benefit from the large potential of savings of non-resident Zimbabweans.
194. In this regard, CBZ Bank, in collaboration with Afreximbank, floated a three (3) year Zimbabwe Economic Revival Bond,

with resources amounting to US\$42.5 million mobilised. I am happy to note that these have been disbursed.

195. Major beneficiaries have included the following:

- ZESA, US\$10 million;
- Net-One, US\$10.4 million;
- Surface Investments, US\$13 million;
- Transport (Haulage Trucks), US\$5.5 million;
- Oliken Engineering (Mining), US\$1.5 million; and
- Insign Ginneries, US\$3 million.

196. Mr Speaker Sir, I am delighted to note that although the issuance of this bond targeted non-resident Zimbabweans, subscribers to the bond included both local and offshore investors.

197. Modalities are being finalised with an offshore investor to take up the remaining US\$7.5 million, to bring the total bond issue amount to US\$50 million.

#### *SMEs Facilities*

198. Honourable Members will recall that in the 2011 Mid-Term Fiscal Policy Review, I announced a US\$15 million SMEs facility established with contributions from Government, CBZ Bank and BADEA who contributed US\$5 million each.

199. For the period August – October 2011, about half of the facility had been loaned out to qualifying projects. It is my hope that the revolving nature of the facility will enable the accommodation and support of more disadvantaged SMEs.

### ***Other Offshore Facilities***

200. Mr Speaker Sir, the economy is also benefiting from private sector loan arrangements through our financial system.
201. Between January and September 2011, the External Loans Coordinating Committee (ELCC) approved offshore lines of credit amounting to US\$2.56 billion.
202. Of this, US\$1.135 billion has been disbursed as indicated in the Table below:

**2011 ELCC Approvals**

Sector	Number of Companies	ELCC Approved Amount US\$ mil	Utilised Amount US\$ mil
<b>Agriculture</b>	13	439.8	293.8
<b>Financial</b>	23	894.4	374.3
<b>Mining</b>	16	295.8	122.7
<b>Distribution</b>	41	88.5	27.4
<b>Tourism</b>	5	17.9	3.6
<b>Manufacturing</b>	19	367.7	53.3
<b>Telecommunications</b>	8	454.9	259.9
<b>Total</b>	125	2559.0	1135.0

203. In 2012, offshore facilities are anticipated to be above US\$3.5 billion, in support of the recovery of our economy.

### **External Sector**

204. Mr Speaker Sir, careful management of the country's balance of payments during 2012 will be necessary, especially against a background of the anticipated adverse effects of global economic slowdown on commodity prices, exports demand, as well as on capital flows.

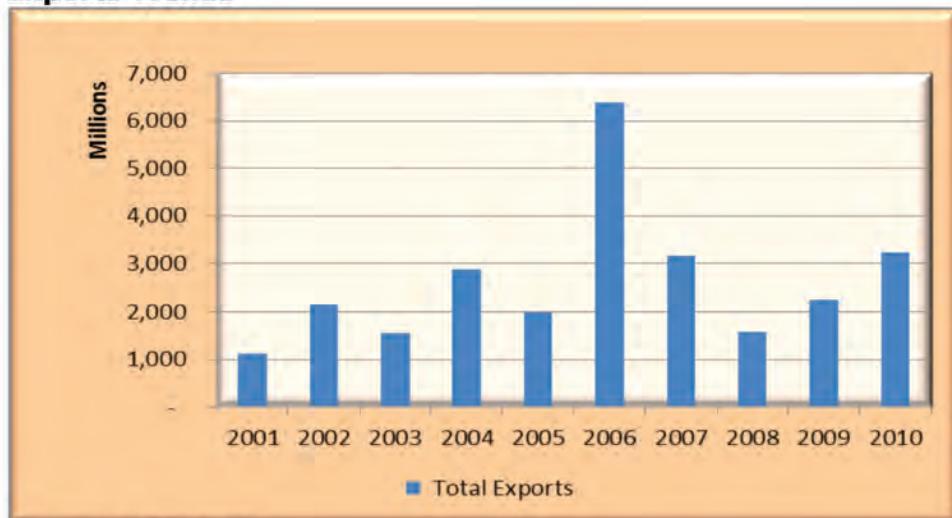
205. This, coupled with our limited options for external revenue mobilisation in support of financing Government development programmes, makes it imperative that our fiscal stance accommodates the re-building of fiscal buffers.

206. These allow Government capacity to absorb the envisaged widening of both the fiscal and overall balance of payments deficits, enabling us to protect critical expenditures in health, education and other infrastructure.

### ***Exports***

207. Exports are estimated to grow by 30.2% in 2011 and a further 15.3% in 2012. This translates into total export earnings of US\$4.4 billion and US\$5.1 billion, respectively.

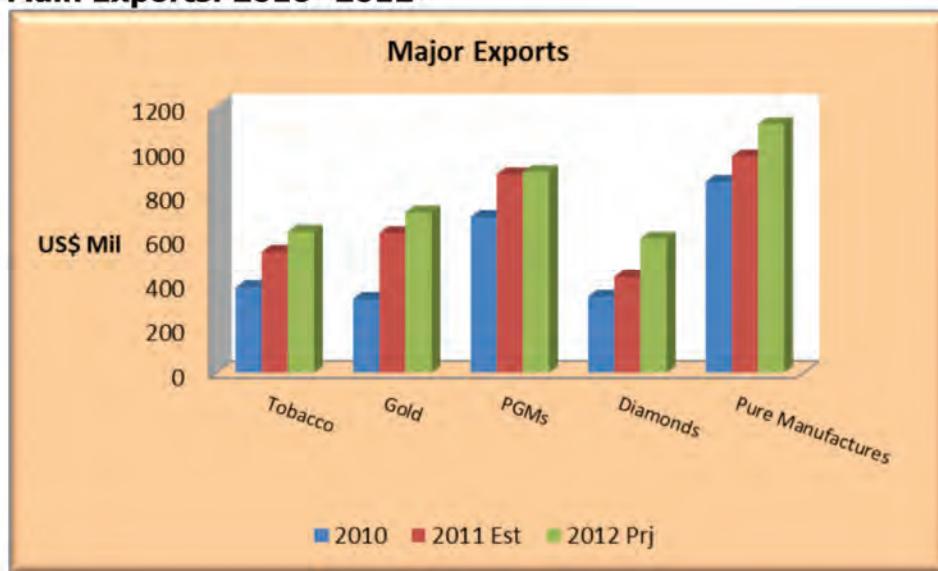
### **Exports Trends**



*Source: ZIMSTATS*

208. Main exports remain mineral commodities, tobacco and manufactured products.

### **Main Exports: 2010- 2012**



### *Export Destinations*

209. Main exports destinations for the period 2009 to 2011, among others, include South Africa (56%), China (6%), United Arab

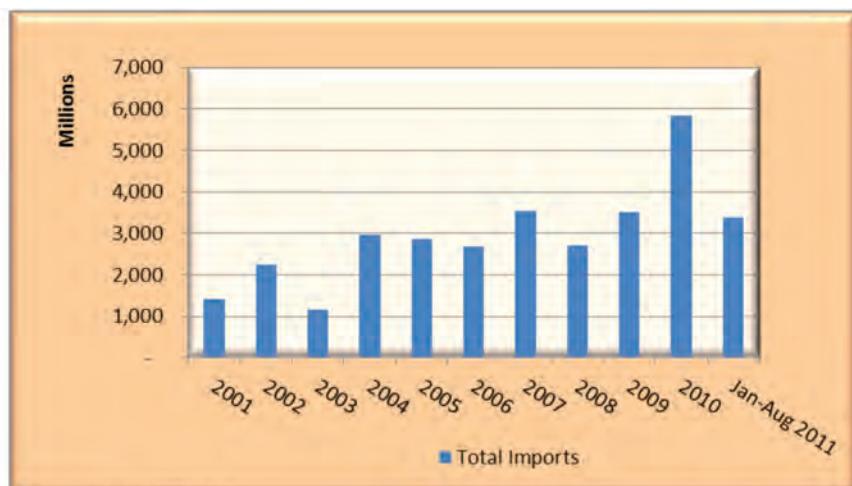
Emirates, Mozambique, Switzerland, and Zambia, each with 3%, among others, as indicated below:



### ***Imports***

210. Import growth is, however, estimated to decelerate from 23.3% in 2011 to 6.8% in 2012. This accounts for total imports of about US\$6.4 billion in 2011 and US\$6.8 billion in 2012, implying a trade and respective current account deficit of US\$2 billion in 2011 and US\$1.7 billion in 2012.

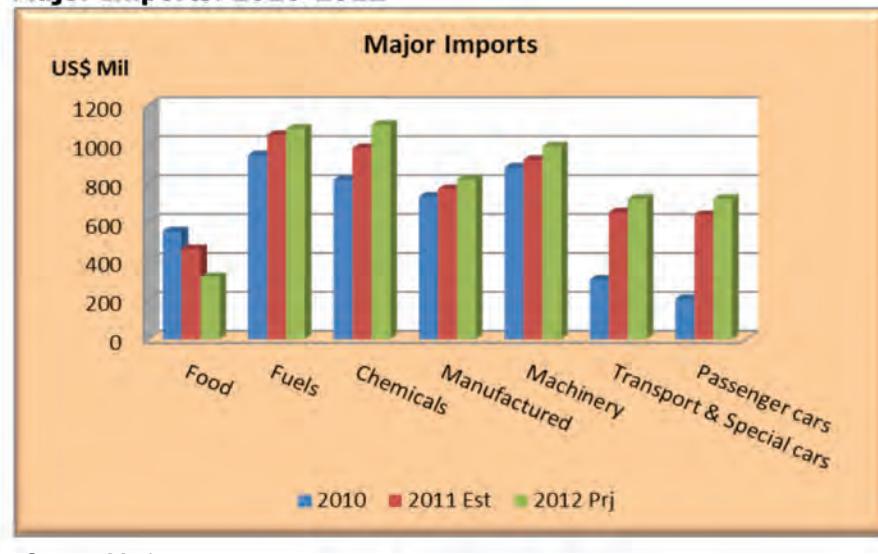
### **Exports Trends**



Source: ZIMSTATS

211. Fuels, food, machinery, chemicals, manufactured goods, transport equipment and passenger cars account for the larger share of imports in 2011 and 2012.

**Major Imports: 2010-2012**



*Source Markets*

212. Major imports source markets for the period 2009 to 2011, among others include South Africa (52%), the United States (11%), Kuwait (6%) and China (5%), as indicated below:



### *Nature of Imports*

213. Mr Speaker Sir, finished consumption goods continue to account for a disproportionate share of our imports, implying the need for greater support for investment in domestic manufacturing value addition.
214. Failure will entrench our economy a supermarket for those countries whose development policies champion domestic value addition.
215. A deliberate policy is, therefore, necessary in managing importation of finished manufactured goods, given the unsustainable current account deficit, financed through short term capital inflows and arrears accumulation.
216. The overall balance of payments deficit is expected to be US\$667.4 million in 2011 and US\$610.5 million in 2012.

### ***Development Assistance***

217. Mr Speaker Sir, development partners pledged US\$618.3 million this year, mainly in humanitarian assistance, targeting health, education and social protection programmes, as well as agriculture, energy, water and sanitation, and governance.

218. Of the above pledged amount, US\$370.7 million had by September 2011 been disbursed, however, as in the previous year, mostly outside the Budget framework.

**Bilateral Partners**

Donor	2011 Projected Expenditure US\$	Cumulative Disbursements (Jan-Sept 30, 2011) US\$	Of Which ZIMFUND	
			Projected Expenditure US\$	Disbursement US\$
Australia	50,000,000	44,395,715	A\$10,000,000	4,551,800
Canada (CIDA)	15,019,479	7,802,142		
Denmark	18,109,075	2,484,298	DK30,000,000	
European Union	85,944,498	54,289,143		
Finland	8,241,000	1,740,000		
France	TBA	-		
Germany	38,940,000	33,025,400	€20,000,000	15,333,707
Ireland	5,962,500	1,325,000		
Japan	15,759,269	5,859,269		
Netherlands	22,150,619	18,479,377		
Norway	13,620,000	9,750,000	NOK41,000,000	
Sweden	32,250,000	26,814,000	SK40,000,000	
Switzerland (SDC)	11,817,000	10,351,038	SHF4,900,000	5,699,810
UKAID	85,877,000	51,484,000	£10,000,000	
USAID	133,099,200	75,981,778		
<b>Total</b>	<b>536,789,641</b>	<b>343,781,160</b>		

**Multilateral Donors**

Donor	2011 Projected Expenditure US\$	Cumulative Disbursements ( Jan-Sept 30, 2011) US\$
FAO	-	507,109-
ILO	-	-
UNDP	-	4,440,150
UNFPA	-	3,338,666
UNICEF	-	7,337,561
WHO	-	1,331,454-
UNESCO	-	170,527
WORLD BANK	-	9,800,000
<b>TOTAL</b>	<b>81,516,356</b>	<b>26,925,467</b>
<b>GRAND TOTAL</b>	<b>618,305,997</b>	<b>370,706,627</b>

219. Cooperating partner disbursements have mainly been in support of health, education, social protection, water and sanitation, food security and capacity building.

220. Mr Speaker Sir, Government, therefore, wishes to acknowledge and appreciate the support given by cooperating partners to the country.
221. Government continues to engage cooperating partners to increase and broaden their support to the country, preferably by also gradually shifting from humanitarian to development assistance.
222. Furthermore, Government would continue to engage cooperating partners on the need to graduate from off Budget support.
223. Budget support enhances country ownership, alignment, harmonisation, results and mutual accountability, the five principles espoused by the 2005 Paris Declaration on Aid Effectiveness.
224. In this regard, Government appreciates the current collaboration with the World Bank, UNDP and the African Development Bank towards strengthening transparency and accountability in public resource use through the revamping of the Public Finance Management System (PFMS).
225. The multi-development partners' investment in social sectors in Zimbabwe through basket funding mechanisms, such as

under UNICEF's Education and Health Transition Funds, are highly commendable as they allow for joint programming, implementation, monitoring and evaluation.

226. Government, therefore, also takes this opportunity to thank cooperating partners for the successful launch of the following Funds being managed by UNICEF:
  - Child Protection Fund, National Action Plan Phase II, for the period 2011 – 2015;
  - Education Transition Fund II; and
  - Health Transition Fund II.
227. Mr Speaker Sir, of the US\$618.3 million pledged, US\$80 million relates to contributions through the ZIMFUND, established under the administration of the ADB for funding identified projects and programmes. This represented a shift away from mainly humanitarian assistance to support towards developmental infrastructure projects.
228. The US\$80 million contributed into ZIMFUND so far, US\$35 million is allocated towards Hwange Thermal, US\$30 million towards water and sanitation rehabilitation in Harare, Chitungwiza, Mutare, Masvingo, Kwekwe and Chegutu.

229. The balance of US\$15 million will be allocated to projects mutually identified and agreed upon by Government and cooperating partners.
230. Mr Speaker Sir, development assistance in 2012 is estimated at around US\$500 million, in view of the challenges facing most development partners.

#### **IV. FISCAL DEVELOPMENTS**

231. Mr Speaker Sir, with regards to this year's fiscal developments, I am at the present moment only able to report on the fiscal outturn to September 2011.
232. The full year outturn indicates that total revenues to December 2011 are now expected to marginally increase to US\$2.95 billion, against the original budget target of US\$2.75 billion.
233. In line with the policy on cash budgeting, overall Government expenditures to year end will remain in line with the available Budget revenues.
234. However, despite this, the structure of expenditure to year end will be distorted, mainly on account of higher than budgeted wage adjustments in January and July 2011, foreign travel, and the need to support farmers.

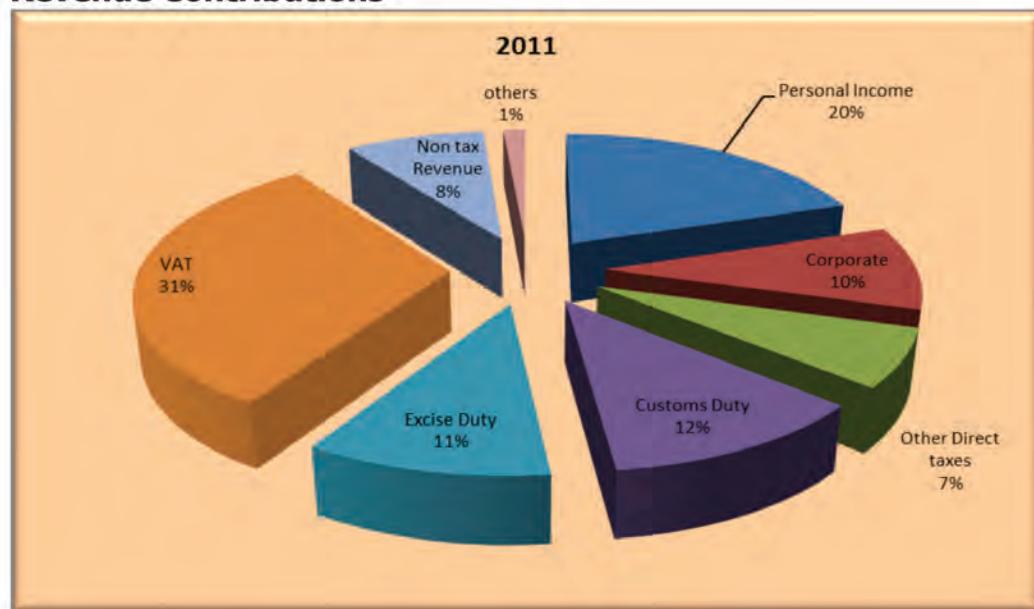
235. In the same vein, payment obligations to the GMB for grain procurement are much higher than anticipated.

## REVENUE PERFORMANCE

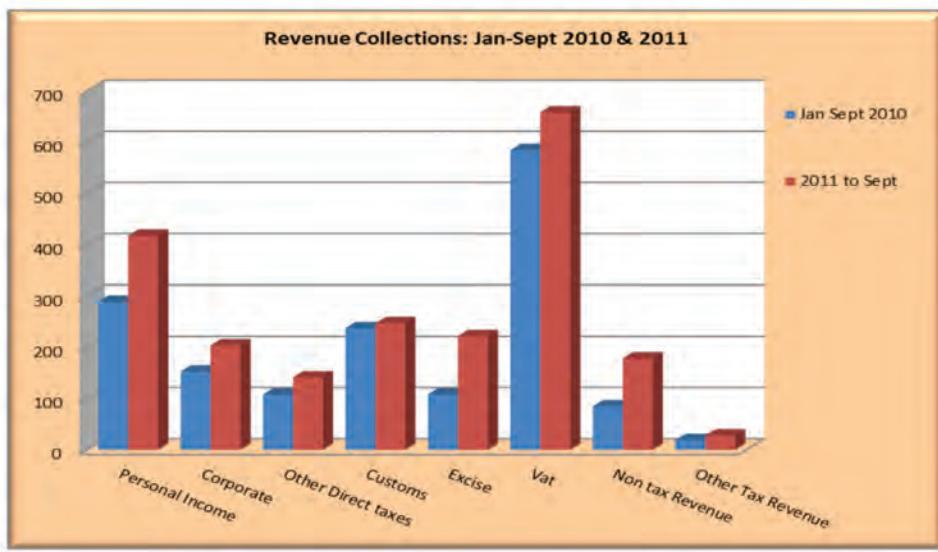
236. Revenues for the period January to September 2011 stood at US\$2.1 billion, against total expenditures for the same period of US\$1.9 billion.

237. Of the total revenue collections to September, major contributors were VAT (31%), PAYE (20%), customs duty (12%) and excise duty (11%), as indicated below:

**Revenue Contributions**



238. The Graph below compares revenue collection for the years 2010 and 2011 over the period January to September.



239. Of the total revenue to September, the top ten contributing companies accounted for US\$110.7 million or 19% of VAT, US\$61.1 million or 14.6% of PAYE, and US\$69.6 million or 34% of Corporate Tax, as indicated in the Table below:

**Top Ten Contributors to VAT, PAYE and Corporate Tax**

	VAT	PAYE	Corporate Tax
1	Delta Beverages	Zimbabwe Platinum Mining Company	Econet Wireless
2	Zimbabwe Power Company	Zimbabwe Electricity Distribution Company	Delta Beverages
3	Zimbabwe Electricity Distribution Company	Econet Wireless	Commercial Bank of Zimbabwe
4	Econet Wireless	Delta Beverages	Zimbabwe Platinum Mining Company
5	Tel-One	Bulawayo City Council	Blanket Mine
6	Postal and Telecommunications	Zimbabwe Revenue Authority	Mbada Diamonds
7	Isoquant Investments	ZIMASCO	Standard Chartered Bank
8	Telecel Zimbabwe	Standard Chartered Bank	MMCZ
9	Nestle Zimbabwe	Triangle Limited	Zimbabwe Leaf Tobacco
10	Treger Products	Treger Products	Stanbic Bank

240. Mr Speaker Sir, we are very grateful to our top tax payers reflected above. However, the above Table raises some

eyebrows. For instance, some companies appear in some heads and disappear in others, raising potential questions over compliance and tax avoidance.

241. With this in mind, the Zimbabwe Revenue Authority has, from August 2011, opened a Large Tax Payer's Office providing dedicated service to large tax payers. This is critical not only in ensuring quality service to our tax payers but also encouraging compliance with our tax laws.

#### *Diamond Revenue*

242. Mr Speaker Sir, it will be remiss not to disclose diamond revenues received in the year. Treasury has received in 2011 total diamonds dividend receipts of US\$122 256 491.67.

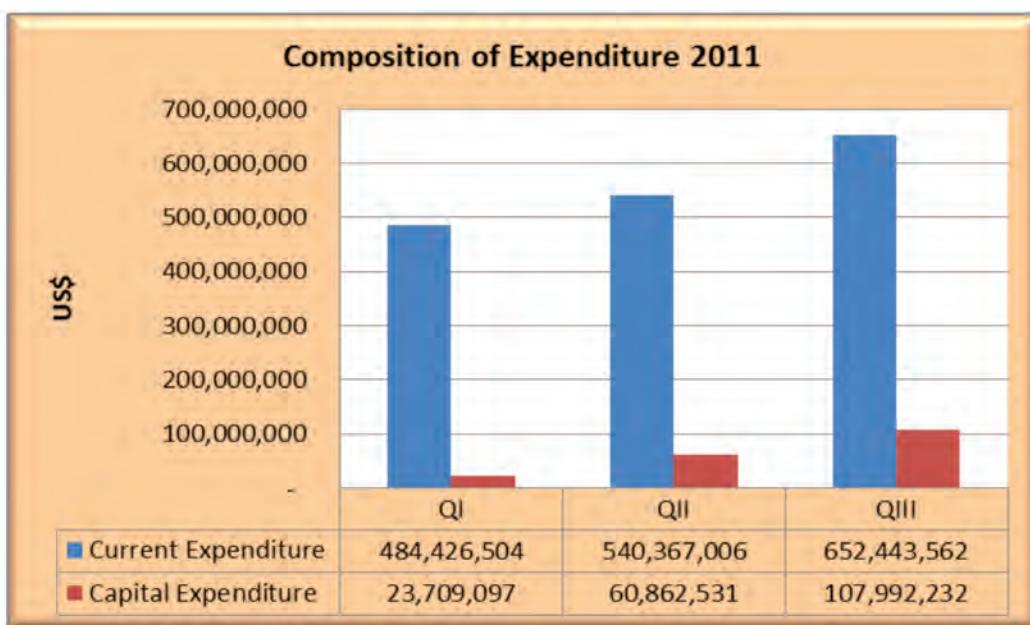
**Dividends from Ministry of Mines 2011**

<b>Date</b>	<b>Amount US\$</b>
07 February 2011	8,386,918.99
08 February 2011	12,500,000.00
09 February 2011	6,200,000.00
10 February 2011	13,800,000.00
16 February 2011	689,630.26
08 February 2011	54,938.54
07 March 2011	225,000.00
12 July 2011	12,000,003.88
13 July 2011	7,000,000.00
14 July 2011	8,000,000.00
31 August 2011	23,400,000.00
16 September 2011	6,000,000.00
03 October 2011	5,000,000.00
04 October 2011	10,000,000.00
28 October 2011	6,000,000.00
11 November 2011	3,000,000.00
<b>Total</b>	<b>122,256,491.67</b>

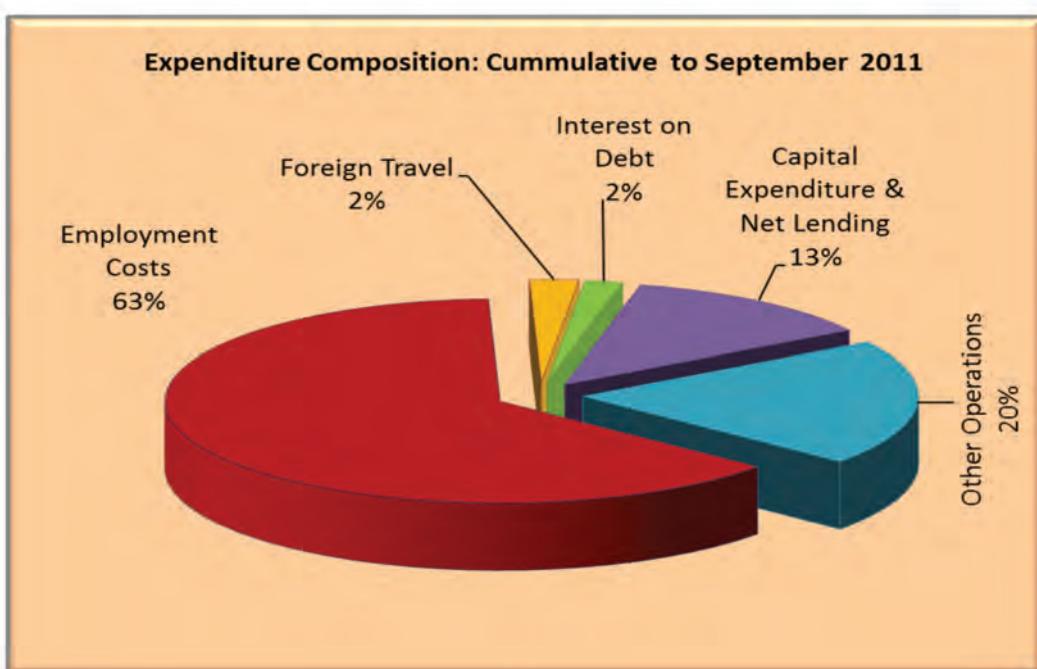
243. As explained in previous Statements, the amounts received in February 2011, totalling US\$41 631 487.79, were reconciled and accounted for as part of the US\$174 million for 2010.
244. Therefore, the fresh money for 2011 received as dividend is US\$80 625 003.88.
245. Mr Speaker Sir, we are beginning to sound like a broken record in emphasising the need for transparency in the handling of our diamond revenues and, indeed general revenue from the rest of the mining sector.
246. It is important that the Zimbabwe Revenue Authority plays its part in the entire value chain of diamonds – from mining, marketing, to distribution and collection of dues to the Government. A task defined by law.
247. It is also important to conclude as a matter of urgency, work on the Diamond Bill.

