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ZIMBABWE

**NATIONAL BUDGET STATEMENT
FOR 2018**

'Towards a New Economic Order'

Presented to the Parliament of Zimbabwe
on Thursday, December 7, 2017

By

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FOREWORD

Our economy has not been performing to its potential and to the expectations of the citizenry, as demonstrated by low production and export levels, and the resultant prevailing high levels of unemployment, and a continuing deterioration in macro-economic stability.

This is notwithstanding our various economic blue prints for the economy to realise sustainable growth, development and poverty eradication.

The unsatisfactory performance of the economy is being underpinned by declining domestic and foreign investor confidence levels, against the background of policy inconsistencies in an uncertain and uncompetitive business environment.

Furthermore, entrenched weaknesses **and indiscipline in the management of public finances are exacerbating the situation**, which in turn, transmit vulnerabilities in foreign exchange generation and availability.

The gravity of **fiscal indiscipline is reflected in failure to adhere to approved Budgets, with significant expenditures being incurred arbitrarily outside Budgeted Votes, and failure to follow laid down systems, at times involving quasi-fiscal expenditures.**

The above has resulted in persistent fiscal imbalances and consequently, a breakdown of Budgetary systems, laid out processes, and a major fiscal and monetary policy disconnect.

Moreso, the fiscal imbalances are being financed, through issuance of Treasury bills and overdrafts with the Reserve Bank, with destabilising consequences on overall macro-economic instability.

Our quest for reversing economic decline and eradicating unemployment and poverty can only become reality if we walk the talk with regard to adoption of a paradigm shift in the way we do business and manage our economy, public enterprises and finances.

In this regard, the 2018 National Budget presents an opportunity to contribute to a *Comprehensive and Coherent Phased Strategy* for addressing the widening macro-economic imbalances, guided by the policy direction given by His Excellency, President E. D. Mnangagwa, during his widely acclaimed Inaugural Address on 24 November 2017.

His Excellency, the President, made it clear that Government's economic policy will be predicated on creating conditions for an increased production led economic recovery, targeting attracting Foreign Direct Investment, as a way of tackling the prevailing high levels of unemployment.

Furthermore, the new system of economic organisation and management will incorporate elements of market economy in which enterprise is encouraged, while industrialising our economy.

As we focus on recovery of our economy, we must shed mis-behaviours and acts of indiscipline which have characterised the past, while we address and reduce the high country risk perception among existing and prospective investors.

Above all, the President pledged that all foreign investment will be safe in the country, and that Government will fully abide by the terms of Bilateral Investment Protection and Promotion Agreements Zimbabwe has already acceded to.

The President also underscored that Government will, henceforth, ensure that servicing and re-scheduling of domestic and external public debt obligations is consistent with agreements with lenders and creditors, under the auspices of definitive steps towards re-engagement and strengthening of cooperation with the international community.

The above commitments by His Excellency, the President mark a paradigm shift that represents movement towards a *'New Economic Order'*.

This is consistent with advancing the objectives of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset), as

well as the Interim Poverty Reduction Strategy Paper (I-PRSP) for 2016-2018.

Our development aspirations are also aligned with Agenda 2063, which is Africa's strategic framework for the socio-economic transformation of the Continent.

Hence, the formulation of the 2018 Budget benefited from the above guidance by His Excellency, the President.

Drawing from the paradigm shift, the 2018 Budget contains Expenditure management measures to re-orient the Budget towards support for developmental programmes and projects, as well as those centred on poverty alleviation.

Furthermore, drawing from the macro-economic framework, the 2018 Budget also calls for adherence to fiscal anchors for the containment of the Budget deficit to sustainable levels.

Complementary measures aimed at transforming the business environment and stimulating production, as well as curbing corruption, and addressing rampant rent-seeking behaviours, and market indiscipline, are also part of the Budget.

In crafting the 2018 Budget, Treasury also benefitted from submissions of various stakeholders calling for policy interventions and measures

that target promoting high investment, production and increased foreign exchange generation.

As part of these consultations, Parliament hosted the Annual Pre-Budget Seminar over 8-12 November 2017 at the Elephant Hills Hotel in Victoria Falls.

Under the theme, *'Consolidating Economic Development and Transformation through Domestic Resource Mobilisation and Utilisation'*, submissions from the various Portfolio Committees of Parliament also richly benefitted the formulation of the 2018 Budget.



Hon. P.A. Chinamasa (M. P.)

Minister of Finance & Economic Development

7 December 2017

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CHAPTER 1: ECONOMIC DEVELOPMENTS & PROSPECTS

1. The formulation of the 2018 Budget is against the background of projected positive GDP growth of 3.7% for 2017, against a target of 1.7%, and up from 0.7% during 2016.
2. Notwithstanding the growth being experienced, the economy faces some strong headwinds and challenges.

Global and Regional Markets

3. The global upswing in economic activity, which started in the second half of 2016 is strengthening, and is projected to rise to 3.6% in 2017 and to 3.7 % in 2018.

Global Economic Growth & Outlook (%)

	2016 Estimate	2017 Projection	2018 Projection
World Output	3.2	3.6	3.7
Advanced Economies	1.7	2.2	2
United States	1.5	2.2	2.3
Euro Area	1.8	2.1	1.9
Japan	1	1.5	0.7
Emerging Market & Developing Economies	4.3	4.6	4.9
China	6.7	6.8	6.5
India	7.1	6.7	7.4
Sub-Saharan Africa	1.4	2.6	3.4
Zimbabwe¹	0.7	3.7	3
Latin America & the Caribbean	-0.9	1.2	1.9

Source: IMF/World Bank Outlook (October 2017)

4. Economic growth in Sub-Saharan Africa is projected at an average of 2.6% in 2017, up from 1.4% recorded in 2016. Growth is expected

¹ Zimbabwe growth rates are from Treasury, Reserve Bank, ZimStat projections

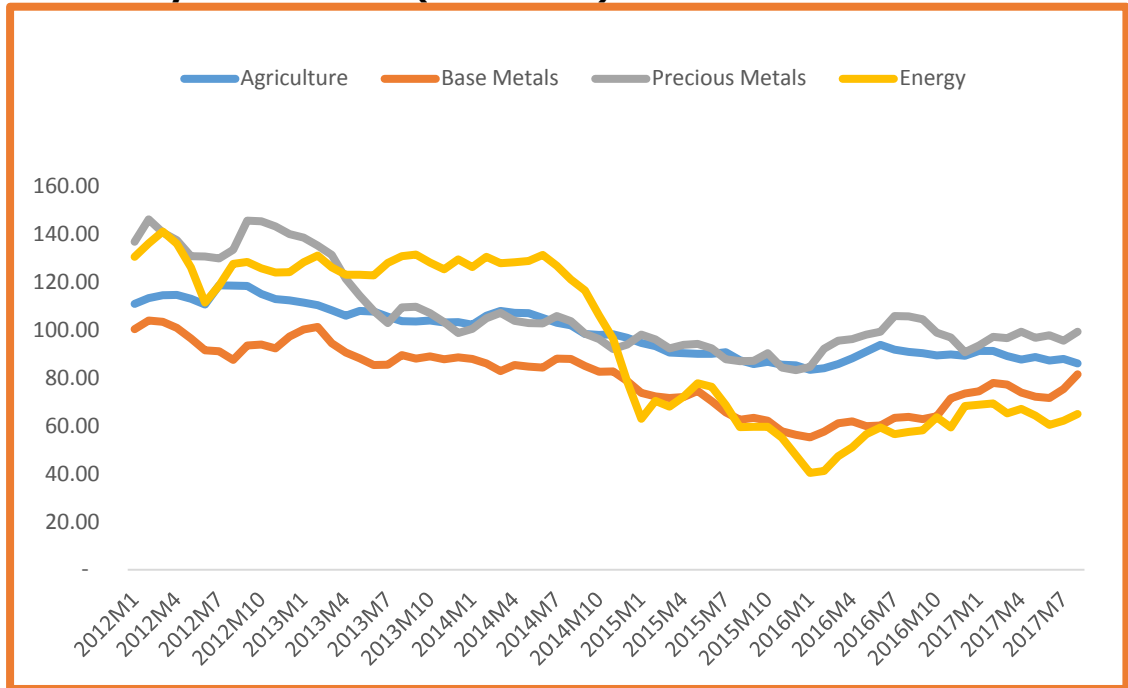
to further increase to 3.4% in 2018, with sizable differences across countries.

5. Fiscal deficits are stabilising, and current account deficits are narrowing in most Sub-Saharan African countries, partly reflecting a slight rebound in commodity prices.
6. There are, however, mounting vulnerabilities in the region, notably, rising public debt, financial sector strains and low external buffers. Public debt is high, not only in oil exporting countries, but in many fast-growing economies as well.

Commodity Prices

7. While efforts are underway to diversify the economy away from over-reliance on commodity exports in the medium to long term, our current reality places significant reliance on unprocessed and semi-processed raw commodities such as gold, tobacco and platinum as the country's foreign exchange lifelines.
8. In this regard, global developments in commodity prices have a major bearing on our economy's foreign exchange liquidity position.

Commodity Price Indices (2010=100)



Source: World Bank

9. While developments this year indicate some recovery in prices of international commodities, from the rock-bottom levels that were reached at the beginning of 2016, prices remain depressed compared to the levels that were attained in 2012.
10. Gold prices, which since January 2017 had been rallying on account of safe haven demand and heightened geo-political tensions, rose by 10% in September 2017 to reach US\$1 316 per ounce.
11. Volatile prices then retreated to \$1 280 per ounce in October 2017, on a strengthening US dollar and expectations of higher interest rates in the United States.

12. Platinum prices largely traded unchanged during the period January to September 2017, amid weak investment demand.

Domestic Developments

13. On the domestic front, the 3.7% growth estimate for 2017 is underpinned by agriculture, mining, electricity generation and services sectors, mainly tourism and communication.
14. In the outlook, growth is anticipated to remain above² 4.5%, premised on Government charting a new way forward with economic and investment recovery measures towards a '*New Economic Order*', underpinned by strengthening of cooperation with global partners.

Agriculture

15. Agriculture is estimated to grow by 15.9% in 2017³, on the back of Government coordinated interventions in partnership with the private sector.
16. In addition, the expanded "*Command Agriculture*" Programme, to include soya beans and livestock production, is expected to sustain growth of the sector.

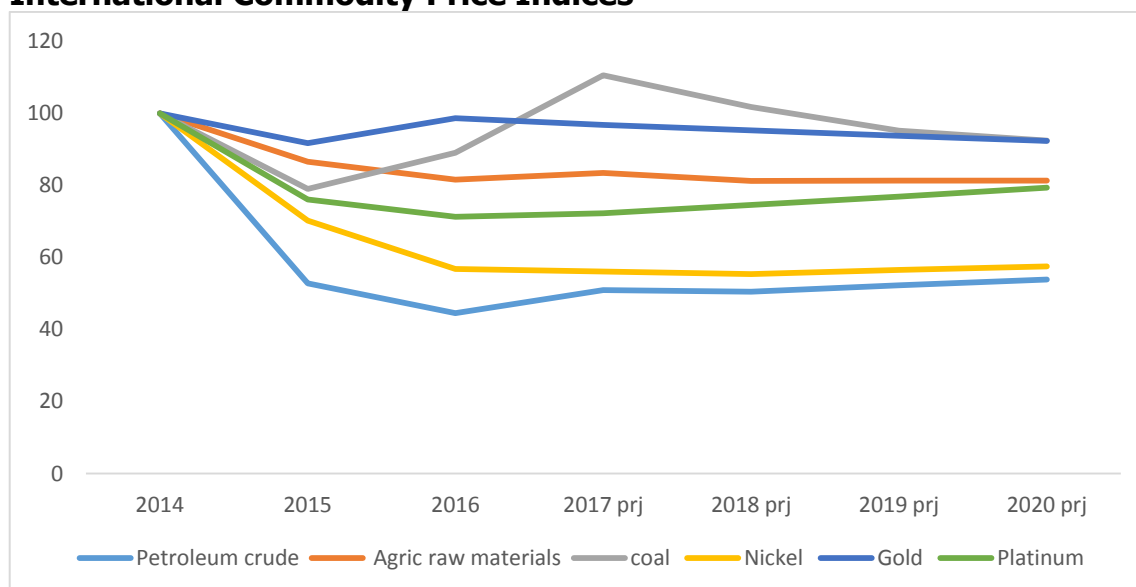
Mining

² Sectoral Growth Rates are as contained in Annexure 1

³ Growth projections in Agriculture are as contained in Annexure 2

17. Mining is expected to grow by 7.5%⁴ in 2017, with most minerals anticipated to record output gains in the medium term.
18. This is being supported by modest recovery in international mineral prices for most minerals, including nickel, platinum, chrome and granite.
19. As a result, mineral export receipts of US\$2.5 billion are projected for 2018, up from US\$2.3 billion in 2017.

International Commodity Price Indices



Source: International Monetary Fund

20. The consolidation of the diamond industry, together with the capitalisation of the Zimbabwe Consolidated Diamond Company, saw marked improvement in output.

⁴ Growth projections in Mining are as contained in Annexure 3

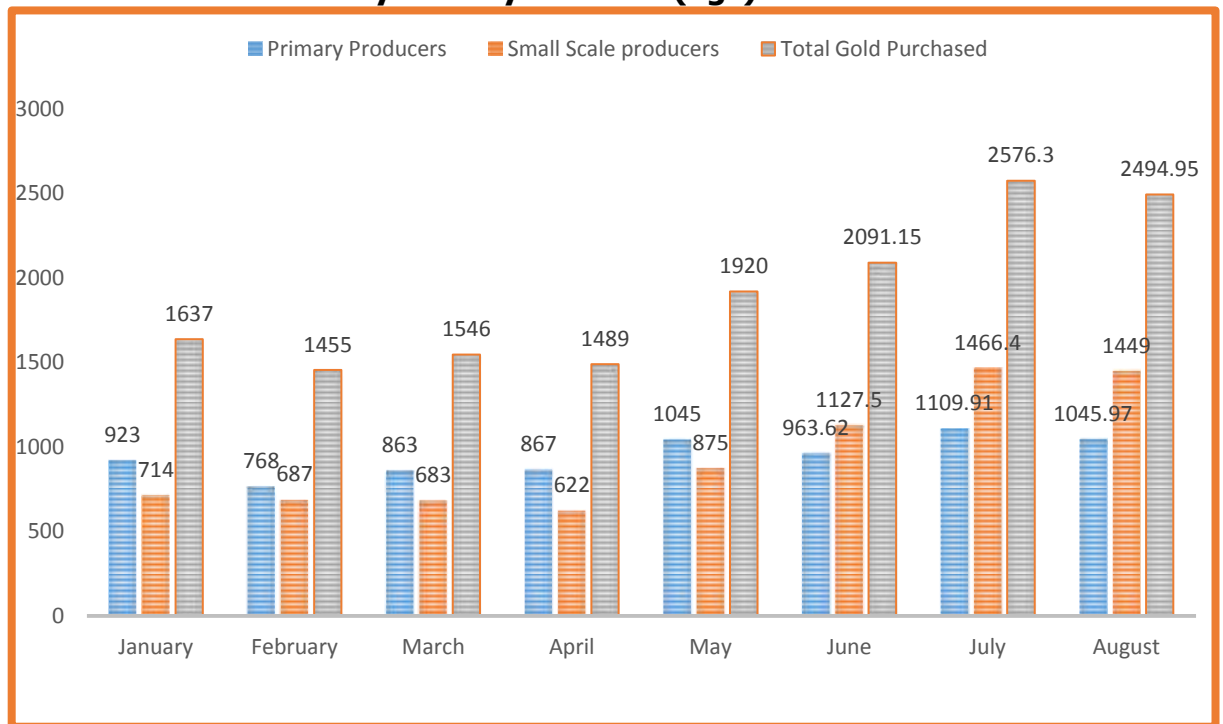
21. As at end of September, diamond output stood at 1.8 million carats, up from 1.3 million recorded during the whole of 2016.
22. With regards to coal, management changes at Hwange Colliery, together with the company's recapitalisation, led to considerable recovery in production.
23. Coal output rose from as little as 30 000 tonnes per month in the first quarter of 2017, to about 300 000 tonnes per month.
24. This translates to cumulative coal output of 2.4 million tonnes by the third quarter, from 363 000 tonnes of the first quarter.
25. As at end of October 2017, overall mineral export receipts were around US\$2 billion, against US\$1.6 billion during the same period in 2016, representing 25.2% of the country's total exports.

Gold Deliveries

26. Gold deliveries to Fidelity Refiners have benefitted from interventions targeting support to small scale miners by Government, as well as plugging of leakages through joint compliance monitoring.
27. This is a collaborative effort between the Ministry of Mines and Mining Development, Ministry of Home Affairs and Culture, and the Reserve Bank.

28. Through these efforts, gold purchases by Fidelity Refiners stood at 17 163 kgs during the period January to September 2017. This is 12% higher than purchases of the corresponding period in 2016. Small scale producers accounted for 51% of the delivered 17.2 tonnes.

2017 Gold Purchases by Fidelity Refiners (kgs)



Source: Fidelity Printers and Refiners

29. On the back of performance displayed during this period, the country remains on course to meet the target of 24.5 tonnes of gold deliveries through Fidelity for the entire 2017.

Industry

30. This year, growth in manufacturing is estimated at 1%, with projections of 2.1% in 2018⁵, benefitting from improved agro processing value chains in foodstuffs, drinks, and ginning, also amid supportive import management measures.

External Sector

31. Notwithstanding signs of improvement in exports, the overall balance of payments situation remains under pressure, with foreign exchange availability to support domestic production constrained.

32. The economy's import bill is still relatively high, with imports estimated to rise to US\$6.8 billion, from US\$6.4 billion in 2016. This is despite a sharp drop in food imports.

33. Growth in imports is driven by increased demand for raw materials and equipment for the productive sectors of the economy, consistent with the pick-up in economic activity in 2017.

34. Such high levels of import dependency, relative to estimated exports of US\$4.6 billion for the year, imply continued foreign exchange imbalances, though trade statistics indicate narrowing of the trade balance.

35. The country's current account deficit, estimated at US\$1 billion, hence, remains unsustainable, and is financed mostly by debt

⁵ Manufacturing Sector indices are as contained in Annexure 4

creating flows in the form of loans being contracted by both the private and public sectors.

Financial Sector

36. Cognisant of the critical role of the banking sector in promoting Zim Asset economic recovery initiatives, the Reserve Bank continued to employ measures aimed at ensuring safety and soundness of the banking sector.
37. Against this background, for the nine months ending September 2017, the banking sector remained stable on the back of adequate capitalisation, improved earnings and satisfactory asset quality.
38. To this end, as at 30 September 2017, all banking institutions were adequately capitalised and in compliance with minimum capital requirements.
39. The major challenge, however, has remained continued experiences of underlying shortages of physical cash, on the back of structural challenges in the economy.
40. In this regard, the Reserve Bank will continue to promote a '*cash-lite*' society by encouraging increased digital banking platforms, and use of plastic money.

Interest Rates

41. The provision of affordable banking services and access to credit is an integral component of Zim Asset initiatives to promote financial inclusion and boost productive capacity.
42. In this regard, banking institutions are progressively reviewing the level of their lending rates and bank charges.
43. The structure of interest rates as at 30 September 2017 was as follows:
 - Average banking sector interest rates spread, 10.38%;
 - Average maximum effective lending rates, 12.52%, compared to 15.7 % as at December 2016; and
 - Deposit rates, 0.5 - 6%.
44. The Reserve Bank is continuing collaborative engagements with banking institutions to enhance credit to the productive sectors of the economy and ensure availability of affordable banking services and products.

Financial Inclusion

45. In this regard, the Reserve Bank has been making efforts to ensure that a large proportion of the population is financially literate and

able to access financial services on offer within the country, which include banking services and mobile money.