## **EXPENDITURES**

248. Mr Speaker Sir, turning to fiscal performance, total expenditures to September 2011 reproduced the perennial challenge of disproportionate share of recurrent expenditures at US\$1.68 billion, against capital expenditures of US\$0.192 billion.



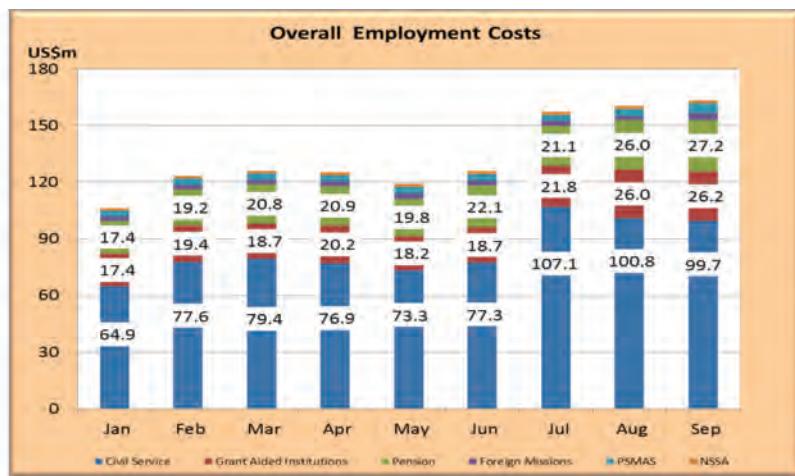
249. A more detailed illustration of Budget expenditures to September 2011 is reflected in the following pie chart:



## ***Recurrent Expenditures***

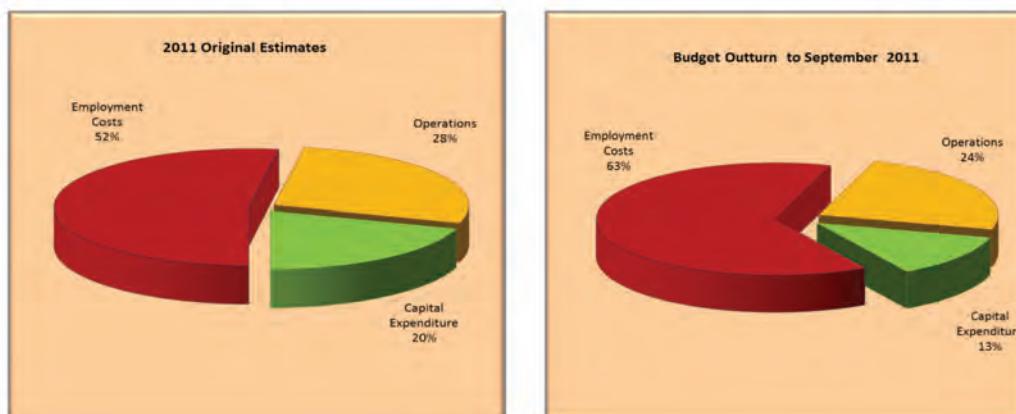
### *Employment Costs*

250. Recurrent expenditures<sup>3</sup> continue to be skewed towards employment costs, which were originally budgeted at US\$1.4 billion, but are now projected at around US\$1.8 billion or 63% of the total budget, following the salary and wage review for civil servants effected in July 2011.
251. This will translate into a US\$400 million expenditure overrun on employment costs, comprising the wage bill for the Civil Service and Grant Aided Institutions, Pension entitlements and employer contribution for medical aid and National Social Security Authority.
252. The bill for employment costs, which averaged US\$121 million per month in the first six months, rose to the current monthly average of US\$161 million, against the 2011 Budget provision of around US\$113 million.

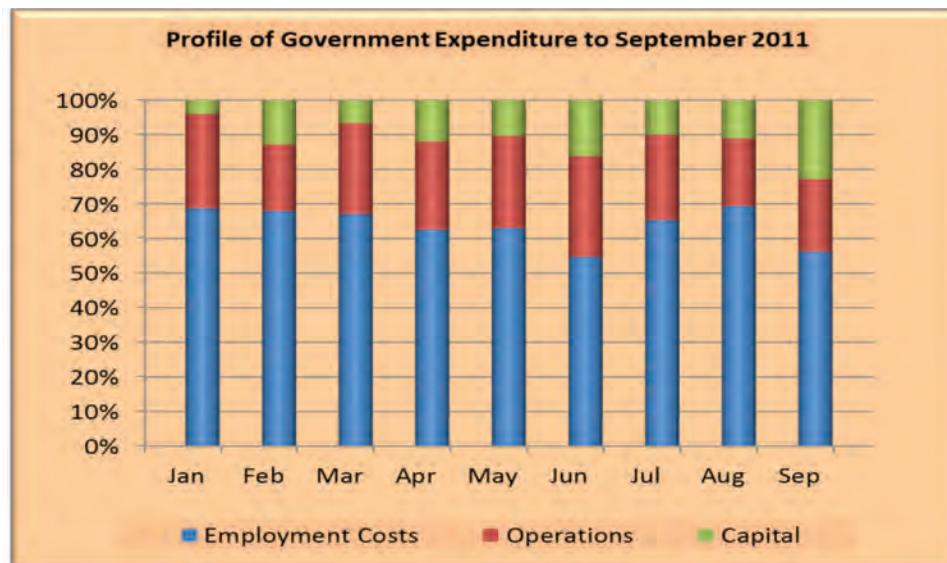


<sup>3</sup> Annexure 1 contains detailed breakdown of Current Expenditures to September 2011

253. Consequently, the employment cost outturn to end of September, at US\$1.21 billion, exceeded the target by around US\$193 million.
254. The above situation where employment costs account for 63% of total expenditure and net lending, against a budgeted ratio of 53%, is unsustainable. This outcome has consequentially crowded out non-wage expenditures in areas such as infrastructure development and social service delivery.
255. Mr Speaker Sir, civil servants are approximately 235 000, representing 1.78% of our 14 million population.
256. The implication of this unsustainable equation is that Government is spending 63% of its Budgetary resources on 1.78% of the population, while the remaining 98.22% have to share the balance of 37%.

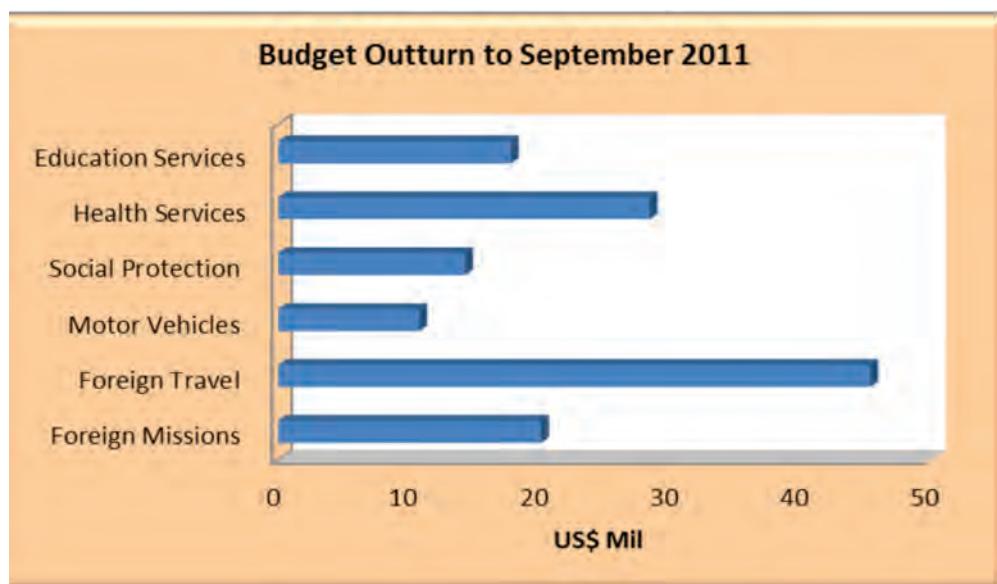
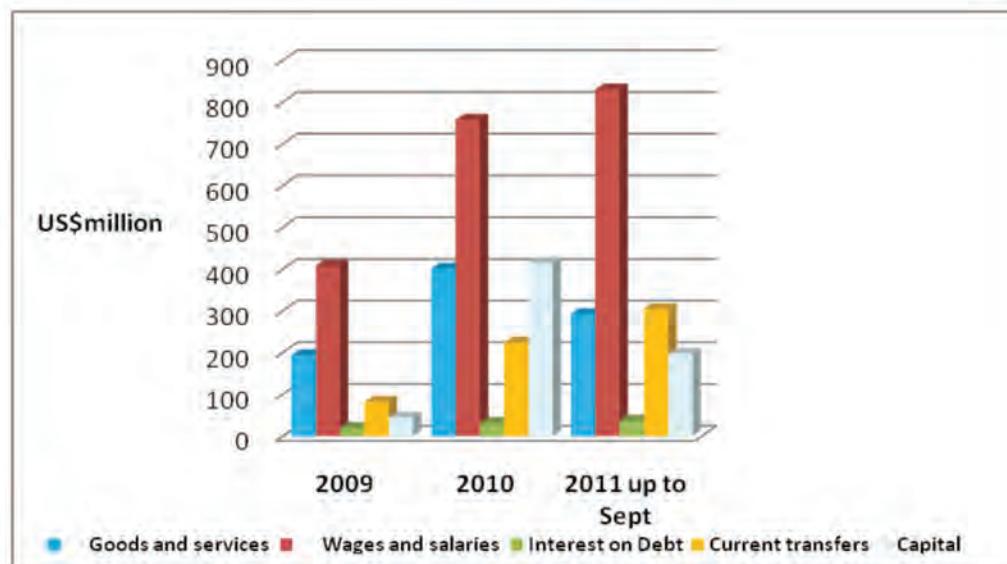


257. The reality of our situation is that there has to be genuine social dialogue between Government and its employees and more importantly, there is need for a Tripartite forum to craft a social contract that will create a win-win situation for all.
258. This dialogue will entail the dos and don'ts on the three social partners. Unfortunately, this conversation is not fully embraced in our society.



### *Other Current Expenditures*

259. Similarly, there has been increasing pressure emanating from domestic and foreign travel, and other current expenditures, such as medical supplies and services, interest on debt, rentals and other service charges.



### *Foreign Travel*

260. Mr Speaker Sir, with regards to foreign travel, this continues to be a cancer in the management of our public resources.
  
261. Between January to September 2011, an unacceptable sum of US\$45.5 million, representing 1.2% of the total Budget had been spent on travelling.

262. I, therefore, appeal to the Principals of Government to reign in on this issue, for without their support no success can be yielded.
263. This would empower Treasury in 2012 to take corrective measures that will ensure that line Ministries do not spend on travel beyond specified amounts allocated in their Votes.

### ***Capital Budget***

264. Mr Speaker Sir, with regards to capital development expenditure, a total annual allocation of US\$551 million was made in 2011. Of this amount, US\$438.8 million was allocated to projects in sectors presenting a socio-economic developmental impact.
265. By end of September 2011, total disbursements for capital projects amounted to US\$253.5 million or 46% of the total capital budget, against a target of US\$399 million (72%)<sup>4</sup>.
266. However, of this total disbursement, only US\$151.6 million or 27% of the total budget was disbursed to real development projects. Actual utilisation of these disbursements was US\$134.8 million or 89% of total respective disbursements.

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<sup>4</sup> Refer to Annexures 2–5 for specific Capital Development programmes

**Disbursements and Utilisation for Capital Budget: 2011**

SECTOR	2011 BUDGET ALLOCATION US\$	DISBURSEMENTS TO DATE US\$	UTILISATION US\$	% UTILISATION
ENERGY	65,000,000	26,000,000	26,000,000	100%
WATER & SANITATION	71,845,000	28,185,000	27,385,000	97%
TRANSPORT & COMMUNICATION	93,654,000	20,635,800	19,467,627	94%
ICT	9,825,000	3,485,000	3,052,468	88%
HOUSING	88,062,800	36,989,347	27,534,260	74%
HEALTH	46,825,000	14,562,889	13,160,375	90%
EDUCATION	51,842,400	17,404,238	14,199,842	82%
IRRIGATION DEVELOPMENT	11,763,500	4,300,000	4,033,935	94%
<b>Total</b>	<b>438,817,700</b>	<b>151,562,274</b>	<b>134,833,507</b>	<b>89%</b>

267. Mr Speaker Sir, the low disbursement rate on capital projects requires that a dedicated Reserve Fund be available to smoothen the cash flow requirements of various projects throughout the year.
268. Besides resource constraints, the 2012 capital development programme faces other challenges relating to re-prioritisation of a host of competing projects rated “on-going” or “incomplete”, avoiding implementation of projects that are not economically and financially sound and minimising administrative capital expenditures.
269. However, unlike Government funded and managed programmes, projects being managed through the Infrastructure Development Bank of Zimbabwe show higher utilisation levels, benefitting from implementation capacity support for the implementing agencies.

### **IDBZ Managed Projects: Utilisation Levels**

PROJECT	AMOUNTS DISBURSED US\$	UTILISATION - JAN - SEPT US\$	% UTILISATION
Dams	30,541,869	36,293,534	118.83
Power generation	23,735,249	23,634,557	99.58
Electricity transmission & distribution	5,000,000	5,000,000	100
National Railways of Zimbabwe	2,460,680	10,521,477	427.58
Airports	28,891,951	17,179,610	59.46
Road dualisation	5,425,586	7,878,643	145.21
Urban road rehabilitation	4,000,000	2,000,000	50
Urban water and sanitation	20,442,220	14,771,021	72.26
ICT	15,213,660	1,736,110	11.41
Housing	7,642,232	13,524,978	176.98
Halls of Residence	30,000,000	1,240,082	4.13
<b>Total</b>	<b>173,353,447</b>	<b>133,780,012</b>	<b>77</b>

### **Adjusted Estimates For 2011**

270. Mr Speaker Sir, the above fiscal developments relate to the period January to September 2011, implying that there is still the quarter to December 2011 to be incorporated into the fiscal year outturn.
271. During my presentation of the 2011 Mid-Year Fiscal Policy Review Statement of 26 July 2011, I alluded to a number of inescapable requirements.
272. As Honourable Members will recall, we were faced with expenditure overruns on employment costs, arising from salary reviews implemented in January and July outside the approved Budget.

273. Furthermore, the Constitution making process, preparations for the 2012 Population Census, grain procurement and outstanding payments to farm inputs suppliers, among others, which could not be postponed to the next fiscal year needed to be addressed.
274. I am, therefore, presenting to this August House, the Amended Estimates for 2011 and the accompanying Appropriation Amendment Bill (2011) for consideration and approval by Honourable Members.
275. Mr Speaker Sir, the net additional expenditure requirement for 2011 comprising of US\$403 million in employment costs and US\$192 million in other items, after netting off the anticipated higher revenue outturn of US\$2 950 million, would be US\$391 million.
276. Given the cardinal rule of cash budgeting, the US\$391 million is being met through Budget reallocations (US\$91 million) and reductions (US\$300 million) under those Votes which were crowded out by employment costs and other expenditure overruns.
277. Mr Speaker Sir, this has limited the additional Appropriation for the 2011 Budget to US\$204 million.

## **MACRO-ECONOMIC FRAMEWORK**

### ***Risks***

278. Mr Speaker Sir, our extensive and unprecedented consultations for the 2012 Budget have left us with a very clear mind-set of the huge compendium of risks that grip our economy.
279. Indeed the risks are humongous but they are not insurmountable. The difference between our success or failure, between poverty and development, growth and under-employment is our choice.
280. Depending on the choice of our policy decisions, we either embark on a salubrious growth path which uplifts the lives of our people, or we go down the same old path of attrition, poverty and under-development which reduces this Budget and all other genuine policy work that Government has come up with into a grotesque ritual in irrelevance.
281. The country faces structural and software challenges, which, if not addressed holistically will continue to place a premium on overall economic growth as well as the standard and quality of life of our people.
282. Mr Speaker Sir, I have already alluded to some of the risks and

challenges in the preceding section on the Thrust of the 2012 Budget.

283. Other risks include the following:

- Politics and the economic environment;
- A small economy, arrested by stagnation of accumulation, low rate of investment capital, weak demand, and low output;
- Volatile and unpredictable economic drivers, such as agriculture and mining;
- Centralisation and devolution of service delivery;
- Policy inconsistencies and lack of oversight and Accountability over public programmes and resources;
- Capacity and Leadership over implementation of Agreed National Policies and Programmes;
- Public enterprise reform agenda;
- Competitiveness, Value addition and export of commodities;
- Distressed companies and lines of credit; and
- External debt overhang.

### ***Framework Assumptions***

284. Honourable Members will recall that the 2012 Pre-Budget Strategy Paper (BSP), approved by Cabinet and launched in this August House and distributed to a wide range of stakeholders,

shared assumptions on the macro-economic outlook for 2012 and 2013-2014.

285. The Macro-economic Framework for 2012 projects GDP growth of 9.4%, and annual average inflation of 5%. This translates into projected nominal GDP of about US\$11.9 billion.
286. Central to realising the above Macro-economic Framework projections will be the maintenance of the stable political and economic environment, underpinned by adherence to cash budgeting and continued use of multiple currencies.
287. Guaranteed supply of minimum levels of power and water will be necessary to support the key sectors of agriculture, mining and manufacturing.
288. Furthermore, the anticipated firming of international prices for major exports such as tobacco, gold, cotton and platinum, coupled with an outlook of moderation of energy and food price increases, will support increased export earnings and financial system liquidity.
289. Accordingly, the Pre-Budget Strategy Paper estimated Budget revenues of US\$3.4 billion for 2012, excluding Marange diamond proceeds, as reflected in the Framework below:

## Macro-economic Framework

	2009 Act	2010 Est.	2011 Proj	2012 Proj
<b>Real Sector and Inflation (US\$ mil and %)</b>				
<b>Nominal GDP level in US\$ m</b>	<b>5,899</b>	<b>8289.6</b>	<b>10068.0</b>	<b>11914.1</b>
<b>Real GDP growth (%)</b>	<b>5.4</b>	<b>8.1</b>	<b>9.3</b>	<b>9.4</b>
<b>Annual Inflation (average %)</b>	-7.7	3	4.1	5.0
<b>Total Revenue and Budget Grants</b>	<b>974.4</b>	<b>2339.1</b>	<b>3020.4</b>	<b>3400</b>
<b>Revenue (Tax and Non Tax)</b>	933.1	2339.1	3020.4	3400
<b>Budget Grants</b>	41.3	0	0	0
<b>Off Budget Grants</b>	93	500	500	500
<b>Revenues As a % of GDP</b>	<b>16.5%</b>	<b>28.2%</b>	<b>30.0%</b>	<b>28.6%</b>

## Revised Budget Framework

290. Honourable Members will recall that on 1 November 2011 in Kinshasa, DRC, the Kimberly Process Certification Scheme reached a compromise, allowing the sale of our diamonds from Marange.
291. Mr Speaker Sir, I would like to express indebtedness to the Minister of Mines for his tireless efforts in negotiating this compromise.
292. Pursuant to this, we have held extensive discussions and consultations with the Minister of Mines and the diamond producers, with the result that we have been assured of

minimum US\$600 million additional revenue to the fiscus for 2012.

293. Mr Speaker Sir, this being the case, we have adjusted our projected Budget revenue from the original Pre-Budget Strategy Paper forecast of US\$3.4 billion to US\$4 billion.
294. This has resulted in the following framework:

**Budget Framework**

<b>Item</b>	<b>US\$ millions</b>
<b>Total Revenues</b>	<b>4,000</b>
Tax & Non Tax Revenue	3,400
Other Revenue	600
<b>Expenditures</b>	<b>4,000</b>
Current Expenditures	3,200
Capital Expenditures	800

295. Mr Speaker Sir, the additional revenue of US\$600 million is being allocated to carefully selected infrastructure and other expenditures as follows:

**Expenditures to Be Financed From Diamond Revenues**

<b>Capital Expenditure</b>	<b>Amount US\$</b>
<b>Water and Sanitation</b>	
Tokwe Murkosi dam	39,100,000
Mutange dam	4,000,000
Gwayi-Shangani dam	8,000,000
Urban local authorities	30,000,000
Beitbridge Water Supply	5,000,000
<b>Transport</b>	
Roads for local authorities	15,000,000
Harare International Airport	10,500,000
J. M. Nkomo International Airport	7,000,000
Road construction equipment	32,900,000
Telone Fibre Optic Link	5,000,000
<b>Agriculture</b>	
Strategic grain reserve	50,000,000
Agriculture input schemes	37,000,000
<b>Health</b>	
Procurement of medical equipment	7,000,000
<b>Energy</b>	
Hwange Thermal Power Station	30,000,000
Kariba South Power Station	5,000,000
Transmission & distribution network	7,500,000
Rural Electrification	7,000,000
<b>Sub total</b>	<b>300,000,000</b>
<b>Recurrent Expenditure</b>	
Arrears to service providers	17,000,000
Student grant	25,000,000
ZIMSTAT	27,000,000
Basic Education Assistance Module (BEAM)	8,000,000
Referendum and general elections	30,000,000
Other recurrent	193,000,000
<b>Sub total</b>	<b>300,000,000</b>
<b>Total</b>	<b>600,000,000</b>

296. Mr Speaker Sir, the precarious position that we find ourselves in is that failure or delay in the realisation of the anticipated

diamond revenues will delay projects implementation. From past experience, diamond revenues have performed below targeted amounts.

297. A cautious approach is, thus, required in the treatment and budgeting of diamond revenues until such time as a clear pattern and precedent has been established, and more importantly the proposed Diamond Act.
298. I, therefore, want to enlist the continued support of the Principals, as well as that of my colleague the Minister of Mines, to facilitate timely disbursement of the anticipated diamond revenues.

## V. BUDGET PRIORITIES

299. Mr Speaker Sir, the 2012 Budget is a small but essential cog in pursuit of the MTP vision of "**Enhancing a democratic State anchored by a growing and transforming, socially just economy**".
300. The **democratic developmental State** must be anchored by sustainable growth. Growth which does not promote sustainable human development and that of local communities, such as in

Chiendambuya, Nkayi, Odzi or Dotito is meaningless, voiceless, rootless and futureless.