46. The success rate of the use of plastic and electronic money has seen more than 75% of retail transactions now being done electronically.
47. Furthermore, Government financial inclusion initiatives have also targeted broadening access and provision of vulnerable groups with financial services, critical for sustainable economic growth and development.
48. Such groups include the youth, women and micro, small and medium enterprises.
49. This has seen the Reserve Bank intervene to :
 - Licence the Zimbabwe Women's Micro-Finance Bank Limited (a deposit taking micro-finance institution targeting women) on 14 September 2017; and
 - Initiate licencing of the Youth Empower Bank Limited, a deposit-taking micro-finance institution, targeting the youth.

Banking Sector Liquidity

50. Banking sector deposits maintained an upward trajectory, increasing by 17.1%, from US\$6.51 billion as at end December 2016, to US\$7.62 billion as at end of September 2017.

51. However, in the challenging macro-economic operating environment, lending has remained subdued, with total banking sector loans and advances increasing only marginally, from US\$3.64 billion to US\$3.73 billion as at end September 2017.
52. Lending to the productive sectors of the economy constituted 70% of total sector loans as at 30 September 2017.

Asset Quality

53. The quality of the banking sector loan book has gradually improved over the years, from a peak ratio of non-performing loans (NPLs) to total loans of 20.45% in September 2014, to 8.63% as at end September 2017.
54. Banks have continued to strengthen their credit risk management systems, to complement the reduction of NPLs arising from the disposal of their toxic assets to ZAMCO.

Credit Infrastructure

55. The Reserve Bank has made significant progress in enhancing the credit infrastructure through the establishment of a Credit Registry and Collateral Registry.

56. This initiative is improving the quality of loans in the banking sector, through removal of information asymmetry, and broadening collateral required by banks.
57. Going forward, the Reserve Bank will continue to intensify consumer awareness programmes, and introduce value added products that will enrich stakeholder experience, including convenient access by consumers to their credit reports via mobile platforms.

Access to Cash

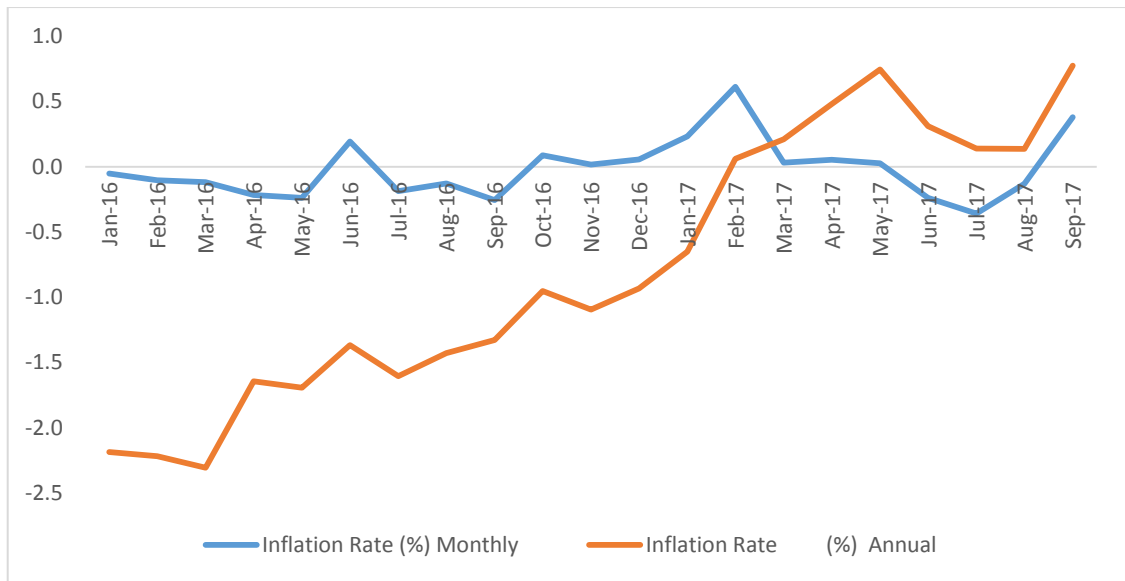
58. The prevailing cash shortages continue to impose untold hardships on the generality of the population, particularly among the poor and rural areas.
59. Government, through the Reserve Bank, continues to institute measures to ensure that the public is able to access their earnings and savings as and when they need them.
60. However, sustained success will benefit from improvement in confidence, through addressing the primary drivers of the problem.
61. Central is mismatch between stock of foreign currency available, as represented by hard currency and nostro balances, and electronic RTGS money balances in banks, largely being fueled by borrowing requirements to finance the Budget deficit.

62. It is also for this reason the *New Economic Order* is targeting to enhance production and exports by adopting investor friendly policies, re-engaging with the world, easing the way we do business, addressing corruption and indiscipline.
63. Meanwhile, Government is appreciative of the response of the general public in embracing use of plastic money and mobile transactions, with more than 75% of retail transactions now being done through electronic transfers.

Inflation Outlook

64. Price developments in the economy have now reversed, from previous experiences of deflation to onset of rising prices.
65. In September 2017, monthly prices rose by 0.4%. On an annual basis, this translated into inflation of 0.8% for the twelve months to September.

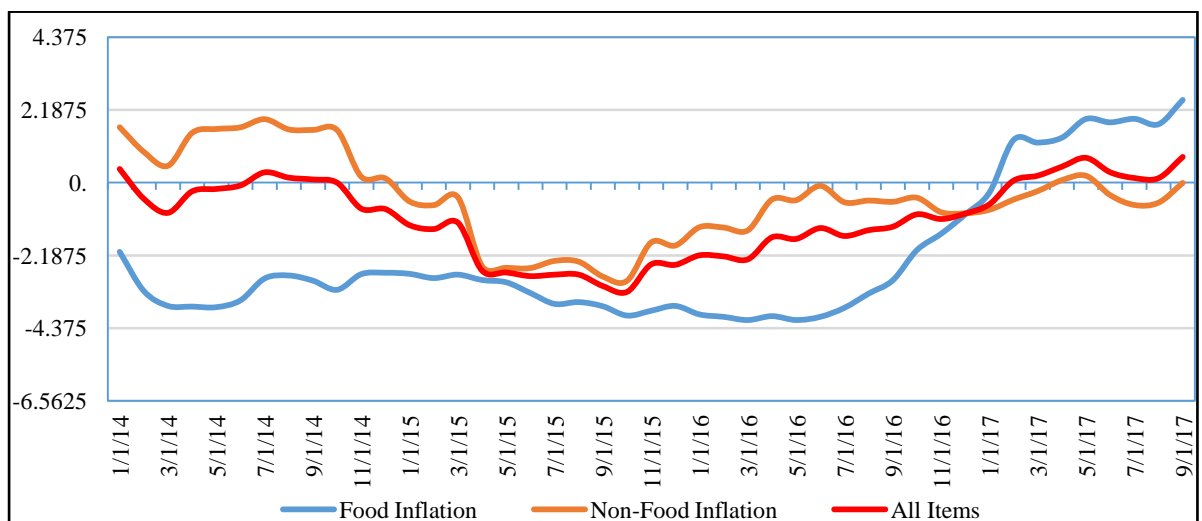
Inflation Developments



Source: ZIMSTAT

66. In the outlook, the biggest threat emanates from inflationary pressures that the economy faces from potential general price hikes driven by speculative tendencies, arising from the mis-match between electronic bank balances and available foreign exchange.

Annual Headline, Food and Non-Food Inflation



Source: ZimStat

67. The emergence of foreign exchange rate premiums on the back of foreign currency shortages is, thus, symptomatic of the above mismatches that remain the key driver of inflation.

Foreign Exchange Prioritisation

68. Reserve Bank interventions to prioritise foreign currency allocations to producers of essential goods and services should partly assist overcome such premiums.

69. This should be complemented by Government exercising flexibility in the issuance of import licences to those with free funds, in order to ensure that the market is adequately supplied with essential goods not produced locally.

70. This is moreso, given the increased demand towards the festive season.

71. However, overall, the above initiatives merely address the symptoms, and require to be buttressed by measures which address fundamental issues related to fiscal imbalances and low production.

Administrative Levies

72. On the domestic front, the new Statutory Instrument 129 of 2017 that introduced a levy on cattle slaughters, day old chick and raw

milk sales, also has potential to increase food inflation through cost-push channels.

External Factors

73. From the external side, the recent increase in international oil prices, if sustained, is expected to increase inflationary pressures going forward.
74. However, the weakening in the South African rand would dampen inflation in Zimbabwe, through trade and economic linkages between the two neighbouring countries.

CHAPTER 2: TOWARDS A NEW ECONOMIC ORDER

75. The challenges facing the economy demand well thought-out, and focused, Government interventions for a much more rapid and sustained recovery path that delivers on jobs as envisaged and outlined in His Excellency President E.D. Mnangagwa's Inaugural Address.

New Economic Order

76. The *Recovery Measures* towards a '*New Economic Order*' usher a break away from policy inconsistencies, reversals and hesitations of the past, and signal a strong *Business Unusual Approach*.
77. Over the years, corrective measures to address the apparent fiscal indiscipline have constantly been proffered and, in a number of cases, Cabinet has embraced recommendations made, only for these to be arbitrarily reversed or ignored, reflective of lack of political will.
78. Restoration of confidence in the economy, promotive of investment, production, employment creation and sustainable growth, development and poverty reduction will not be realised in such an environment.
79. The '*New Economic Order*', therefore, gears towards restoring discipline, fostering a stronger culture of implementation, supported by political will in dealing with the following:
- Correcting the Fiscal Imbalances and Financial Sector Vulnerabilities;
 - Public Enterprises and Local Authorities Reform;
 - Improving the uncondusive Investment Environment;
 - Dealing with Corruption in the Economy;

- Re-engagement with the International Community;
- Stimulating Production, and Exporting; as well as
- Creation of Jobs.

80. The overriding aspiration is upliftment of social-economic conditions of the populace, through making short-term sacrifices that allow the Budget to play its rightful role in addressing production, job creation, and poverty reduction.
81. Central is addressing the high prevalence of unemployment, against the background of vulnerabilities adversely affecting the sustainability of production, with the major one being the mounting demand pressures for foreign exchange.
82. We must be bold to set annual targets for creation of decent jobs and strive to spread these across the various sectors of the economy.
83. This requires that Government collectively acknowledges the risks and costs brought about by directing a dis-proportionate share of Budget expenditures towards salaries, allowances and other consumptive expenditures, such as condition of service vehicles and travel, among others.
84. Accordingly, the Budget theme "*Towards a New Economic Order*" is drawn from this recognition and acknowledgement.

CHAPTER 3: FISCAL IMBALANCES & ANCHORS

Fiscal Imbalances

85. At the heart of the economy's fundamental economic challenges is an unsustainable Budget deficit, whose financing through issuance of Treasury bills and recourse to the overdraft with the Reserve Bank is untenable.
86. This is also at the core of factors driving the demand for foreign exchange, as well as creation of excess money supply, which is largely in the form of electronic RTGS⁶ and mobile money balances.
87. These money balances are accessible through RTGS transactions, card swipes, as well as such mobile platforms as Eco-Cash, One-Money and Tele-Cash. Physical cash is a small proportion of the economy's overall financial sector liquidity.
88. Money creation, through domestic money market instruments which do not match with available foreign currency, only serves to weaken the value of the same instruments, translating into rapid build-up in inflationary pressures, to the detriment of financial and macro-economic stability.
89. This has seen growing mis-matches between electronic money balances and the stock of real foreign exchange balances, as reflected by cash holdings and nostro balances of banks.

⁶ Real Time Gross Settlement

90. The mis-match between the supply and demand for foreign exchange, has also led to the emergence of foreign exchange premiums in the market.
91. Higher demand from imported feedstock required in the domestic manufacture of goods, in line with the promulgation of Statutory Instrument 64 of 2016, is also exerting pressure on foreign exchange requirements.
92. Hence, while the panic buying of 22-23 September 2017 was largely driven by speculative tendencies, it was also an indication of the diminished confidence and underlying vulnerability that arises from the disparity between electronic money balances, and available foreign exchange.
93. In addition, the growth in money supply witnessed in the past few months, emanating from the purchase of agricultural produce by the GMB, and the domestic financing of the Presidential and Command agricultural programmes, coupled with heightened inflation expectations, have a great potential to adversely affect the inflation outlook.
94. This calls for the Reserve Bank to put in place policy measures to sterilise the impact on the stock of money supply/RTGS balances within the economy.

95. The 2018 National Budget, therefore, focusses on consolidating the fiscus in order to restore and maintain macro-economic stability, as well as financial sector resilience, that way re-building the necessary confidence for promoting economic activity.

96. The room for domestic financing of the large fiscal deficit has now been fully depleted, and additional monetary financing of the deficit can only lead to inflation and further economic deterioration.

Fiscal Anchors

97. Consequently, it is paramount that the 'New Economic Order' judiciously adopts *Fiscal Anchors*, in order to instil and strengthen fiscal discipline for effectively improving Budget management and enhancing co-ordination of fiscal and monetary policies.

98. The *Fiscal Anchors* for the Budget relate to:

- *Fiscal Deficit Targeting*, under which the Budget deficit for 2018 is halved to below 4% of GDP, and subsequently capping Budget deficits below 3%, in line with best practices and financing capacity of the economy;
- Sustainable level of *Public Debt to GDP*, consistent with the Section 11(2) of the Public Debt Management Act [Chapter 22:21] which requires that the total outstanding Public and Publicly Guaranteed Debt as a ratio of GDP should not exceed 70% at the end of any fiscal year;

- *Ceiling of Government Borrowing from the Central Bank*, in line with Section 11(1) of the Reserve Bank Act [Chapter 22:15], which requires that Reserve Bank lending to the State at any time shall not exceed 20% of the previous year's Government revenues; and
 - *Minimum Spending on Infrastructure*, by re-directing substantial resources towards capital development priorities, through increasing the capital Budget thresholds from the current 11% to 15% in 2018 and 25% by 2020.
 - Progressive reduction of the share of *Employment Costs* in the Budget to initially 70% in 2018, 65% in 2019, and below 60% of total revenue by 2020, to create fiscal space to accommodate financing of the development Budget and operations of Government.
99. Central to adherence to the above *Fiscal Anchors* will be discipline and the political will to implement the necessary measures, avoiding arbitrary reversals to agreed Cabinet policy positions that entail pain and sacrifice.
100. Already, Cabinet, has over the past, made several resolutions for implementation of measures that re-orient Budget expenditures towards priority development programmes.

101. In this regard, Cabinet took specific decisions over measures to reduce the wage bill from consuming over 85% of Budget revenues.
102. The most recent relate to decisions made during the 18th Cabinet Meeting of 13 June 2017 directing Treasury to engage line Ministries on expenditure reduction and revenue raising measures, as well as the 34th Meeting of 24 October 2017.
103. Regrettably, no meaningful follow up on the implementation of the above resolutions was undertaken.
104. Hence, the 2018 National Budget's main objective is to, first and foremost, correct fiscal imbalances in order to build the necessary confidence and also eliminate vulnerabilities to the financial sector, that way creating a conducive environment for investment, growth and employment creation.

CHAPTER 4: EXPENDITURE MANAGEMENT

105. The thrust of the 2018 Budget, consistent with the *'New Economic Order'*, calls for the implementation of a phased but *Comprehensive and Coherent Expenditure Management Strategy* that allows for re-orientation of resources towards development programmes that benefit the generality of our population.
106. Central is the implementation of decisions Cabinet has already taken, realising the unsustainability of our public finances, but on which Government prevaricated when the political will to implement was called for.
107. Accordingly, and taking account of some of the critical measures which were approved but were not implemented, the following specific expenditure management measures are being proposed in line with the *Fiscal Anchors* highlighted above.

Wage Bill

108. Measures towards reduction of the wage bill centre on the following:

Freeze on Recruitment

109. The policy on the freezing of vacant posts in the public service has greatly assisted in containing the wage bill, thus assisting towards efforts to re-orient Budget expenditures.

110. Notwithstanding this Government policy stance, Treasury continues to receive requests to fill vacant posts across the board, which would impose unbudgeted additional requirements to the wage bill.
111. In this regard, the freeze on recruitment is maintained across the board, save for critical posts, as determined by Treasury in conjunction with Service Commissions.

Retirements

112. A number of public officials continue to be engaged in the public service well beyond their retirement age.
113. In this regard, from January 2018 Government will, through the Service Commissions, retire staff above the age of 65.
114. Staff that retire will be assisted with access to capital, to facilitate their meaningful contribution towards economic development, including taking advantage of allocated land, for those who are beneficiaries of the land reform programme.
115. Furthermore, Government will also introduce a voluntary retirement scheme that serves to rationalise the public service wage bill, whilst providing financial incentives to beneficiaries to engage in economic activities in such areas as farming, and start-up of small business enterprises.

Duplication of Functions

116. The Cabinet decision to abolish the Youth Officer posts under the Ministry of Youth, Indigenisation & Empowerment and transfer the roles and function to the Ward Development Coordinators in the Ministry of Women, Gender and Community Development is being implemented with immediate effect.
117. This will rationalise the total Youth Officers and Ward Development Coordinators establishment down by 3 739 from 7 269 to 3 530, translating to savings of US\$1.6 million per month and US\$19.3 million per annum.
118. Furthermore, 528 members of the Public Service without the requisite qualifications in terms of Section 18(4) e (ii) of the Public Service Regulations are being retired.
119. The retirement of the above members will entail payment of a severance package estimated at US\$8.7 million.

Size of Executive

120. Already, His Excellency, the President has taken the first steps towards a lean Government structure by beginning to reduce the size of Government by trimming down the number of Ministries from 27 to 21.

121. In this regard, savings will be realised progressively through identification of redundant staff, as Ministries are combined and rationalised.

Fuel Benefit Levels

122. Pursuant to observations by the Auditor General which highlighted inconsistencies in the setting of fuel allocation levels in Ministries, the Office of the President and Cabinet and Treasury reviewed and standardised fuel benefit levels as communicated through Cabinet Circular, Number 12 of 2017 and Treasury Circular, Number 5 of 2016 respectively.

123. Within the context of rationalising public expenditures, Treasury will strengthen its monitoring over adherence to the stipulated limits.

Personal Issue Vehicles

124. Currently, too many grades in the Public Services are provided with vehicles as a Condition of Service every five years, with the vehicles being licenced, insured, serviced and repaired at Government expense.

125. The total outstanding request for Condition of Service vehicles is now close to US\$140 million, which the economy in its state cannot afford.

126. Government, therefore, has reviewed the vehicle Scheme as follows:

- Permanent Secretaries and equivalent grades, one personal issue vehicle;
- Commissioners and equivalent grades, one vehicle; and
- Principal Directors, Directors and Deputy Directors and their equivalents, vehicle loan scheme.

Foreign Business Travel

127. Measures to contain Budget expenditures, and conserve scarce foreign currency, will extend to review of foreign business travel practices.

Size of Delegations

128. Experience has shown that Zimbabwe delegations to regional and international fora being among the largest from the region at such gatherings.

129. In this regard, the following requirements now apply:

- Strict reduction in the size of delegations to levels that are absolutely necessary; and
- Where there is Diplomatic presence, taking advantage of this to realise representation in outside meetings.

130. Therefore, as part of approval of Cabinet Authorities for external travel, the Office of the President and Cabinet, and Treasury will be enforcing rationalisation of the size of delegations, in compliance with this new requirement, without exception.

Class of Travel

131. As directed by His Excellency, the President, Government will also be enforcing restrictions on the Class of travel on the basis of grade, as communicated through periodic Treasury Circulars to Heads of Ministries.

132. In this regard, Business class travel will, with immediate effect, be restricted to the following categories:

- Ministers;
 - Heads of Ministries and equivalent grades;
 - Parastatals' Chief Executive Officers;
 - Local Authorities' Mayors, Town Clerks, Chief Executive Officers;
- and
- Constitutional Commissioners.

133. All those below the above stipulated grades will be restricted to Economy class travel regardless of flight duration, with immediate effect.

134. Accordingly, all the respective Heads of Ministries, Government Agencies, Local Authorities, State enterprises, and all institutions that have potential to make a charge on the Exchequer are being directed to abide by this policy directive with immediate effect.
135. This policy directive should be communicated to all staff.
136. It should also be noted that the above directive does not do away with other expenditure reduction initiatives which could have been adopted by some entities, but complements them.
137. For the avoidance of doubt, the entities that are covered under this policy position are tabulated in **Annexure 10**.
138. Disciplinary measures will be instituted against anyone in violation of this directive and the cost incurred on such travel will be recovered directly from the individual involved.

Foreign Service Missions

139. Currently, Zimbabwe has Diplomatic presence at 46 Embassies and Consulates, manned by both home based and locally recruited staff.
140. The above **Diplomatic presence is imposing annual Budget support levels of around US\$65 million, which is far above available capacity.**

141. Pursuant to this, His Excellency, the President has approved the downsizing of our Diplomatic Missions, taking account of our current economic environment and affordability principles.

142. Rationalisation of Diplomatic Missions will balance the cost of maintaining Missions, and the business value being realised.

Rentals at Foreign Missions

143. With regards to residential rentals at Foreign Missions, the Ministry of Foreign Affairs is in the process of determining rental ceilings for officials at various Missions.

144. The rental ceilings will be based on the officials' grade, as well as the expected Diplomatic zones that they are expected to reside, and will be country specific.

Conditions of Service for Locally Recruited Staff

145. The Ministry of Foreign Affairs, in consultation with the Public Service Commission, has initiated the process to rationalise establishments for locally recruited staff, as well as adjusting their pay structure.

146. The monthly wage bill for Locally Recruited Staff currently stands at US\$355 000, which translates into an annual bill of US\$4.3 million.

147. It is important that this process be expedited in order to realise savings in 2018.

Cost of Governance

Provincial and Metropolitan Structures

148. Funding of the Provincial and Metropolitan structures, as set out in Chapter 14, Section 264 of the Constitution, is not sustainable and Political Parties represented in Parliament should in the future give consideration to amending the Constitution to lessen the burden on the fiscus.

Constitutional Commissions

149. The good intentions over improving Governance, deriving from our Constitution impose some fiscal over-heads through establishment of various Constitutional Commissions.

150. Currently, the majority of Commissions are set up on an executive basis, and hence, imposing an annual wage bill of around US\$11.6 million, inclusive of US\$3.8 million for Commissioners.

151. In this regard, Government will, with effect from 2018, be reviewing this provision to allow for only the Chairperson to be engaged on a permanent basis, leaving the rest of the Commissioners being part time, and remunerated with modest allowances, that way devolving responsibility for day to day operations to Secretariat staff.

152. This should be complemented by rationalisation and restructuring of organisational structures, with a view of containing costs.

Vehicles for Commissioners

153. Currently, Commissions are also required to provide condition of service vehicles, to Commissioners, which the National Budget has been struggling to finance.

154. Condition of service vehicle requests for Commissioners alone would require an amount of close to US\$10 million, which the 2018 Budget has no capacity to provide for.

155. In line with the need to reduce the cost of our governance, Government is, therefore, reviewing this position to allow the provision of one vehicle to those that are full time, as deemed necessary.

Sub-Contracted Security Services

156. The current arrangement where Government buildings and facilities countrywide are secured through sub-contracted security services is expensive, resulting in an annual bill of US\$15.3 million.

Consideration should be given to utilise in the interim services of the police to man these installations and service points.

157. Government is, therefore, migrating away from labour-intensive to ICT based security systems that entail, among other interventions,

installation of biometric access systems, use of cameras and sensors in securing premises and facilities and solar security lighting.

Implementation of Public Sector Projects

158. In line with the thrust towards a “*New Economic Order*” by His Excellency President E.D. Mnangagwa, Government is also moving in to improve accountability and monitoring over implementation of Public Sector Investment Projects.

Execution of Projects

159. This is against the background of risks and weaknesses that have often delayed project completion, increased cost and time overruns, as well as lower the quality of completed works, requiring additional Budget outlays towards costly rehabilitation works.

160. Project implementation during 2017 saw stalling of execution on some Budget priority projects, against the background of limited accountability and absence of unity of purpose, with disagreements between key players compromising implementation and completion across various sectors.

161. Furthermore, failure to adequately maintain the existing infrastructure has reduced the benefits accruing from public investments.

Coordination

162. In some instances, Treasury has had to intervene in order to enforce coordination between Ministries and departments to ensure smooth project implementation.
163. The 2018 Budget, will, therefore, implement measures that improve the way we plan, finance and deliver infrastructure projects, including better coordination between Government Ministries and departments, in order to get value from such investments.

Public Investment Management Guidelines

164. Going forward, all new projects will be subject to governance procedures, as provided for in the Public Investment Management Guidelines and Manuals.
165. The Zimbabwe Public Investment Management Guidelines, which Treasury is unveiling, will enhance the quality of public investment preparation, appraisal, and selection, as well as provide line Ministries and implementing Agencies with best practices in project implementation.
166. Key among the requirements are the following:
- Projects submitted for funding through the Budget should have prior rigorous detailed appraisal and formal approval by

Treasury, and should be aligned to National/Ministry strategic objectives;

- Sustainable funding options should have been clearly determined, including detailed costing of works to be undertaken, which should be validated by Treasury prior to commencement of works;
- Establishment of formal Project Committees within Ministries and implementing agencies, to ensure that all key steps in the project management process are followed, comprising of strategic guidance and appraisal, project selection and budgeting, implementation, monitoring and evaluation, as well as audit;
- Commitment management for each project will be strengthened to ensure we avoid accruing liabilities that are not covered by the available Budget; and
- Any variations to scope and cost of above 10% of the total project cost shall not be effected without prior approval of the responsible authority and Treasury.

167. The above measures will be complemented by measures to capacitate implementing agencies through training of technical staff for effective project management.

168. The Zimbabwe Public Investment Management Guidelines will apply to projects implemented by central Government Ministries, Local

Authorities, State Enterprises and Parastatals, as well as Development Partner funded projects that impose a cost on the Budget.

169. In support of the utilisation of the Guidelines by stakeholders, training sessions will be conducted for all implementing agencies across the various sectors of Government.

170. The Guidelines will be effective starting 1 January 2018, and in preparation for their dissemination and engagement with stakeholders, Treasury is availing copies of the Guidelines, as well as uploading the same on the Treasury website www.zimtreasury.gov.zw from December 8, 2017.

Public Enterprises & Local Authorities

171. Treasury has also been inundated with requests for direct Budget support for recapitalisation by State Owned Enterprises and, in most cases, such requests lack adequate justification and hence, only pose further fiscal risks.

172. Fiscal balance under the '*New Economic Order*,' however, necessitates that public enterprises, including Local Authorities, cease to exist just to pay salaries and wages, and incur financial deficits.

173. Hence, Government is, beginning 2018, putting a stop to unabated flow of Budget resources to Public Enterprises and Local Authorities

without any returns, either through dividends or meaningful public service delivery.

174. I, therefore, emphasise that Government support to public entities will, strictly be conditional on credible and bankable turn-around strategies, complemented stringent cost containment measures.

175. State Enterprises that exhibit potential will be reformed, while those which cannot be rehabilitated will be privatised or face outright closure.

Public Enterprise Reform

176. Our public enterprises remain a draw back through their inefficiencies, with their contribution to the economy down from around 60% to current levels of about 2%.

177. Their inefficient operations are a drain on the Budget, over and above serving to worsen the high cost of doing business in the economy.

178. Last year's financial audits indicate that 38 out of 93 public enterprises incurred a combined US\$270 million loss, as a result of weak corporate governance practices and ineffective control mechanisms.

179. In addition, 70% of these entities are technically insolvent, representing an actual or potential drain on the fiscus.
180. Further, fiscal risks also arise from debts assumption, re-capitalisation requirements and called-up guarantees.
181. Despite the under-performance of these entities, management at most parastatals continues to enjoy huge salaries and benefits, which breach Cabinet's directive of packages not to exceed 30% of total revenues.
182. Hence, Government, in pursuit of improving corporate governance in state enterprises has since developed the Public Entities Corporate Governance Bill which, together with the respective Regulations, is being finalised.

Resuscitation of Cold Storage Company

183. The sub-sector will benefit from efforts being taken by Government to ensure resuscitation of Cold Storage Company.
184. This draws from the decision already taken by Cabinet that Government cedes 80% of its shareholding in CSC to the National Social Security Authority (NSSA).
185. In turn, NSSA will direct the resources towards resuscitation of the operations of CSC, in particular the resuscitation of the cattle

scheme which is critical for increased beef production for domestic and export markets.

CHAPTER 5: PUBLIC FINANCIAL MANAGEMENT

Improved Public Accountability

Alignment of the PFM Act

186. The PFM Act of 2010, is being realigned to the Constitution of Zimbabwe Amendment No. 21 of 2013.

187. This is to allow the PFM Act to:

- Incorporate Constitutional principles relating to public finance management;
- Align the Act to relevant international agreements;
- Cross-reference the Act with the Procurement Act, the Public Debt Management Act, as well as other relevant statutes; and
- Embrace the principle of gender responsive budgeting and elimination of discrimination against women.

188. The amendment of the PFM Act will also provide for the allocation of the not less than 5% of national revenues raised in any financial year to Provincial and Local Authorities as is required in terms of the Constitution of Zimbabwe, Section 301(3).

189. Furthermore, the amendment will also broaden the scope of institutions subject to audit by the Auditor General.

Migration to Accrual Accounting

190. Public Financial Statements are currently prepared on the principle of *Cash Accounting*.
191. Consistent with the requirements of the Public Accountants and Auditors Board for adoption of International **Public Sector Accounting Standards Framework**, Government is migrating from 1 January 2018 to *Accrual Accounting*, also to boost transparency and accountability as well as ensure uniformity in reporting.

Chart of Accounts

192. Treasury has developed a new Chart of Accounts for central Government effective 1 January 2018. The old one is derived from financial classifications.
193. The new Chart of Accounts will embrace all economic classifications for the purposes of enhancing consolidation, preparation and presentation of timely, accurate and reliable financial and fiscal reports.

Accounting & Internal Control

194. Treasury Instructions and PFM Regulations are in the process of being rolled out to line Ministries to ensure compliance and adherence to accounting and internal control provisions.
195. The awareness campaigns over the strengthening of Accounting and Internal Control Systems are currently being undertaken across all Provinces.

Accounting Manual

196. Treasury is in the process of drafting an Accounting Manual that sets out the standards, frameworks, policies and procedures to be followed in accounting for various transactions and aspects of public funds.
197. The effective date for the new Accounting Manual for use by accountants across Government is 1 January 2018.

Accounting Officers Instructions

198. Accounting Officers are being required to review their Accounting Officers Instructions to their staff in line with the new Treasury Instructions, Public Finance Management Regulations and the Accounting Manual all drawing from the PFM Act.

Internal Audit Manual & Audit Committees

199. An Internal Audit Manual has just been completed, and is meant to improve controls, enhance risk management, governance and promote ethical behaviour and guide Internal Auditors.
200. Furthermore, the PFM Act requires all line Ministries to constitute Audit Committees, with such committees now established in most Ministries.
201. The few remaining Ministries are being required to establish their Audit Committees by end December 2017.

Public Expenditure and Financial Accountability Assessment

202. Government, working with the World Bank, has just completed a Public Expenditure and Financial Accountability (PEFA) assessment that focuses on the strengths and weaknesses of the PFM.
203. A PEFA assessment helps to achieve sustainable improvements in PFM practices by providing a means to measure and monitor performance against a set of indicators across the range of important public financial management institutions, systems and processes.
204. The 2017 PEFA assessment report, jointly produced by the Government and the World Bank, is expected to be published during first quarter of 2018.

Professionalisation of Public Accountants & Auditors

205. Government is currently involved in a process of professionalising Public Accountants and Audit personnel to attain internationally recognised qualifications and certifications.
206. The professionalisation project is funded by Department for International Development (DFID) who are working with the Institute of Chartered Accountants Zimbabwe and Institute of Chartered Secretaries and Administrators in Zimbabwe.
207. To date over 30 professional accountants and auditors, whose training was funded by the Africa Development Bank, have attained various professional qualifications.

Modernisation of Government Telephone System

208. The telephone system that is currently in place across Government has been in place for some time, such that the technology is not available to aid control costs.
209. Hence, Government is working towards replacing its outdated telephone network with an internet based network that will help reduce operational costs by an estimated 30%.

Borrowing Procedures

210. Under the '*New Economic Order*', it is imperative that Government Ministries and Departments strictly follow borrowing procedures laid down in the Debt Management Act, in order to avoid committing the country to unsustainable and unproductive loans.
211. In addition, all loan commitments and agreements will be required to go through the normal Government approval processes.
212. Outside commitments will not be tolerated and constitute indiscipline attracting penal measures.

Payroll and Pension Administration

213. Section 203 of the Constitution Amendment (No. 20), Act 2013 and Section 8 of the Public Service Act [16:04] outlines the functions of the Public Service Commission around the regulation of Conditions of Service of members of the Civil Service.
214. Over and above fixing and regulating Conditions of Service, the Public Service Commission also administers the Payroll and Pensions, through the Salary Service Bureau (SSB) and the Pension Office, respectively.
215. However, in most jurisdictions, Payroll and Pensions payment systems are part of the overall Government financial system, a Treasury responsibility, which is critical for fiscal management and prudence.

216. Consistent with this, the administration of Payroll and Pensions becomes a direct Treasury responsibility, with effect from 1 January 2018.

CHAPTER 6: SUPPORTIVE MEASURES

217. The economy's challenges are being compounded by the prevailing low foreign and domestic investor confidence, at a time when arrears on external debts continue to impact on foreign capital inflows into the economy.

218. Budget measures to restore fiscal balance and enhance the developmental impact of budgets will require complementary measures that focus on stimulating production and exporting, underpinned by recognition of the reality that Zimbabwe competes for global capital flows with many other countries.

219. In line with this, and consistent with the undertaking by His Excellency, President E.D. Mnangagwa, Zimbabwe is now open for business, and is putting in place supportive measures that seek to rebuild confidence and compete for investment, and enhance the economy's competitiveness.

220. These measures focus on the following areas:

- Removal of policy uncertainty, and inconsistency, guaranteeing safety of investments;
- Amendment of the Indigenisation policy;
- Lowering cost of doing business;
- Re-engaging with the international community;
- Security of land tenure, and introduction of bankable land leases;
- Enhancing foreign exchange generation, including tapping into the diaspora;
- Concrete, and time-framed public enterprises reforms; and
- Dealing with corruption, rent-seeking, and other business malpractices.

Investment & Business Environment

221. The investment drive under the 'New Economic Order' will be anchored by adoption of consistent and transparent policies that make our economy a conducive and competitive investment destination, cognisant of the need for the participation of foreign private investment in the domestic economy.

222. Zimbabwe's readiness to compete for investment, under the new economic dispensation, is underscored by assurances by His Excellency, the President, guaranteeing security of investments coming into the country.

223. Policy consistency and credibility is also essential for mitigating against risk, underpinning investment and business planning.

THE RETURN OF CAPITAL IS MORE IMPORTANT THAN THE RETURN ON CAPITAL

Policy Consistency and Credibility

224. Accordingly, nurturing investor confidence will also benefit from consistency and coherence of Zimbabwe's business and investment landscape as insisted by His Excellency, the President.

225. Therefore, strengthening of policy co-ordination and oversight will be undertaken with the leadership of the Office of the President and Cabinet.

226. In this regard, previous omissions and commissions signalling policy reversals and conflicting policy pronouncements by different agencies of the same Government will no longer be allowed.

Investor Protection

227. Consistent with best practices, institutional, legal and regulatory standards that affirm investor protection and undergird foreign direct investment are being adopted with the support of development partners.

228. The benefits to local firms and suppliers include potential development of linkages and their incorporation into global value chains.

Indigenisation & Economic Empowerment Act

229. Government is, through the Finance Bill being submitted to this August House for the 2018 financial year, amending the Indigenisation and Empowerment Act, to bring the following into effect from April 2018:

Extractive Sector

230. Diamonds and platinum are the only sub-sectors designated as *'extractive.'*

231. Accordingly, the proposed Amendments will confine the 51/49 Indigenisation threshold to only the two minerals, namely diamonds and platinum, in the extractive sector.

232. The 51/49 threshold will not apply to the rest of the extractive sector, nor will it apply to the other sectors of the economy, which will be open to any investor regardless of nationality.

Reserved Sector

233. The Reserved sector is only for Zimbabwean citizens, and for non-Zimbabweans, entry into the Reserved sector will only be by special dispensation granted by Government, if the proposed business:

- Creates employment;
- Affords the opportunity for the transfers of skills and technology for the benefit of the people of Zimbabwe;
- promotes the creation of sustainable value chains; and
- Meets the prescribed socially and economically desirable objectives.

234. As we seek to attract both local and foreign investments, existing and potential investors become fully guided by the Amendments we seek to effect through the Finance Bill that is being brought to this August House.

235. Those already in the Reserved sector, except gold panning, will be required to register and comply with our laws.

Ease of Doing Business Reforms

236. Zimbabwe's ranking with regards to the ease of doing business remains unacceptably poor, with its ranking only moving from 161 out of 190 countries in 2016 to 159 in 2017.

237. Government is, therefore, seized with the need to implement a much broader array of Ease of Doing Business Reforms.

238. His Excellency, the President, has also pronounced himself over measures to address the ease and cost of doing business.

239. Hence, the thrust of Government will be to make *Ease of Doing Business* reforms more practical and administratively accessible for actual day to day transaction processes to the ordinary Zimbabwean and foreigner intending to undertake business or investment.

240. Achievements to date, however, include:

- Reduction in the number of days for getting construction Permits, from 448 days to 120 days;
- Reduction in the period for property registration, from the previous 36 days to 14 days, and decentralisation to Local Authorities; and
- Investment in such enabling infrastructure as ICT, utilities, and roads rehabilitation.

241. A number of Bills that seek to address some of the ease of doing business concerns that are before Parliament, will therefore, be fast tracked.

242. These include:

- Insolvency Bill;
- Estate Administrators Bill;
- Deeds Amendment Bill;
- Public Procurement and Disposal of Assets Bill;
- Shop Licensing Amendment Bill; and
- Public Sector Governance Bill.

Border Delays

243. As part of measures to improve the doing business conditions, Government is expediting the establishment of a Ports Authority that will immediately address the challenges faced by businesses, with regards to red tape and delays at border posts.

244. The creation of the Ports Authority is also critical as the country embarks on setting up Special Economic Zones which require efficient clearance of imported raw materials, machinery and equipment for their operations.

245. Given that our borders are porous, and hence susceptible to leakages through entry of smuggled goods, a range of measures to address this are being instituted to mitigate impact on competitiveness of local industry.

Re-organisation of Vendors

246. The current economic challenges, which have seen many rendered jobless, including a high number of graduates, is forcing many of the working population into vending to sustain livelihoods.

247. Government is, therefore, working in partnership with the respective vendor organisations and Local Authorities in the designation of vending sites, as well as ensure the provision of proper public amenities and sanitary facilities.

248. This should ensure that all vendors are operating in the designated sites, that way also overcoming recent disruptions to public movement and operations of formal businesses, which undermines their sustainability.

Business Cost Structures

249. Over and above challenges businesses experience over the ease of doing business environment, businesses also contend with a high domestic cost structure.

250. In the SADC region, Zimbabwe's business cost structures are ranked high, with some of the cost lines well in excess of 20% above regional comparatives.

251. This is contributing to the lack of competitiveness of Zimbabwe's exports in the region and beyond.

252. The sources of Zimbabwe's high costs of business are many, including but not limited to:

- High utility tariffs, for power, water, municipal charges, etc;
- Multiplicity of other fees and charges by such agencies as EMA, other Government departments, and Local Authorities;
- High wage structure, relative to productivity, when compared to such other countries as Ethiopia;
- High interest rates and bank charges, given the US dollar environment and experiences of other countries during the global financial crisis; and
- High transport costs, given heavy reliance on road haulage, in the absence of reliable cheaper railway transport.