301. Mr Speaker Sir, employment creation represents the fundamental nexus between positive growth macro-economic fundamentals and development.
302. Hence, the 2012 Budget quest for growth that is efficient, inclusive, pro-poor, generates jobs and uplifts the lives of our people.
303. In this regard, the Budget will focus on the following themes:

### ***Growth with Jobs***

- Macro-economic stability and consolidation;
- Foreign Direct Investment;
- Lines of credit and financial sector intermediation for local investment;
- Tackling the debt overhang through the Zimbabwe Accelerated Arrears Clearance and Debt Development Strategy (ZAADS);
- Leveraging the mining sector;

- Leveraging agriculture;
- Revitalising manufacturing industry;
- Promotion of value addition;
- Support to small and medium scale enterprises;
- Creation of a Jobs' Fund;
- Addressing labour market challenges;
- Supporting apprenticeship and cadetship schemes; and
- Public works programmes.

### ***Inclusive Growth***

- Infrastructure Development;
- Social Services Delivery;
- Rural Development;
- Mainstreaming gender in the Budget processes;
- Spatial development initiatives and growth clusters;
- Financial sector deepening; and
- The Green Economy.

### ***Efficient Growth***

- Improving Government operational efficiency;

- Rationalisation and privatisation of State Enterprises;
- Improving the Doing Business culture;
- Legislative Reforms;
- Revenue mobilisation measures;
- Allocative Efficiency;
- Fiscal Buffers;
- Resource Mobilisation; and
- Results Based Management.

### ***Sustainable Growth***

304. Monetising the Global Political Agreement (GPA) provisions through support to:

- The Constitutional making process;
- The Referendum;
- Joint Monitoring and Implementation Committee (JoMIC);
- Constitutional Commissions; and
- Election preparedness, including the Voter's Roll.

## **VI. BUDGET INTERVENTIONS**

305. Mr Speaker Sir, addressing the above priority areas also takes cognisance of submissions from line Ministries whose bids were guided by the Expenditure Targets availed by Treasury in line with the revenue projection of US\$3.4 billion as in the Pre-Budget Strategy Paper.
306. It is applauded that the majority of line Ministries' submissions have been in compliance with the Expenditure Targets and this strengthened the budgeting process.
307. Mr Speaker Sir, I have also earmarked the projected diamond proceeds towards supporting a number of infrastructural projects and programmes.

### **Budget Compliance**

308. Mr Speaker Sir, our Budget proposals always take into consideration issues raised by stakeholders during the consultative process and submissions by line Ministries.
309. Account is also taken of our obligations with regards to meeting some of the stipulated funding thresholds under Declarations and Protocols that Zimbabwe is signatory to.

310. These include the following:

- Abuja Declaration of 2000 on Health, which requires that the Health Budget must be 15% of total expenditure;
- WHO Per Capita Health Expenditure;
- Dakar Framework of 2000 for Action on Education for All, which requires that the Education Budget must be 12% of total expenditure; and
- Maputo Declaration of 2003 on Agriculture and Food Security. This Declaration requires that expenditure on land, agriculture, water and sanitation must be at least 10% of the Budget.

311. With respect to the above Declarations, our performance is depicted in the Table below:-

**Government Sectoral Allocations vs Thresholds**

Sector	Share of National Budget Estimates				
	Targets	2009 Unaudited Actual	2010 Unaudited Actual	2011 Estimate	2012 Estimate
<b>Health : Budget</b>	15%	8.56%	8.58%	9.33%	8.64%
<b>Health: Per Capita</b>	US\$34	US\$6.57	US\$15.07	US\$20.79	US\$27.78
<b>Education :Budget</b>	12%	28%	22%	23%	25%
<b>Agriculture :Budget</b>	10%		14%	8%	8%

312. With respect to health, Budget performance below threshold has the effect of compromising the speed at which we can attain the MDG targets.

313. Mr Speaker Sir, the above outline confirms a sustained aspiration by Government to ensure that Budget resources are consistent with regional best practices.
314. Our Budget proposals and intervention areas for 2012 are summarised in the following Table:

	<b>Amount US\$ mil</b>
Total Expenditure	4,000.0
Recurrent Expenditure	3,200.0
Capital Expenditure	800.0
<i>Energy</i>	49.5
<i>Water and sanitation</i>	113.7
<i>Housing</i>	119.6
<i>ICTs</i>	38.6
<i>Agriculture</i>	124.7
Agriculture	226.8
Education	1,003.2
Health	345.7
Social Protection	33.4
Research and Development	28.6

315. Mr Speaker Sir, I have already acknowledged that due appreciation be given to the support we receive from cooperating partners, as well as our private sector. This up-scales the overall level of resources available in support of our national programmes and the key sectors of our economy.
316. Allow me to now turn to specific interventions for the respective priority areas.

## **GROWTH AND JOBS CREATION**

317. Mr Speaker Sir, Zimbabwe's pace for employment generation has remained low, notwithstanding annual average growth rates of 3-5% attained in the 1990s and the strong recovery from 2009 with rates of around 8%.
318. This is despite the country's diverse natural resource endowment, which includes minerals, arable lands, tourist attractions, fauna and flora, as well as a large pool of educated and skilled manpower.
319. In fact, the country is much more naturally endowed than such countries as Singapore, Mauritius, South Korea and Japan, which now command much higher per capita incomes, employment and welfare.

**Economic & Social Indicators: 2010**

	Endowments	GDP (US\$ b)	Per Capita (US\$)	Unemployment Rate (%) (Est.)	Life expectancy at birth (years)	Under five mortality rate (per 1000 live births)
<b>Singapore</b>	Human Skills	222.7	52 569	5.9	81.1	3
<b>Mauritius</b>	Human skills, Arable land/ sugar & Fisheries	9.7	12 918	7.8	73.4	17
<b>Japan</b>	Human Skills, Fisheries & Minerals	5 500	32 295	5.1	83.4	3
<b>South Korea</b>	Human Skills & Minerals	1 010	28 230	3.6	80.6	5
<b>Zimbabwe</b>	Vast Minerals & arable land, wildlife	7.5	376	9.4	51.4	90

Source: IMF & UNDP reports

320. The key challenge for Zimbabwe, like most low income and less developed countries, is much more to do with failure to seize and optimise on available resources and opportunities.
321. This, therefore, calls for an inclusive, broad based and pro-poor growth model, which seeks to unlock value from the country's vast available resources through their optimal utilisation.
322. Such an inclusive growth model also emphasises on raising the pace of growth and enlarging the size of the economy while levelling the playing field for investment and increasing productive employment opportunities.
323. It also stresses on improving the productive capacity of the country and individuals, utilising fully that idle labour-force trapped in low productivity activities or completely excluded from the growth process, and opening up new opportunities for productive employment.
324. Therefore, the country should focus on attaining (**employment**) (**growth**) for generation of new jobs and, hence, higher incomes from formal employment activities, self-employment and other informal activities, as well as (**productivity growth**) with potential to expand wealth and lift the wages of those employed.

325. Accordingly, the 2012 Budget prioritises the following areas as pre-requisites for sustained employment generation.

***Macro-economic Stability***

326. For many years, non-adherence to expenditure targets in annual budgets, coupled with unsustainable monetary policies were a perennial problem and, hence, a primary cause of major economic difficulties that re-bounded in very severe macro-economic instability.
327. The principles of cash budgeting, use of multiple currencies and forging a liberalised environment will, therefore, remain at the centre of our economic re-building and growth agenda.
328. Maintaining these key pillars also supports us in consolidating macro-economic stability, building savings, attaining sustainable and inclusive growth that promotes employment generation and poverty alleviation.
329. The 2012 Budget, therefore, recognises the importance of providing an enabling environment rooted in consistent and predictable policies, necessary for instilling investment confidence.

### ***Banking Sector Liquidity Support***

330. Mr Speaker Sir, Government in 2010 advanced US\$7 million to the Reserve Bank for the lender of last resort function for banks requiring liquidity support.
331. However, interbank market trading remained largely inactive due to the inadequacy of financial resources required to sustain efficient operation of this function.
332. Mr Speaker Sir, I am, therefore, pleased to announce introduction of a US\$100 million Fund, jointly funded by some international financial institutions and a regional financier.
333. A technical team working on the operational modalities for the Fund has already been constituted and will be communicating the terms and conditions once they have been finalised.

### ***Foreign Direct Investment***

334. It is generally agreed that growth is a result of accumulation of factors of production and, hence, a function of savings and investment.

335. For example, from experience, ceteris paribus, investment growth of 5% of GDP potentially gives a 0.6% economic growth margin. Effective implementation of structural policies such as domestic financial reforms, stabilisation, and reform of external transactions, also potentially increases growth by 0.5 – 2.5%.
336. Raising the current low savings and investment levels of under 15% to above 20% of GDP, consistent with the MTP target is, therefore, paramount for sustainable economic growth.
337. However, for the country to successfully compete for external investment, a number of factors need to be in place.
338. These, among others, include a secure, conducive and business-friendly environment.
339. Accordingly, Government will focus on improving on key indicators where Zimbabwe had slipped. These include starting a business, dealing with permits, registration, credit availability and protection of investment.
340. The One Stop Shop Investment Centre launched in 2010 should, therefore, be strengthened through seconddment of

officials from line Ministries to the Zimbabwe Investment Authority (ZIA) in order to reduce bureaucracies on the above key indicators. This will result in the processing of all investment applications and licencing to within five working days.

341. Furthermore, the ZIA Act will be amended to reinstate former export processing zones under the new Special Economic Zones which will be credited with special incentives for enticing investments.
342. Attracting investment will also require an accelerated approach to resolving the country's external debt issue.
343. Having already completed the debt validation exercise, Government, in 2012, will move to the next level entailing re-engagement with international creditors as part of the implementation of the ZAADs.

### ***Reviving Industry***

344. Mr Speaker Sir, most industries, particularly those outside Harare, remain distressed, with high unemployment levels across all provincial centres.

345. The little business activity there is anchored on commercial activities of retailing, liquor undertaking, SMEs, vending, all mostly supported by incomes of public servants.

*Lines of Credit*

346. As alluded to earlier on, Government has mobilised a number of lines of credit in support of the revival of meaningful production activities, that way allowing increased capacity utilisation and, hence, employment and growth.

347. Given the high number of financially constrained companies, it is essential that the above facilities be topped up and complemented by other new financing arrangements.

348. Therefore, I am coordinating financial sector support to the tune of US\$60 million for a broader Industrial Revival Fund facilities with targeted windows as follows:

- ZETREF, US\$30 million; and
- DiMAF, US\$30 million.

349. Only on Monday, we signed a separate US\$30 million offshore line of credit facility through the Infrastructure Development Bank of Zimbabwe (IDBZ).

350. Funding shall be availed to established companies and SMEs, mainly in the mining, manufacturing and agricultural sectors. The total cost of funds to the final beneficiary is 10% per annum.
351. The Facility has two windows, targeting both short and longer term requirements as follows:
- Working Capital Tranche of US\$10 million, with a tenor of one (1) year; and
  - Capital Expenditure Tranche of US\$20 million, with a tenor of five (5) years.
352. The availing of these resources will leverage additional capital from both domestic and external financial institutions.
353. Negotiations for other facilities are also underway to establish lines of credit for key sectors of the economy.

### **NSSA**

354. Mr Speaker Sir, Government is cognisant of the critical role NSSA can play in mobilising domestic financial services, and channel them towards reducing the financial liquidity challenge in the economy.

### *Investments*

355. In this regard, NSSAs investment interventions should also support investment programmes that are closer to the hearts of its key Constituency.
356. As Government, we are concerned that NSSA investments are not being loyal to key issues that affect workers, particularly housing and public infrastructure.
357. The National Social Security Authority Act makes it clear, in Part V, that the financial guardians of NSSA are the Ministers of Labour and Social Services and that for Finance.
358. Unfortunately, this part is not being fully respected and, therefore, within the new year, an inter-Ministerial sub-committee will be formed to monitor NSSA investments, consistent with the Law.

### *Interest Rates*

359. However, Mr Speaker Sir, we wish to commend NSSA for on-lending at rates of around 10%, which is significantly below those prevailing in the market.

360. This is important in ensuring that companies have access to reasonably priced liquidity support, which has been in short supply since the adoption of the multiple currency regime.
361. We call upon the banks accessing NSSA funds to act responsibly, and comply with the requirement not to exceed the stipulated mark up of 5% on NSSA funds.

### ***Leveraging Agriculture***

362. Agriculture remains a major contributor to GDP (15%), with also a substantial share of exports (16%), formal employment (25%) and most importantly, provides livelihoods to over 70% of the rural population.
363. The sector is also central to the rest of the economy through guaranteeing food security, and backward and forward linkage with agro-input suppliers. Through these, agro-processing manufacturing draws some 60% of its inputs requirements from agriculture.
364. Mr Speaker Sir, it is, therefore, critical that we leverage the potential of agriculture for the attainment of our inclusive growth with employment objective, support interventions in

financing, irrigation, research, extension services and marketing.

*Financing of Agriculture*

365. Mr Speaker Sir, the financial requirements for adequate support to agriculture are large, translating to around US\$2.5 billion per annum for grain, cash crops as well as livestock production. Of this amount, grain requirements amount to US\$702 million.
366. To enhance planning and preparedness of farmers, the 2012 Budget, therefore, proposes the introduction of an Agriculture Three Year Rolling Financing Strategy for the agricultural seasons 2011/2012, 2012/2013 and 2013/2014.
367. This, Mr Speaker Sir, will align the annual Budget provisions with the requirements and timing of our summer agricultural season and activities, allowing timeous and adequate preparations for procurement of inputs without undermining cash budgeting principles.
368. Accordingly, during the first quarter of 2012, I will be announcing the detailed financing structure of the Agriculture Three Year

Rolling Financing Strategy, tapping from both public and private sources.

369. The Strategy will also have a component introducing the Livestock Development Facility.
370. Mr Speaker Sir, the stimulation of larger private financial investments into agriculture will benefit from the now concluded issuance of Leases acceptable as collateral value to the banking sector.
371. Honourable Members will be aware that the Attorney General's Office has completed work on a securitised Lease which addresses concerns from the banking sector.

#### *Lease Surveys*

372. Mr Speaker Sir, the issuance of bankable Leases to A2 farmers is also dependent on the Surveying of the Sub-divisions to the farm land, over 90% of which is de facto State land.
373. This, therefore, presents land as dead capital, posing the challenge of collateral when farmers seek financing from banks and that way forcing farmers to rely more on Government and donor support.

374. Speedy Surveying of farm Sub-divisions and issuance of bankable Leases creates value for the land, as well as assures farmers of clarity over their property rights and security of tenure.
375. This, Honourable Members, is central to encouraging farmers to invest in the land, and promoting private sector financing as a complement to Government funding efforts.
376. Mr Speaker Sir, I propose to allocate US\$2 million towards speeding up the undertaking of Surveys of A2 farm Sub-divisions. This will be complemented by contributions from individual farmers themselves.
377. Given the large volume of work involved, the involvement of private surveyors sub-contracting in the Surveying of A2 farm Sub-divisions, coupled with resort to Topographical Surveys using Real Time Kinetic Technology will also be unavoidable.

#### *Irrigation Development*

378. Mr Speaker Sir, in the absence of sustainable irrigation schemes, most farmers have failed to transition from

subsistence to commercial farming where higher yields are realised.

379. This stark reality was brought out by many farmers during the Budget consultative process, noting that ‘commercial farming without irrigation is no different from subsistence farming’.
380. This draws from the unpredictable variability in the rainfall pattern which adversely affects agricultural output, particularly in the southern parts of the country.
381. There is, therefore, need to enhance efforts in irrigation development and rehabilitation.
382. To sustain the current irrigation rehabilitation and development programme, I propose to allocate US\$15 million targeting 56 schemes, with the breakdown of the allocation contained in Annexure 6.

#### *Research and Extension Services*

383. Mr Speaker Sir, it is necessary that farmers are empowered with the rightful farming skills to optimally increase agricultural productivity.

384. This, therefore, requires that we strengthen capacity of extension and research service providers in order to respond timeously to the needs of farmers.
385. I am, therefore, setting aside US\$16.6 million towards Research and Extension Services, and a further US\$3 million for agricultural training centres.

*Agricultural Marketing*

386. Mr Speaker Sir, the operationalisation of the Agricultural Commodity Exchange remains overdue.
387. I, therefore, call on the relevant parties to set aside administrative jealousies over turf and come together to make this a reality. In the absence of the commodity exchange, grain farmers are forced to rely on Government for payment against deliveries through the GMB.
388. However, Government capacity to remain the sole marketing agency for commodities such as grain remains limited, moreso if this operates outside the Strategic Grain Reserve policy framework. As of 18 November 2011, the GMB is holding 455 764 tons of maize, 47 691 tons of wheat and 16 579 tons of small grains.

389. For 2012, I propose to set aside some US\$50.2 million towards grain procurement for the GMB, also targeting build-up of our Strategic Grain Reserve up to the stipulated 946 000 tons, guaranteeing National capacity to deal with any famine.
390. So far, grain payments to the GMB under the 2011 Budget, mainly against 2011 deliveries by farmers, have amounted to US\$56 million, with an outstanding balance of US\$26 million owed to farmers.
391. Additional deliveries, with average weekly intakes of 2 500 tons, should raise this by another US\$5 million.

#### ***Preparations for 2011/2012 Summer Season***

392. Meanwhile, preparations for the 2011/2012 summer season, on the backdrop of the anticipated normal rainfall, have seen Government coordinate establishment of various schemes embracing farmers, development partners, Farmers' Unions, contract farmers, banks and input suppliers.
393. Already, about US\$75 million has been secured comprising the following facilities:

*US\$45 million Subsidised Agriculture Inputs Support Scheme*

394. Government is supporting about 500 000 farmers, with the participation of other partners. Beneficiaries include 100 000 vulnerable households, with inputs such as seeds and fertilizer, in order to ensure food security at household level.
395. In a way, this scheme also seeks to capacitate local input producers through procurement of 4 880 tons of seed maize, 60 tons of small grain seed from local seed houses, 25 000 tons of compound D and 32 500 tons of ammonium nitrate – all costed at US\$45 million.

*Support Facility for Vulnerable Households: US\$8.1 million*

396. Out of the US\$45 million, about US\$8.1 million constitutes an inputs facility for 100 000 vulnerable farmers. These farmers will access fertilizer and seed from GMB depots for free through the voucher system.
397. Furthermore, this facility will be complemented by the US\$60 million mobilised by the development partners through the Food and Agriculture Organisation.

*US\$20.3 million Communal Farmers Subsidised Agriculture Facility*

398. Under this facility, about 250 000 communal farmers are being supported through an input package valued at US\$20.3 million. The beneficiaries are accessing the inputs from GMB depots at subsidised prices on a cash basis.

*US\$17 million A1, Small Scale Commercial, Resettled & A2 Farmers Support Facility*

399. In addition, about 150 000 A1, Small Scale Commercial, Old resettled and A2 farmers are also accessing subsidised inputs from the GMB on a cash basis. This facility is valued at US\$17 million.

*US\$30 million Grain Input Swap Facility*

400. Over and above the US\$45 million support schemes, Government through Treasury, in conjunction with the Ministry of Agriculture, Mechanisation and Irrigation Development has also established a US\$30 million Grain Input Swap Facility.
401. Under this arrangement, Treasury has secured credit from agriculture input suppliers for the supply of inputs to farmers owed by the GMB for grain delivered.

402. These inputs will be accessed at full market value by participating farmers against amounts owing at the Grain Marketing Board, that way reducing the Government obligation on grain delivery by US\$30 million, assuming a 100% uptake.
403. Already, 3 221 tons of seed and 34 500 tons of fertilizer are available under this facility.

*Agro Bills*

404. Mr Speaker Sir, Government has also been arranging a commercial Agricultural Financing Facility by the banking sector to complement the above Government funded schemes for the 2011/2012 farming season.
405. This will unlock additional funding arrangements by the private sector to meet some of the financing gaps identified in the 2011/2012 agricultural requirements.
406. Already, negotiations are taking place with the banking sector to mobilise US\$100 million through issuance of agro bills.
407. Treasury is mindful of the need to put sweeteners to the bills, to ensure full subscription. In this regard, Government is

ready to grant special features which include prescribed asset status, liquid asset status and tax exemptions.

408. Government is engaging the banking sector with a view of ensuring that the special features of the agro bills cascade to farmers to the extent that credit to farmers will be at affordable interest rates of around 10%.

*AMA Bills*

409. Mr Speaker Sir, in addition to the above banking sector initiatives, the Agricultural Marketing Authority is also raising US\$20 million through AMA bills targeted at financing this year's soya bean crop.
410. In this regard, the first floatation of AMA bills in the market was for 270 days. This raised US\$4.5 million at an average interest rate of 10.67%.

*Contract Farming*

411. Mr Speaker Sir, contract farming arrangements are also in place for 2012, mainly supporting the production of cash crops such as cotton, soya bean, maize seed and tobacco.

412. With regards to tobacco, the TIMB, in partnership with other stakeholders, has already confirmed US\$418 million funding arrangements for production under 70 000 hectares.
413. Half of this hectarage will be financed through contract growing and marketing, while the balance relates to bank borrowings and use of own resources.

#### *Livestock Development*

414. In previous Budgets, Government has focused more on supporting production of food crops such as maize and wheat, with little attention to livestock.
415. In 2011 and 2012, beef production is projected to marginally grow by 0.5% and 0.1%, respectively from 0.2% in 2010.
416. However, this sector has potential to grow by over 5% as in the 1990s, also supporting the canning and leather industries, among others.
417. In support of livestock development, Government availed US\$2.5 million in 2011 through Agribank, which also topped the amount with another US\$2.5 million to give a total of US\$5 million.

418. In 2012, I propose to further re-capitalise livestock development to the tune of US\$6.5 million. Mr Speaker Sir, this will be complemented by additional resources raised by the banking system.

### ***Leveraging Mining***

419. Mr Speaker Sir, mining has in the last few years become a major mainstay of growth, contributing a projected 13% to GDP in 2011.

### ***Mining Exports***

420. Last year, mineral exports grew by 138.1%, and this year they are forecast to grow by 38.7% and in 2012, 13.3%.
421. Developments in mineral exports over the period 2008 – 2010 and projections to 2013 are illustrated in the following Table:

**Mineral Exports: 2008 - 2013**

	2008 US\$ mil	2009 US\$ mil	2010 Est. US\$ mil	2011 Proj. US\$ mil	2012 Proj. US\$ mil	2013 Proj. US\$ mil
Gold	93.8	155.2	334.2	626.9	874.5	823.0
Asbestos	6.0	2.7	0.5	0.8	1.1	1.3
Nickel	77.2	31.1	59.0	101.3	115.0	120.0
PGMs	475.0	354.9	700.6	765	832.0	889.0
Black Granite	18.3	16.1	12.9	20.7	22.5	25.2
Coke	22.6	34.5	38.3	38.8	44.2	45.4
Copper	8.5	8.4	14.5	23.3	36.5	38.7

422. Mr Speaker Sir, the mining sector is projected to contribute half of the 2011 total exports estimate of US\$4.4 billion.

423. Already, on a shipment basis, Reserve Bank figures for January to early October 2011 show mineral export shipments at US\$1.7 billion. This represents 67% of total export shipments of US\$2.64 billion.

424. The breakdown of the mineral export shipments of US\$1.7 billion is as follows:

- platinum, 45%;
- gold, 24%;
- diamonds, 14%;
- ferrochrome, 10%; and
- other minerals, 7%.

425. The employment potential is creation of more than 3 000 new jobs annually.

#### *Mining Exploration*

426. However, realising the potential of the mining sector as a major economic driver and employment creator would require significant investment in mining exploration.

427. Hence, Mr Speaker Sir, development of a Minerals Inventory and an active Minerals Exploration Strategy is necessary.

*Investment Requirements*

428. Mining investment requirements over the next 5 years are estimated in excess of US\$3 billion, broken down as follows:

- platinum, US\$1.2 billion;
- gold, US\$1 billion;
- diamonds, US\$339 million;
- coal, US\$225 million;
- chrome, US\$118 million; and
- nickel, US\$110 million.

429. In this regard, I am happy to report that a number of regional and international financial institutions are ready to avail resources in support of sustainable mining operations.

430. In the region, these include IDC of South Africa, Afreximbank, the PTA Bank, among others.

431. Mr Speaker Sir, to take advantage of the goodwill from investors it is, therefore, paramount that Government

ensures the maintenance of a secure and investor friendly environment.

*Mining Loan Fund*

432. Mr Speaker Sir, our small scale miners, particularly in gold and chrome, have also entered the fray, and this particular group requires funding.
433. The Mining Industry Loan Fund is essential to cover small scale miners.
434. I, therefore, propose to set aside the sum of US\$1 million under this Fund to assist small scale miners, targeting those particularly in gold and chrome. Details of additional resources to augment this will be availed in the new year.

*Mining Taxation Transparency*

435. Mr Speaker Sir, as we increase mining production, it is imperative that we have a thorough re-look at the contribution of the sector to the fiscus and the economy in general.
436. Currently, whilst mining exports for 2011 are in excess of US\$2 billion, the contribution to the fiscus of the mining sector

excluding diamonds will only be US\$150 million. The dividend that will be paid to the State by two alluvial diamond miners by 31 December 2011 will be US\$130 million.