253. To enhance business competitiveness, Government will unpack the underlying causes of the above costs, with a view to aligning them to regional standards.

One Stop Shop Investment Centre

254. Other countries have successfully introduced one stop shops, wherein all foreign direct investments are approved under one roof, with the objective of expediting the processing time.
255. In pursuit of this and in view of intense competition for foreign direct investment, implementing of a functional one stop shop is paramount.
256. In line with technological developments, Zimbabwe's One Stop Shop Investment Centre is also being required to take advantage of online services, that way removing the requirement for seconding staff by various Ministries and Departments, which has been delaying the operationalisation of this initiative.

Bilateral Investment Promotion and Protection Agreements

257. Zimbabwe, being a signatory to a number of international conventions on protection of property rights, reiterates its commitment to honouring obligations under various Bilateral Investment Promotion and Protection Agreement (BIPPAs).
258. His Excellency, the President, has already made the commitment that all foreign investments will be safe in Zimbabwe.

Compensation for BIPPA Violations & Acquired Land

259. Where violations of Zimbabwe's obligations under BIPPAs have been made, including over land acquisition, Government will be engaging the respective parties to reach amicable settlement arrangements.
260. Accordingly, Government will be making appropriate compensation in relation to land acquired under BIPPA arrangements.
261. Furthermore, His Excellency, the President, has undertaken Government's commitment to compensate all farmers from whom land was taken as part of the Land Reform Programme, in accordance with the country's Constitution.

Local Content Policy

262. Zimbabwe should create an environment for accelerated economic growth anchored on the agricultural, extractive and industrial sectors, while remaining competitive in international markets.
263. This will ensure the rapid creation of employment, and the broadening and deepening of forward and backward linkages for the local procurement and supply of goods and services, leading to the development of new industries and increased capacity utilisation in existing industries, and resultantly spurring increased consumption of local goods and services, and a reduction in imports and increased exports.

264. To achieve this, a local content policy framework is currently under preparation with the broad participation of Government, industry and consumers.
265. The local content policy is expected to stimulate the use of local factors of production, such as labour, capital, supplies of goods and services, technology, and research and development, to create value in the domestic economy.
266. In doing so, legislative, regulatory, institutional and reporting, monitoring and evaluation mechanisms will be established, while being cognisant of the internal systemic and political realities, as well as exogenous contextual factors, such as the cyclical behaviour of commodity prices, demand and supply dynamics and technological changes and world trade rules.

Promoting Domestic Goods

267. Government, through the Ministry of Industry, Commerce and Enterprise Development, is drafting a Local Content Requirements Framework to buttress the Import Management Programme.
268. Promotion of locally produced goods should offer transitional stimulation and development of opportunities for domestic local industry value and supply chains, already beginning to benefit from investment into new production and product lines.

269. Government is working on an incentive framework that strengthens the backward and forward linkages between manufacturing and other sectors, such as agriculture.
270. These business linkages include contract farming for soya beans, cotton, and maize.
271. The production of raw materials locally will help alleviate shortages of inputs being experienced industry wide, and also exerting pressure on the import bill.

Labour Market Flexibility

272. Following submissions regarding the recent amendments to the Labour Act, Government, social partners and other relevant stakeholders are in the process of finalising holistic amendments to the Act.
273. The proposed amendment of the Act seeks to strike a balance between creating a conducive environment for investment and protecting the fundamental rights of employees.
274. In particular, the proposed amendments to the Act will relate to processes of termination of contract, retrenchments, and collective bargaining and provide for a more efficient and effective dispute settlement system.

Diaspora Participation

275. Government appreciates and acknowledges the critical role that our diasporans play towards contributing to the economy's foreign currency generation capacity, mainly in the form of remittances.
276. The '*New Economic Order*' undertakes to ensure that the diaspora plays an active role in the broader economy, particularly through investments in the domestic economy, as well as knowledge and technology transfer.
277. This is consistent with the commitment by His Excellency, the President calling for the creation of conditions for an investment-led economic recovery that is underpinned by the active participation of our diaspora into the broad economic calculus.
278. Government will, therefore, be strengthening platforms for engaging the Zimbabwean diaspora with a view to coming up with a policy framework that provides incentives and guaranteed security for diaspora investments.

Re-Engagement & International Cooperation

Political Relations

279. Zimbabwe remains committed to the values of SADC, the African Union, the United Nations and other international fora where it

retains membership, as well as all its bilateral cooperation obligations with various Nations, groupings and institutions.

280. Under His Excellency President E.D Mnangagwa's new dispensation, Zimbabwe sets out to strengthen its re-engagement and cooperation with the international community, central to quickly normalising political relations.

281. This should also create a basis for re-establishing external relations and potential support for our agenda for development and socio-economic transformation.

282. Central to enhancing cooperation is the commitment by His Excellency, the President, that Zimbabwe now fully embraces the culture of honouring all its obligations.

283. His Excellency the President is, therefore, initiating moves to resuscitate the political re-engagement process with the international community, as well as all our bilateral partners.

Re-Engagement with International Financial Institutions

284. Our quest towards a 'New Economic Order' will also require complementary support from development partners, access to external borrowings, as well as resource inflows into the economy.

285. Hence, pursuing the re-engagement process with international financial institutions, in particular the World Bank and the African Development Bank, and the European Investment Bank, will be enhanced in order to unlock external new financing required by productive sectors.
286. The loss of long standing correspondent banking relationships, or “de-risking” by leading global banks was also beginning to pose significant risks to the country's efforts to finance international trade and access to foreign lines of credit.
287. In this context, strengthening of re-engagement initiatives and processes with multi-lateral financial institutions and cooperating partners minimises the continuation of de-risking, reduce country risk and improve financial relations.

Corruption & Indiscipline

288. Over the years, corruption had been threatening to spread unchecked, negatively affecting the social and moral fabric of the Nation.
289. Corruption and market indiscipline also increase the cost of doing business, and encourage rent seeking behaviour, thereby increasing hardships for the general public.
290. His Excellency, the President, in his Inauguration Speech, underscored that this syndrome will be decisively dealt with.

291. In this regard, the cleansing has begun, targeting unlawful and illegitimate deals and transactions, money laundering practices, externalisation of foreign currency and under-ground foreign exchange transactions, among other corrupt conducts.
292. Digitalisation of financial services needs to be speeded up, to make it difficult for people to engage in dishonest and corrupt practices.
293. Further intensification of Government interventions to curb incidences of corruption, plug revenue leakages, as well as arrest market indiscipline will also buttress the successful implementation of the 2018 Budget.

Corrupt Practices

294. Across all Government agencies, the quality of service offered will be required to become more facilitative and devoid of corrupt practices. This is moreso as Zimbabwe competes with its regional neighbours for investment, business and tourism.
295. Appeals from stakeholders also make it necessary that such Government agencies as the Police, ZIMRA, EMA, VID, etc revisit their mandates and Service Charters to avoid "*kuswera vakamira pama roadblocks in large numbers*" extorting money from the public.

296. Public perceptions to the effect that "*ukangowona Mupurisa, ZIMRA, EMA, VID etc wotoziva kuti mari yave kubuda*" are not conducive to a country's development.

Abuse of Authority to Retain Funds

297. Treasury Authority has been granted to various agencies of Government to retain for their own utilisation, earnings, fees and fines that would ordinarily be surrendered to the Consolidated Revenue Fund.

298. Regrettably, this dispensation is increasingly also being abused as agencies depart from their core mandates and focus on revenue raising, also with corrupt practices and extortionist tendencies permeating in.

299. Consequently, over and above the transparency arrangements for Retentions being ushered in by the 2018 Budget, Treasury will not hesitate to withdraw Retention Authority where the above practices are reported.

Anonymous Tip-offs

300. The Independent Complaints Mechanism established in terms of Section 210 of the Constitution deals with complaints arising out of the misconduct of a member of the security services.

301. However, for the purposes of encouraging the coming forward of whistle-blowers who may possess vital information which could aid in combating corruption in the public sector, the 2018 Budget proposes that dedicated facilities or hotlines be established specifically for this purpose, with the necessary checks to protect the identity of members of the public.

Transparency & Openness

302. State institutions charged with tackling corruption will be required to demonstrate a higher degree of transparency in order to monitor the progress each respective institution is registering in combating corruption.

303. As such, State institutions set up to combat corruption and crime, such as the National Prosecuting Authority, the Zimbabwe Anti-Corruption Commission and the Zimbabwe Republic Police will be required to publish reports once every quarter giving statistics on the:

- Number of arrests made;
- Number of successful prosecutions or convictions; and
- Value of money or property recovered, as a result of their interventions.

304. Furthermore, demonstrable efforts to recover proceeds of criminal activities, through the institution of Civil process against the offenders, in terms of section 4 of the Criminal Procedure and Evidence Act [*Chapter 9:07*], will be called for.
305. Easy and ready access to information by the public will also enhance accountability of public institutions.
306. Given the high correlation between the incidence of corruption and the extent of bureaucratic red tape, under the auspices of the Ease of Doing Business, needless regulations will continue to be eliminated, while safeguarding the essential regulatory functions of the State.

Public Entities Corporate Governance and Public Procurement and Disposal of Public Assets Acts

307. It is envisaged that the Public Procurement and Disposal of Public Assets Act, which Act seeks to tighten, reorganize and improve our procurement system, will become effective 1 January 2018.
308. This will dispense with the former dispensation which had inherent weaknesses that resulted in Government awarding tenders to undeserving companies and individuals, to the detriment of cost considerations and service delivery.

309. In close association with this, it is intended that the Public Entities Corporate Governance Bill, which is currently before Parliament, be passed in the first quarter of 2018.
310. This Bill seeks to professionalise the manner in which Public Entities carry out their day to day functions, as well rationalise the remuneration payable to members and employees of such Public Entities.
311. This will do away with unsustainable remunerations that Board members formally award themselves.

Lifestyle Audits

312. The 2018 Budget proposes to regularise life style audits of all Public Office Holders for the purposes of ensuring that the respective office holder's lifestyle is commensurate with their level of income.
313. Where it is palpably manifest that their asset base is inconsistent with their level of income, it must be incumbent upon that officer to give an account of their sources of income justifying their wealth.
314. Failure to provide an adequate explanation by the office holder would result in an investigation into their financial affairs, should this be necessary.

Auditor General's Reports

315. The Auditor General has consistently executed her mandate with neither fear nor favour and has consistently published findings unearthing the rot at a number of public institutions.
316. Regrettably, little action has been taken to address identified institutional shortcomings, notwithstanding the red flags dutifully raised by the Auditor General.
317. Consequently, the Public Finance Technical Response Unit was established under the Accountant General for the purposes of studying, following up and further looking into matters that are raised through the Auditor General's reports for the purposes of recovering misappropriated wealth and institution of criminal proceedings, where necessary.

Smart Technology

318. Direct contacts between Government officials and citizens can open opportunity for illicit transactions.
319. In this regard, there will be increased deployment of readily available technologies to encourage more arms-length relationships between public officials and the general public.

320. The use of online platforms to facilitate interactions with the citizenry and the business community will be enhanced.

Foreign Exchange Generation & Management

Externalisation

321. Government is granting a three months Amnesty, over the period 1 December 2017 to end February 2018, to individuals and corporates for the return of illegally externalised funds and assets.

322. Under this, those affected are encouraged to liaise with the Reserve Bank for the necessary facilitation and accounting for the externalised funds and assets.

323. Government will, upon expiry of the moratorium, institute legal proceedings against those who would not have taken advantage of this dispensation, in line with the country's laws.

Ease of Exporting

324. Under the dollarised economic environment, exports remain a major source of liquidity for overall economic activity.

325. It is necessary that exporters be supported through creation of a conducive and competitive exporting environment.

326. This entails removing a number of impediments which compromise exporters' competitiveness. These include a plethora of regulations, different and fragmented export documentation agencies, and long periods for document and permits processing and approvals.

327. These interventions, among others, include reduction in the number of road blocks, creation of a similar one stop shop for the processing of export and import documentation, as well as reduction of documentation processing period.

Special Economic Zones

328. Notwithstanding the investment incentives that Government has already put in place, a critical factor to the attraction of investors to the designated Special Economic Zones, would be the development of the necessary basic infrastructure such as water, power, road, and rail transportation, amongst others.

329. Already Treasury, has received requests for funding the development of such infrastructure at Sunway City and Victoria Falls amounting to US\$16.7 million, and is considering submissions on the Diamond Cutting and Polishing Special Economic Zone in Mutare.

330. Budget resources alone will, however, not be adequate to provide the full requirement for such infrastructure due to limited fiscal space.

331. In this regard, Government is calling on all critical stakeholders, such as financial institutions, pension funds, institutional investors, as well as the private sector, to complement Government efforts in mobilising resources for the development of this essential infrastructure in the designated zones to enhance their attractiveness to potential investors.

332. This would benefit from the on-going initiatives that are being done under the 100 Day Rapid Results Initiative, spearheaded by the Office of the President and Cabinet, in creating a conducive environment under the '*Ease of Doing Business*' reforms.

333. Consistent with the commitment by His Excellency, the President, to speedily operationalise Special Economic Zones, Government will, therefore, be engaging experts both local and international, with requisite expertise in the planning, design and implementation of Special Economic Zones.

334. Already, Special Economic Zones have been identified with pilot projects, in Bulawayo, Sunway City in Harare and the Victoria Falls, as well as diamond cutting and polishing in Mutare.

335. In addition, as well as to operationalise the SEZs, the Board has been constituted, however, on a part-time basis with modest remuneration allowances to avoid becoming an additional burden on the Budget.

Beneficiation and Value Addition

336. The country is exporting mainly raw commodities, which yields low earnings, prone to international commodity price shocks and ceates lower numbers of workers.
337. In our quest for deriving more value from our mineral and agricultural resources, as well as addressing the perennial challenge of unemployment, Government is intensifying efforts on value addition and beneficiation of primary products.

Chrome Processing

338. Interventions in the chrome sector have seen Government award over 19 000 hectares chrome mining special grants to small scale miners, benefitting throughput for smelting purposes.
339. In response, ferrochrome ores and concentrates exports during the first nine months to September 2017 rose significantly.
340. During January to September 2016, exports of ferrochrome ores and concentrates had realised US\$73.3 million only.
341. This year, however, recovery of production has seen exports grow to US\$309 million from an export volume of 1.2 million tonnes.

342. This growth momentum is expected to continue into 2018, with output projected at 1.7 million tonnes, up from the 1.5 million tonnes estimated for the full year 2017.

Diamond Cutting and Polishing

343. To date, the country has licenced 10 diamond cutting and polishing centers to value add the locally produced diamonds. Currently, most of these registered companies are in the stage of building capacity in diamonds processing.

344. The capacity building programme includes acquisition of state of the art equipment, which enhances efficiency by reducing weight loss, waste and production costs.

345. In terms of skills development, the School of Diamond Cutting and Polishing, which was opened in 2011 at Mount Hampden, has so far trained over 1 000 artisans in diamond sorting, valuation, cutting and polishing.

346. The School has also automated the diamond cutting and polishing process, thereby, improving the skills on enhancing the diamond beneficiation process.

347. However, while this capacity building process is ongoing, Aurex, a subsidiary of Reserve Bank, has already started beneficiating the country's diamonds and now moved into manufacturing jewellery.

Foreign Currency Utilisation

348. Foreign currency receipts for Zimbabwe, which averaged US\$3.5 billion per annum over the years, 2016 and 2017, should anchor some of the country's development requirements, if efficiently utilised in line with priorities.

349. Government, on its part, will strive for transparency in the management of the foreign currency receipts, discouraging waste, leakages and abuse.

350. Accordingly, the Reserve Bank will be strengthening its monitoring role to ensure efficient utilisation of the scarce foreign currency.

CHAPTER 7: SUPPORT FOR AGRICULTURE

Land Utilisation

351. His Excellency, the President, in his inauguration speech, pointed out that under the 'New Economic Order', Government's economic policy will also be anchored on agriculture.
352. As such, beneficiaries of the Land Reform Programme are required to fully utilise the land and improve on productivity.
353. Government is urgently addressing all issues related to land tenure in order to bring finality and closure to the management and ownership of land, critical for improved land utilisation.

Security of Tenure

354. The prevalent form of formalisation of land distribution to beneficiaries across the A1 and A2 land tenure system was 'Offer Letters' issued by the Ministry responsible for Lands and Rural Resettlement.
355. In order to address the security of tenure, especially with respect to the A2 model, Government introduced the 99 Year Lease, as a tool for formalising occupancy of re-distributed farms to beneficiaries who would have paid lease rentals, as well as for improvements.

356. To give confidence to beneficiaries that their occupancy is guaranteed, and cannot be withdrawn willy nilly, through the indiscipline of either youths, political leaders, traditional leaders or senior officials, Government is undertaking to institute measures to strengthen the legal standing of Offer Letters and 99 Year Leases.

357. This enables the much needed farm investments, improved utilisation of land and, therefore, production.

Farm Valuations & Re-Surveys

358. It has also been observed that the pace at which farm valuations are being undertaken is limited, resulting in very few issuances of the leases.

359. It, therefore, follows that the proportion of 99 Year Lease issuances against the number of beneficiaries remains negligible, constraining financing by financial institutions and, in the process, perpetuating farm land as dead capital.

360. Going forward, through the 2018 Budget onwards, Government will set aside resources for strengthening capacity of the Surveyor General's Department to scale up conduct of farm surveys, instead of outsourcing, for rapid issuance of 99 Year Leases.

361. Furthermore, re-surveys of farms should benefit from adoption of technology based Unmanned Aerial Vehicles which take much less time and costs.

Land Audits

362. Having completed the Land Reform Programme, Government is moving to undertake periodic land audits through the Land Commission, established and operationalised in June 2016, with the mandate of ensuring accountability, fairness and transparency in the administration of agricultural land vested in the State.

363. The necessary preparations for the land audits are now at an advanced stage.

364. Through this process, issues of multi-farm ownership, idle land and under-utilisation of land are going to be identified.

365. Idle land represents dead capital and promotes speculative tendencies, if not checked on the part of the land holders. As a result, the economy loses on optimal agricultural production.

366. In this regard, appropriate remedial measures to address prevailing idle tracts of previously productive land, in order to improve agricultural production in the country, will be guided by results from the comprehensive land audits.

Forestry Estates and Conservancies

367. To this day, incidences of land allocations, onto subdivided Forestry Estates and Conservancies, continue being experienced.
368. In some cases, this has been perpetuated illegally and in a manner that negatively affects conservation practices and objectives, with respect to our forests and wildlife.
369. It has been observed that in a number of cases, those resettled have quickly moved in to clear trees and substitute forestry and wildlife production with maize and other crop farming, often at sub-optimal productivity.
370. Studies have already revealed a disturbing gap we now face in suitable wood raw materials a few years from now, due to disturbances that have been caused by unplanned resettlements over Forestry Estates across the country.
371. In order to restore our forestry resources, Government is moving in to bring a stop to this and, where necessary, reversals of some indiscriminate resettlements over both Forestry and Conservancies will be undertaken.

Special Agriculture Production Programme

372. The spearheading by Government of the Special Agriculture Production Programme popularly coined '*Command Agriculture*', in

partnership with the private sector, followed completion of the land allocation phase of the Land Reform Programme.

Thrust

373. The thrust is on full, efficient and sustainable utilisation of allocated land, for increased investment on the land and production.

Farmer Challenges

374. On average, the new farmer had been encountering constraints which became a hindrance to full productive utilisation of the land, bordering around capacity, resources, and elements of insecurity over tenure.

375. The result was much idle farmland, and unaccountability on the part of the farmer with regard to use of acquired land holdings for farming in support of domestic food security, supply of agro-inputs and exports.