437. Hence, while we have raised issues of opaqueness and late remittal of diamond revenues as Treasury authorities, Mr Speaker Sir, it is self-evident that opaqueness and non-compliance is not the preserve of the diamond sector alone.
438. Quite clearly, the disproportionate contribution of the rest of the mining sector is unacceptable, moreso given that the effective mining tax rate in Zimbabwe is a mere 8%.

#### *Extractive Industries Transparency Initiative*

439. The challenge over mining sector contributions to the fiscus is not unique to Zimbabwe. Other countries, including South Africa and Australia, are now in dialogue to re-structure mining tax revenues.
440. On our part, we have already begun measures to ensure that we are part of the World Bank's Extractive Industries Transparency Initiative. The key purpose of this Initiative is to strengthen accountability, good governance and transparency in the murky waters of the world of mining taxation.

441. In some African countries, mining Agreements have had to be re-negotiated in an effort to address the huge gap between gross income produced and net contributions to the State.
442. Hence, this issue is clearly separate from the issues covered under the Indigenisation and Empowerment Act and needs to be addressed as a matter of urgency. Comparative studies need to be carried out to establish precedence in other countries.

*External Accounts*

443. Mr Speaker Sir, also of major concern is the situation where the bulk of export earnings for mining houses are being retained outside Zimbabwe.
444. Honourable Members, this is no longer justifiable under the prevailing environment of the liberalised current account. We will, therefore, engage all mining houses in 2012 to come up with a win-win outcome.

*Other Policy Measures*

445. Mr Speaker Sir, the long and short of it is that mining can be leveraged to play a decisive role in job creation and upliftment of our people.

446. However, there are a host of other policy measures that will be necessary.

447. Government will, therefore, be undertaking the following:

- The enactment of the New Income Tax Act;
- The enactment of Amendments to the Mines and Minerals Act;
- Review of Special Grants and other major Mining Agreements;
- Executing adoption and implementation of the Extractive Industry Transparency Initiative;
- Establish through exploration, a Registry of Minerals;
- Implement the agreed Government position on Exclusive State Ownership of alluvial diamond claims and rights;
- Value addition and beneficiation;
- Establishment of a Sovereign Wealth Fund; and
- Executing and developing sound environmental protection and management policies.

### ***Tourism Re-branding***

448. Mr Speaker Sir, with regards to realising the vast potential of our tourism, the Budget proposes complementary support

for the recently launched re-branding theme, “Zimbabwe – A World of Wonders”.

449. In this regard, I have set aside US\$2.1 million towards supporting various tourism promotional programmes in 2012.
450. Furthermore, for preparations towards co-hosting the United Nations World Tourism Organisation (UNWTO) 20th General Assembly scheduled for 2013, I propose a specific allocation of US\$1 million.
451. Over and above this amount I have made some provision to assist the Victoria Falls Town Council to address the water and sewerage issues as well as rehabilitation of roads.
452. Mr Speaker Sir, the above intervention would need to be complemented by contributions from the local authorities and private sector players who stand to benefit from the hosting of this important event.

#### ***Value Addition***

453. Mr Speaker Sir, value addition of our mineral and agricultural resources stands to immensely benefit this country through

higher export earnings and increased domestic employment opportunities.

454. Government will, through the National Economic Consultative Forum, be developing in 2012 a database of all commodities where potential for value addition exists.
455. This will inform the necessary outright ban or introduction of fiscal dis-incentives to discourage export of such identified commodities in raw ore or semi-processed form. Lessons on treatment of raw chrome exports will be useful in this exercise.
456. Mr Speaker Sir, items that have potential for beneficiation and value addition in the country and will be incentivised for domestic value addition will, among others, include:

*Agricultural Commodities*

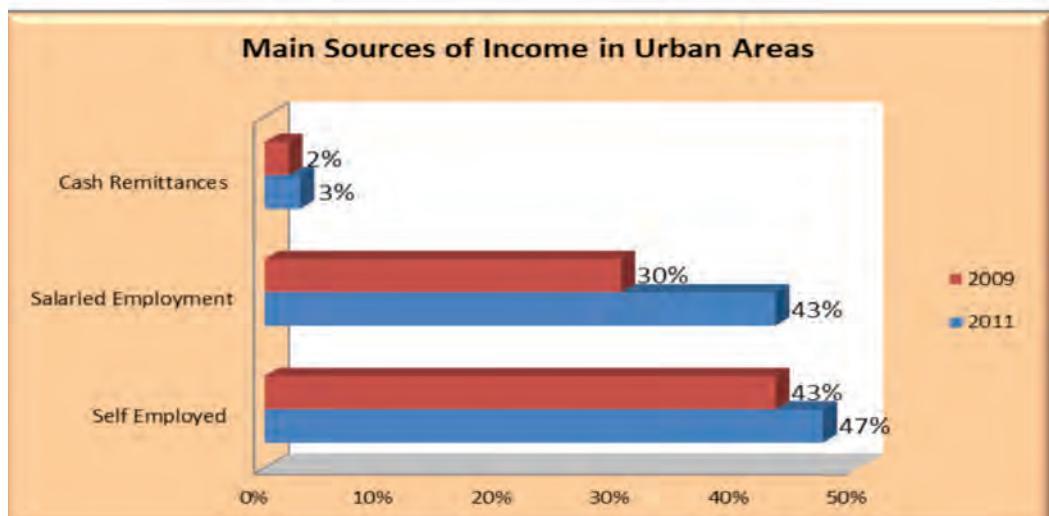
- Tobacco into cigarette manufacturing;
- Oil seeds processing;
- Cotton ginning, spinning and weaving;
- Leather tanning and processing.

### *Mineral Commodities*

- Diamond polishing and cutting;
  - Platinum refining;
  - Gold refining;
  - Black granite cutting and polishing;
  - Steel making.
457. In this regard, the necessary strategies and incentives will be considered and put forward to both domestic and foreign investors ready to undertake, over specified time-frames, projects that promote value addition to our commodities.

### ***Small and Medium Scale Enterprises***

458. Mr Speaker Sir, research indicates that close to 60% of growth worldwide is generated by SMEs.
459. Furthermore, according to the 2011 Zimbabwe Vulnerability Assessment Committee Report on urban livelihoods, about 47% of the economically active population in the urban areas derive their income from self-employment.



- 460. Therefore, SMEs have potential to generate rapid employment growth, given their labour-intensive nature, flexibility to adapt to the market environment and greater tolerance for higher risk initiatives.
  
- 461. The development of SMEs also resonates well with the country's empowerment thrust, income and employment generation, as well as poverty alleviation.
  
- 462. However, SMEs continue to face challenges ranging from limited access to capital, high interest rates in the money market, skills shortage and lack of proper infrastructure, among others.
  
- 463. The 2012 Budget, therefore, proposes support for SMEs complemented by assistance from development partners,

such as the on-going partnership with India on capacitating SMEs through re-tooling, training and infrastructure provision.

464. Mr Speaker Sir, I propose to set aside US\$6 million towards programmes in support of SMEs, to complement other facilities secured by Government.

465. In this regard, of the IDBZ US\$30 million Facility, US\$15 million shall be applied towards on-lending in support of the operations of SMEs in the manufacturing, mining, agriculture and other sectors.

466. Mr Speaker Sir, interested companies should, therefore, approach the IDBZ for further details about accessing the Facility.

### ***Youth and Empowerment***

467. For self-evident reasons, it is important to democratise our economy and place youths at the centre thereof. This is fundamental in constructing an inclusive equitable economy.

468. I, thus, would like to acknowledge the efforts of the Minister of Youth and Empowerment in facilitating the establishment

of the Youth Empowerment Fund which was launched on 16 November 2011. The Fund, which has been established by Old Mutual, will be administered by CABS and should benefit all our creative youths irrespective of tribe, religion, ethnicity or political preferences.

469. As Government, we are in further discussions with other partners with a view to augment the Youth Empowerment Fund.
470. To complement the above Fund, we propose to allocate the sum of US\$4.5 million to the Youth Development Fund and US\$6 million to the National Indigenisation and Economic Fund. The Youth Development Fund is traditionally distributed through the CBZ.
471. Once again, Mr Speaker Sir, we appeal to youths across all our divides to apply for these Funds.

### ***Apprenticeship and Internship Schemes***

472. It is also important to cater for youths that are in colleges and other tertiary institutions.

473. Apprenticeship and Internship programmes not only help school leavers, graduates and other prospective workers gain hands on experience in their chosen fields but also open up employment opportunities. -
474. Hence, these programmes will be supported in 2012 through a grant allocation of US\$2 million to the Manpower Development Fund.

### ***Jobs Fund***

475. Mr Speaker Sir, during our Budget consultations it became self-evident that unemployment was not the preserve of the youth, but a national problem cutting across the various age groups.
476. In Mutare for instance, we listened to Mr Chirango Chipere, a retired civil servant who bemoaned that, on account of hard times, he and most of his peers were now being forced to re-seek employment, competing in the search for jobs with his own children.
477. In addition, there is now a large group of unemployed workers, including retrenchees who have business plans,

work experience, and some entrepreneurial skills, but lacking in collateral.

478. It is, therefore, important to set up a Jobs Fund whose primary purpose is to provide seed capital to Zimbabweans with ideas but no collateral. The Fund will, thus, ensure training in entrepreneurial skills, which will enable the beneficiaries to participate in creating jobs.
479. The initial seed capital of US\$20 million has been provided by Stanbic Bank, who will administer the Jobs Fund.
480. Mr Speaker Sir, we are indebted to their support, including all the others waiting to participate.

### ***Informal Sector***

481. Mr Speaker Sir, rising unemployment and high levels of poverty, in the context of improving growth rates, are also associated with the enclave structure of the economy, left after the decade long economic crisis.
482. This structure comprises a shrinking formal segment employing a small proportion<sup>5</sup> of the economically active, and a growing

informal segment employing the bulk of the economically active<sup>6</sup>.

483. Breaking out of the informality is one of the biggest challenges for this economy. The objective is to ensure that the self-employed and other SMEs in the informal sector gradually graduate from the informal into the formal sector through a number of support initiatives.
484. The 2012 Budget, therefore, seeks to enhance re-formalisation of the economy through deliberate awards of contracts to competitive and deserving SMEs, as well as promotion of business links with large corporate firms for outsourcing and sub-contracting, that way promoting the empowerment programme.
485. Treasury is, therefore, ready to incorporate the necessary and complementary fiscal incentives in support of the above initiatives. In this regard, I will be holding consultative discussions with a wider range of stakeholders.
486. This approach reverses the informalisation trend of the economy, thereby, ensuring that both the informal and formal sectors complement and reinforce each other.

## ***Productivity & Labour Market Flexibility***

487. Mr Speaker Sir, legal rigidities in the labour market entice companies:

- not to right size their operations; and
- avoid hiring new labour, fearing difficulties in offloading when business slackens.

488. In this regard, stakeholder submissions by industry as well as the labour movement acknowledge rising incidences of:

- wage demands divorced from productivity by Workers Unions;
- arbitration awards that fail to take account of affordability at company levels;
- escalating unsustainable production costs and, hence, contributing to the demise of industries; and
- un-competitiveness of local industries in export markets.

489. I am, therefore, pleased to report that Government has since established a special Task Force for a comprehensive review of the labour legislation with a view of making it flexible and consistent with business realities.

490. The review, specifically aims at:

- reviewing retrenchment procedures, including the role of the arbitrator;
- maintaining the balance between protecting the worker and ensuring business viability; and
- guaranteeing that retrenchment packages are awarded in tandem with enterprises' capacity to pay.

491. Mr Speaker Sir, for purposes of consensus building, the above Government review will also benefit from inputs from both employers' associations and labour unions.

### ***Public Works***

492. Public Work Programmes accord rural communities the opportunity to improve livelihoods through participating in income earning programmes.

493. These programmes also promote food security, maintenance of rural infrastructure, improved access to basic services and capacity building in the management of local natural resources, which benefits respective communities.

494. In support of such poverty alleviating programmes, Government is allocating US\$3 million.

## **INCLUSIVE AND SUSTAINABLE GROWTH**

### **Infrastructure Development**

495. Mr Speaker Sir, rehabilitation and development of infrastructure remains an essential priority for supporting economic activity, thereby, consolidating the socio-economic recovery and growth agenda.
496. Given that the economy is still in recovery mode, emphasis will be on rehabilitation, with capacity expansion restricted to selected and well prioritised projects in line with resource and capacity availability.
497. Therefore, as in the 2010 and 2011 Budgets, the 2012 Budget accords priority to investments which:
  - mitigate high risks to the loss of life and existing physical assets;
  - resuscitate or rehabilitate existing capacity and improve financial sustainability; and
  - expand capacity to under-served populations.
498. A key challenge for Government, however, relates to the need to screen out poor quality projects, whilst at the same time ensuring that those projects that address current Government

objectives are adequately funded and implemented within time and budget.

499. From the extensive Budget consultations that Treasury undertook, there is consensus that Government must, in the first instance complete all the on-going projects that are spread throughout the country to attain immediate value from these projects.
500. However, given the limited fiscal space, all the on-going projects will have to go through a re-appraisal process to establish their relevance and value for their continuation in the new economic environment.
501. Mr Speaker Sir, the 2012 Budget provides a total of US\$800 million for capital development programmes and projects.
502. This comprises US\$611 million for hard infrastructure in energy, water and sanitation, transport, ICT, housing and social service delivery.
503. The balance of US\$189 million will be in support of the capacitation of line Ministries for delivery of public services.

### **Main Components of the Capital Budget**

<b>Sector</b>	<b>2012 Budget Allocation</b>	<b>% of Hard Infrastructure Budget</b>
Energy	47,500,000	8
Water and Sanitation	112,745,000	18
Transport	113,400,000	19
Health	63,425,000	10
Education	88,900,000	15
Agriculture	25,850,000	4
<b>Total</b>	<b>611,030,000</b>	<b>100</b>

### ***Energy***

504. Mr Speaker Sir, the 2012 Budget also prioritises the rehabilitation of the country's two main power generation plants—Hwange and Kariba.
505. To improve the reliability and security of power supply, the distribution and transmission network are also prioritised.
506. Therefore, fiscal resources are accordingly being allocated from the Budget towards power generation, transmission and distribution.
507. This will complement ZESA's recourse to own resources, given the improved income, following review of electricity tariffs and initiatives aimed at ensuring effective billing and revenue collection.

508. Mr Speaker Sir, the breakdown of the proposed allocations towards generation, transmission and distribution are as follows:

*Hwange Thermal*

509. In order to continue with the rehabilitation and maintenance of generator units, Deka pumping station and coal handling plants, I am allocating US\$30 million for the Hwange Power Station.
510. An additional amount of US\$14 million from the ZIMFUND<sup>7</sup> is expected to be deployed towards the requirements of the Ash Plant at Hwange Power Station.

*Kariba Power Station*

511. With regards to the rehabilitation of Kariba Power Station, the total requirement is US\$12 million. I am proposing to allocate an amount of U\$3 million from the Budget towards this.
512. The balance of US\$9 million will be met by ZESA, targeting replacement of switchgears and station batteries, among other critical spares required to assure reliability of power output from the Station.

<sup>7</sup> Programmatic Multi-Donor Trust Fund managed by the ADB

### *New Generation Plants*

513. Mr Speaker Sir, construction of new generation plants at Hwange 7 & 8 at a cost of US\$1 billion, and expansion of Kariba South at an estimated cost of US\$400 million will generate an additional 900 MW.
514. The 2012 Budget has no capacity to provide for these requirements. Hence, Government is identifying potential suitable private sector partners with capacity to inject the required funding.

### *Transmission & Distribution*

515. The transmission and distribution network requires US\$11.1 million for critical protection of the system in order to ensure stability of the network.
516. Government is, therefore, allocating an amount of US\$7.5 million towards the maintenance of the system, with the balance being met from ZESA's own resources.

### *Demand Management*

517. Whilst measures to ensure more efficient use of power by consumers and, hence, create savings that can be channelled to the productive sectors have been identified, there seems to be lethargy in implementation.

518. It is important that identified measures, such as replacement of incandescent lights with energy saving bulbs, resuscitation of the ripple control system, and installation of pre-payment meters be implemented without any further delay.
519. These measures have capacity to create energy savings totalling about 300 MW, which can be channelled to the productive sectors.
520. On its part, Government has already removed duty on the importation of energy saving bulbs in order to encourage usage of such bulbs.

*Rural Electrification*

521. Mr Speaker Sir, the 2012 Budget consultations confirmed that the rural electrification programme has various incomplete projects across the country.
522. In this regard, to empower rural communities and, hence, support rural development, an amount of US\$7 million has been allocated to the Rural Electrification Agency (REA).
523. Of this, rural grid extension will account for US\$5 million, with the balance of US\$2 million supporting the provision of solar lamps to 16 schools and 8 clinics located away from the national grid.

524. These resources will complement the US\$28 million that REA will be collecting through the 6% Rural Electrification Levy on all electricity bills. This will go towards completion of outstanding projects.

*Coal Bed Methane*

525. The potential of the country's coal bed methane gas reserves is estimated to produce about 300 MW of electricity for the economy.
526. Given the critical shortage of electricity, there is need to tap into the potential of this resource, which has downstream by-products, such as stock feed, fertilizer and petrochemicals.
527. Government, through ZESA, will facilitate implementation of the project, including exploration work required to prove the commercial viability of the project.

*Water & Sanitation*

528. Mr Speaker Sir, whilst there is evidence of modest recovery, most local authorities are still struggling to provide adequate water and sanitation services to residents on account of infrastructure that has surpassed its lifespan.

529. In most centres, including Harare, rehabilitation has to be undertaken alongside upgrading of the existing infrastructure, to take account of the larger demand arising out of the rural-urban drift.
530. In rural areas, the challenge relates to increased number of non-functional boreholes and water points, absence of proper maintenance and installation of new facilities.
531. I propose to provide US\$39.5 million for water and sewer infrastructure rehabilitation and upgrading in major cities and towns, as well as US\$22.4 million towards water supply schemes for small towns and rural communities.

#### *Dam Construction*

532. Mr Speaker Sir, at the heart of our water resource management strategy is achieving water security, the social well-being of the population and drought mitigation.
533. The perennial water supply challenges for Bulawayo and Harare, for example, are putting a premium on their future growth and development.

534. In our rural areas, the absence of developed water bodies has meant that the agricultural potential of some regions has never been fully realised.

535. I, therefore, propose to allocate US\$50.9 million towards the following dam projects:

- Tokwe Murkosi Dam on-going works, US\$38.2 million;
- Gwayi-Shangani Dam, US\$8 million; and
- Mutange Dam, US\$4.7 million.

536. With regards to the Kunzvi Dam project, Government will continue to look for suitable private partners to implement the project under Public Private Partnership arrangements.

### ***Transport***

#### ***Road Infrastructure***

537. Mr Speaker Sir, a large part of the road network in the country is in very poor condition. In the urban areas, vehicle mobility has become a challenge. Similarly, in the rural areas, farmers are finding it difficult to access markets for their produce.

538. The poor state of the road network is exacerbated by the rapid growth of vehicular traffic, in itself a reflection of some of the positive economic gains we have been making over the last three years.
539. Mr Speaker Sir, the overall requirement for roads rehabilitation and maintenance is in excess of US\$2 billion, covering primary, secondary and tertiary road networks.
540. The resource requirements balloon once we factor in the financing of the dualisation and upgrading of major roads, hence, the various initiatives being put in place to attract the private sector through Public Private Partnership arrangements.
541. This will allow the Budget to focus on the rehabilitation and maintenance component of our urban and rural roads, to which I propose to allocate US\$41.5 million towards Road Authorities as follows:
- Department of Roads, US\$22.5 million;
  - District Development Fund, US\$7 million; and
  - Local Authorities, US\$12 million.

542. The Budget allocation will be supplemented by resources from ZINARA amounting to US\$53 million to be allocated as follows:

- Routine maintenance, US\$26 million;
- Periodic maintenance, US\$15 million; and
- Toll road maintenance, US\$12 million.

543. Mr Speaker Sir, the total level of resources earmarked for roads rehabilitation and maintenance during 2012 is US\$94.5 million.

#### *Procurement of Road Equipment*

544. Honourable Members will recall that in the 2011 Budget, I set aside US\$53 million for the procurement of road equipment for all road authorities who include the Department of Roads, DDF and local authorities.

545. This was meant to recapitalise road authorities to undertake road maintenance works throughout the country.

546. However, the procurement process is yet to be completed, thereby scuttling our efforts in this endeavour.

547. I, therefore, propose to allocate an amount of US\$32.9 million in order to ensure that our noble objective is achieved, given the importance of this equipment to our road authorities.

*Rail Infrastructure*

548. Mr Speaker Sir, over-reliance on road transport is not only contributing towards higher transportation costs for business, but is also adding on another cost to the entire economy through high depreciation of our roads.

549. The overall economics of transporting, for example, coal by road from Hwange to Kwekwe and other parts of the country, fails to take account of the above.

550. Therefore, we need as a Nation to prioritise upgrading of the rail network, rehabilitating track, signalling and procurement of locomotives and wagons.

551. However, in light of the limited fiscal space, I can only propose to allocate US\$20 million towards supporting other initiatives to improve our rail network.

### *Airports*

552. Similarly, Budget capacity to meet the requirements of upgrading our airports infrastructure is also limited, hence, the efforts underway to attract the participation of potential investors.
553. With regards to on-going works at Harare and Bulawayo airports, I propose a Budget provision of US\$17.5 million as follows:
  - Harare Airport runway rehabilitation, US\$7 million; and
  - J. M. Nkomo Airport, US\$10.5 million.
554. The requirements for the upgrading of Victoria Falls Airport will involve private sector facilities.

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

555. Mr Speaker Sir, to improve efficiency of telecommunications, Government embarked on the on-going back-bone fibre optic project.

556. An allocation of US\$15 million was, therefore, made in the 2011 Budget for the Harare–Masvingo–Beitbridge and Harare–Bulawayo–Beitbridge fibre optic links with the undersea cable in South Africa.
557. Implementation of this project will facilitate development of the E-government network infrastructure targeted at efficient and effective service delivery to the public.
558. In this regard, I propose to allocate US\$5 million to Tel-One for the fibre optic back-bone infrastructure works on the Harare–Bulawayo–Beitbridge project.
559. I further propose to allocate US\$29.5 million for the following projects:
- Broadcasting and Transmission Infrastructure, US\$5.1 million;
  - Phase II of the Automated Fingerprint Identification System (AFIS), US\$4 million;
  - Home Affairs Command and Control System (HACCSY), US\$2 million;
  - ZIMRA computerisation, US\$18 million; and
  - Immigration Department computerisation, US\$0.4 million.

560. Mr Speaker Sir, I further propose to allocate US\$0.5 million for equipping of information centres throughout the country as part of Government's commitment to promote an all-inclusive information and knowledge society, to benefit the under-served and un-served areas.

561. I also propose to allocate US\$2 million for the E-learning project that will provide computers to pupils at schools in order to demystify the use of computers and prepare our children for a competitive future.

### ***Housing***

562. Mr Speaker Sir, the rural-urban migration and expansion in urban settlements has compounded the huge housing backlog.

563. The absence of both public and private sector financial capacity to service adequate land for housing development has underpinned this.

564. I am, therefore, happy to note that local building societies have started providing mortgage financing for various private housing development schemes.
565. Negotiations for an external housing mortgage facility are also underway, targeted towards housing construction projects and the recovery of construction in general.
566. The public will be advised of the progress as well as terms and conditions of these facilities once negotiations have been finalised.
567. With regards to Budget resources, I propose to allocate US\$9 million for on-going housing development projects under the IDBZ. This amount will be complemented by recoveries from the sale of stands and housing units.
568. I further propose to allocate US\$6.4 million towards housing development projects under the auspices of the Ministry of National Housing.

569. These include:

**2012 Housing Projects**

<b>Project</b>	<b>Location</b>	<b>Amount US\$</b>
Tafara-Mabvuku Flats	Harare	1 200 000
Merryvale Flats	Harare	780 000
Mufakose Flats	Harare	500 000
Khumalo Flats	Bulawayo	500 000
Gweru 3 <sup>rd</sup> Street Flats	Gweru	500 000
Mzari Flats	Chinhoyi	350 000
Bindura Flats	Bindura	350 000
Lupane Flats	Lupane	350 000
Cherutombo Flats	Marondera	300 000
Tongogara Flats	Harare	300 000
Mhondoro Ngezi TSD Houses	Mhondoro	80 000
Nembudziya TSD Houses	Gokwe North	80 000
Mbire TSD Houses	Guruve North	80 000
<b>Total</b>		<b>6 400 000</b>

*Institutional Buildings*

570. Mr Speaker Sir, limited Budget resources have also left Government unable to complete a number of public projects, resulting in shortage of office space and recourse to rented offices at high rentals.