Leadership

376. The under-utilisation of land was guaranteed to continue unabated, in the absence of leadership and a champion to provide decisive intervention support, that way perpetuating food insecurity and over-dependency on imports.

377. To untangle the potential for grid-lock and paralysis on farms, Government intervened with introduction of the Special Maize Production Programme, now broadened to embrace other crops and livestock, as a transitional inception intervention.
378. Government recognises that, in the interim, the new farmer would need to be incubated as they learn the ropes and overcome learning-by-doing inefficiencies, that entail yields lower than would obtain with best practices, making a case for transitional producer prices higher than import parity levels.
379. In these circumstances, traditional private partners and bank funders of agriculture also become hesitant to develop fully supportive facilities for the new farmer, necessitating adoption of collaborative financing models by Government and the private sector.

Farmer Obligations

380. The individual farmer remains responsible and accountable for honouring repayment of obligations arising under such financing facilities.

Financing Model

381. Government envisaged the impact of the financing model for the '*Command Agriculture*', cognisant that this transitional intervention

with short-term cost implications on the Budget would anchor improved agricultural production.

382. As we move forward, private sector and commercial bank finance will be required to fully take up its rightful role of adequately underpinning agriculture, particularly, A2 commercial farmers.

383. Accordingly, the 2018 Budget also supports interventions in agriculture. This will progressively and gradually scale down from 2019, leaving Government financial support targeted at needy vulnerable households.

Government Facilitation

384. On the other hand, Government will continue with its facilitative role in the areas of extension services, disease and pest control, provision of bankable leases and security of tenure, development of irrigation, farm mechanisation and other infrastructure facilities.

Horticulture

385. Government plans to coordinate extension of support towards expanded horticulture production from 2018, focusing on providing support towards identified farmers.

386. Some of these farmers would be requiring rehabilitation and expansion of irrigation infrastructure, access to handling technologies, market access, financial services and capacity building.

387. Participating farmers will largely be drawn from both the commercial and smallholder farming communities, with the programme anchored on commercial farmers with expertise in horticulture production.

388. Smallholder farmers will, therefore, participate as out growers.

389. This intervention will provide us with new opportunities to economically empower farmers, particularly smallholder ones, create employment opportunities, as well as earn foreign currency.

Monitoring of Agriculture Inputs

390. Government has instituted measures to ensure effective delivery of the Command Agriculture programme, and accountability of inputs⁷ utilised by farmers.

391. These measures include among others, strengthening of the inputs control and distribution systems, as well as programme monitoring mechanisms, at every stage of the supply and distribution of inputs, that way assisting plug potential leakages of agriculture inputs.

⁷ Guidelines for Farmers Identification under the Command Agriculture Programme for the 2017/18 season are contained in Annexure 10

392. Reports of abuse and sale of inputs by some beneficiaries, under both Command and Presidential Agricultural Programmes, are being followed up with the support of Agritex officers, and the culprits will be quickly brought to book.
393. Furthermore, the Ministry of Lands, Agriculture and Rural Resettlement is validating expenditure commitments of Sakunda under the Programme, as well as values of inputs supplied and those collected by farmers. This is being undertaken with the support of the Accountant General and the Debt Management Office.

Electronic Management Systems

394. Use of manual capture systems at District and Provincial levels does not provide adequate monitoring of collection of inputs by farmers, hence, scope for double dipping by some farmers, with more than 20 hectares and above, who are required to collect inputs directly from input suppliers.
395. Experiences of missing details of some farmers have been registered with reliance on manual capture systems for inputs disbursements.
396. Hence, arrangements are underway to have all data relating to participating farmers captured in an electronic data collection system, which is expected to ride on the back of the PFMS system.

397. In this regard, the Ministry of Lands, Agriculture and Rural Resettlement is implementing the electronic data management system as a matter of urgency.

398. To contain side marketing by farmers, from the 2017/18 season grain intake, the GMB is being required to decentralise cost recovery Stop Order forms to depot level, as well as consolidate data on participating farmers.

Control over Access to Supplies

399. Absence of effective control and distribution mechanisms had meant that bogus farmers could access inputs through unscrupulous suppliers.

400. This also results in abuse of fuel coupons, through issuance of fuel coupons that would not be commensurate to farmer requirements.

401. Some of the potential risk areas have since been rectified which has seen the logistics committee, in consultation with private financing partners, tightening the distribution and collection mechanisms for both fuel and other inputs.

402. All participating farmers are now required to have their contract papers and release orders for inputs collection to be processed at District level.

403. For those farmers required to collect inputs directly from inputs suppliers, Government officials have been stationed at inputs suppliers' depots to clear and monitor collection of inputs by farmers.

404. Other potential leakages being plugged relate to:

- Absence of validation processes over use of tillage vouchers and combine harvesters repairs; and
- Collusion between district Command Centre officials and some farmers, that could result in inputs collections in excess of requirements determined by Agritex ward officers.

Stop Orders

405. Some farmers who would have benefitted from Command Agriculture inputs supplies were being paid in full for grain delivered to GMB despite having loan obligations under the Programme.

406. Government has, thus, moved in to plug potential leakages that could arise. In this regard, participating farmers are also required to complete the cost recovery *Stop Order* forms at the point of inputs collection.

407. Furthermore, plugging of potential leakages is extended to prevent some Ward extension officers recommending farmers without farm/land offer letter to collect inputs, resulting in no recoveries.

Validation & Monitoring

408. Other potential areas of leakages being plugged at supply level include requirements for:

- Enforcement of validation processes over quantities of inputs delivered against quantities of inputs contracted;
- Tighter monitoring mechanisms relating to delivery of inputs to GMB depots by suppliers such that current expenditure commitments are based on Command Centre reports on inputs collected by farmers;
- Procurement authorisations over such inputs as chemicals for the control of Fall Armyworm and Quelea birds within the Financial Agreements; and
- Strengthened Government oversight over input prices negotiations prior to procurement.

Capacitation of Agritex & Command Centres

409. Command Agriculture programme monitoring will be strengthened through the capacitation of Agritex officers and Command Centre Officers at district and provincial level to enable them to undertake routine monitoring of the programme at every stage of the crop production cycle.

410. In addition, National Task Force monitoring teams will be required to monitor and evaluate the programme on a quarterly basis.
411. Treasury undertakes to support the monitoring exercise at every stage of the cycle.

Loan Recoveries from Farmers

412. A positive culture of honouring loan obligations is emerging among farmers benefitting from empowerment support under the Command Agriculture Programme.

Recoveries from Maize Farmers

413. In this regard, Command Agriculture loan recoveries are running at 66%, with the Command Agriculture Revolving Fund registering repayment receipts of US\$47.4 million in loan recoveries from farmers. This is against an anticipated repayment target of US\$72 million.
414. Out of the 50 000 farmers contracted to produce maize under Command Agriculture, 33% fully paid their loan obligations, with 22% having partially paid their obligations, while recoveries from others are being made as they deliver to GMB.

415. To encourage our farmers to continue paying back their debt obligations, all fully paid farmers are being prioritised in accessing inputs under the 2017/18 Command Agriculture programme.
416. With regards to those farmers who have partially paid, as well as the new farmers, consideration to be contracted is based on a tight criteria, which includes, among others, the need for a farmer to demonstrate capability to produce.
417. However, as at 23 November 2017, about 10 053 contracted farmers had not made any maize deliveries to GMB, an indication that these were already defaulting on their 2017 debt obligations.
418. Government has, therefore, instituted measures to ensure recoveries from these farmers, with monitoring teams already deployed to follow up on such farmers who are being made to acknowledge their debts for repayment next season.

Recoveries from Wheat Farmers

419. Loan recoveries from wheat farmers are already underway, with recoveries standing at US\$3.6 million, against a target of US\$8.8 million, as at 23 November 2017.
420. Further recoveries are being experienced as farmers harvest and deliver their wheat produce to the GMB.

Anchor Companies

421. Agricultural production enhancement will benefit from cooperation between anchor and new companies.
422. This linkage in the sector facilitates access to capital and markets, sharing of best practices, farming knowledge and transfer of expertise, mutually beneficial to both parties.
423. More specifically, the identified anchor companies have the critical roles of providing access to capital, training the small scale farmers and coordinating marketing, including exporting.
424. As proposed in the past, Government will consider putting in place appropriate incentives in support of these arrangements.

Farm Rental & Development Levies

425. In an effort to ensure efficiency in the collection and compliance of farm rentals and land development levies, the 2018 Budget proposes to re-assign Local Authorities as the collecting agent for land fees.
426. The funds derived from Rental Levies will be for use by the Ministry of Lands, Agriculture and Rural Resettlement, while Local Authorities will utilise funds raised from the Development Levy.

CHAPTER 8: FISCAL PERFORMANCE

427. The economic growth in 2017 also had a positive impact on the performance of Budget revenues.
428. Tax revenue collections by ZIMRA have, therefore, been running at levels above 2017 Budget targets, with total receipts to November 9% higher than envisaged.

Revenue Performance

429. Cumulative tax and non-tax revenue collections for the period January to September 2017 amounted to US\$2.812 billion, against a target of US\$2.741 billion, resulting in a positive performance of US\$70.8 million or 2.6% of projected revenues.
430. This tax and non-tax revenue performance represents an increase of 8.6% on prior year collections of US\$2.599 billion.
431. The Table below shows the cumulative revenue performance for the period January to September 2017.

Revenue Performance: Jan-Sept 2017

	Actual (US\$m)	Target (US\$m)	Variance (US\$m)	Variance (%)
Total Revenue	2 812.0	2 741.2	70.8	2.6
Tax Revenue	2 643.9	2 519.7	124.2	4.9
Non-tax Revenue	168.1	221.6	(53.4)	(24.1)

432. Notably, Tax Revenue recorded a positive variance of 4.9%, whilst Non-tax Revenue underperformed by 24.1%.
433. Preliminary receipts for November 2017 indicate tax collections of US\$335.4 million, against a target of US\$269.8 million, reflecting a positive performance of US\$65.5 million, or 24% of projected revenue.
434. This would raise cumulative tax collections for the eleven months to November 2017 to US\$3.325 billion, against a target of US\$3.057 billion.

Administrative Measures

435. Tax administrative measures instituted in the recent past are also facilitating improved revenue collection in 2017.
436. These included:

Automation

437. This entailed full automation of the VAT system, through the usage of fiscalised devices, and other ICT based innovative solutions.

Tax Base

438. The coverage of the tax system was widened to include unregistered businesses, particularly small to medium enterprises that continue to operate in the informal sector.

Border Efficiencies

439. Initiatives to enhance administrative efficiencies at Border Posts included securing unofficial points of entry.

Electronic Cargo Tracking

440. Curtailing of transit fraud is benefitting from the use of the *Electronic Cargo Tracking System* and alignment of excise duty on paraffin and diesel.

Single Window Facility

441. Implementation of the *Electronic Single Window Facility* at ports of entry, should assist minimise congestion, thereby reducing opportunities for fraud.

Temporary Import Permits

442. To minimise abuse, the maximum period under which *Temporary Import Permits* for motor vehicles imported by visitors are valid was reduced from twelve to three months.

Authorised Economic Operators

443. The *Authorised Economic Operator* system, which facilitates simple customs clearance procedures and less stringent physical examinations, was introduced, thereby enhancing clearance of commercial goods.

Advance Passenger & Cargo Manifest

444. The system of *Advance Passenger and Cargo Manifest* was extended to road and rail transport carriers, in order to reduce clearance time, and also minimise incidences of under or non-declaration of goods.

Operating Hours

445. In order to enhance flow of commercial traffic, ZIMRA operating hours at Kazungula Boarder Post were extended from 17:00 hours to 20:00 hours, consistent with operating times on the Botswana side.

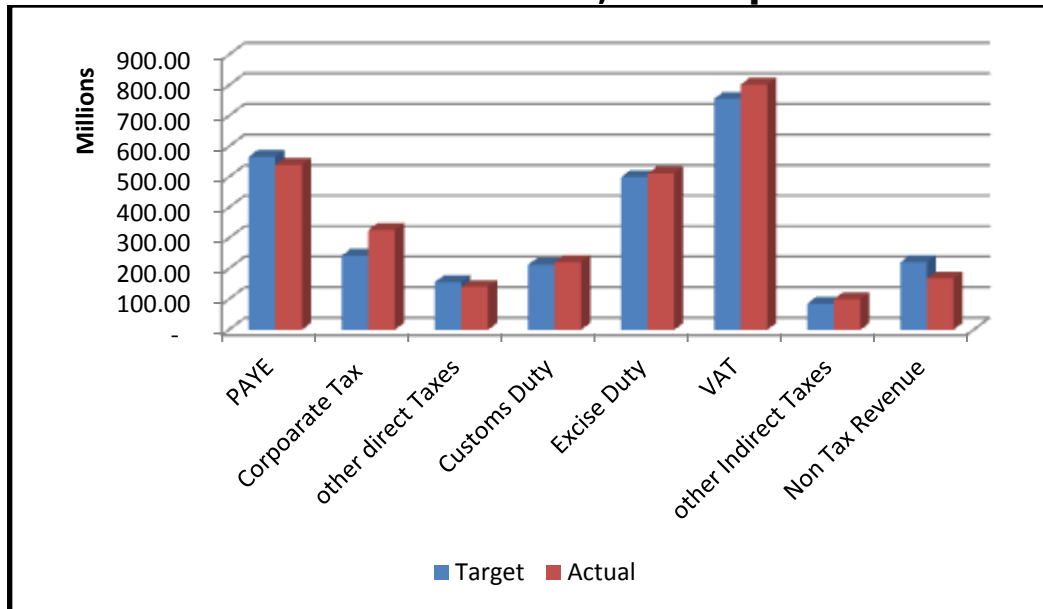
Whistle Blower & Life Style Audits

446. The Budget thrust to fight incidences of corruption should benefit from instituting of investigations on whistle blower information, and life style audits on ZIMRA personnel.

Revenue Heads' Contribution

447. As a proportion of total revenue, tax revenue accounted for 94%, while non-tax revenue contributed 6%, in line with prior year trends.

Performance of Revenue Heads, Jan-Sept 2017



Source: Ministry of Finance & Economic Development

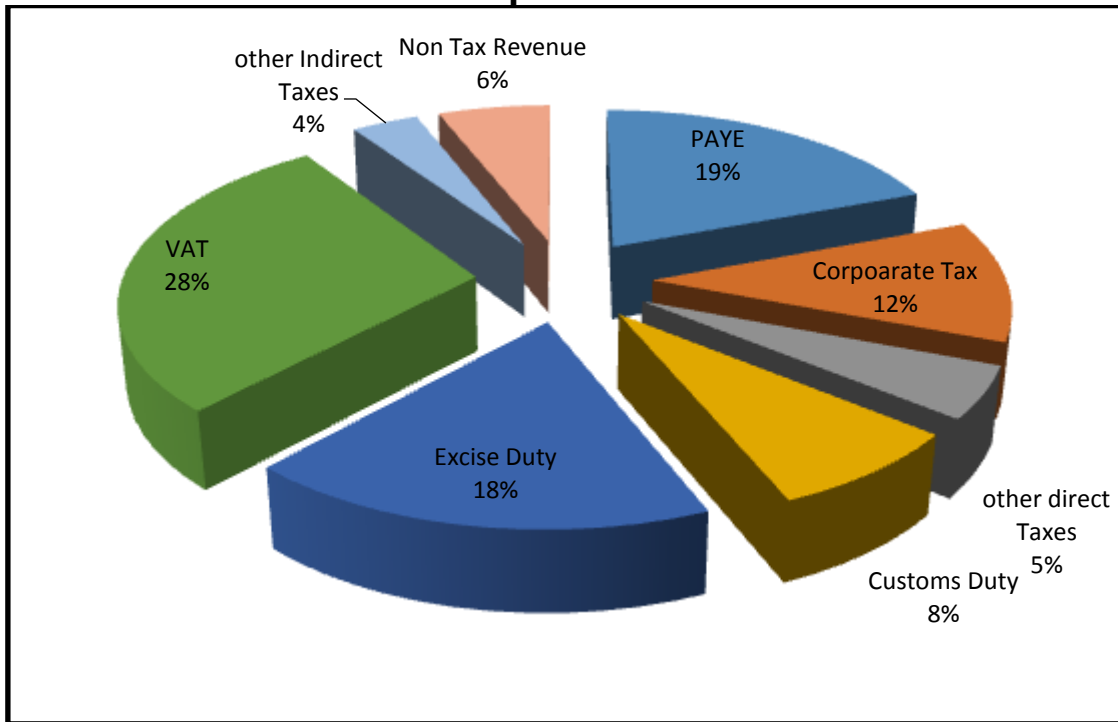
448. The major contributors to revenue collections were VAT, at 28.6%, followed by Personal Income Tax and Excise Duty at 19.2% and 18.2%, respectively.

449. Corporate Income Tax accounted for 11.6% of revenue contributions over the nine months to September 2017, while Customs Duty raised 7.9%.

450. Non-tax revenue, which, contributed 6% to total revenue, continued to under-perform.

451. The Chart below summarises the contribution of individual revenue heads to total revenue.

Revenue Contributions: Jan-Sept 2017



Source: Ministry of Finance & Economic Development

452. The positive performance of revenues to September 2017 necessitates a review of the 2017 Budget Estimate, from US\$3.7 billion to US\$3.850 billion in the outlook period to December 2017.
453. This would also represent an 11.4% increase from 2016 collections of US\$3.502 billion.
454. Tax and Non-tax revenue are expected to contribute US\$3.630 billion and US\$220 million, respectively, to the projected revised revenue outturn to December 2017.

Non-Tax Revenue

455. Non-tax revenue, which amounted to \$168.1 million for the period January to September, against a target of \$221.6 million, is comprised of revenue collected by Ministries and Departments from fees, fines, rentals, interest, dividends, Government sales, business licences and pension contributions, among others.
456. The 24.1% under-performance of Non-tax revenue represents a negative variance of \$53.5 million.
457. The non-performance of this revenue head is mainly due to partial remittance of pension contributions, non-payment of anticipated telecoms licence fees by Telecel and Net One, that were due on 30 June 2017, and lower than anticipated dividends from parastatals.
458. The Table below shows the performance of selected Non-tax revenue sub-heads over the period January to September 2017.

Non-tax Revenue

Sub Head	Actual	Target	Variance	%Variance
Government Property Rent, Interest and Dividends etc.	8 755 865	39 975 000	(31 219 134)	(78.1%)
<i>Of which Dividends</i>	0	30,000,000	(30,000,000)	(100)
Pension Contribution	83 543 177	103 977 000	(20 433 822)	(19.7%)
Fees	61 149 167	70 518 000	(9 368 832)	(13.3%)
<i>Of which Telecoms</i>	0	7 500 000	7 500 000	(100)
Other	14 694 556	7 092 000	7 602 556	107.2%
TOTAL	168 142 767	221 562 000	(53 419 232)	(24.1%)

Source: Ministry of Finance & Economic Development

Development Partners Support

459. During the period January to September 2017, a total of US\$491 million was disbursed by development partners.
460. Of this amount, bilateral partners provided US\$364.4 million, with the balance of US\$126.5 million coming from multilateral partners.
461. Programmes and projects benefiting from development partners support during 2017 are as shown below.

Sectoral Disbursements (US\$)

Sector	2017 Disbursements
Agriculture	37 921 387
Transport	6 547 381
Power/Energy	500 000
Water Supply & Sanitation	20 050 249
Health	278 927 468
Education	17 878 239
Humanitarian Interventions	70 624 579
Governance	22 939 757
Multi-Sector/Cross Cutting	3 301 137
Capacity Building	23 879 262
Other Basic Social Services	8 420 760
Total	490 992 220

Source: Ministry of Finance & Economic Development

Expenditure Performance

462. Notwithstanding the gains we are making with regards to improved revenue collections, continued significant mis-matches between Revenue collections and Expenditure obligations call for urgent fiscal consolidation.

463. On the other hand, Budget expenditures over the same period amounted to US\$4.65 billion, against planned expenditures of US\$3.1 billion.