571. I am, therefore, proposing to allocate US\$91.2 million for completion of on-going institutional buildings which would have undergone re-prioritisation and re-appraisal processes.
572. These include composite offices in districts, central and district registries and other institutional buildings.

### ***Public Private Partnerships***

573. Public Private Partnership arrangements are an effective avenue of spearheading various development projects in the country. This is particularly so, given the huge quantum of financial resources required, which are clearly beyond Government's capacity.
574. In this regard, Mr Speaker Sir, allow me to acknowledge the Development Bank of Southern Africa (DBSA) for availing a facility amounting to US\$260 million for the upgrading of the Plumtree–Bulawayo–Gweru–Kwekwe–Harare–Mutare highway.
575. I am further pleased to report that about US\$54 million has already been drawn down in favour of the contractor.

576. Mr Speaker Sir, the DBSA is also in the process of mobilising a US\$1 billion development loan facility for other priority projects in the transport and power sectors, in partnership with other key partners.
577. Targeted projects include the Beitbridge–Chirundu highway and the Kariba South Bank hydropower project.

### ***Constituency Development Fund***

578. Mr Speaker Sir, Honourable Members will agree with me that the Constituency Development Fund has made some progress in addressing various developmental projects in a number of Constituencies, thereby transforming our local communities.
579. These include projects in both rural and urban communities in the areas of transport, communication, water and sanitation, as well as other income generating projects.
580. Mr Speaker Sir, allow me to commend those Honourable Members who ensured that various priority projects were implemented in a timely manner and managed to make full account of resource utilisation.

581. In recognition of their commitment and dedication, I have, in this Budget allocated an amount of US\$8 million to ensure continued implementation of projects that promote equity and lay a foundation for community development.

### ***Social Services Delivery***

582. On-going rehabilitation of infrastructure in social sectors of education and health remain a priority in advancing improved social service delivery.

### ***Education***

583. Mr Speaker Sir, recognising the importance of education in the development of the country, Government has always prioritised the sector in terms of resource allocation. The objective is to attain the Dakar Commitment to a threshold of 6% of GNP or 15-20% of the total Government Budget.
584. Given thresholds of between 21–23% attained as per Budget Estimates for 2010 and 2011, the country has managed to score positive strides in the resuscitation and advancement of education, championed by immeasurable support and participation of parents, complemented by Government and development partners.

585. Improvements have been noted in text book supply, infrastructure rehabilitation, conduct and management of examinations, as well as retention of the human resource base. On that note, allow me, Mr Speaker Sir, to appreciate Hon. Coltart and his team for such notable progress in this sector.

586. These gains have to be maintained, consolidated and advanced to greater heights during 2012 in order for the country to regain the limelight and high standards of the 1990s.

*Education Infrastructure*

587. Mr Speaker Sir, the 2012 Budget will continue with the rehabilitation and upgrading of educational infrastructure, targeting schools and tertiary institutions.

588. In this regard, I propose to allocate US\$27 million for the rehabilitation of infrastructure at primary and secondary levels, as well as US\$57.2 million for institutions of higher learning.

589. Of this amount, US\$7.7 million is being allocated for the Faculty of Agriculture at Lupane State University, US\$7.5 million for the Central Library at NUST, whilst US\$2.3 million has been earmarked for the construction of the Library at Midlands State University, among others.

*Halls of Residence for Universities*

590. Mr Speaker Sir, the increase in State Universities has not been complemented by improvement in construction of accommodation facilities.

591. Accommodation capacity at the University of Zimbabwe is only 4 287, against an enrolment of 10 000 students, while at NUST, the institution can only accommodate 104 against a demand of 4 000 students. Similarly, Midlands State University, which enrolls 6 000 students, can only offer accommodation to 200.

592. Mr Speaker Sir, the accommodation challenge at State Universities has left students at the mercy of rent seeking landlords.

593. It is, therefore, critical that the construction of one hall of residence per each State university be implemented without further delay, starting with those four institutions targeted by the US\$30 million allocated in 2010.

*Student Grant and Loan Scheme*

594. In the previous Budget, Government made an undertaking to support university students with loans and grants in order for them to meet their educational and upkeep requirements.

595. This proposal was made in view of the inadequacy and unsustainability of the current Cadetship Scheme, to which US\$15 million was allocated under the 2011 Budget.

596. In response to the many appeals from parents and students during Budget consultations to operationalise the Students Grant and Loan Scheme, I am accordingly allocating US\$25 million, which will be matched by an even bigger amount from cooperating banks.

597. The Barclays and ZB Bank, on their own, are contributing some US\$20 million and US\$10 million, respectively, towards the Students Loan Scheme.

## ***BEAM***

598. In order to support vulnerable children access education, I am proposing to allocate US\$16 million under the Basic Education Assistance Module (BEAM).
599. This support is set to benefit 160 000 secondary pupils. Cooperating partners stand ready to match Government's effort with focus on vulnerable primary school pupils.

## ***Learning Materials***

600. Mr Speaker Sir, Government is endeared to our cooperating partners who have so far made generous contributions towards the procurement of 7 million text books for distribution in secondary schools across the country.
601. This intervention is set to improve the pupil-book ratio to 1:1 for core subjects at secondary level.
602. To further enhance the quality of our education, a provisional allocation of US\$20.6 million has been made towards procurement of teaching and learning materials for both primary and secondary school levels.

## **Healthcare**

603. As in education, Government, with the support of cooperating partners made significant strides in health service delivery over the past two years in line with the National Health Strategy. I would like to commend the efforts of the Minister of Health, Dr Madzorera and his team for such efforts.
604. The Strategy seeks to promote and improve the quality and scope of health delivery services, emphasising on Prevention, Primary Health Care System and a strong Referral System.
605. The targeted approach, employed during implementation of the Strategy enabled Government to realise meaningful impact on various programmes relating to equipment and infrastructure rehabilitation, drugs and medical supplies as well as retention of skilled personnel.
606. In this regard, the rehabilitation and upgrading of health facilities, provision of adequate medical equipment as well as procurement of ambulances and service vehicles is essential for the achievement of the above objective.
607. I, therefore, propose to allocate US\$63.4 million for infrastructure rehabilitation, equipment and vehicles in the health sector.

608. Of the above amount, US\$22.1 million will be applied on the basis of the targeted approach aimed at revitalising our health delivery.

609. The identified institutions are as follows:

<b>Institution</b>	<b>Amount US\$</b>
<b>Initial Phase</b>	
Chinhoyi Provincial Hospital	3,000,000
Rusape District Hospital	2,400,000
Chiredzi District Hospital	2,400,000
Beitbridge District Hospital	2,000,000
Binga District Hospital	2,000,000
Mvuma District Hospital	2,000,000
Nkayi District Hospital	2,000,000
<b>On-going</b>	
Harare Central Hospital	500,000
Mpilo Central Hospital	500,000
Ingutsheni Central Hospital	500,000
United Bulawayo Hospitals	1,000,000
Chitungwiza Central Hospital	1,000,000
Marondera Provincial Hospital	500,000
Bindura Provincial Hospital	500,000
Chivhu General Hospital	500,000
Karoi District Hospital	500,000
Masvingo, Gwanda, Mutare & Ngomahuru	800,000
<b>Total</b>	<b>22,100,000</b>

610. An amount of US\$18.4 million is meant to address infrastructure inadequacies in other health institutions. The focus will be on construction, as well as rehabilitation of clinics, district, provincial and central hospitals.
611. The eleven targeted mission hospitals will receive US\$7 million, whilst Parirenyatwa Group of Hospitals has been allocated US\$5.9 million.
612. Out of the above US\$63.4 million, an amount of US\$7 million is earmarked towards procurement of medical equipment, with emphasis being given to primary health care requirements, in line with the National Health Strategy.
613. To strengthen the referral system, I am proposing to allocate US\$3 million for the procurement of ambulances and service vehicles.

#### *Maternal and Child Healthcare*

614. Mr Speaker Sir, it is vital in our pursuit for inclusive growth that we restore the remarkable gains that the country had recorded during the 1980s and 1990s with regards to primary health care.

615. One of the areas most affected by the economic challenges of the last decade is maternal and child healthcare, whose indicators significantly deteriorated, impacting the most on the vulnerable.
616. Currently, the maternal mortality ratio stands at 790 per 100 000 live births, compared to 390 in the 1990s. Similarly, the under 5 mortality rate stands at 94 per 1 000 live births, up from 78 in 1990.
617. Mr Speaker Sir, this implies that pregnancy related complications result in average deaths of eight women per day, while about 100 children die every day from common and preventable disorders.
618. In dealing with the critical maternal healthcare challenges, Government acknowledges the support being received from cooperating partners under the Health Transition Fund Programme, with the next phase for 2011–2015 having received pledges of US\$435 million.
619. Accordingly, in support of the policy thrust of increasing access through the gradual elimination of user fees for maternal and child healthcare services, I propose an allocation of US\$10 million.

620. Mr Speaker Sir, this would also allow us to move closer to meeting our MDGs 4 and 5 on reduction of maternal and under-5 mortality.
621. The Ministry of Health and Child Welfare will, in due course, pronounce the framework modalities for this intervention.

*Other Medical Services*

622. The current drug levels ranging between 29–58% for vital drugs, against a target of 100%, as well as 22–36% for all other categories of essential drugs, against a target of 75–80%, require further strengthening.
623. The overall provision for medical care services for 2012, including drugs supply, is proposed at US\$63.3 million.
624. Furthermore, I am proposing an allocation of US\$7.2 million for preventive health programmes, which are inclusive of enhanced malaria control, environmental health and immunisation.

*Health Support for Vulnerable Groups*

625. In order to facilitate access to healthcare services for vulnerable citizens, such as the elderly and disadvantaged children, I propose to allocate US\$1 million under the Ministry of Labour and Social Services.

### *Special Medical Requirements*

626. Mr Speaker Sir, I am aware of the growing number of our people, including children, who are facing unique and rare medical conditions which in some cases require specialist services outside the country.
627. The afflicted together with their families also endure lots of hardships and other financial costs.
628. Government, through the Ministry of Health and Child Welfare established a facility to cater for such cases. I am, therefore, proposing to allocate US\$0.5 million to this facility.

### *Empowering the Physically Challenged*

629. Mr Speaker Sir, support for the various vulnerable groups extends to those physically challenged in order for them to participate in mainstream economic activities.
630. To this effect, I propose to allocate US\$2 million towards supporting disabled persons, with emphasis being given to the establishment of a revolving fund to finance business ventures.

### ***Women and Rural Development***

631. Women in our country constitute an important force that has high potential to effectively contribute towards achievement of the three prioritised MDG goals.
632. An enabling environment, including access to credit and skills training is, thus, required to enhance their participation in mainstream economic activities.
633. In this regard, I am proposing to allocate US\$3 million under the Women's Development Fund.

### ***Spatial Development Initiatives and Growth Clusters***

634. Mr Speaker Sir, we need to draw lessons from the pre-Independence industrial strategy.
635. This identified niche competitive advantages of each Province, and appropriately established strategic companies in the respective areas, taking advantage of the respective resource base.
636. At the epicentre of our Industrial Development Policy 2011–2015 is the development of Spatial Development Clusters.

637. These are intended to capitalise on proximity to production, procurement and market synergies, facilitated through agglomeration of interlinked production activities, comprising industries, their suppliers, critical supporting business activities, requisite infrastructure, institutions and the associated policy framework.
638. Mr Speaker Sir, successful implementation of the concept of economic hubs would facilitate establishment of cluster industrial hubs, for example, development of a Diamond Technology Centre, closer to the raw material.
639. The concept of Spatial Development Initiatives has also been applied successfully in other countries, including Malaysia and South Korea.
640. This concept has also the advantage of strengthening the backward and forward linkages among various areas, including urban and rural areas, as well as industries.
641. The strategy also promotes the exploitation of value chains and value systems among firms and sectors, including franchising, contracting, toll manufacturing and out-sourcing, mentorship and internship to achieve more inclusive outcomes than the case of individual firms or sector approaches.

642. Government, through the Ministries of Industry & Commerce and Economic Planning & Investment Promotion will be promoting the development and implementation of this concept.
643. Some of the identified development clusters include the following:

<b>Resource Base / Identified Industries</b>	<b>Area</b>
<b>Diamonds processing, cutting and polishing</b>	Bocha area, Manicaland
<b>Soft wood cluster</b>	Manicaland
<b>Hard wood cluster</b>	Matebeleland North
<b>Resource Base / Identified Industries</b>	<b>Area</b>
<b>Livestock cluster</b>	Masvingo/Midlands/Matebeleland
<b>Cotton cluster</b>	Midlands/Mashonaland Central
<b>Tobacco processing cluster</b>	Masholand West and Manicaland
<b>Sugar and ethanol cluster</b>	Triangle and Hippo Valley, Masvingo
<b>Iron Ore cluster</b>	Masvingo /Midlands
<b>Energy and hydro carbons cluster -</b>	Midlands and Matebeleland North
<b>Gold related cluster</b>	Matebeleland South/Midlands/Manicaland and Mashonaland
<b>Tourism cluster</b> <b>Offshore financial hub</b>	Victoria Falls/ Kariba
<b>Export corridor nod</b>	Beitbridge/Chirundu/Plumtree to Beira
<b>Horticultural hub</b>	Mashonaland East (Mutoko, Murewa) and Manicaland/Midlands

644. These clusters will be prioritised in terms of investment and incentivised in order for them to become the engines of growth and employment creation, and, therefore, important in dealing with the structural issue of a dual enclave economy.
645. Success will require that Government, Local Authorities and Utility providers guarantee minimum supply of the following supportive services:
- Basic infrastructure, in particular roads, electricity, water and communication;
  - Provision of title deeds to investors, which should entail amendments to the requisite legislation;
  - Provision of requisite fiscal incentives; and
  - Flexibility in the application of the Indigenisation and Empowerment Act.

### ***Credit Rating Bureau***

646. Mr Speaker Sir, one of the main challenges in the early stages of a business is access to credit, as many new and prospective business owners simply do not have sufficient credit record to verify their creditworthiness.

647. Government will, therefore, engage financial institutions with a view to establish a Credit Rating Bureau, whose objective is to build a data bank of credit worthiness of individuals and firms.
648. The Bureau will provide lending institutions with important information of individuals and firms, which will facilitate access to credit and speeding up credit applications and approval processes.

## ***EFFICIENT GROWTH***

### ***Improving Government Operational Efficiency***

#### *Wage Bill*

649. Mr Speaker Sir, I have already alluded to the structural challenge to the Budget with regards to the high proportion of employment costs in total expenditures.
650. I, therefore, propose that the 2012 Budget allocation for employment costs be balanced by the need to avoid crowding out resource availability for other important programmes.

*Pay Roll and Skill Audit Verification*

651. Honourable Members will recall that in 2010, Government undertook a Civil Service Pay Roll and Skills Audit.
652. As a follow up to this Audit, the Public Service Commission embarked on a verification exercise which started on 24 October and ended on 15 November 2011.
653. The exercise entailed visiting Provincial and District offices, as well as all work stations around the country to verify presumed irregularities and take corrective action where necessary.
654. Mr Speaker Sir, the results of the verification Audit should soon be available to inform the appropriate action by the Public Service Commission.

*Pension Reform*

655. Honourable Members will recall that as far back as 1999, Cabinet approved the conversion of the current Pay-as-you-go Public Service Pension system into a Pension Fund.

656. The reform was motivated by the unsustainability of the current system as well as the inability of the pension benefits to support a decent standard of living.
657. The need for Public Service Pension reform was further reiterated by the then Minister of Finance, in the 2005 Medium Term Policy Statement and the 2006 Budget Statement.
658. However, from 2006 to 2009, the reform process lost momentum due to the economic downturn.
659. On 14 September 2010, Cabinet endorsed its earlier position of reforming the Public Sector Pension Scheme.
660. An Actuary has been appointed to review the current structure, undertake an actuary study and recommend the operationalisation of the Fund.
661. Some of the issues that will be covered by the study, which is expected to be completed in 2012, include the following:
- Determining the transitional implications of moving from a non-funded to a funded scheme;
  - Defining new parameters on contribution rates and the benefit formulae;

- Guidance on treatment of current pensioners, contributors and new entrants; and
- Guidance on asset allocation and investment strategy.

662. Mr Speaker Sir, a Committee made up of various stakeholders has been formed and is spearheading the reform process.

663. Furthermore, the State Services (Pensions) Bill which had been drafted in 2000 is being re-drafted in line with developments that have taken place since the initial draft.

#### *Money Lenders Deductions*

664. Mr Speaker Sir, concerns have been raised that the Salary Service Bureau (SSB) is facilitating Money Lenders' debt recoveries from civil servants where some loans are extended at extortionate interest rates of as high as 40% per month.

665. Reports of loan recovery deductions, well in excess of 25% of gross salary have been made, further worsening the financial plight of civil servants.

666. Government will, therefore, be following up on this with the Public Service Commission.

667. Mr Speaker Sir, in the 2010 Budget Statement, I advised of the non-availability of the Integrated Central Government Accounting System, the Public Finance Management System (PFMS) during the 2009 and 2010 financial years.
668. This resulted in the bulk of the 2009 and 2010 transactions being processed outside the system.
669. I am pleased to advise that a lot of work has been done to introduce 2009 and 2010 transactions into the PFMS, with the necessary reconciliations done to confirm the transactions.
670. The clearance of the backlog, the work being done to improve system availability and training of staff should go a long way in ensuring that financial reports are timeously produced in compliance with the Public Finance Management Act.

*Public Finance Management Legal Framework*

671. Mr Speaker Sir, in the 2011 Budget Statement, I emphasised the need for fiscal prudence, effective management of and accountability for the limited resources at our disposal.
672. We remain committed to those ideals, and compliance with the provisions of the Public Finance Management (PFM) Act will be enforced.

673. In this regard, the holistic operationalisation of the Act will be enhanced by the issuance of PFM regulations that are currently in draft form.
674. The draft regulations will be fully disseminated for comments and inputs, and stakeholder participation is encouraged, as the regulations will guide implementation of the Act, as well as benchmark public finance management oversight arrangements.

### *Results Based Budgeting*

675. Mr Speaker Sir, next year will be our seventh year of implementing Results Based Management, a key component of which is Results Based Budgeting.
676. Whilst a number of successes have been registered in implementing Results Based Budgeting, there are some challenges that remain to be addressed.
677. However, Mr Speaker Sir, I am pleased to note that Ministries have now highlighted their achievements from the resources availed in the 2011 Budget. Going forward, they have also indicated their priorities for the medium term.

678. This, Honourable Members, is reflected in the 2012 Budget Estimates I will be laying before this August House today. This should enable Honourable Members, as well as the public, evaluate performances of individual line Ministries.

679. Furthermore, from 2012, we are introducing the Rapid Results Approach in the implementation of projects. This, Mr Speaker Sir, seeks to:

- entrench achievement of outputs/results;
- bring together all the key actors in the project under implementation;
- facilitate collective decision making;
- problem solve; and
- address other implementation bottlenecks.

680. Mr Speaker Sir, full implementation of Results Based Budgeting will, however, require further reforms to our budgeting system which currently is predominantly line item rather than programme based.

### *Gender Budgeting*

681. Mr Speaker Sir, disparities arising from gender and other peculiarities have often meant that Budget interventions are not always responsive to the needs and demands of citizens in a neutral way.
682. Hence, in formulating Expenditure Proposals, Treasury Budget Call Circulars, always call on Ministries to integrate gender issues from the strategic planning stage, through to consolidation of their Expenditure Proposals.
683. The target is to ensure that policies deliver to women and men, boys and girls more equitably, with the guidelines on Gender Budgeting available on the Treasury website, [www.zimtreasury.gov.zw](http://www.zimtreasury.gov.zw).
684. As Ministries implement the 2012 Budget, the Gender Budgeting Manual developed by the Ministry of Women's Affairs, Gender and Community Development is also available to assist in analysing the gender impacts of policies and programmes.

685. In this regard, Gender sensitive Budgeting is not about increasing allocations or having separate budgets for men and women.

686. Mr Speaker Sir, it is about re-orientation of programmes within sectors in order to promote more effective use of resources to achieve both gender equality and human development.

*Arrears to Service Providers*

687. Mr Speaker Sir, as of 30 September, arrears accrued by Ministries and Government Departments with regards to service payment obligations to local authorities and some parastatals amounted to US\$135 million.

688. Failure to urgently address the growing matrix of arrears will undermine the financial integrity and investment capacity of the affected parastatals and local authorities.

689. In this regard, Treasury will be instituting measures to rectify this. This will be accompanied by measures to contain Ministries' continued use of such services in line with their Vote appropriations.

*Tendering & Projects Management*

690. Mr Speaker Sir, ideally, tendering is supposed to be transparent and competitive in order to ensure value for money.

691. However, given the lack of financial capacity of contractors to deliver on contracts and procuring agencies' inability to appreciate the tasks involved in the management of the procurement function, the costs of procuring goods and services by Government have tended to be higher than those obtaining in the market.
692. Despite huge sums of money expended by line Ministries on procuring goods and services, the procurement function in Government has not been accorded the importance it deserves.
693. More often than not staff that procures goods and services carry out this function as add on to their other duties and they also do not possess the requisite qualifications to undertake the task effectively.
694. The State Procurement Board will, thus, also be expected to undertake capacity building workshops with individual line Ministries on tender processes and requirements.
695. Mr Speaker Sir, there is urgent need to review the procurement legal framework to align it with the current developments in the profession as well as the prevailing economic conditions.

696. Development and introduction of Standard Bidding Templates should go a long way in guiding both the procuring agents and suppliers, to limit the current delays arising from unclear specifications and disputes arising thereof.

### ***Idle Assets***

697. Mr Speaker Sir, most Government complexes and other work stations, hold numerous idle but valuable assets dumped for various reasons.

698. These assets include furniture and fixtures, vehicles, electronic and other office equipment, stationery, among others, and are left to gradually deteriorate in value.

699. However, these assets, if disposed to the public can be repaired or refurbished to good use.

700. Hence, in developing the PFM regulations, a whole section has been devoted to the management of assets. This will cover issues of procurement, recording, valuation and disposal.

701. Treasury will, therefore, enforce these regulations on maintenance and disposal of Government assets.

### ***De-centralisation***

702. Mr Speaker Sir, concerns raised by stakeholders during Budget consultations necessitate the decentralisation of the provision of a range of both public and private services away from the capital, Harare.
703. Examples cited include acquiring of national identity documents, processing of tender documents and approval of loan applications, among others.
704. Hence, as Government we need to develop strategies to decentralise service provision to the provinces and districts.
705. With regards to financial services, I will be working with the financial sector to have meaningful decentralisation of financial services beyond Harare.
706. I am, however, happy to note that the Public Service Commission has embarked on initiatives to decentralise some of its operations.

### *State Enterprises*

707. Privatisation has potential for attracting external investment, capable of improving performance and employment in some of our public enterprises.
708. Government has already approved a framework for the restructuring of State Enterprises incorporating privatisation, commercialisation and restructuring.
709. Unfortunately, the restructuring process for identified public enterprises has been slow, partly due to lack of commitment from the respective line Ministries.
710. Government will, therefore, develop an effective implementation strategy with clear timelines to speed up the implementation of the already approved framework.

### *Financial Sector Regulation*

711. Mr Speaker Sir, in the 2011 Mid Term Fiscal Policy Review Statement, I bemoaned the ‘silo’ disposition of the regulators in the financial sector, who had tended to adopt a narrow territorial perspective.

712. I am pleased to note that there have been positive developments, where regulators in the financial sector are collaborating on topical issues such as the one related to Renaissance Financial Holdings.
713. Such collaboration is important in strengthening the financial sector regulatory framework.

### ***Smaller Denominated Coins***

714. Honourable Members will recall that in the 2011 Mid-Term Fiscal Policy Review, I reported on the progress Government was making with regards to the acquisition of smaller denominated coins to ease transaction difficulties encountered by the public.
715. However, our target to have completed importation of denominated coins by end of next month would require us to quickly overcome some of the logistical challenges involved.
716. I will, therefore, be communicating on the progress we would have made on this. This progress would have to be supported by increased usage of plastic money by the transacting public.
717. I, therefore, would like to thank the financial services industry

for the efforts that are being made to continuously upgrade provision of the necessary infrastructure.

### ***Mobile Banking***

718. Mr Speaker Sir, established facts are that up until 2008, banks had combined bank accounts of about 4 million. The advent of the multiple currencies regime in 2009 reduced these accounts to about 2 million, translating into a ratio of one bank serving an average of 75 000 people.
719. These statistics reflect that the majority of the population remain unbanked.
720. In this regard, mobile banking provides an opportunity to cater for the marginalised unbanked section of our population.
721. In this regard, Government will, in conjunction with the banking and retail sectors, continue to promote increased use of mobile banking facilities as well as plastic money.