464. Resultantly, expenditure overruns of US\$1.55 billion were realised during the first nine months of 2017, much higher than the US\$70.8 million revenue collections over-performance.

Expenditure: Jan – Sept 2017

	Actual (US\$ mil)	Target (US\$ mil)	Variance (US\$ mil)
Total Expenditure	4 653.0	3 101.1	(1 551.9)
Employment Costs	2 567.1	2 263.3	(303.8)
Operations and Maintenance	543	295.5	(247.0)
Interest	150.1	133.5	(16.6)
Capital	1 392.7	408.8	(983)

465. The expenditure overrun of US\$1.55 billion is accounted for by the following developments that imposed a financing obligation on the 2017 Budget.

Employment Costs

466. Expenditure outlay on employment costs for January to September 2017 amounted to US\$2.57 billion, against a target of US\$2.26 billion, resulting in an overrun of US\$304 million.

	Actual (US\$ mil)	Target (US\$ mil)	Variance (US\$ mil)
Total Employment Costs	2 567.1	2 263.3	(303.8)

Civil Service	1 589.4	1 452.6	(136.8)
Grant Aided Institutions	359.5	335.1	(24.4)
Pension	358.2	358.2	0
PSMAS	67.1	90.9	23.8
NSSA	192.5	26.1	(166.4)
Funeral Expenses	0.4	0.4	0

467. The payment of an unbudgeted 2016 13th cheque award of US\$171.3 million, staggered over the period April to August 2017, accounts for the excess expenditures of US\$136.8 million and US\$24.4 million related to the wage bills for the Public Service and Grant Aided Institutions, respectively.
468. The Grant Aided Institutions wage bill outturn of US\$359.5 million is inclusive of US\$152.8 million relating to remuneration for around 8 890 staff at the State Universities.
469. Over the period September 2013 to December 2016, the Budget had accumulated US\$180.9 million payment arrears related to Government's employer contributions to the National Social Security Authority.
470. Accordingly, the 2017 Budget embraced this outstanding Statutory obligation, through issuance of Treasury bills amounting to US\$180.9 million, thus resulting in the expenditure overrun.

Operations and Maintenance

471. The 2017 Budget incurred expenditures amounting to US\$543 million over the nine months to September, against planned expenditures of US\$295.5 million, exceeding the Budget target by US\$247.6 million.

Legacy Debt

472. The continued weak state of our public finances has progressively undermined the Budget's capacity to settle bills for services rendered to line Ministries and Departments by both private and public institutions.

473. Consequently, line Ministries have, over the years, been accumulating domestic payment arrears.

474. In this regard, reduction of domestic payments arrears of US\$224.5 million, through issuance of Treasury bills was made to several targeted private and public institutions, as part of a broader strategy to resuscitate public institutions and promote economic growth.

- ZESA, US\$137.6 million;
- ZINWA, US\$49.4 million;
- NetOne, US\$11.5 million; and
- Natpharm, US\$26 million.

475. In addition, Government issued Treasury bills worth US\$60 million to finance critical Government programmes and projects during the course of the year.

Recapitalisation of Public Institutions

476. Government also had to intervene in the recapitalization of Hwange Colliery Company Limited and CAPS Holdings in order to enhance their operational capacity.

477. Resultantly, the 2017 Budget embraced additional expenditures of US\$58.3 million and US\$6.8 million, respectively, which were backed by issuance of Treasury bills.

Voter Registration

478. In line with Section 155(1) of the Constitution and Section 38 of the Electoral Act, a General Election will be held in 2018.

479. In preparation, US\$13.7 million was incurred by the Zimbabwe Electoral Commission towards the procurement of Biometric Voter Registration (BVR) kits, field equipment, vehicles, computer software and hardware, as well as training and deployment of voter registration personnel.

480. In addition, expenditures worth US\$5.4 million were incurred towards the issuance of birth certificates and national identity

documents by the Registrar General's Department, in preparation for the Biometric Voter Registration Exercise.

Capital Expenditures

481. Cumulative Capital expenditures to September 2017 amounted to US\$1 392.7 million, against a target of US\$408.8 million, resulting in over expenditure of US\$983.9 million.
482. Overall expenditures towards the agricultural sector of US\$1 027.9 million, accounted for the bulk of the capital expenditures.
483. Expenditures related to procurement for the Strategic Grain Reserve amounted to US\$552.2 million, comprising of grain procurement, US\$540 million, rehabilitation of GMB Silos, US\$5.2 million, and setting up of grain collection depot points, US\$7 million.
484. Crop input support facilities, comprising of the Command Maize Programme and the Presidential Input Support Programme, accounted for US\$347.5 million and US\$113.6 million, respectively, whilst US\$3.9 million was channelled towards rehabilitation and construction of communal irrigation schemes.
485. Resources towards infrastructure development, at US\$156.9 million, were minimal, resulting in a number of planned on-going projects failing to progress as envisaged.

486. Capital expenditures channelled towards the transport sector amounted to US\$28.3 million, targeting funding for the:

- Emergency Roads Rehabilitation Programme, US\$16.8 million;
- Dualisation of the Harare-Mutare road section, between Goromonzi turnoff and Jamaica Inn Toll Plaza, and the Harare-Bulawayo road section, between Norton Service Centre and Norton Toll Plaza, US\$5.5 million; and
- Construction of outstanding sections on the Bindura-Shamva road, and upgrading of a 3.5km section on the Mvurwi-Kanyemba road, as well as the Kanyemba Pontoon, US\$5 million.

487. Expenditures of US\$68.4 million were incurred on water and sanitation projects, mainly for the ongoing dam construction projects at:

- Causeway dam, US\$8.8 million, which allowed completion of outlet excavations and the two saddle dams, as well as spillway and dam foundations, now at 90% and 60%, respectively;
- Gwayi-Shangani dam, US\$27.2 million, enabling completion of excavations of the riverbed as well as pouring of concrete for the same, with the contractor now working on the dam wall up to the river bed; and

- Marovanyati dam, US\$7.2 million, allowing completion of main dam foundations excavations, and progress on spillway and outlet works.
488. In addition, US\$14.1 million was channelled towards liquidation of outstanding certificates for the Mtshabezi pipeline and Semwa dam.
489. The Beitbridge water supply project, and preparatory works for the Kunzvi Water Project, incurred expenditures of US\$1.5 million and US\$1 million, respectively.
490. With regards to institutional housing projects, an amount of US\$43.5 million was spent, of which US\$30 million was availed to the Urban Development Corporation as capitalisation, to enable the parastatal to undertake housing development projects across the country.
491. Other projects that were supported included:
- Completion of two flats at the ZRP Tomilson Depot, US\$3 million;
 - CID headquarters, US\$0.8 million;
 - Upgrading of ZIMRA facilities and ICT systems at border posts, US\$3.3 million; and
 - Rehabilitation works at State Residences, US\$2.1 million.

492. Funding to the tune of US\$5.2 million was channelled towards the ICT sector, with ZIMRA automation accounting for US\$2.3 million, whilst US\$2.6 million was spent on e-Government flagship projects.
493. Social sector infrastructure accounted for US\$5.4 million, with expenditure on health institutions amounting to US\$1.2 million, mainly towards rehabilitation of facilities.
494. Expenditure on education infrastructure of US\$4.2 million was mainly for construction works at institutions of higher learning, as well as schools infrastructure.
495. Government also availed resources amounting to US\$164.5 million towards capitalisation of strategic institutions, as indicated in the Table below:

INSTITUTION	AMOUNT US\$ (million)
Reserve Bank of Zimbabwe	29.4
Zimbabwe Consolidated Diamond Company	40.6
Caps Holdings	16.0
COTTCO	51.8
Deposit Protection Corporation	10.0
Air Zimbabwe	4.2
Women Micro-Finance Bank	10.0
Youth Empower Bank	2.5
TOTAL	164.5

Constituency Development Funds

496. The 2017 Budget had a provision of US\$10 million for the Constituency Development Fund. However disbursements had been held up by the finalisation of requirements precedent to disbursements.

497. While Treasury has set aside the requisite resources, Parliament is now establishing the necessary disbursement and accounting mechanisms.

Financing

498. In the absence of access to external development finance, the 2017 Budget borrowing requirements have mainly been funded from the domestic market, through issuance of Treasury bills and recourse to the Reserve Bank overdraft.

499. During the period January to September 2017, Treasury issued Government instruments worth US\$1.75 billion in the form of both Treasury bills and bonds.

Treasury Bill Issuances

Purpose	Amount (US\$ m)
Budget Financing	386.45
Government Debt	1 070.82
Capitalisation (Agribank, IDBZ, SMEDCO)	61.06
RBZ Debt	103.73
ZAMCO	130.04
Total	1 752.08

Source: Ministry of Finance & Economic Development, Reserve Bank

500. Of the \$1.75 billion Treasury bills issued to September 2017, US\$386.45 million financed Government programmes, whilst US\$1.07 billion was channelled towards servicing legacy debts.
501. Budget deficit financing through direct borrowing from the Reserve Bank amounted to US\$393.4 million.
502. The increasing mismatch between Revenues and Expenditures will necessitate further borrowing of US\$940 million during the last quarter of 2017.

Risks Arising from Over-Issuance of Treasury Bills

503. The current trend and manner of issuance of Treasury bills is unsustainable, and has not only led to mounting interest payment obligations, but now also poses significant risk of resurgence of macro-economic instability.
504. The level of Treasury bills has created a situation whereby, there is a disparity between high levels of virtual money against available United States dollars and bond notes.
505. The scarcity is translating into exchange premiums that stoke the rising prices of goods and services.
506. This has been worsened by cases where some market players have ended up discounting Treasury bills and directing proceeds towards

buying the scarce foreign currency, without directly promoting production and exports.

507. The situation is exacerbated by vendors, unable to sell such items as vehicles in the market, offering Government to take up unsold wares in exchange for Treasury bills, which they immediately discount in the market in search of foreign exchange.
508. Of recent concern is the tendency by quasi-Government institutions, local authorities and parastatals to also turn to Government for bail-outs through Treasury bill issuances, negating their obligation of making the necessary follow ups to recover amounts owed by debtors.
509. All this necessitates that Treasury tightens on consideration of new requests for Treasury bill funding as this has proved to be one source of pressure for foreign currency and Nostro bank balances.

CHAPTER 9: FISCAL OUTLOOK

Prospects for Revenues

Overall Revenue

510. In line with the envisaged growth in the economy, total revenue⁸ collections in support of Government operations, programmes and projects, excluding Statutory Funds, are estimated at US\$5.071 billion for the coming 2018 fiscal year.
511. This is the level of revenue resources available for Appropriation by Parliament under the 2018 Budget.
512. Tax revenue collections continue to underpin anticipated Revenues for the coming fiscal year, and are estimated to account for US\$4.3 billion of Revenue inflows.
513. Non-tax revenue for 2018 are estimated at US\$237 million, and hence, also remain a critical component complementing tax revenue.
514. In this regard, taking account of Statutory Funds, which are not available or Appropriation, will result in overall revenues for the public sector in 2018 of US\$5.533 billion.

Retention Funds

⁸ Fiscal Framework is as contained in Annexure 5

515. Revenue prospects for 2018 indicate that Government programmes and projects will also benefit from the mobilisation of resources through non-tax collections related to Retention Funds by various Government Ministries and Departments.
516. Retention Funds are established in line with Section 18 of the Public Finance Management Act with the objective of incentivising and empowering line Ministries and Departments to enhance non-tax revenue collection to supplement their Budget allocations.
517. While the Retention Funds have contributed significantly towards complementing Budget resources, the accountability arrangements for the resources exhibited fundamental weaknesses which undermined the efficient application of the Funds' resources towards Government priority areas as enshrined in the Constitution.
518. From 2018 Budget, the approved income and expenditure of each Fund will be managed through the Public Finance Management System, currently in use across Government and will be ring-fenced to defray expenditures consistent with the objectives of each Fund, as well as allow for easier consolidation with other Government Financial Statements.
519. The Fund resources will be subjected to the same scrutiny with respect to prioritisation as other Voted expenditures, and integrated into the Budget Estimates approved by Parliament through the Appropriation Act.

520. During the 2018 fiscal year, collections from Retention Funds across all Ministries are estimated at US\$434 million.

521. In line with the new framework and to facilitate effective monitoring, the disbursement of the above resources will be linked to individual Funds' revenue performance, which is conditional on submission to the Treasury of satisfactory monthly and quarterly Receipts and Expenditure Statements.

Statutory Funds

522. Statutory Funds are established through specific Acts of Parliament in line with Section 302 of the Constitution.

523. The Public Finance Management Amendment Act, therefore, empowers respective Accounting Officers to ensure that appropriate systems are in place to ensure effective utilisation of Statutory Fund resources in line with each such Fund's core mandate.

524. For the 2018 fiscal year, an amount of US\$462 million will be mobilised through Statutory Funds as follows:

- Zimbabwe National Roads Authority, US\$300 million, accounting for 60.7%;
- Rural Electrification Fund, US\$47 million;
- Zimbabwe Manpower Development Fund, US\$39 million;

- Aids Levy, US\$37 million;
- Universal Services Fund, US\$14.8 million; as well as
- Environment Fund, US\$14.5 million, amongst others.

525. Consistent with the need for enhancing transparency and accountability over public resources, estimates of both revenue and expenditure of Statutory Funds is incorporated into the 2018 Budget Estimates for information and appreciation by stakeholders, and the anticipated flow of resources is reflected under the Revenue estimates.

Supportive Measures

526. The growth in revenues is anchored on measures aimed at raising revenue, enhancing administrative efficiency and providing support to industry through various tax concessions which reduce the cost of doing business, thereby growing the tax base.

527. Smuggling and under-invoicing, of both exports and imports, remains a huge challenge for tax administration.

528. Increased focus on initiatives to plug leakages at ports of entry, securing unofficial points of entry, and curbing incidences of corruption, will benefit collections of customs duty and also spur growth in corporate income tax collections.

Development Partner Support

529. Inflows of development partner support, complementary to Budget efforts in the implementation of Government programmes and projects, have, over the years, been constrained by continued souring of relations.
530. Hence, the thrust of the 2018 Budget is also to ensure the economy benefits from re-engagement processes to normalise political and development cooperation.
531. Normalisation of relations will also extend to embrace strengthening of cooperation with the international financial community, central of which is the arrear clearance process with the World Bank, and the African Development Bank.
532. Already, tentative consultations with cooperating partners indicate scope for scaling up of support to complement Budget efforts in the implementation of Government programmes and projects from 2018.
533. Strengthening of cooperating partner support would also be supportive of the policy thrust for the 2018 Budget to re-orient the Budget away from consumptive recurrent expenditures towards development projects.

534. In the interim, cooperating partner support of only US\$100 million is programmed towards Zim Asset programmes and projects, including social protection interventions.
535. To improve implementation, Government will continue to work with development partners to overcome challenges impacting rapid results initiatives, and implementation of supported programmes, such as Harmonised Cash and electronic-transfer-based payments.
536. As relations with cooperating partners improve, Government recognises the need for addressing potential delays to implementation of co-partnered projects, including facilitation of external payments for the importation of equipment, payment of works and services rendered by external contractors.
537. Furthermore, in line with capacity, Government will upscale its contributions in programmes and projects co-financed with development partners.
538. As part of normalising relations, the 2018 Budget will also have provisions towards further compensation for land acquired under the land reform programme.
539. The 2018 Budget will also contain administrative measures to improve administration of tax exemption for development partners funded projects.

Expenditure Framework & Deficit

540. The above fiscal outlook for Revenues for the 2018 fiscal year, coupled with the Budget thrust towards a sustainable budget deficit, limit the Expenditure framework to US\$5.743 billion, inclusive of Retention Funds.
541. Current expenditures are proposed to account for US\$4.5 billion, while capital expenditures will amount to US\$1.2 billion.
542. The Budget deficit for 2018, given total revenues available for Appropriation by Parliament of US\$5.071 billion, and total expenditure and net lending of US\$5.743 billion, translate to a fiscal deficit of US\$672 million.
543. This proposed Budget deficit for 2018 is against a projected deficit outturn to December 2017, of US\$1.707 billion.

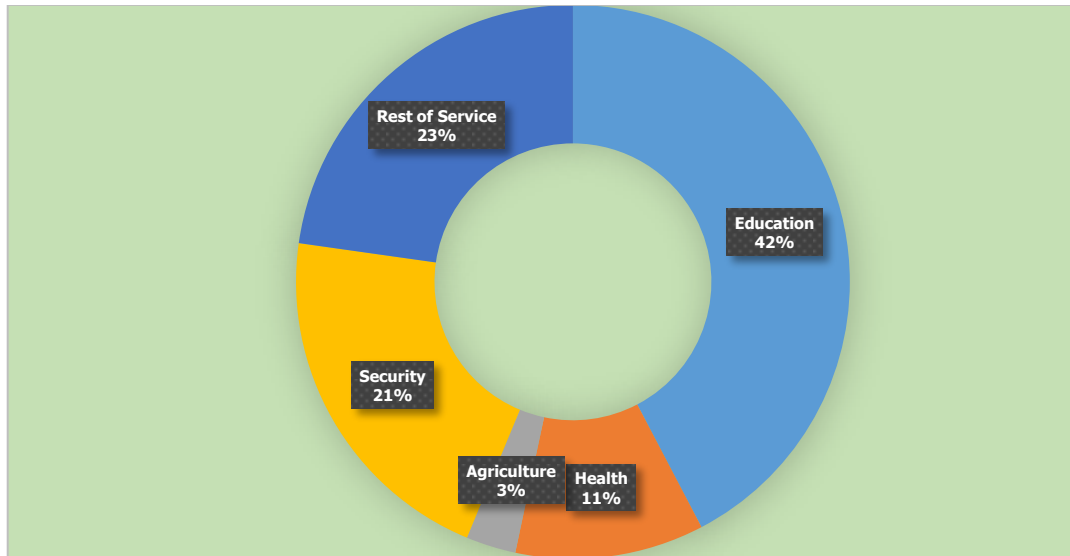
CHAPTER 10: BUDGET ALLOCATIONS

544. The 2018 National Budget will have to contend with provisions for the Wage bill, 2018 Harmonised Elections and expanded agricultural programmes, among others.
545. The Budget will also need to continue availing support towards the ongoing Emergency Roads Rehabilitation Programme across the Nation and other infrastructure projects under the Zim Asset.
546. Furthermore, the 2018 National Budget will also prioritise quick win projects and programmes contained in the Interim Poverty Reduction Strategy (I-PRSP) relating to social services and poverty reduction initiatives.

Employment Costs

547. The 2018 Budget is appropriating US\$3.3 billion for Employment Costs, with US\$2.6 billion being set aside for the Public Service wage bill, inclusive of Grant Aided Institutions.
548. In support of the provision of educational services at the basic (primary and secondary) and tertiary levels, the 2018 Budget is appropriating US\$1.1 billion towards the salaries and allowances for around 136 000 teaching and non-teaching staff in this sector, accounting for 42.3% of the Public Service wage bill provision.

549. The pie chart below summarises the distribution of the Public Sector Wage bill by sector.



550. An amount of US\$297.4 million or 11% of the Public Service wage bill provision, has been appropriated for the remuneration of around 37 300 public health care personnel, inclusive of those at the non-profit and church affiliated health facilities, as well as Local Authority owned rural health facilities.

551. For the maintenance of law and order, as well as the security of the Nation, the Budget is appropriating US\$548.1 million for the remuneration of uniformed forces, accounting for 21% of the Wage bill provision.

552. To support the provision of agricultural extension services, the 2018 Budget is appropriating US\$79.6 million mainly towards the remuneration of around 8 000 extension workers.

13th Cheque

553. A provision of US\$176 million has been set aside for the payment of the 2017 13th Cheque awards.
554. Treasury will, therefore, honour the commitment already made to pay the 2017 13th Cheque, but in a staggered manner.
555. The programming of the above commitment during the first half of 2018 will be guided by revenue inflows, taking account of cash flow requirements of other National programmes, such as the General Elections.

General Elections

556. The 2018 Budget will provide resources amounting to US\$132.2 million in support of the 2018 Harmonised Elections budget.
557. This is over and above resources provided for Voter Registration under the 2017 Budget.

Agriculture Season Preparations

558. Adequate preparations are key for a successful agricultural season. Accordingly, and in collaboration with the private sector, Government support will see the 2018 Budget allocate 9% of the total Budget to agriculture, up from 7% in 2017.

559. Building on the success and lessons from the first Phase of the special maize and wheat programmes, Government has already mobilised the resources for the second Phase of the Programme to the tune of US\$266.4 million for maize and soya beans production.

Maize

560. Under the 'Maize Command Programme', the target is to plant an area of 220 000 hectares under maize, with 60 000 under irrigation, while the remainder will be dry farming.

561. This is expected to cost US\$213.5 million, broken down as US\$59.8 million for irrigated farming, and US\$153.7 million for dry land.

562. As at 1 December 2017, over 46 404 farmers had been contracted to plant 219 000 hectares, with 52 330 hectares under irrigation and the remainder under dry land.

563. The following inputs had been delivered to farmers:

Farming Inputs	
Item	Quantity Delivered (tons)
Seed	4 109
Basal Fertilizer	29 489
Top Dressing	1 229
Lime	8 640
Fuel (ltrs)	2 541 500

Source: Ministry of Agriculture, Mechanisation and Irrigation Development

564. It is important to point out that the sustainability of this noble programme depends on beneficiary farmers honouring their obligations. Extension workers are, therefore, being required to highlight this key aspect in interactions with farmers.

Soya Beans

565. In view of the importance of soya beans as input into agro-processing of cooking oils, as well as stock feeds, US\$52.9 million has been set aside to support soya beans production under the programme, targeting 60 000 hectares.

566. Already, 22 276 farmers have registered, offering 65 233 hectares as at 28 November 2017.

567. This programme is expected to go a long way in reducing the cooking oil import bill.

Cotton

568. Revival of cotton production stands to resuscitate the Cotton to Clothing value chain. This is over and above improving livelihoods of rural cotton farmers, most of who live in dry rural areas.

569. In view of the above benefits, Government has scaled up its support for cotton production with free inputs valued at US\$60 million, up from about US\$40 million, disbursed in the previous season.

570. The above resources are expected to produce at least 130 000 tons of seed cotton.

571. However, incidences of side marketing of the crop to neighbouring countries and smuggling remain a threat, and Cottco will work closely with relevant authorities to improve monitoring.

Livestock and Dairy

572. Government is in the process of extending the 'Command Programme' to include livestock and fisheries.

573. Already, the fishing industry is receiving fingerlings for breeding purposes.

574. On livestock, the programme will focus on the dairy revitalisation programme, aquaculture, and livestock disease control to enhance the quality and size of the national herd, in order to guarantee self-sufficiency and secure export markets.

575. Budget interventions will, therefore, reinforce livestock and poultry pest control, as well as disease surveillance, to reduce incidences of Foot and Mouth, Anthrax, Avian Flu and Newcastle diseases outbreaks.

576. To support the revival of the livestock and poultry industries, the 2018 Budget is appropriating US\$9.4 million, inclusive of US\$5.5 million income from dipping fees, towards dipping and vaccination services, movement control and surveillance programmes.

Presidential Input Scheme

577. Under the Presidential Input Scheme, Government has doubled input support towards 1.8 million vulnerable households, at a cost of US\$153 million.

578. Households are being provided with input packs, comprising of 10 kgs of maize seed or 5 kgs of sorghum, 50 kgs of basal and top dressing fertilizers, as well as 10 kgs of soya bean seed.

579. Already, inputs valued at US\$70 million have been acquired and are being distributed.

Availability of Inputs

580. The country has enough maize seed to meet national requirements for the coming agriculture season, with 42 250 tons available.

581. However, there is a critical shortage of soya beans seeds, for which only 2 750 tons are available, against a requirement of 6 000 tons for soya beans production under the Command Agriculture programme.

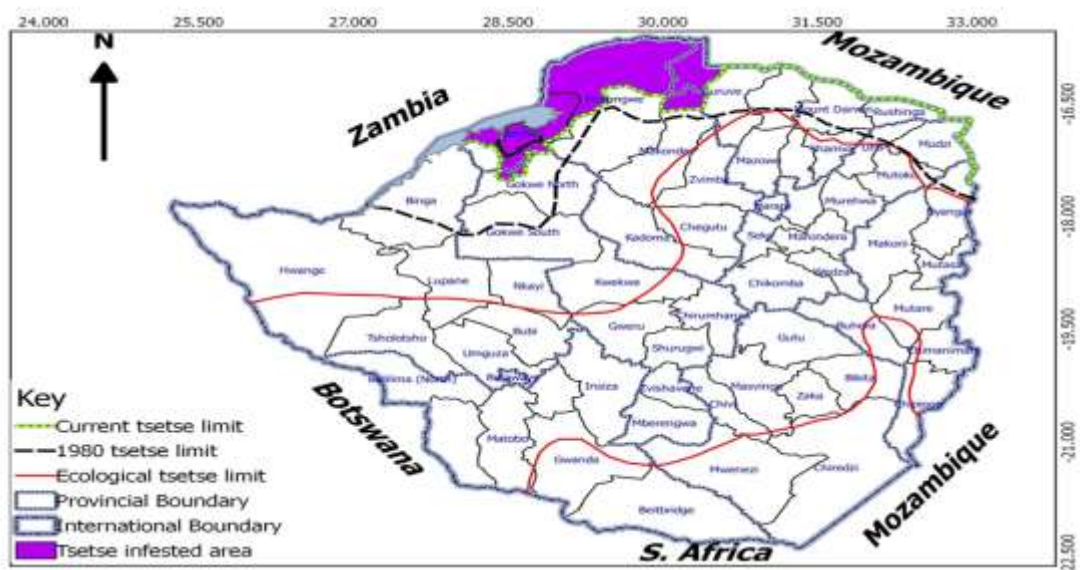
582. With regards to availability of fertilizers, indications are that the fertilizer industry is currently sitting on 120 000 tons of fertilizer, ready for disposal to the market.
583. The industry has capacity to produce an additional 160 000 tons between November 2017 and January 2018.
584. The necessary raw materials are available in bonded houses within the country, but would require US\$61.32 million in foreign currency.

Preparations for GMB Grain Intake

585. The Grain Marketing Board will continue to rehabilitate and upgrade both silo and bagged depots to ensure safe storage of our strategic grain reserves, as well as ensure adequate preparations for the 2018/19 Intake.
586. In this regard, the rehabilitation and upgrading works will focus on mechanical works, installation of *Generators* and *Driers* at silo depots, as well as construction of *Sheds*, and *Hard Stands* at bagged depots.
587. Arrangements will also be considered to dispose part of the strategic grain reserves around February 2018 in order to create space for the next intake.

Tsetse Control

588. Over the recent years, the country has registered gains in eradicating tsetse flies, with the resultant reduction in the area infested from 80 000km² to current area 29 500km² in districts such as Kariba, Hurungwe, Guruve, Mhangura and Mbire as shown in the map below.



589. The eradication of tsetse in the areas shown above has potential to enhance tourism activities as well as improve socio economic development within the corridor.

590. To support tsetse control programmes, the 2018 Budget is appropriating US\$1.6 million.

591. This should also be complemented by fencing off of all National Parks, to avoid the spread of diseases from wild animals.

Irrigation Rehabilitation and Development

592. The gains we have achieved in attaining food security under the Special Maize Production Programme will need to be consolidated through increased agricultural production and productivity by harnessing our irrigation potential and optimal utilisation of existing idle water bodies.
593. In this regard, resources will be channelled towards irrigation rehabilitation and development, with at least 200 hectares per district targeted to be implemented annually for the next 10 years.
594. In addition, development Partners are also supporting rehabilitation and development of a number of irrigation projects under various facilities.

Extension and Advisory Services

595. According to the Second Round Crop and Livestock Assessment Report for the 2016/2017 Agricultural Season, average maize yields by farming sector ranged from a low of 0.68 metric tonnes per hectare in communal areas to a high of 3.78 metric tonnes per hectare in A2 farming areas.

596. The above diversity in maize yields calls for enhanced support for advisory and extension services to farmers, among other considerations.
597. In this regard, I propose to allocate US\$38.1 million for extension services, inclusive of remuneration for extension workers and the procurement of vehicles and motorcycles.

Private Sector Farming Initiatives

598. The Dairy Revitalisation Programme is one of the successful private sector initiatives that has managed to restore the dairy industry that had almost collapsed without direct Government support.
599. Drawing lessons from such initiatives, the 2018 National Budget will promote continuous engagement with the private sector with a view of identifying other areas where such initiatives can be replicated, taking cognisance of the current fiscal constraints.
600. Against this background, Government has already removed import restrictions to allow private players with free funds to import such inputs as fertilizers and agro-chemicals in order to ensure adequate supply of inputs on the market.

Climate Change

601. The adverse impact of climate change on Sub-Saharan African countries, inclusive of Zimbabwe, has manifested itself through frequent recurrence of heat waves, droughts and floods leading to, among other consequences, poor yields and food insecurity at both the household and national levels.

602. In line with the National Climate Policy and Strategy, as well as international convention provisions, the 2018 Budget targets strengthening responses to the threat of Climate Change through:

- Scaling up adaptation capacity and strategies to build community resilience;
- Strengthening early warning systems to reduce incidences of climate related disasters and loss and damage to human life, biodiversity, infrastructure, property and economic losses;
- Strengthening the institutional framework for climate change governance; and
- Enhancing the capacity of stakeholders to mainstream climate change in local development frameworks.

Cloud Seeding

603. Based on the weather forecast for 2017/2018 summer cropping season, the country will experience some dry spell before normal to above rainfall.

604. In this regard, I propose to allocate US\$500 000 for cloud seeding.

Agricultural Research and Technology Development

605. Enhanced support for research and development becomes critical for the development of seed and crop varieties which are tolerant to multiple stress conditions of pests, diseases, drought and heat as well as high yielding and early to mature.

606. Furthermore, the development of bio-fortified varieties contributes to the food and nutrition security strategy that aims to reduce malnutrition in children under the age of five years.

607. In this regard, our agricultural research institutes have progressively been researching and developing seed and crop varieties with the above characteristics, with some being released into the market as shown below.



Guinea Fowl groundnuts

Dendera groundnuts



NUA45, a Bio fortified bean variety



CBC4, a Large seeded Cowpea variety



ZS265 Drought tolerant High Yielding Maize Variety

608. To support on-going and future research and development initiatives, I propose to allocate US\$22 million towards crop and livestock research and technology development, inclusive of remuneration for research staff.

Social Services Delivery

Health

609. Government is currently implementing high impact measures whose key focus is strengthening service delivery, including primary care and hospital services, with the support of development partners.

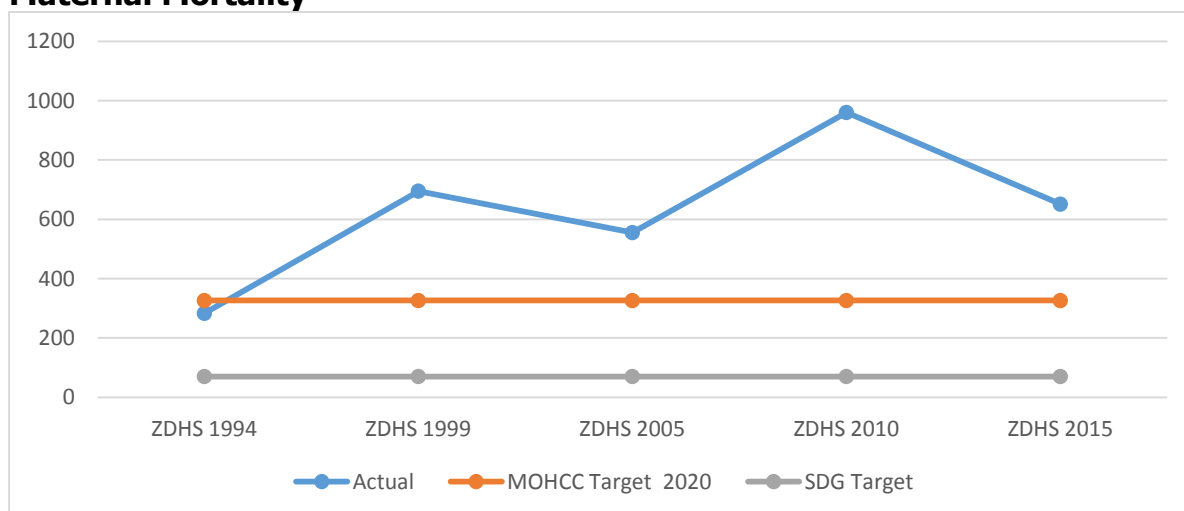
610. Under this, the public health sector has witnessed recent significant progress on key health outcomes.

611. These include:

- A reduction in maternal mortality from 960 deaths per 100 000 live births to 614 per 100 000 live births;
- A reduction in neonatal mortality from 29 deaths per 1 000 live births to 23 per 1 000 live births; and
- A decline in the HIV prevalence for adults (15 - 49 years) from 20.6% to 15%.

612. Despite these commendable improvements, progress falls short of the anticipated milestones towards the Sustainable Development Goals.

Maternal Mortality



Source: Ministry of Health & Child Care

613. In furtherance to improving coverage and quality of public health care services, total health expenditures during 2018 amount to US\$729.4 million, with Budget appropriations and Levy Funds contributing US\$489.8 million to this, and development partners, US\$239.6 million.

Budget Appropriations

614. The US\$486.6 million Government resources proposed for the continued provision of healthcare under the 2018 Budget includes:

- Employment costs, US\$297.4 million;
- Operations and maintenance, US\$119.6 million; and
- Capital expenditure, US\$37 million.

615. This follows disbursements of US\$248.6 million towards the provision of public health care services from rural health centres to central hospitals over the period January to September 2017, inclusive of US\$215.1 million for employment costs for health care personnel.

Levy Funds

616. Levy Funds are inclusive of US\$35.8 million from the AIDS Levy, and US\$30 million from the Health Fund Levy, whose income is ring-

fenced for the purchase of medicines and medical equipment at all levels of care.

617. This year, the Health Fund receipted revenue amounting to US\$21.9 million during the ten months to October 2017.

Development Partners

618. The US\$239.6 million resource envelope from development partners to complement 2018 Budget appropriations is supported by the:

- Global Fund, US\$173.8 million;
- Health Development Fund, US\$58.1 million; and
- Global Alliance for Vaccines and Immunisation, US\$7.7 million.

Rehabilitation of Hospitals

619. The capital expenditure provision of US\$26.7 million, will focus on rehabilitating central, provincial and district hospitals as well as the construction of six rural health centres, namely Mbuya Maswa and Chiromo in Zaka, Chibila in Binga, Siyabuwa in Gokwe, Dongamuzi in Lupane and Munemo in Nyanga.

620. Furthermore, a provision of US\$8.2 million is being appropriated for the procurement of medical equipment at district hospitals

621. NATPHARM will be allocated US\$1 million for the construction of medicine warehouses in Bulawayo, Masvingo and Mutare to increase its capacity for cost effective bulk procurement, storage and distribution

Communicable Diseases

622. Heightened efforts will be pursued to reduce the incidence of malaria and new infections of HIV, improving early detection of outbreaks and reducing TB related illnesses and deaths, amongst other interventions targeting communicable diseases.

623. In this regard, the Global Fund resources of US\$173.8 million will be directed towards the various HIV/AIDS, TB and Malaria interventions.

Non Communicable Diseases

624. Key strategies to address Non Communicable Diseases, inclusive of cancers, will embrace strengthening primary prevention activities, early detection, diagnosis and treatment as well as palliative care and rehabilitation.

625. Accordingly, the 2018 Budget proposes to appropriate US\$2.6 million for the purpose.

Maternal and Child Health Care

626. The recent turnaround in the improvement of key maternal, neonatal and child health indicators is largely on account of the implementation of innovative financing mechanisms such as Results-Based Financing which focuses on the:

- Results-based contracting of health services;
- Management and capacity building; and
- Monitoring and documentation at the health facility level.

627. Resultantly, this has led to a sustained improvement in the availability, accessibility, and utilisation of quality health care services.

628. To sustain and consolidate these gains, the 2018 Budget proposes to allocate US\$10.2 million which will be complemented by US\$58.1 million from the Health Development Fund.

Basic Education

629. The policy thrust in the provision of Basic Education services remains focused on expanding access to quality and relevant education for all children thus enhancing literacy levels and skills development.

630. Owing to strong investment in basic education by the National Budget, households and development partners, there has been progressive improvement in our education indicators.

631. The above notwithstanding, there is still room to improve on enrolment at the ECD and secondary levels, transition from Form 4 to 'A' Level and reduce the drop-out rate through interventions such as BEAM, supplementary school feeding and improving access to educational infrastructure.

632. In furtherance to improving education outcomes, total basic education expenditures during 2018 amount to US\$973.4 million, as follows:

- Budget appropriations and Levy Funds, US\$935.8 million;
- Development Partners, US\$18 million; and
- Loan Financing, US\$19.6 million.

Budget Appropriations

633. In support of the provision of basic education services, the 2018 Budget is setting aside US\$935.8 million, as follows:

- Employment costs, US\$848.8 million;
- Operations and maintenance, US\$69.6 million; and
- Capital expenditures, US\$17.4 million.

634. For 2017, Budget support over the period to end September amounted to US\$647.4 million, inclusive of U\$639.5 million for employment costs for an education labour force of around 120 000.

Development Partners

635. On their part, Development Partners will pool resources, through UNICEF, to complement efforts by the Government and communities, focusing on school improvement grants, teaching and learning materials inclusive of learners with disabilities.

636. In this regard, the Global Partnership for Education has pledged US\$8.2 million whilst the Education Development Fund will contribute US\$9.8 million.

Loan Financing

637. Infrastructure development will benefit from the planned draw-down of US\$19.6 million from the OPEC Fund for International Development which will target the construction of:

- 11 primary schools at an estimated cost of US\$12.8 million and;
- 6 secondary schools at an estimated cost of US\$6.8 million.

Infant Education

638. Infant Education supports the implementation of Early Childhood Development (ECD), which lays the foundation for children to develop intelligence, social behaviour and capacity to learn.
639. To support the construction of age appropriate infrastructure as well as rehabilitation of existing infrastructure, prioritising that in underprivileged communities, the Budget is appropriating US\$3.8 million, thus improving access and quality of ECD services.
640. Taking account of the progressive roll out of the updated curricula, which entails procurement of the attendant teaching and learning materials, US\$3.9 million is therefore being allocated for this purpose.

Junior Education

641. According to the Zimbabwe Schools Examination Council, the Grade 7 pass rate, a key learning outcome, has significantly improved from 25% in 2010 to 42.9% in 2016.
642. As part of sustained efforts to improve learning outcomes, through investing in additional infrastructure, teaching and learning materials, with emphasis on indigenous languages, agriculture and ICTs, the 2018 Budget proposes to allocate US\$18.4 million as follows: -

- US\$12.1 million towards the procurement of teaching and learning materials, taking account of the new learning areas; and
- US\$6.3 million towards the rehabilitation and construction of schools in newly resettled areas and new urban settlements, so as to improve equitable access to junior education.

Secondary Education

643. Enrolment in secondary schools is yet to reach its full potential. The enrolment rate stood at 56.4% in 2016, whilst the transition rate from Grade 7 to Form One has averaged 75% over the recent past.
644. Accordingly, the 2018 Budget is appropriating US\$27.5 million for the procurement of teaching and learning materials as well as science kits to promote STEM.
645. In addition, the 2018 Budget proposes to allocate US\$5.8 million towards rehabilitation of existing infrastructure as well as construction of classrooms and specialist rooms for technical and vocational subjects.