### ***Statistics***

722. In previous Budgets, I emphasised the importance of statistics for planning, decision making and monitoring purposes.

723. The Zimbabwe National Statistical Agency (ZIMSTAT), with the mandate to collect and publish national statistics is confronted with two main challenges – institutional capacity deficiencies and non-cooperation from stakeholders over data collection.
724. To address some of the capacity deficiencies in such areas as IT, staffing, skills training, equipment and transport, I propose to allocate US\$9 million towards ZIMSTAT.
725. With regards to stakeholder cooperation in the production of reliable statistics, ZIMSTAT will be intensifying awareness campaigns with key stakeholders.

*The 2012 Population Census*

726. As indicated in my previous Budget and the 2011 Mid-Year Fiscal Policy Review, Government through ZIMSTAT, will be conducting the population census in 2012.
727. Preparatory work is in progress and I am, therefore, allocating US\$22 million for the conduct of this important census.
728. Indications from development partners are that their contributions for 2012 will be at least US\$7 million, and ZIMSTAT is working with UNFPA in this regard.

## **SUSTAINABLE GROWTH**

729. Mr Speaker Sir, sustainable growth requires as a pre-condition, peace and stability – both predicated on a conscious programme of nation building and sustainable human development.
730. This is critical for us to wash away the scars left after decades of disharmony.
731. We should, therefore, applaud the meeting of our political leaders, their main organs, that is the Central Committee of ZANU PF, and the National Councils of the two MDC formations.
732. Mr Speaker Sir, I have no doubt, the Nation hopes and trusts that the ten principles of their Harare Declaration will be implemented.
733. As part of peace building and nation building, it is important for the 2012 Budget to support and monetise the GPA. I propose to do so as follows:

### ***Conduct of the Referendum***

734. Mr Speaker Sir, to facilitate adoption and approval of the new Constitution, which is currently at its finalisation stage, I am

proposing to allocate US\$30 million towards completion of the Constitution Making Process and conduct of the Referendum.

### ***National Healing and Peace Building***

735. To facilitate speedy national healing initiatives, peace and reconciliation processes, Government is proposing an allocation of US\$0.8 million for advocacy consultations with key stakeholders and the establishment of structures for the cascading of the national framework for peace to provincial and district levels.

### ***Constitutional Commissions***

736. Mr Speaker Sir, to improve human rights relating to political, civil, economic, social and cultural rights, I propose to allocate US\$5.5 million towards strengthening the operations of the Zimbabwe Electoral Commission, Zimbabwe Media Commission, the Human Rights Commission and the Anti-Corruption Commission.

### ***Towards A Green Economy***

737. Mr Speaker Sir, the issue of climate change is real, and now beyond academic debate. Closer home, seasonal challenges

farmers have to contend with on account of unpredictable weather patterns bear testimony to global warming.

738. Hence, Mr Speaker Sir, the inclusivity of our quest for rapid growth should be extended to embrace environmental sustainability, with all our Budget programmes rigorously subjected to scrutiny over their ‘green economy’ friendliness.
739. Moving towards a ‘green economy’ should also require us to support investments that take advantage of the abundant, but under-utilised domestic renewable alternative energy sources such as solar, wind and bio-fuels.
740. It is imperative that Government continues to support greater use of solar energy by households and industry, thereby augmenting the existing energy supply, as well as encouraging a green environment.
741. Already, we have made a start with review of duties in support of increased reliance on solar, and energy saving bulbs.

#### *Bio-Fuel*

742. Furthermore, Government support towards increased production of ‘green fuel’ in the Lowveld is consistent with the overall movement towards a green economy.

743. Mr Speaker Sir, this development will not only impact positively on the environment. We will also realise increased domestic energy self-sufficiency, employment creation, generation of electricity, and saving on foreign currency.
744. The local community also stands to benefit through contract farming of sugar cane, and infrastructure development that includes upgrading of roads and dam construction.

### *Environment*

745. Our fiscal interventions need to also support programmes and activities supportive of improved environmental management, such as veld fire control and natural resource management.
746. Support for Government programmes towards initiatives to contain environmental degradation, by gold panners and other small scale miners, industrial pollution, and deforestation by farmers, should all be part of our Budget processes.
747. Mr Speaker Sir, I, therefore, propose to allocate US\$500 000 to the Environmental Management Agency and US\$400 000 to the Forestry Commission for environmental activities, including veld fire management campaigns.

## VII. REVENUES

748. Mr Speaker Sir, the revenue measures that Government implemented during the 2011 Budget and the 2011 Mid-Term Fiscal Policy Review focused on support to the productive sectors, availing relief to individual taxpayers, improving transparency and accountability in business, and strengthening tax administration.
749. The revenue measures that I am proposing for the 2012 National Budget seek to further support the productive sectors through relief on customs duty on inputs, redirecting consumption of resources to the productive sectors, enhancing revenue collection, as well as giving relief to individual taxpayers.

### **Measures in Support of the Productive Sectors**

#### ***Customs Duty***

##### ***Customs Duty on Raw Materials***

750. Government, through the 2011 Mid-Term Fiscal Policy Statement and the 2012 Pre-Budget Strategy Paper, invited stakeholders to

submit specific inputs on proposals for reduction of customs duty on raw materials and capital goods, as part of the consultative process for consideration in the 2012 Budget. This was in line with Government's policy stance to reduce tax on inputs into production, ultimately lowering the cost of production.

751. Hence, Government has progressively reduced its dependence on trade taxes to finance Budget expenditure, with significant steps having been taken to reduce customs duty on inputs.
  
752. Taking into consideration submissions made by stakeholders, I propose to reduce customs duty on raw materials, as follows:

<b>Product</b>	<b>MFN Duty Rate (%)</b>	<b>SADC Duty Rate (%)</b>	<b>Proposed Duty Rate (%)</b>
PVC Sheeting	15	0	10
PVC Coated Sheeting	10	0	5
Polyurethane Sheeting	10	0	5
Other Coated Plastics	10	0	5
Polymers of Vinyl Chloride	15	0	10
Reflector Material	10	0	5
Copper Tubing	15	0	10
Hot Marking Ribbons	20	0	15
Polyethylene Granules	5	0	0
Plasticised Polyvinyl Chloride	10	0	5
Tea Bag Paper	10	0	5
Foil	20 - 25	0	15-20
Sulphur	5	0	0
Waste Sulphuric Acid	10	0	5
Other Vegetable Saps and Extracts	10	0	5
Crushed or Powdered Natural Steatite	10	0	5
Toluene	10	0	5
Other Cleaning Substances	10	0	5

### *Suspension of Duty*

753. I further propose to grant a suspension of duty on products which the local industry has potential to produce, until such time when production improves, as shown on the Table below:

Product	MFN Duty Rate (%)	SADC Duty Rate (%)	Proposed Duty Rate (%)
Soya meal	5	0	0
Galvanised Wire	20	0	10
U-Section of Iron or Non Alloy Steel	10	0	5
T-Section of Iron or Non Alloy Steel	10	0	5
Other Angles Shapes and Sections not Further Worked	20	0	10
Cold Rolled Steel Coils	10	0	5
Crude Soya Oil	5	0	0

754. These measures take effect from 1 January 2012.

### *Duty on Locally Available Raw Materials*

755. There has been a surge of imports of raw materials, regardless of local availability. The reasons given for preference to import such raw materials include competitive prices, higher quality and timeous delivery.
756. It is, however, important that companies source their raw materials from the domestic market where it is economically viable, in order to also support local production and creation of jobs.

757. Government is currently consulting stakeholders with a view to put in place measures that promote the consumption of locally produced raw materials in order to facilitate employment creation through forward and backward linkages and also reduce the outflow of foreign currency.
758. I, therefore, call upon stakeholders to submit proposals by 31 December 2011. This policy measure will be implemented by 1 April 2012.

### ***Agriculture***

#### *Fresh Farm Produce*

759. Mr Speaker Sir, I have already alluded to the fact that agriculture plays a significant role in the development of the economy, contributing about 15% to the Gross Domestic Product and also providing livelihood to the majority of the population. The agricultural sector also promotes economic growth through forward and backward linkages in the agriculture value chain.
760. The production of vegetables, in particular, has over the years been a source of livelihood for small-scale farmers. However, production by small-scale farmers has been adversely affected

by imports of fresh vegetables supplied to retail outlets and open markets, such as Mbare Musika at low prices. Imported vegetables have also gained a significant share of shelf space in local supermarkets.

761. In order to level the playing field vis-a-vis competition from the region, I propose to increase customs duty on fresh produce, with effect from 1 January 2012, as follows:

Product	MFN Duty (%)	SADC Duty (%)	Proposed Duty (%)
Potatoes	40	10	25
Tomatoes	40	10	25
Onions and Shallots	40	10	25
Cabbage	40	10	25
Carrots	40	10	25
Peas	40	10	25
Beans	40	10	25
Mushrooms	40	10	25
Spinach	40	10	25

762. The proposed duties will, however, be suspended during seasons when local production is insufficient to meet demand.

### ***Basic Commodities***

#### *Maize-meal and Cooking Oil*

763. The re-introduction of customs duty on basic commodities, in particular, cooking oil and maize meal, has positively impacted on the operations of manufacturing companies. The milling

industry, for example, has doubled capacity utilisation from 21% to 46% and also employed a significant number of people. One company, for instance, has re-opened three milling plants in order to meet demand.

764. The edible oil expressing industry has also increased production and doubled employment levels. However, this sector still faces challenges in procuring soya beans, a key input into the production of cooking oil.
765. The local industry, however, has capacity to adequately supply edible oils and maize-meal at competitive prices, subject to availability of raw materials.
766. However, on the downside, it is clear that some unscrupulous traders took advantage of the policy measure to increase prices. This resulted in a spike of 0.5% in the food inflation index for the month of September 2011.
767. It is clear that Government's efforts to be fair to the manufacturing sector have not been met with a commensurate response.
768. Be that as it may, the recently introduced customs duties on cooking oil and maize-meal will be maintained, in order to allow the policy position sufficient incubation.

769. I must, however, warn our traders that they must be fair, and if any further abuse occurs, Government will not hesitate to suspend the relevant duties.

*Duty on Pre-packed Rice, Flour and Salt*

770. In view of the positive impact of the new duty structure on capacity utilisation and employment, a similar duty structure on pre-packed flour, rice and salt should improve the viability of the milling and packaging industries.
771. I have also been presented with figures of local capacity with respect to milling and packaging for flour, rice and salt.
772. I propose to introduce customs duty on pre-packed rice, salt and flour, in order to utilise excess capacity in the milling and packaging industries, as follows:

<b>Product</b>	<b>MFN Duty Rate (%)</b>	<b>SADC Duty Rate (%)</b>	<b>Proposed MFN Rate of Duty (%)</b>
Rice-Bulk <i>Pre-packed</i>	10-15 10-15	0 0	0 15
Flour-Bulk <i>Pre-packed</i>	10-25 10-25	5-10 5-10	0 5-10
Salt-Bulk <i>Pre-packed</i>	5-15 5-15	0 0	0 5-15

773. This measure takes effect from 1 January 2012.
774. I must, however, again, warn traders to be rational and that if there is any further abuse, necessary measures will be instituted to revoke this concession.
- Customs Duty on Wheat Flour*
775. Government further acknowledges the importance of wheat flour to our economy and the fact that bread and mealie-meal are staple foods. To this extent, Government allowed duty free importation of raw wheat. This has had a positive effect in allowing millers to import wheat, hence, it is not justifiable to import wheat flour.
776. However, continuous importation of wheat flour inhibits the growth of the local milling, agro-processing, packaging and transport industries as well as the revival of the national herd, since the by-products of wheat milling are currently inadequate to meet stock-feed requirements.
777. Local flour milling companies have potential to meet demand, subject to the availability of wheat. The duty free importation of flour, however, discourages local production of wheat and

by-products of the milling industry, resulting in higher cost of importation of stock-feeds.

778. In order to enhance the viability of the milling industry, as well as encourage local production of wheat, I propose to introduce customs duty on wheat flour at a modest rate of 5%, with effect from 1 January 2012.
779. The marginal increase of duty on flour should not translate to a higher price of bread as millers are expected to import wheat duty free. Government will, therefore, continue to monitor the price of bread to ensure that there is no abuse.

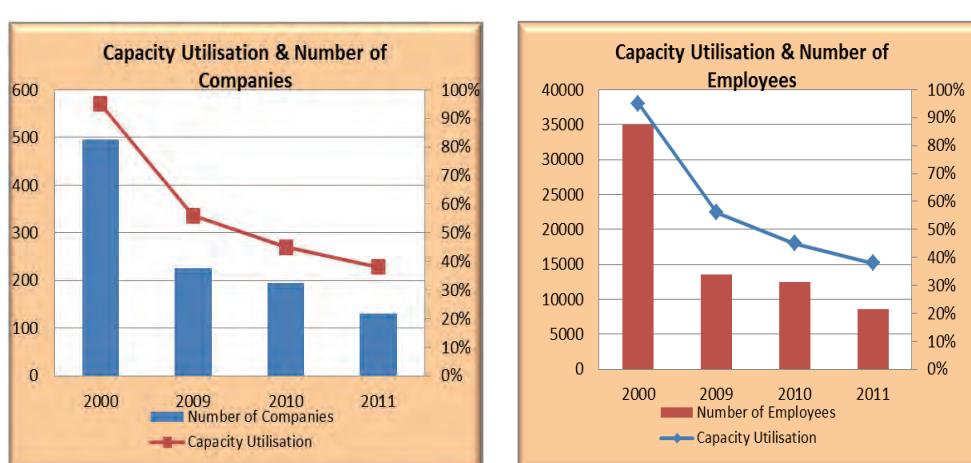
### ***Textiles and Clothing***

#### *Clothing Manufacturers' Rebate*

780. Mr Speaker Sir, the clothing industry provides an opportunity to grow the economy through the resuscitation of the value chain in the production of clothing, since it is a labour intensive business requiring relatively little capital.
781. 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. These challenges are exacerbated by rent seeking behaviour at Ports of Entry which results in under-invoicing and transit fraud.

782. There has been a significant move by retailers to import rather than purchase from local manufacturers, at the expense of local production. In an endeavour to provide modest protection to the local industry and also enhance compliance with Customs Legislation by cross-border traders, Government put in place a modest duty structure of 40% plus US\$1.50 per kg on imported clothing.
783. This policy measure has, however, not yet yielded positive results on the clothing sector as shown on the charts below:



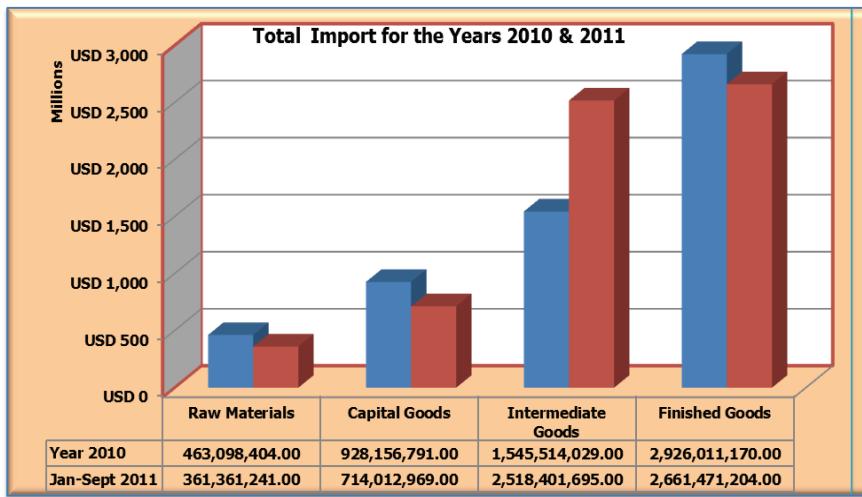
784. In order to revive the clothing sector, I propose to grant a rebate of duty on imported raw materials for use in the manufacture

of clothing, provided that such raw materials are not produced locally.

785. I further propose that the benefit be extended to manufacturers registered with the National Employment Council for Clothing Industry, in order to curb abuse.
786. Furthermore, in order to curtail incidences of undervaluation, I propose to adjust the rate of duty on clothing from 40% plus US\$1.50 per kg to 40% plus US\$3 per kg and also remove clothing from the traveller's rebate.
787. This measure takes effect from 1 January 2012.

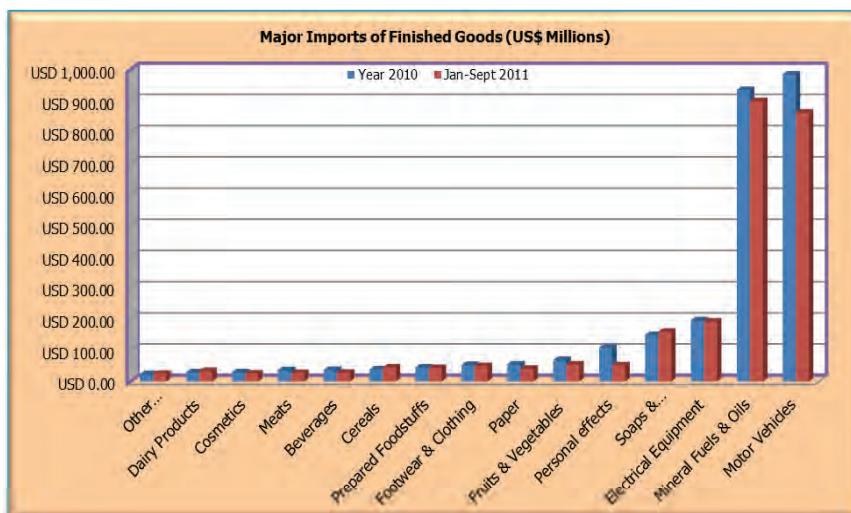
*Current Account Deficit*

788. Mr Speaker Sir, Zimbabwe has remained largely a retail economy as reflected by a negative trade balance during the period January to September 2011, where imports worth US\$6,3 billion against exports of US\$3,2 billion were recorded, representing a trade deficit of US\$3.1 billion.
789. Of the total imports of US\$6.4 billion, during the period under review, finished goods accounted for US\$2.7 billion whilst raw materials, intermediate and capital goods amounted to US\$361.4 million, US\$2.5 billion and US\$714.0 million, respectively as shown on the chart below:



790. The high rate of consumption of imports against a sluggish growth of exports remains a challenge to the management of the current account and is not favourable for the recovery of the economy.

791. The influx of imported goods also poses immense competition to local producers, thereby denying the industry adequate latitude to rebuild and improve standards to world class levels. The high import volumes of finished goods, as shown on the chart below, crowds out productive activities and, hence, is unsustainable:



792. In order to redirect resources from the consumption of less-essential goods towards production, I propose to introduce a surtax of 25% on selected imported finished products, with effect from 1 January 2012, as follows:
- Selected Range of Motor Vehicles
  - Selected Electrical Goods
  - Soaps and Cosmetics
  - Milling Industry products
  - Fruits and Vegetables (when in season)
  - Meat Products
  - Beverages
  - Tobacco
  - Sugar
  - Dairy products
  - Footwear and textiles

*Disposal of Goods by Rummage Sale*

793. Currently, where an importer fails to settle duty due on imported goods, the Commissioner may dispose such goods through rummage sale to compensate for outstanding duty and the State Warehouse rent. Any excess proceeds are paid to the owner of the goods.

794. In cases where the proceeds from the disposal of goods are insufficient to cover the costs, the Commissioner may appropriate such goods to the State without compensation.
795. The local industry currently faces stiff competition from imported goods. The pressure is exacerbated when goods disposed through the rummage sale find their way into the market.
796. I propose that where goods due for disposal through rummage sale are in direct competition with locally manufactured products, such goods will either be appropriated to Government institutions or donated to charitable organisations.
797. This measure will take effect from 1 January 2012.

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

#### ***VAT Zero Rating on Raw Materials***

798. Mr Speaker Sir, there are incidences whereby VAT is levied on some raw materials at a standard rate of 15%. These raw materials are used in the production of goods that are zero rated for VAT purposes. Local manufactures are, thus, required to outlay input VAT on these raw materials which will only be refunded after filing of a VAT return.

799. Resources that could be used to finance working capital requirements are, thus, tied up pending processing of the refund claim. Imported finished products that are zero rated, therefore, have a competitive advantage over locally manufactured products.
800. In order to level the playing field between imported and locally manufactured products, I propose to VAT zero rate sulphuric acid, phosphate rock, superphosphates, sulphur and soya bean crude oil, with effect from 1 January 2012.

*VAT Remittance Period*

801. Government acknowledges the importance of credit creation in stimulating economic activity in an environment of constrained liquidity. The VAT remittance period was, thus, gradually extended to the 20th of the following month with effect from 1 January 2011, taking into account Government's cash flow requirements.
802. In order to further stimulate production through credit creation, I propose that the VAT remittance period be extended from the 20th to the 25th of the following month, with effect from 1 January 2012.

## **Tax Relief Measures**

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

#### *Tax-Free Threshold*

803. Government supports a progressive income tax system underpinned by a tax principle of equity and fairness whereby low income earners bear a lower tax burden. In support of this principle, the tax free-threshold was gradually adjusted from US\$150 with effect from 1 January 2010, to the current US\$225 per month.
804. Raising the personal income tax-free threshold enhances disposable income in the hands of taxpayers, thereby stimulating aggregate demand for goods and services.
805. I, therefore, propose to adjust the tax free threshold from US\$225 to US\$250 per month, with effect from 1 January 2012.

#### *Tax Bands*

806. The general trend in modern tax law is to flatten the tax bands, thus most countries have moved towards reducing the number of tax bands.

807. In the case of Zimbabwe, there are major distortions that need to be addressed. One of the distortions is the high level of disparity between incomes of the rich and poor as indicated by the Gini coefficient of 50.1 in 2010.
808. Given this inequality, and also in order to uphold the principle of equity and fairness, I propose to widen the income tax bands to begin at US\$250 and end at US\$10 000, above which income is taxed at the highest marginal tax rate of 45%, with effect from 1 January 2012.
809. The tax bands are shown on the table below:

<b>Tax Band (US\$)</b>	<b>Rate (%)</b>
0 to 250	0
251 to 1 000	20
1 001 to 2 000	25
2 001 to 5 000	30
5 001 to 7 500	35
7 501 to 10 000	40
Above 10 000	45

810. This policy measure takes effect from 1 January 2012.

*Bonus Tax Exempt Threshold*

811. Bonus payments present an opportunity for employees to purchase durable goods, accumulate resources for school fees and other necessities to celebrate the festive season. Employees, thus, look forward to bonus income.

812. In order to uphold the spirit of celebration and also stimulate the aggregate demand for goods and services, I propose to increase the exempt portion of bonus and performance related awards from the current US\$500 to US\$700 with effect from 1 November 2011.

*Fringe Benefit Tax*

813. Fringe benefits include cash and non-cash payments to employees over and above their salaries and wages in exchange for their labour and expertise. 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.
814. Due to inadequate resources, salaries and wages in the civil service have remained low, compared to those of counterparts in the private sector. As a result, in some sectors, such as education, parents have resorted to augmenting teachers' salaries through payment of fringe benefits in the form of "incentives".
815. In order to ensure equity and fairness amongst employees, fringe benefits are subject to tax in the hands of the recipient. However, housing and transport allowances paid to the civil

service employees are exempt from tax, in recognition of the current low salaries. Any other incentives paid to the civil service employees are currently subject to tax.

816. Government, however, recognises the efforts of well-wishing parents to complement the low incomes of teachers, whose top-up responsibility would otherwise be of Government.
817. I, therefore, propose to review the current schedule of tax exempt allowances that are paid to the civil service to include other incentives paid to the civil service, with effect from 1 November 2011.

### ***Customs Duty***

#### ***Rebate of Duty on Donated Sporting Equipment***

818. Mr Speaker Sir, sport is a social development tool whose potential can be harnessed to contribute significantly to the welfare of citizens and the economy through promotion of tourism, creation of employment opportunities, provision of recreation and entertainment. Sport is also a unifying factor that enhances social integration among people of different races, religion, tribe, gender and cuts across the political divide.

819. Zimbabwe has been put on the world map through success stories of sportspersons who have made outstanding achievements at national and international levels.
820. The growth of sport is premised on support rendered by sporting clubs and associations to groom children and youths. The majority of sporting associations are non-profit institutions, hence, are funded mostly through donations of sport kits and equipment.
821. In order to assist Sport Associations in their endeavour to develop sport, I propose to grant a rebate of duty on sport kits and equipment donated to Sports Associations that are registered with the Sports and Recreation Commission, and also approved by the Minister responsible for Education, Sport, Arts and Culture, in order to prevent abuse.
822. Furthermore, in order to benefit from this facility, Sports Associations should have been registered with the Sports and Recreation Commission for a period of not less than one year.
823. This measure takes effect from 1 January 2012.

*Rebate of Duty on Ambulances Imported by Local Authorities*

824. In support of Local Authorities' efforts to provide social services,

Government has over the years granted duty free importation of equipment for road maintenance, refuse collection, fire fighting, rescue, water and sanitation, water treatment chemicals and donated goods.

825. Local Authorities, however, continue to face challenges in providing efficient health services, due to financial constraints.
826. In order to support Local Authorities procure and replace aged fleet, I propose to grant a rebate of duty on ambulances imported by Local Authorities, with effect from 1 January 2012.

***Rebate of Duty on Motor Vehicles Imported by the Physically Challenged***

827. The current legislation provides for suspension of duty on specified motor vehicles imported for use by the physically challenged, provided such motor vehicles were manufactured or assembled not more than ten years preceding the date of importation. The suspension of duty is granted once every five years.
828. There have been reports of abuse of the facility whereby car dealers have resorted to “hiring” physically challenged persons

in a ploy to evade customs duty on imported motor vehicles. The consequence of these shady deals is that the privilege is not enjoyed by the intended beneficiaries and also results in revenue prejudice to the fiscus.

829. Incidences where physically challenged persons clear more than one vehicle within the stipulated period of five years indicate that loopholes exist in the tax administration system. It is, however, pertinent that the physically challenged continue to benefit from the duty free facility, whilst at the same time necessary measures are put in place to safeguard revenue to the fiscus.
830. Further consultations will, thus, be undertaken with a view to put in place necessary measures to curb abuse of the facility.

## **2012 Harmonised Commodity Description and Coding System**

831. Member States of the World Customs Organisation (WCO) undertake a review of the Harmonised Commodity Description and Coding System every five years. The rationale for the review is to facilitate international trade, collection and analysis of statistics, embrace changes in technology and patterns of international trade and facilitate the standardisation of trade documentation, among others.

832. Zimbabwe is a member of the WCO and implements reviews of the Harmonised System Convention. Government has finalised the process of migrating to the new Harmonised System 2012 Tariff Handbook.
833. The new Harmonised System 2012 Tariff Handbook will, thus, be adopted with effect from 1 January 2012.

### **Incorporation of Customs Duty Suspensions into the 2012 Harmonised System Tariff Handbook**

834. In view of the closure of the bulk of industries which used to produce inputs for the local industry, Government provided temporary relief through suspension of customs duty on raw materials and intermediate goods, in order to reduce the cost of production. Suspension of duty instruments was used so as to facilitate resuscitation of closed companies that used to manufacture raw materials.
835. The policy on suspension of duty on inputs has contributed to the improved capacity utilisation levels for the manufacturing sector from an average of about 32.3% in 2009 to 57.2% in 2011.

836. In view of the fact that most raw materials are now sourced from external markets, I propose to adopt and incorporate the suspended customs duties on inputs into the 2012 Tariff Handbook with effect from 1 January 2012.

### **Authorised Economic Operators**

837. In an endeavor to lessen the effect of slow movement of goods through customs control, the concept of Authorised Economic Operators (AEO) has been adopted internationally. This concept has also been incorporated into the World Customs Organisation (WCO) Framework of Standards to Secure and Facilitate global trade (SAFE), in view of the growth of global trade and increasing security threats to the international movement of goods.
838. Authorised Economic Operators are designated companies which, in the course of their business, are involved in activities covered by the Customs and Excise Legislation. An AEO status shows that the operator complies with customs controls and procedures, hence, gives operators quicker access to simplified customs procedures.
839. Furthermore, the AEO concept facilitates legitimate trade through priority treatment of consignments imported by reliable

operators that comply with security and safety requirements criteria set by the Revenue Authority. Prioritised shipments are ‘fast-tracked’ through customs procedures, and are also subjected to less physical examination. AEOs also enjoy improved relations with Customs Authorities through recognition as safe and secure business partners.

840. Manufacturers, exporters and freight forwarders may qualify as AEOs, provided they have established an appropriate record of compliance to customs and tax legislation.
841. Given the benefits that will accrue to AEOs and the overall economy, I propose to introduce the concept of AEOs with effect from the second quarter of 2012. Government, in consultation with relevant stakeholders, will put in place the appropriate legislation.

## **Revenue Enhancing Measures**

### *Fiscalisation*

#### *Progress on Fiscalisation*

842. Mr Speaker Sir, Value Added Tax (VAT) is an important source of revenue which contributes about a third of total revenue to the

fiscus. In line with the current regional and international trends to plug loopholes in the VAT system, Government introduced the VAT fiscalised recording of taxable transactions with effect from 1 April 2010, in order to promote integrity and transparency among registered operators.

843. Whilst there has been some progress in the implementation of the VAT (fiscalised recording of taxable) transactions, there are, however, some registered operators in Category “C”, who are yet to comply with the legislation. It is, thus, imperative that urgent measures be instituted to enforce compliance.

*Review of Penalties on Failure to Fiscalise*

844. Currently, the Value Added Tax (Fiscalised Recording of Taxable Transactions) Regulations, prescribe a fine not exceeding Level 7 or imprisonment not exceeding 12 months, in the event that registered operator fails to fiscalise on the fixed or extended date permitted within the legislation.
845. The judicial process whereby the offender should first be convicted before a prescribed penalty can be imposed is cumbersome and time consuming.

846. I, therefore, propose a penalty of a maximum of US\$25 per point of sale, for each day the taxpayer remains in default with effect from 1 January 2012.
847. Furthermore, a Tax Clearance Certificate (ITF 263) will not be issued to registered operators in Category C who would not have complied by 1 October 2011, or such extended period granted by the Commissioner General.
848. Non-compliant taxpayers will also be required to pay an additional amount of VAT equivalent to the estimated revenue loss attributable to non-compliance with the VAT Fiscalised Recording of Taxable Transactions Regulations.

### **Efficiency in Tax Administration**

849. Mr Speaker Sir, the Zimbabwe Revenue Authority plays a strategic role of revenue collection and trade facilitation, which is pivotal to the growth and development of the economy. ZIMRA has since been restructured with a view to ensure a modern and effective tax and customs administration, which efficiently mobilises resources and facilitates trade and investment.
850. There is, however, need to focus on the implementation of a number of programmes that are critical to efficient service delivery.

### *Automation*

851. Honourable Members would recall that during the 2011 Mid-Year Fiscal Policy Review, I advised that the reform of the tax administration is incomplete without automation which enhances efficiency of tax administration. A key benefit derived from automation is the provision of data to improve decision making thereby improving service delivery.
852. Government has already provided a significant resource envelope towards implementation of the automation programme. It is envisaged that automation will facilitate fast clearance of goods, reduce interface between taxpayers and the tax administrators, thereby minimising corruption.

### *Corruption at Border Posts*

853. I have already alluded to the fact that customs officials and clearing agencies play a significant role in perpetuating corrupt activities at border posts. Incidences of corruption that have led to revenue leakages include bribery of customs officials, false and under declarations, abuse of Certificates of Origin, use of undesignated entry or exit points and abuse of Business Partnership Numbers and travellers' rebate.

854. Notwithstanding the measures that I have already proposed in order to curb incidences of corruption, Ports of Entry, especially Beitbridge Border Post, however, continues to be porous.
855. It is, therefore, important that high standards of transparency and accountability are maintained in tax and customs administration. In this regard, I have already alluded to the streamlining of ZIMRA along its core functions of tax administration and trade facilitation, with a view to strengthen efficiency.
856. I also call upon business and citizens to join hands with Government in order to fight corruption.

### **Submission of Advance Passenger and Cargo Manifests to the Commissioner General**

857. Under the current legislation, a pilot of an aircraft arriving in Zimbabwe is obliged to make a report to the officer on duty in such manner and form prescribed, within three hours after landing or within such further time as the Commissioner may allow.
858. Furthermore, the pilot shall, if required, provide information pertaining to a list of sealable goods on board, the list of the

passengers and crew and manifests of the goods on board, among others.

859. The three hour notification period after landing does not allow the Commissioner enough time to risk profile passengers and goods, and also at the same time allow for speedy clearance of low risk passengers.
860. I, therefore, propose amendment of legislation in order to compel the operator of an aircraft to submit crew, passenger and cargo manifests to the Commissioner General in advance, before landing.
861. Furthermore, cross border bus and commercial haulage operators will also be required to submit to the Commissioner, passenger, crew and cargo manifests to the Commissioner General in advance, before arrival at Ports of Entry.
862. This measure takes effect from 1 January 2012.

### ***Excise Duty***

#### *Excise Duty on Cigarettes*

863. Capacity utilisation in the cigarette manufacturing sub-sector has increased from 35% in 2008 to about 90% in 2011.

Consequently, cigarettes volumes have increased from 689 million in 2008 to an estimate of 1.8 billion sticks in 2011.

864. Locally produced cigarettes currently attract excise duty of US\$7 per 1 000 cigarettes, whilst excise duty on imported cigarettes is levied at a rate of 40% plus US\$5 per 1 000 sticks.
865. The consumption of hazardous and addictive products such as cigarettes costs the State through the provision of health care to patients suffering from smoking related diseases such as tuberculosis and cancer. It is, thus, necessary that Government imposes measures to discourage consumption of such products and also raise revenue to redress associated social costs.
866. Furthermore, the low price structure of locally manufactured cigarettes compared to prices obtaining in neighbouring countries provides an opportunity for illicit cross-border trade of cigarette products, thereby negatively impacting on revenue.
867. I, therefore, propose to increase excise duty on locally produced cigarettes from US\$7 to US\$10 per 1 000 sticks.
868. I further propose to increase excise duty on imported cigarettes from 40% plus US\$5 per 1 000 sticks to 40% plus US\$7 per 1,000 sticks.

869. These measures take effect from 1 December 2011.

## **Taxation of the Mining Sector**

### *Royalties on Precious Metals*

870. Honourable Members will recall that during the 2011 Budget, I advised that despite the increase in international metal prices, particularly on gold and platinum, the amount of royalties collected from precious metals has remained low. The prices of precious minerals continue to firm during the course of 2011, reaching the current price of US\$1,780 and US\$1,640 per ounce for gold and platinum, respectively.
871. Revenue collections from royalties during the period under review amounted to a paltry US\$44.1 million, compared to sales of US\$1.7 billion. The resource rent collections are, thus, not commensurate with the value of the minerals extracted, especially in view of the surge in international prices of precious metals.
872. As I have already alluded to in the 2011 Budget, Government expects compensation for permanent loss of resources, since minerals are a depleting resource. A fiscal regime which provides

Government with a fair share of economic rent generated from mineral extraction is, thus, desirable.

873. I, therefore, propose to increase the royalty on gold and platinum from 4.5% and 5% to 7% and 10%, respectively, in order to maximise the contribution of mineral resources to the fiscus.
874. This measure takes effect from 1 January 2012.

### **Improving Transparency and Accountability of Mineral Resources**

875. Government recognises the importance of transparency and accountability in the extraction of mineral resources, in order to minimise leakages, thereby enhancing revenue collections and promoting economic growth. Minerals are a wasting resource that should be exploited for the benefit of the nation.
876. Currently, the Revenue Authority merely receipts remittances of royalties collected by the Minerals Marketing Corporation of Zimbabwe (MMCZ) from the sale of minerals. However, in order to increase mineral revenue inflows to the fiscus, the Revenue Authority should put in place a mechanism to verify throughput of extracted minerals.

877. The Zimbabwe Revenue Authority will, therefore, station officers at selected mining locations in order to ensure transparency and accountability of extracted resources. The Zimbabwe Revenue Authority and Ministry of Mines and Mining Development will also timeously share information relating to mineral exports.
878. Furthermore, in order to strengthen the Monitoring and Surveillance Unit in the Ministry of Mines and Mining Development, which plays a critical role of monitoring mining activities, adequate resources will be availed to acquire weigh bridges that will be installed at Ports of Entry as well as establishment of fully-fledged metallurgical laboratories for the testing of mineral content.

### **Review of Mining Fees and Charges**

879. Mr Speaker Sir, the Ministry of Mines and Mining Development has proposed an upward review of fees and charges levied for application, registration and surface rentals, export permits and prospecting licences, among others.
880. The major purpose of the review is to discourage holding of mining claims for speculative purposes, thereby attracting credible investors in the mining sector. Furthermore, the

review will ensure a sustainable fee structure commensurate with services rendered by the Ministry of Mines and Mining Development, thereby improving revenue inflows to the fiscus.

881. In this regard, the Ministry of Mines and Mining Development will be gazetting the new fee structure which will be effective from 1 January 2012.

## **Presumptive Tax**

*Presumptive Tax on Houseboats, Fish Rigs and Speed Boats*

882. In order to capture the hard to tax informal business into the tax net, presumptive taxes have been introduced on driving schools, bottle stores, small scale miners and commuter omnibus operators, among others. Once the informal sector businesses are incorporated into the tax net, they should eventually graduate into the formal tax system.
883. However, a significant number of informal businesses are still operating outside the tax system, thereby prejudicing Government of tax revenue and also undermining the principle of equity and fairness in the tax system.

884. I, therefore, propose to extend presumptive tax to operators of houseboats and speedboats as follows:

<b>Carrying Capacity Boats &amp; Cabin Cruisers (People)</b>	<b>Proposed Tax Per Quarter (US\$)</b>
1-5	250
6-15	500
16-25	1,000
26-49	1,500
50 and above	2,000

885. Operators of fish rigs will be liable to pay US\$350 per rig per quarter. This measure takes effect from 1 January 2012.

*Extension of Presumptive Tax to Other Taxpayers Outside the Tax Net*

886. Mr Speaker Sir, I have already alluded to progress made with regards to introduction of presumptive taxes on the hard to tax category of taxpayers. However, some potential taxpayers still remain outside the tax net despite realising significant profits.
887. Drawing from experience from countries in the region such as Kenya, I will, thus, be making proposals to extend presumptive tax to other categories of potential taxpayers such as commuter omnibus drivers, butcheries, pre-schools and car dealers, among others.

## **VIII. ADHERENCE TO BUDGET PROVISIONS**

888. Mr Speaker Sir, Ministries and Government Departments have had a perennial tendency to take decisions or embark on activities which have a financial implication on the fiscus but without any regard to the concept and existence of the Budget appropriated through this Parliament.
889. This is against the very tenet of the Budget of living within our means and confirming expenditures within appropriated amounts.
890. Such demands jeopardise the achievement of set Government objectives and is a clear indication of lack of planning on the part of Ministries.
891. Henceforth, therefore, any Ministry that proposes expenditures not covered in the Budget will have to trade off some of their budgeted programmes and projects in order to create room to accommodate the extra-budgetary requirements.
892. Treasury on its part does not have powers to vary appropriations approved by Parliament. Such extra-budgetary requirements would need Parliamentary approval.

## **Travel Expenditure**

### ***Foreign Travel***

893. Mr Speaker Sir, out of concern over the disproportionately high level of foreign travel expenditure over the years, Government has tried to prescribe measures to restrain travel outside the country, thereby containing travel expenditure.
894. However, there still remains a lot to be done, especially a change in culture and self-financial discipline at all levels.
895. Treasury is always under pressure from some Cabinet Ministers over per diem rates in excess of the thresholds set as well as being accompanied by Security Aides on every business trip.
896. I am, however, happy for the support from the Principals with regards to control measures towards reigning in such unnecessary and wasteful expenditures.

### ***Domestic Travel***

897. Mr Speaker Sir, Accounting Officers in Line Ministries are also confronted with rising domestic travel bills emanating from both official and private travel of Ministers and Deputy Ministers.

898. I will, therefore, be appealing to the Principals for their support in controlling such expenditures.
899. In this regard, Treasury will make recommendations for reviewing the terms and thresholds for domestic travel for Ministers and Deputy Ministers with a view to curbing wasteful expenditure as well as enforcing uniformity in such benefits.

### ***Procurement of Vehicles***

900. Mr Speaker Sir, stakeholders need to be informed about the Government obligations towards condition of service vehicles.
901. Like other employers, Government has regulations on motor vehicle benefits with respect to vehicle type and replacement.
902. Arising from the above, Treasury has received bids for motor vehicle procurement to cater for newly appointed or promoted personnel, as well as replacement vehicles.
903. The estimated requirement for the vehicles is US\$27 million. Clearly, the 2012 Budget revenues cannot accommodate the whole requirement.

904. I, therefore, propose to rationalise and stagger these requirements, taking into account our resource limitations and the need to prioritise other projects and service delivery.

## IX. CONCLUSION

905. Mr Speaker Sir, in the preparation of this Budget we have researched widely and extensively on why our continent is poor and in particular why our country is poor. A sea of development literature on this subject exists.

906. It seems clear that no development can take place without an **effective State**, one which is able to impose tax, enforce contracts, organise public social spending, and capable of safeguarding its territorial integrity.

907. Put simply, the **effective State** is a harmonised cocktail of leadership, civic, fiscal and legal capacity. Thus, “state authority, tax systems and democracy co-evolve in a complex work of inter-dependent causality”.

908. Indeed, Mr Speaker Sir, a study of all both failed and successful states, across the length and breadth of our continent – Somalia, Botswana, Rwanda, Ghana, Singapore, China, Vietnam,

Cambodia, Laos, Costa Rica and El Salvador – reflects that the common thing in those countries that are successful is an Effective State.

909. Peace and stability or social cohesion is clearly the first precondition of the **effective State**. War, violence and conflict are an anathema to development.
910. Often, social cohesion guarantees a bottom up rather than a top down reform process. Secondly, there must exist strong macro-economic fundamentals, including a balanced Budget and low inflation.
911. Thirdly, Constitutionalism and the Rule of Law are paramount. Security of the Law and enforcement of legal rights are an essential component of the **effective State**.
912. Fourth, strong principled leadership that is at the epicentre of the development agenda is often critical but not a sufficient condition.
913. In short, Mr Speaker Sir, countries that are successful have taken advantage of the interrelated and correlated **coalition of growth and development**, that way building an **effective State**

capable of effective delivery, **effective growth and effective development.**

914. Honourable Speaker, this is the missing link, which this Budget seeks to build.
915. This is very possible if, as a country, we embrace the importance of **harmony, a unified common vision, and a matrix** that should make our **politics anti-cyclical**.
916. On that note, Mr Speaker Sir, I commend the 2012 Budget to this August House and lay the Estimates of Expenditure on the Table.

I Thank You.



## ANNEXURES

### Annexure 1: Performance of Current Expenditure to September 2011

	2011 Original Budget US\$ m	Revised Budget US\$ m	Actual Disbursements US\$ m	Outturn to Sept US\$ m	% of Total Budget	% of GDP
<b>Recurrent Expenditure</b>	2195	2140.132	1697.958	1670.919	77.94%	21.26%
<b>Employment Costs</b>	1440.6	1440.628	1208.825	1208.787	52.46%	14.31%
<b>Civil service</b>	920	920.0282	757.0687	757.0768	33.50%	9.14%
<b>Pension</b>	237	237	194.4614	194.4614	8.63%	2.35%
<b>Medical Aid</b>	35	35	31.7925	31.7925	1.27%	0.35%
<b>Recurrent Operations</b>	714.4	659.504	454.2	427.2	24.02%	6.55%
<b>Health</b>	72.596	72.596	35.084	28.4	2.64%	0.72%
<b>Education</b>	59.258	59.258	29.11	17.8	2.16%	0.59%
<i>    ow</i>						
<i>        Teaching &amp; Learning Materials</i>	15.6	15.6	6.2	0.0	0.6%	0.2%
<i>        Supervision of Schools</i>	2.8	2.8	1.2	1	0.1%	0.03%
<i>        Examination</i>	2.5	2.5	0.6	0.7	0.09%	0.02%
<i>        Students Support</i>	15	15	8	5	0.5%	0.15%
<b>Social Protection</b>	28.8	28.8	16.5	14.3	1.05%	0.29%
<b>BEAM</b>	13	13	10	10	0.5%	0.13%
<b>Cash Transfer</b>	6	6	2	1.5	0.22%	0.06%
<b>Food Assistance</b>	3	3	1.3	1.4	0.11%	0.03%
<b>Agriculture</b>	22.6	22.9	9.1	8	0.83%	0.23%
<b>Research &amp; Extension Services</b>	9.3	9.3	2.7	2.3	0.3%	0.09%
<b>Maintenance of infrastructure</b>	9.065	9.065	4.12	4.16	0.33%	0.09%
<b>Defence &amp; Security</b>	124.4	152.6	113.79	108.407	5.56%	1.52%
<b>Foreign Travel</b>	33.342	47.1	45.7	45.5	1.72%	0.47%
<b>Foreign missions</b>	31	31	23.92442	23.92442	1.13%	0.31%
<b>Capital Expenditure</b>	551	605.9	254.6	238.2	22.1%	6%
<b>ZIMRA</b>						
<b>Total Expenditure</b>	2746	2746	1952.6	1909.1	100%	27.27%

## Annexure 2: Support for Water & Sanitation – Urban Local Authorities

Local Authority	Budget disbursement US\$	Utilisation to September US\$	Project scope	Progress to date
Bulawayo City - Mtshabezi Pipeline Project	4,000,000	10,044,161	Laying of 42 km of dual 400 mm diameter PVC pipes, construction of 2 x 1 000 m3 reservoir, construction of 1 x 250 m3 reservoir and a pump station and construction of a 2 280 m3 reservoir.	A total of 42 km was excavated and 37km of pipes has been laid. Work on the three reservoirs are at various stages.
Masvingo City	300,000		Refurbishment of the BNR plant, replacement of steel pipes across three river crossings and upgrading of Rhodene sewer	Still at tender stage
Chitungwiza Municipality	650,000	350,000	Upgrading of sewer lines-St Marys, Zengeza 3 Extension, Seke South Unit L and Seke North Unit O	Sewer leakages has been addressed for Zengeza 3 extension with works for St Mary's and Seke Northand South currently underway
Marondera Municipality-Wenimbi project	1,340,000	300,155	Construction of a 20km pipeline discharging 150l per second. Installation of 2 pump stations with two pumps each.	10km of pipeline trench excavated and about 1km of AC pipes laid
Chegutu Municipality	550,000	545,227	Construct a dedicated power line from Clifton Dam to Chegutu main water purification plant, pipe replacement and procurement of water meters	A dedicated powerline has been completed and some high density areas that had no water for the past 8 years now accessing water.
Bindura Municipality	1,100,000	880,000	Upgrading of sewerage system and water reticulation system	Pipe laying for trunk sewer is in progress with 1.5km done to date
Chinhoyi Municipality	1,500,000		Procure and install pumping equipment for Mupata, Fenlea, Chaedza, Alaska and Hunyani Pumping Stations	Still at tender stage
Gwanda Municipality	720,000	240,000	Construction of 10000m3 water reservoir and upgrading of water mains to 300mm (Jahunda main to Spitzkop-4.5km)	Procured materials and flighted tender for the construction of the water reservoir.
Chiredzi Town	150,000	150,000	Water augmentation scheme to increase pumping capacity through procurement and installation of main high lift pumps, chemical dosing pumps and installation of electrical switch gear	Water supply has improved with areas such as Makondo and Magwaza that had no water supply for the past 6 years now getting water twice a day
Rusape Town	600,000	197,426	Construction of a 9.6km dedicated line to Jackneedham Water Plant, trenching and laying of a 6km AC pipeline from Mabvazwa Reservoirs to Hwedza flyover, installation of a transformer and valves	Pipe laying is in progress with 2.5km complete out of the targeted 4km
Ruwa Town	2,000,000	1,600,000	Construction of 12.6km pipeline from Norah Valley Dam to water treatment plants in Damafalls, construction of water quality laboratory and installation of booster pumps	Excavation of the 12.6km almost complete and pipe laying in progress
Chipinge Town	580,000	55,000	Construction of sedimentation tanks for Bangazaani Treatment Plant, excavate, laying of AC pipe line, backfilling, construct man holes and desludging of blocked septic tanks for Gaza Township sewer	Tender process now complete and procurement of materials has been done
Gokwe Town	375,000	72,763	Rehabilitation and upgrading of the sewer reticulation network for Mapfungautsi Suburbs	Procuring of materials is in progress
Redcliff Town	550,000	173,000	Rehabilitation of communal toilets, water and sewer reticulation for high density residential areas	Materials have been procured for 850 housing units in Torwood Township.
Beitbridge Town-Beitbridge water project	1,200,000		Upgrading of outfall sewer, and council sewer ponds. Construction of a water treatment plant, laying of 2 raw water mains from George pump station to night storage Dam 1, construction of 3km clear water pumping main from treatment works to the existing reservoir and booster stations as well as lagoons for waste water disposal	Clearing and trenching of the raw water mains is in progress
<b>Total</b>	<b>15,615,000</b>	<b>14,607,732</b>		

### Annexure 3: Water Supply Schemes – Rural District Councils

Water supply scheme	Project Scope	Progress to date	Disbursement to date US\$	Expenditure to date US\$
Darwendale	Construction of a 1000m <sup>3</sup> reinforced concrete water storage tank and installation of standby raw water & clear water pumping plants.	The reinforced 1000m <sup>3</sup> concrete tank is at wall plate level.	100,000	59,782
Birchenough Bridge	Reticulation extensions, construction of 2x23m <sup>3</sup> backwash tanks and purchase of highlift pump set.	150x63mm PVC pipes have been laid, electric motors, starters, pumps, fibreglass backwash tank and decking timber have been procured and supplied.	50,000	31,840
Glendale	Rehabilitation of sedimentation and filter tanks to restore the plant to its design capacity of 170m <sup>3</sup> /hr, reticulation extention to Rujeko phase 2 & 4. Construction of additional 2000m <sup>3</sup> reinforced concrete reservoir and 50m <sup>3</sup> /hr treatment line.	1000m of 175mm AC pipes have been delivered and 2000m of reticulation main laid to date. One filter bed stripped of external plaster, and sealants being applied to leaking positions.	50,000	41,235
Chivhu	Roofing of five clear water tanks at the plant, booster station and at the location. Erection of a 2 x 200m <sup>3</sup> modular tank, extension of reticulation to new stands.	Materials for roofing reservoirs received.	50,000	49,549
Plumtree	Rehabilitation of Plumtree - Mangwe water line. Supplying and fixing standby pumps at booster stations.	Rewinding done on 4 motors.	120,000	55,683
Chivake-Ngundu	Construction of a 170 m <sup>3</sup> /hr water treatment plant, 500 m <sup>3</sup> clear water tank, a raw and clear water house complete with standby pumping equipment. Trenching and laying of a 4.45 km long by 200 mm diameter uPVC raw water pumping main and a 3. km long by 160 mm diameter uPVC clear water pumping main.	Brickwork for clearwell 40% complete.	90,000	21,760
Nkayi Water Supply	Laying of a 6km water reticulation line , construction of 2280m <sup>3</sup> reinforced concrete reservoir and 60 m <sup>3</sup> elevated tank.	5 606m of reticulation have been trenched.	50,000	13,000
Lupane	Construction of a Treatment plant , 2280m <sup>3</sup> reinforced concrete reservoir, pump installation, laying of the pumping main from the dam, and reticulation extension .	6 577m of trenching for pipeline and clearing at the treatment and storage sites done.	1,000,000	94,064
Mataga	Completion of the treatment plant and construction of the access road.	Procurement of materials is in progress.	200,000	55,797
Connemara	Construction of clear water reservoir, raw water pump house and treatment plant. Laying of 1.1km of raw water pipes.	Materials ordered and await delivery.	200,000	199,722
Shamva	Rehabilitation of treatment works and reticulation extension.	Filter beds have been emptied, 80% of reticulation laid, 800m trenched for line to mine.30 tons of filter media and pumps delivered.	100,000	53,144
Guruve	Reticulation extension.	Excavation for reticulation complete. 95% of pipes and fittings laid for reticulation.	100,000	14,122
Sadza	Construction of Treatment plant, raw & clear water pumping system & reticulation extension.	Procurement of materials in progress and 2 700m have been trenched.	200,000	40,692
Mushandike	Construction of a reservoir, treatment works,installation of pumping units and reticulation extension.	Procurement of materials in progress.	100,000	-
Inyathi	Laying of 5km water reticulation and installation of standby booster pump.	3 500m have been trenched.	30,000	3,102
Kenilworth	Laying of 4km reticulation, construction of 2x10 000litres elevated tanks, drilling and equipping of borehole.	Procurement of materials in progress.	30,000	-
Binga Rural	Drilling of 95 boreholes	Identification of borehole sites have been completed.	200,000	-
Karoi	Upgrading of the raw water pumping plant and existing water storage facilities to meet the present water demand. Install a new clear	Site mobilisation and procurement of materials in progress.	100,000	4,990

Water supply scheme	Project Scope	Progress to date	Disbursement to date US\$	Expenditure to date US\$
	water pumping main.			
<b>Gutu</b>	Installation of new high lift pumps, re-sanding of the four filter units. Construction of two additional horizontal flow sedimentation tanks and filters to produce an extra 210m3/hr of two 500m3 brick clear wells treated water and one 500m3 reinforced concrete reservoir.	Procurement of pumps in progress.	<b>150,000</b>	-
<b>Marange</b>	Equip all sunken boreholes and link them to existing structures in and around Chitakatira.	Material ordered.	<b>50,000</b>	-
<b>Gokwe</b>	Replacing all borehole mono pumps with submersible pumps, install complete standby units for all booster stations, construct a pipeline and pumping system at Sengwa Dam to draw water to boreholes and equip them and to complete the servicing of Mafungautsi low density suburb.	All boreholes have been equipped with submersible pumps, pumps and motors for standby units were procured, the pipeline from Sengwa Dam has been laid, the pump house has been constructed but has not been electrified and equipped, pipes and fittings for servicing of Mafungautsi have been procured.	<b>185,000</b>	
<b>Checheche</b>	Construction of 300m3/hr treatment plant, 2x2000m3 reservoirs, lay 4km,110mm dia of pumping main, delivery main and reticulation extension.	No works done to date	<b>150,000</b>	
<b>Murewa RDC</b>	Construction of water and sewer reticulation for Murewa centre and Macheke Township	Excavation is complete and pipe laying is in progress for Macheke Township	<b>450,000</b>	<b>225,186</b>
<b>Mutasa RDC</b>	Construction of water reservoirs, water and sewer reticulation for Penhalonga residential stands	Tenders have been awarded and materials procured for the repair of 4 reservoir	<b>200,000</b>	<b>32,000</b>
<b>Mutoko RDC</b>	Construction of water and sewer reticulation network for Urere and Chinzinga	Water and sewer reticulation for 180 housing units have been completed	<b>560,000</b>	<b>548,000</b>
<b>Runde RDC</b>	Rehabilitation of Chengwe and Chomunyaka dams and drilling and installation of boreholes	Still at tender stage	<b>280,000</b>	
<b>Chivi RDC</b>	Procurement and laying of water and sewer pipes for 9.5km for Chivi Growth Point	Pipe laying is in progress for Chivi Growth Point	<b>450,000</b>	<b>236,000</b>
<b>Tongogara RDC</b>	Drilling and electrifying one borehole, replace damaged water tank and rehabilitate reticulation piping	Materials for boreholes and water reticulation have been procured	<b>245,000</b>	<b>149,000</b>
<b>Sub Total</b>			<b>5,490,000</b>	<b>1,928,668</b>

#### **Annexure 4: Road Works under Implementation**

PROVINCE	PROJECT	DISBURSEMENT TO DATE US\$	EXPENDITURE TO SEPTEMBER US\$
Manicaland	Nyahodi bridge	460,933	436,975
	Nyahodi -Gata-Mutakura	276,508	260,186
	Buhera-Chapwanya	174,250	174,250
Mash West	Harare-Gweru dualisation	4,101,685	4,101,685
	Zvimba-Mupfure	257,017	253,942
	Munyati bridge	749,603	702,645
Mat South	Chanetsa-Fulechi	166,725	166,725
	Musungwe bridge	180,000	180,000
	Plumtree-Mpoengs	275,080	258,149
Mash Central	Tuli bridge	37,120	37,120
	Moza-Ntoli-Pakama	158,625	158,625
	Mvurwi-Kanyemba	230,292	230,291
Mash East	Musengezi-Chidodo	52,313	52,313
	Maringazuva-Kanyai	104,625	104,625
	Murehwa-Mandichecha	178,324	178,324
Mat North	Harare-Masvingo dualisation	3,776,958	3,776,958
	Harare-Masvingo rehabilitation	677,205	677,205
	Little Sebakwe	690,852	656,487
Midlands	Hwedza-Sadza	951,545	950,852
	Garabha-Mapiya	132,638	132,638
	Nhakiya-Manyika	55,688	55,688
Mavingo	Binga-Sengwa	216,282	204,991
	Sando-Ngwaladi	77,963	77,963
	Nkayi-Tshakalisa	89,100	89,100
TOTAL	Lower Mbembesi bridge	270,000	270,000
	Gokwe -Choda	216,855	207,397
	Chimbandi-Chireya	167,060	167,060
	Masvingo-Runde-Boli	265,546	260,206
	Runde causeway	158,150	117,605
	Bubi-Rutenga	681,208	646,889
	Chipangayi	38,300	29,762
	Rupike-Nyikavanhu	178,200	178,200
		<b>16,046,650</b>	<b>15,616,656</b>

## Annexure 5: Implementation Status for Irrigation Schemes

Project	Targeted Area (Ha)	Scope of works	Comments/Progress to date	Disbursement to September US\$	Outturn to September US\$
Arda Transau	60	Develop 60ha piped surface irrigation block	Tender for electric motor and accessories awarded to Nexgen P/L. Accessories supplied. Designs have been completed on 57ha and tendering for the construction works is now in progress.	50,000	
Bannockburn	121	Construction of 12000m canals, pump house, NSR, 14x2hole Blair toilets, 5100m infiel roads, 3000m storm water drains and 5bridges. Laying of conveyance canal, land levelling and erection of boundary fence	Project being done inhouse-DOL. Tendered works include hire of machenery , casual labour wages and supervision costs. Canal construction work on 539m complete. 1800m³ gravel supplied (Ferrit P/l). Borehole drilled(requires Type B Bush Pump /Yield=100 Gallons per Hour). 15ha now ready to irrigate, can be expanded to 20ha by end of October.	295,000	294,825
Bengura	20	Electrification, constuction of pump staion,infield works and fencing	Tendered works include Electrification awarded to Exposales-90 % complete , Infield awarded to Randwine-supply pending , pumping unit and mainline Randwine-supply pending , and fencing by Fencing King-delivery complete . Installation works in progress. Trenching on 1400m complete-DOL	100,000	99,976
Bindangombe	41.5	Headworks and infield equipment	Tendered works include headworks awarded to Verslag-complete and Pvc pipes and fittings to Proplastics-complete . Installation works in progress	50,000	49,882
Bruton	30	Repair faulty pumps, infield works and fencing	Project irrigating Tendering in progress	20,000	19,999
Bulawayo Kraal	100	Construction plant and equipment hire. Supply and installation of pontoon and pumphouse materials. Supply of Steel and PVC pipes and fittings. Develop 100ha Centre Pivot irrigation.	Construction plant and equipment on site. Supply of materials in progress. Trenching and Pipe laying on supply and main lines in progress. Designs for centre pivot ready for tendering.	240,000	237,679
Chakoma	10	Rehabilitation of infield equipment for sprinkler system	Rehabilitation of infield equipment complete. Project now irrigating.	5,500	5,454
Chesa Mutondwe	20	Electrification	Tendering in progress- referred SPB	190,000	189,999
Chibwe	304	Rehabilitation of pumping plant	Works complete. Project now irrigating.		
Chiduku Ngowe	44	Infield Roads and Drains construction	Works in progress	100,000	
Chiduku Tikwiri	60	Fabrication of intake to a distribution line. Continuation of mainline. Fencing on 26ha. Procurement of infield equipment. Develop 40ha(mainline and infield equipment)	Fencing on 26ha complete.Fabrication of intake to mainline and testing complete.Minor repairs to infield equipment currently in progress. Fertilizer and seed handouts to 38 beneficiaries processed and ploughing on 19ha block complete.Tender doc for the development of 40 ha block(mainline and infield equipment) ready.	220,000	219,972
Chigondo	10	Procurement and installation of 40mm LDPE pipes and PC15 cement	Works complete. Project now irrigating.	2,000	1,989
Chipa	90	Develop 90ha of sprinkler irrigation, Block 2: construction of conveyance canal	Project irrigating. Tendering in progress for construction of Block 2 conveyance system	60,000	58,856
Chipoli D	40	Electrification and supply of Pontoon, Pvc pipes&fittings	Tenders for Electrification and Pvc pipes&fittings awarded to Verslag. Tender for supply of Pontoon awarded to Trium Eng. Contractors are on site and works are in progress	50,000	49,832
Chitora	18	Supply of infield material	Works awarded to Kotrum P/L.Scheme currently irrigating using long siphons (improvisation).Trenching and pipe laying in progress.	39,000	38,998
Chizumba	20	Headworks and infield equipment	Tendered works include headworks and infield awarded to Exposales and all materials supplied	100,000	99,864
Dudzu	12	Rehabilitation pump house and infield equipment	Hoses and tapes procured and delivered to site. ZESA yet to energise the transformer otherwise the project is now ready to irrigate.	13,000	12,995
Gudyanga	40	Supply of PVC pipes and fittings	Tender for Supply of PVC pipes and fittings awarded to Proplastics. Supply in progress. Awaiting funding	20,000	20,000
Gatche - Gatche	150	Develop 150ha semi-portable system		100,000	100,000
Gutsa	20	Electrification and Headworks	Tender for Electrification awarded to Soda Eng-contractor on site and works in progress. Tender for Headworks awarded to Moving Waters P/L-contractor still to move on site(siting liquidity problems).	50,000	49,199
Gwiranenzara	12	Pump unit procurement and infield and conveyance line rehabilitation for a 12ha Draghose system	Materials not yet delivered- (Frustrated contract)-Tender finally awarded to Dore & Pitt P/L.	15,000	15,000

Project	Targeted Area (Ha)	Scope of works	Comments/Progress to date	Disbursement to September US\$	Outturn to September US\$
Igudu	100	Procurement and installation of 200kva transformer. Rewinding of electric motor. Procurement of 160 sprinklers.	Two electric motors were rewound and all required sprinklers delivered. Installation of delivered equipment in progress. 70% complete	60,000	59,995
Kanhukamwe	20	Repair 100hp pumping units Repair burst 600mm suction pipe	Materials delivered to site for infield and tendering for headworks in progress	40,000	39,998
Madhanha	7	Supply of additional infield equipment and hydrant caps	Equipment supplied. Project now irrigating	2,500	2,492
Makwavarara	20	Headworks and Electrification	Headworks 80% to completion. Electrification complete.	130,000	99,957
Mankonkoni	40	Headworks	Tender awarded to Verslag P/L. Contractor still to move on site	70,000	69,999
Manyuchi	228	Develop 228ha surface irrigation system	Contractors on site	100,000	30,000
Marange	170	Supply of quarrystone for Lining of 15km main canal, canal construction on 170ha, construction of NSD	Tender awarded to Davis Granite. Supply in progress.	40,000	39,626
Matezva	10	Headworks, infield and fencing	Tendered works include headworks awarded to Randiwine-in progress (80%) , Mainline(PVC) and Infield works awarded to Waterflo Engineering-supply pending and fencing awarded to Fencing King-delivery complete .	120,000	119,914
Mazvikadeyi	45	Canal construction	Main canal construction complete. Works on embankment underway. Service of pump stations in progress	30,000	29,915
Mazowe Bridge	100	Develop 100ha surface irrigation	Surveys and designs complete	20,000	15,553
Miekles	30	Supply of quarrystone	Tender awarded to Masvingo Brick & Tile P/L. Awaiting funding	30,000	30,000
Mudotwe	66	Replacement of the pumping equipment, repair of the roof of the pump house and the supply, delivery and installation of mainline and infield equipment.	Tender for supply and delivery of irrigation equipment awarded to Dore & Pitt. Equipment supplied and installed. Supply of lateral pipes complete. Project now irrigating using old lateral pipes	50,000	50,000
Mundi Mataga	40	Develop new 20ha Chaora block. Construction ancillary structures(12 Blair toilets, 6000m roads, 3000m storm water drains, 2 bridges, 7 drop structures and 3 tail-end structures) and farmer training.	Project being done inhouse-DOI. Tendered works include procurement of construction materials, hire of plant & equipment, casual labour wages and farmer training. Farmer training in irrigation system operation and maintenance complete. Moulding of bricks for toilet construction in progress. Construction of toilets, bridges, culverts complete	139,000	136,832
Mutema /Taona	40	Rehabilitate river pumps Rehabilitate booster Fence booster station	Booster pump repair and fencing complete. River pumps serviced, and the non-return valve installed. Outstanding is delivery of 90kW electric motor	40,000	40,000
Mutondwe	10	Rehabilitation of the pumping unit equipment, supply, delivery of mainline and infield equipment.	Tender for Headworks and infield works awarded to Mild Eng - Works 80% complete. Rehabilitation works on minor leakages on the teritories in progress. Need for review of project scope to cater for leakage repairs.	40,000	39,996
Muzhwii	75	Develop 75ha surface irrigation		50,000	49,939
Muzvezve	32	Fencing	Fencing complete	40,000	40,000
Mwarazi	10	Construction of conveyance line and infield works for 10ha	Tendering in progress-SPB	150,000	149,989
Mwenje	60	Develop 60ha drag hose irrigation	Materials delivered to site for infield and tendering for headworks in progress	40,000	59,871
Ngezi B	40	Design, construction and electrification of pumphouse. Fencing on 4200m. Infield works for 50ha.	Fencing works complete on 50ha. Headworks complete. Electrification in progress. Infield works for 30ha complete. Contractor for infield works for 20ha still to move to site. Overall progress 90% to completion.	100,000	99,961
Nyakomba	85	Procurement and installation of PVC mainline. Operationalise block D(200ha) (electrification, backfilling, desilting) & Block A(115ha)	Block D(200ha) back filling complete. Pump testing in progress. All electicals done. Block A(115ha). Tender for PVC pipes and fittings awarded to Proplastics. Tender for quarry stone and cement awarded to Davis Granite P/L and Progress Marketing P/L respectively . Dozer, tipper, front end loader on site. Desilitation of pump house complete. Project now irrigating.	160,000	159,990
Nyamakaira	36	Rewinding of motor and servicing of pump unit. Supply of infield equipment	Electric motor rewound. Pump delivered. Tender for infield equipment awarded to Nandi Resources-supply of infield materials complete.	6,000	5,984

Project	Targeted Area (Ha)	Scope of works	Comments/Progress to date	Disbursement to September US\$	Outturn to September US\$
<b>Nyamangara</b>	60	Procurement and installation of remainder of mainline. Procurement of portable pump unit and construction of access ramp. Procurement of sprayline. Fencing.	PVC pipes supply and delivery complete. Fencing complete. All materials for Headworks delivered and installation is complete. Quotations for mainline being sourced. Infield materials (sprayline) yet to be procured scope has changed to Center pivots-tender preparation in progress	130,000	129,879
<b>Nyamhemba</b>	12	Rehabilitation of drag hose system	All materials delivered and installed. Project now irrigating.	5,000	4,989
<b>Nyanyadzi</b>	150	Weir completion and Headworks	Tendering in progress-SPB	80,000	79,999
<b>Osboune</b>	35	Headworks and supply of PVC pipes and fittings	Tender for Headworks and supply of PVC pipes and fittings awarded to Verslag P/L and Proplastics respectively.	20,000	19,982
<b>Pollards</b>	35	Construction 5.6km supply canal. Infield canal construction on 45ha. Construction of NSD	Project being done inhouse. Tendered works includes hire of plant & equipment, procurement and transportation of materials and casual labour wages for the construction work. Construction materials delivered to site. Construction works on supply canal in progress-800m supply canal complete. Earthworks for the canal route complete. Construction of canal crossing structures in progress.	150,000	149,975
<b>Principe</b>	30	Repair and installation of irrigation pumping equipment, repair of turf hydrants , hoses	Tender for the supply, delivery & installation of irrigation equipment awarded to Comhold . Equipment supplied and repair and installation works are complete. Sprinklers procured. Project ready to irrigate as soon as ZESA rectifies minor problems with its electrical grid that services the scheme	50,000	50,000
<b>Rupangwana</b>	100	Construction of pump station	Works awarded to Rational construction. Construction works in progress	40,000	40,000
<b>Sadza</b>	6	Rehabilitation of electicals.	Quotations for outstanding Engine alternator and oil being sourced. Other works are 80% complete.	2,000	1,984
<b>Seke-Sanyati</b>	100	Develop 100ha surface system	Contractor on site	20,000	19,980
<b>Shashe</b>	20	Develop 20ha irrigation	Tendered works include Electrification awarded to Builders depot - complete , Headworks awarded to Comhold-delivery complete , Infield works Comhold-in progress and fencing by Randwine-complete .	36,000	35,926
<b>Silalabuwa</b>	116	Rehabilitation of infield canals on 66ha. Rehabilitation of two night storage dams(NSDs).Headworks	Project being done inhouse. Tendered works include hire of plant & equipment, procurement of materials and casual labour wages for the infield rehabilitation works.Phase 1: Rehabilitation on 1,200m infield canals complete and 20ha now irrigating. Phase 2: Tender for NSDs rehabilitation awarded to Global Water Technology-works 80% complete Phase 3: Tender for 30ha canal rehabilitation at adjudication stage-Need for virement of funds.	100,000	99,839
<b>Tokwane Ngundu</b>	65	Infield canal construction on 20ha	Project being done inhouse-DOI. Tendered works include procurement of construction materials, hire of plant & equipment and casual labour wages. Construction works in progress on 20ha.45ha complete and ready to start irrigating	90,000	90,000
<b>Tsakare</b>	20	Headworks, infield and fencing	Tendered works include headworks awarded to Exposales-Pump unit and accessories supplied , Almin pipes & fittings awarded to Almin industries-supply pending,PVC pipes & Fittings awarded to Proplastics-supply pending.Fencing works Moving Waters-contractor still to move on site(siting liquidity problems).	100,000	99,685
<b>Wenimbi</b>	80	Develop 80ha of draghose system	Contractor on site, Infield equipment delivered	20,000	20,000
<b>TOTAL</b>				<b>4,020,000</b>	<b>3,776,768</b>

### Annexure 6: Irrigation Rehabilitation & Development

IRRIGATION SCHEME	LOCATION	POTENTIAL HECTARAGE	TARGETED HECTARAGE	2012 ALLOCATION US\$
Arda Transsau	Mutare	1,400	260	650,000
Bannockburn	Zvishavane	110	50	700,000
Bengura	Bikita	50	20	230,000
Bindamombe	Chivi	20	20	210,000
Biri	Zvimba	1,000	20	400,000
Bonde	Buhera	364	364	250,000
Bubi-Lupane	Lupane	200	40	210,000
Bulawayo Kraal	Binga	1,000	200	650,000
Chesa Mutondwe	Mt Darwin	80	20	250,000
Chiduku-Tikwiri	Makoni	328	75	650,000
Chikwarakwara	Beitbridge	65	65	200,000
Chipa	Mt Darwin	91	91	250,000
Chitora	Mutoko	18	18	110,000
Chizumba	Mwenezi	180	20	170,000
Dangarendove	Seke	50	50	160,000
DiglisPark	Bubi	21	21	120,000
Dotito	Mt. Darwin	30	30	200,000
Dudzu	Goromonzi	6	6	130,000
Fanisoni	Nkayi	15	15	170,000
Gatche Gatche	Kariba	16	16	300,000
Gudo Pools	Chiredzi	29	29	180,000
Gudyanga	Chimanimani	40	40	440,000
Gutsa	Muzarabani	100	30	200,000
Hauke	Bubi	40	40	180,000
Igudu	Marondera	260	60	300,000
Kutama Nyamangara	Zvimba	69	69	380,000
Makwavarara	Mhondoro	20	10	250,000
Mankonkoni	Gwanda	40	20	200,000
Manyuchi	Mberengwa	150	50	400,000
Masembura	Bindura	20	20	240,000
Matezva	Gutu	75	10	170,000
Mazoe Bridge	Rushinga	50	20	150,000
Meikles	Chipinge	30	30	200,000
Mhende	Chirumanzi	96	58	200,000
Mola	Kariba	100	20	250,000
Mtange	Gokwe South	100	40	300,000
Mtshabezi	Gwanda	300	30	350,000
Mutunha	Buhera	10	10	140,000
Muzhwii	Chivi	50	20	210,000
Nyaitenga	Mutoko	20	20	110,000
Nyakomba	Nyanga	105	55	450,000
Nyamakaira	Marondera	40	40	100,000
Nyanyadzi /Nenhowe	Chimanimani	540	540	700,000
Osborne	Mutare	100	75	200,000
Pollards	Bubi	45	25	300,000
Rupangwana	Chiredzi	100	20	230,000
Rustlers Gorge	Gwanda	40	20	150,000
Sadza	Chikomba	40	40	280,000
Sebasa	Gwanda	45	20	150,000

<b>IRRIGATION SCHEME</b>	<b>LOCATION</b>	<b>POTENTIAL HECTARAGE</b>	<b>TARGETED HECTARAGE</b>	<b>2012 ALLOCATION US\$</b>
Shashe	Gutu	30	30	110,000
Silalabuwa	Insiza	437	67	150,000
Tokwane-Ngundu	Masvingo	285	60	300,000
Vusanani	Umgusa	21	10	70,000
Wenimbi	Marondera	300	100	300,000
Zhove	Beitbridge	1,000	20	650,000
<b>GRAND TOTAL</b>		<b>9,771</b>	<b>3,149</b>	<b>15,000,000</b>