Schools Supervision and Monitoring

646. The monitoring and supervision of schools leads to improved educational outcomes.

647. Accordingly, an appropriation of US\$3.6 million has been set aside to support monitoring and supervision across all levels, inclusive of vehicle procurement.

Teacher Capacity Development

648. As part of efforts to improve competence levels of teachers, more so in light of recent introduction of new learning areas, the 2017 Budget has availed US\$1 million towards supporting about 2 166 teachers enrolled at 5 State Universities undertaking degree programmes in indigenous languages, ICT, STEM and technical and vocational subjects.

649. The 2018 Budget provides an additional US\$3.7 million towards this initiative.

Learner Welfare Service

650. To facilitate inclusive education for all, inclusive of learners with disabilities and those that are vulnerable, the 2018 Budget is appropriating US\$5.7 million towards the:

- Procurement of hearing aids and braille support services to learners with visual impairment;
- Development of sign language and braille teaching and learning resource materials;

- Provision of psychological services; and
- Provision of supplementary feeding programmes.

Curricula Development

651. The 2018 Budget proposes to allocate US\$2.1 million for curricula development, which entails printing and distribution of subject syllabi.

Role of Parents

Support for Early Childhood Development

652. Parents and communities have, over a long time, demonstrated commitment to complement Government efforts to provide education services.

653. This has included support towards the Early Childhood Development programme, operating alongside Government school services.

654. In this regard, Government will continue to complement the efforts of parents, particularly in urban areas with the major interventions being to provide the necessary guidance over ECD curriculum and teaching standards.

655. This will allow operations of existing former creche/nursery schools to continue providing ECD education, under the supervision of Government.
656. This development will, therefore, obviate the need for recruitment of an additional 5 907 teachers at Budget expense for ECD levels, consistent with His Excellency's vision of re-orienting resources towards other development programmes in line with the '*New Economic Order*'.
657. Parents and communities participation in supporting the provision of ECD schooling services will save the fiscus an additional US\$36 million in employment costs per annum.

School Development Associations

658. Furthermore, Government acknowledges the role that parents continue to play in supporting education through their respective School Development Associations over the years in contributing towards the delivery of basic education services in schools across the country.
659. Appreciative of the role of parents and communities in schools development, Government commits itself to supporting all the initiatives of parents and communities to develop schools, especially non-Government rural schools, whose development is entirely in the hands of parents and communities.

660. Any intervention measures to stifle the continued participation of parents and communities to anchor schools development will be inconsistent with His Excellency's the President vision of a New Economic Order.

Higher and Tertiary Education

661. Investment in human capital development remains a cornerstone of our economic development agenda.

662. In this regard, the US\$417.4 million proposed for the provision of Higher and Tertiary Education services under the 2018 Budget, will support the production of additional human capital at our local Polytechnics, Teachers Colleges and State Universities.

663. The proposed Budget provision also gives impetus to the Government policy of providing vocational and technical skills to learners and practising artisans in industry.

664. The planned expenditures of US\$417.4 million will be supported from the Consolidated Revenue Fund of US\$317 million and Levy Funds of US\$100.4 million.

Budget Appropriations

665. The US\$317 million from the Consolidated Revenue Fund appropriation is inclusive of:

- Employment costs of US\$256.3 million, covering 8 989 staff at State Universities, Teachers Colleges and Polytechnics;
- Operations and maintenance of US\$17.5 million; and
- Capital expenditure of US\$43.1 million.

666. For the period January to September 2017, the 2017 Budget availed US\$200.1 million towards:

- Employment costs, US\$194.2million;
- Operations and maintenance, US\$2million; and
- Capital expenditure, US\$3.9 million.

Levy Funds

667. The provision of tertiary education services at Polytechnics and Teachers Colleges will benefit from expected tuition receipts of around US\$60.9 million.

668. The Zimbabwe Manpower Development Fund envisages to apply levy income of US\$39.5 million towards the training of artisans, technicians and technologists undertaking various programmes at polytechnics and institutions and companies that provide industrial training and trade testing.

Infrastructural Developments

669. Cognisant of the infrastructural deficit at our institutions of higher learning, the 2018 Budget proposes to allocate US\$8.5 million towards the completion of halls of residence for Bindura University of Science Education and Midlands State University. This intervention will ease the accommodation challenges faced by students.
670. An amount of US\$19.5 million is being appropriated for upgrading workshop equipment, as well as rehabilitation of existing infrastructure at Teachers Colleges, Polytechnics and Industrial Training and Trade Testing Centres.
671. Given current Budget constraints, Government will also continue to pursue initiatives for mobilising additional financial resources for the construction of halls of residence through joint ventures and issuance of infrastructure bonds.

New State Universities

672. The 2018 Budget proposes to appropriate US\$21 million towards the operationalisation of:
- Gwanda State University;
 - Marondera University of Agricultural Science; and
 - Manicaland State University of Applied Sciences,

673. The Budget provision will cover employment costs, operations, drawing of masterplans as well as commence the construction of requisite infrastructure, including halls of residences, lecture theatre and administration blocks.

Research and Innovation

674. To complement research and innovation initiatives being driven by higher learning institutions and formal research institutes, the 2018 Budget proposes to appropriate seed capital of US\$1 million towards the establishment of research and innovation hubs across provincial capitals.

675. The research and innovation hubs will provide an incubatory environment for young innovators & entrepreneurs, leading to commercialisation of their innovative initiatives.

Social Protection

676. Government, through various poverty reduction initiatives, such as the Presidential Input Scheme, provision of technical and vocational skills through vocational training centres and SMEs common facilities, as well as women and youth empowerment programmes, is transforming the livelihoods and socio-economic well-being of vulnerable able bodied citizens.

677. For the elderly, orphaned and vulnerable children, people living with disabilities and the chronically ill, Government and development partner intervention is critical for their sustenance and well-being as well as inclusion in the growth process.
678. In this regard, the 2018 Budget proposes to appropriate US\$39.3 million towards funding of existing social safety nets.
679. Development Partners have also pledged to avail US\$12 million as complementary funding towards provision of social safety nets.

Child Welfare

680. Current statistics from the Department of Social Welfare indicates that there are about 5 600 orphaned and vulnerable children under the care of Government and privately registered institutions and formal foster care parents receiving probation and rehabilitation services.
681. Accordingly, the 2018 Budget proposes to allocate US\$1.6 million for these child welfare services.

Disability and Rehabilitation Services

682. The provision of technical and vocational skills to persons living with disability, at Government Vocational Training Centres, as well as

private registered institutions is critical for the enhancement of their livelihoods and poverty reduction.

683. In this regard, the 2018 Budget proposes to allocate US\$1 million towards this worthy cause.

Family Services

684. The Zimbabwe Vulnerability Assessment Committee 2017 Rural Livelihoods Assessment Report highlighted that about 50 % of the children in the districts surveyed were not attending school due to financial constraints (47%) as well as pregnancy/early marriage (3%). For 2016, the proportion of school going age children not attending school was 34%.

685. According to the Ministry of Labour and Social Services, the Basic Education Assistance Module (BEAM) is funding school fees and examination fees for around 415 900 vulnerable children, against an estimated 1 045 480 in need of educational support.

686. Government availed US\$1.5 million in 2017 towards payment of examination fees for 18 021 vulnerable children.

687. This programme will be enhanced in the 2018 Budget, with resources amounting to US\$20 million being set aside to support the BEAM programme.

Food Deficit Mitigation Strategy

688. Notwithstanding the attainment of the targeted maize production level, of around 1.2 million tonnes in the 2016/17 Summer Cropping Season, the 2018 Budget will need to support an estimated 302 000 food insecure households, especially during the lean period January-March, 2018 as indicated in the table below:

Province	Number of households		
	July-Sep 2017	Oct - Dec 2017	Jan –Mar 2018
Manicaland	10 085	24 011	35 057
Mash Central	8 385	19 438	30 300
Mash East	3 170	10 415	22 744
Mash West	24 463	37 886	48 020
Masvingo	24 070	46 150	62 669
Mat North	7 812	18 233	29 424
Mat South	11 964	26 756	37 433
Midlands	11 311	23 841	36 225
Total	101 260	206 730	301 872

Source: Ministry of Labour and Social Services

689. Accordingly, the 2018 Budget proposes to allocate US\$2 million for the transportation and distribution of grain from various GMB depots to the vulnerable households countrywide.

Harmonised Cash Transfers

690. The 2018 Budget proposes to allocate US\$11 million, which will benefit around labour constrained households in 11 districts⁹,

⁹ Bindura, Chivi, Goromonzi, Kariba Rural & Urban, Makoni, Mangwe, Plumtree, Rusape, Umuza and Zvishavane

comprising the elderly, child headed households and the chronically ill, through the provision of cash transfers on a bi-monthly basis.

691. Additional support to be programme will be provided by UNICEF, which has pledged to disburse US\$12 million targeting poor and labour constrained households in an additional 12 rural districts.

Social Protection Integrated Management Information System

692. The implementation and management of social protection programmes has been fragmented in terms of targeting, support, reporting as well as monitoring and evaluation.

693. In this regard, the 2018 Budget will provide US\$500 000 for the phased setting up of a comprehensive Integrated Management Information System for social protection programmes, thus improving coordination thereof.

694. Additional financial resources and technical assistance will be solicited from development partners.

Empowerment

695. The 2018 Budget will continue to support the empowerment of youths, women and SMEs, in line with the thrust outlined in the Interim Poverty Reduction Strategy Paper (I-PRSP) to ensure sustainable development and poverty eradication.

696. In this regard, 2018 Budget support will also go towards recapitalisation of the Youth Empower Bank and Women's Bank to become deposit taking financial institutions, as well as capitalisation of the Small and Medium Enterprise Development Corporation.

697. In addition, the Budget will provide seed capital to the Women Development Fund, Youth Development Fund and Mining Loan Fund, to finance various projects through provision of equipment, as well as comprehensive training in business management and marketing.

Vocational Training Centres

698. Vocational Training Centres are important in creating economic opportunities for empowering our youth.

699. As at end 2016, 209 000 students sat for their "O" level examinations, whilst 40 000 sat for "A" level examinations. At "O" level, 175 000 failed to proceed to "A" level, whilst 5000 of those who sat for "A" level failed to proceed to tertiary education.

700. In this regard, a total of 180 000 students from both "O" and "A" level are, as it were, "thrown" into the street.

701. In view of the above, the 2018 Budget proposes to broaden establishment of Vocational Training Centres so that there is a Centre in each Administrative District over the next 5 years.

702. Accordingly, the 2018 Budget is appropriating US\$3.6 million towards the phased establishment of additional Vocational Training Centres as well as US\$1.2 million for re-tooling of existing workshops.

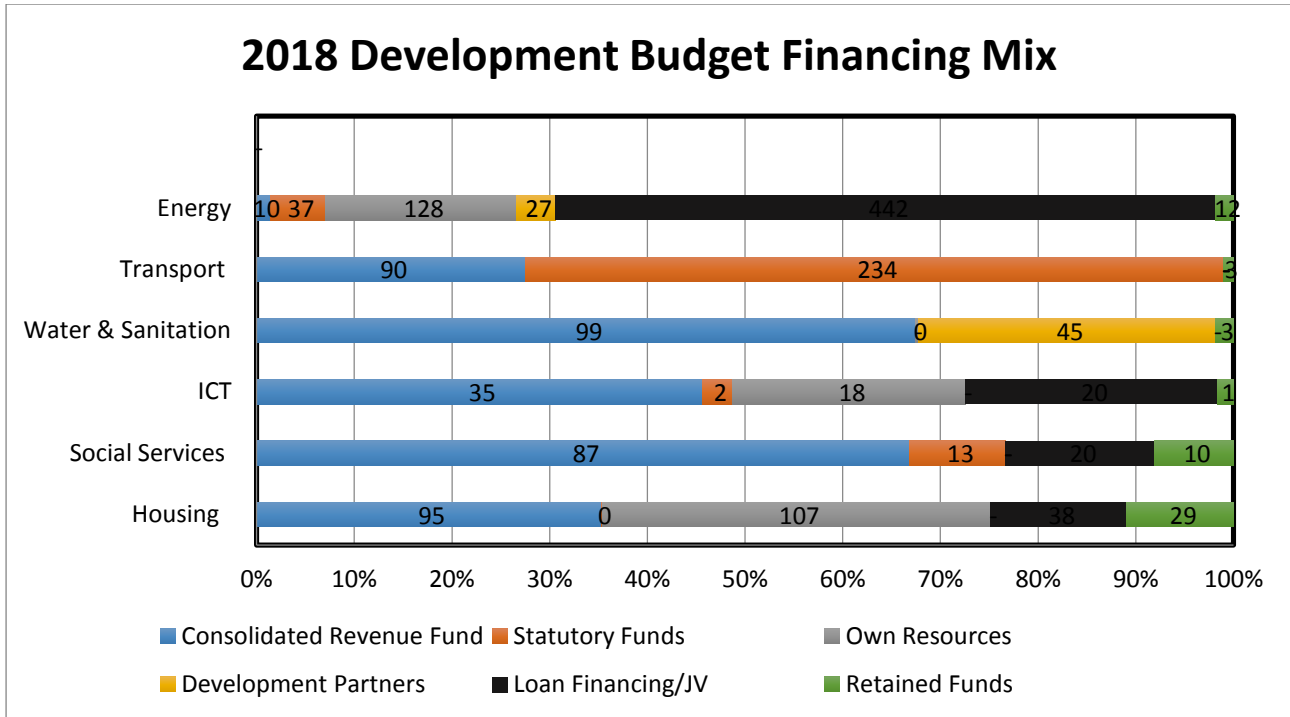
703. The centres will establish the framework for empowering youths, through training in various vocations, which will form the basis for entrepreneurship and self-employment, critical for economic development.

Capital Budget

704. Overall expenditures towards infrastructure during fiscal year 2018 amount to US\$1.7 billion, financed from Government resources, complemented by loan financing and Development Partners.

Major Development Expenditures

705. Major interventions in infrastructure will be in the areas of energy, transport, housing, water and sanitation and information communication technology as indicated in the Table below.



Source: Ministry of Finance & Economic Development

Budget Appropriations

706. Of the US\$1.7 billion total expenditure on infrastructure, Government resources in support of the 2018 development Budget total US\$1 billion, to be provided as follows:

- Budget Appropriations, US\$492.2 million;
- Statutory funds, US\$263.9 million; and
- Public entities retentions, US\$253.7 million.

Borrowing for Infrastructure

707. Recourse to loan financing towards support for Government infrastructure projects is projected to contribute US\$463.8 million.

Unlocking New Financing

708. Requirements for infrastructure support to anchor and drive Zimbabwe towards a '*New Economic Order*' are quite large.

709. Hence, the appeal by His Excellency President E.D. Mnangagwa for strengthened re-engagement and cooperation with the international community.

710. In this regard, while initial indications from partners confirm programmed support to the tune of US\$90.5 million, Government is engaging all Development Partners for much larger support to complement internally generated resources during 2018.

711. This is underpinned by the commitment of His Excellency, the President, over Zimbabwe honouring on its external obligations, critical for mobilisation of further funding from cooperating partners and institutions.

712. Where there are challenges, Government will chart the way forward, in partnership with the understandings of cooperating partners.

713. In this regard, Government undertakes to make the necessary sacrifices to allow for the creation of fiscal space required for the

economy to fulfil due obligations hindering attainment of financial close for new project and programme funding.

Non-Critical Capital Expenditures

714. As the country strives to mobilise funding for critical projects and programmes, it is imperative that we deploy the resources to priority areas that address the needs of the country in a cost effective manner.

715. Treasury is in receipt of requests for procurement of utility and condition of service vehicles amounting to US\$169 million broken down as follows:

- Parliamentary vehicles, US\$21 million;
- Chiefs Vehicles, US\$14 million;
- Independent Commissions, US\$9 million;
- Civil service members, including Ministers, US\$93 million; and
- Utility Vehicles, US\$32 million.

716. Furthermore, requests for procurement of furniture for Government Ministries and Departments amount to over US\$50 million.

717. Clearly, the fiscus cannot sustain the above demands, if we are to achieve the objectives towards a '*New Economic Order*'.

718. Hence, the 2018 Budget took account of value for money and affordability as guiding principles in the allocation of resources, and is unable to provide for the above vehicle requests .

Hiring of Vehicles

719. Some Ministries and Government Departments are circumventing Treasury Order to suspend the purchase of vehicles by hiring from both the private sector and CMED.

720. It is important to note that the cost of hiring one vehicle per month goes up to US\$8 000, translating to an annual charge of US\$96 000, which is adequate to buy a car.

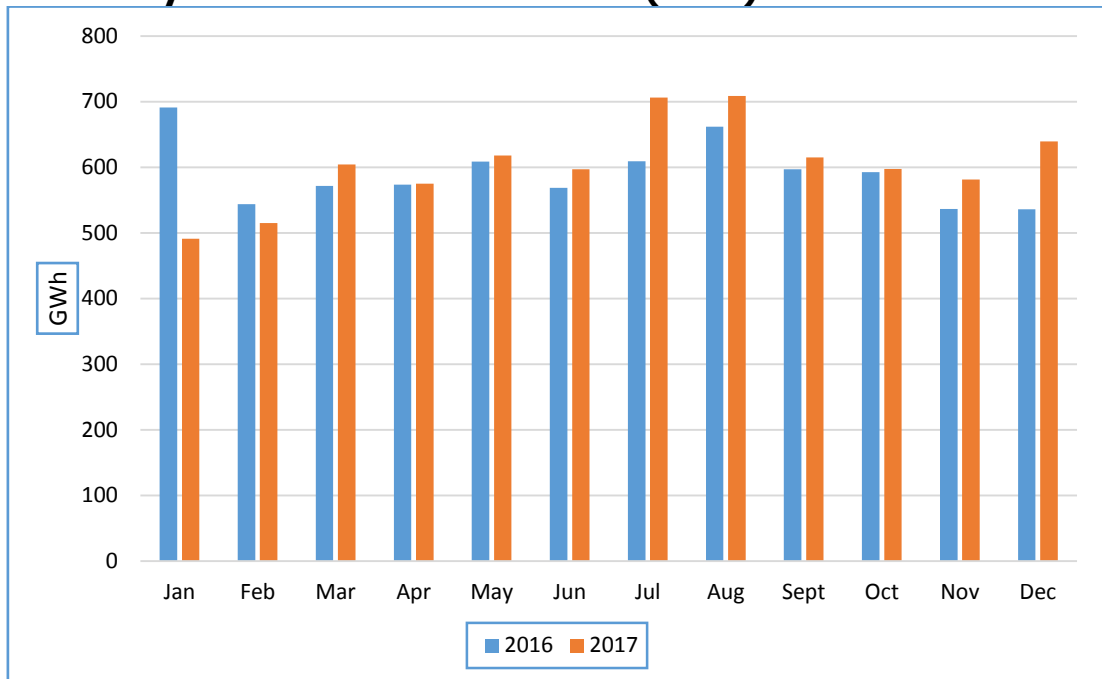
721. Treasury, will therefore, in the 2018 Budget institute commitment control measures that put a stop to this practice.

Energy

722. Electricity generation and distribution improved in 2017, with total generation expected to reach 7661 Giga Watts per hour by end of the year, giving an 8.1% growth.

723. The growth in electricity generation is benefiting from increased water allocation towards electricity generation by the Zambezi River Authority. This is in line with rising Kariba Dam water levels.

Electricity Sent Out for 2016 – 2017 (GWh)



Source: Zimbabwe Power Company

724. In the outlook to 2018, electricity generation is expected to register stronger growth of about 14.6%.

725. The 2018 Budget will support this projected growth, through mobilisation of US\$649.1 million for the sector and implementation of projects that will ensure security, stability, and affordability in energy supply, as outlined in the 2012 National Energy Policy.

726. Projects targeted for implementation in the energy sector during 2018 are as indicated in the Table below.

2018 Major Targeted Energy Projects

NAME OF PROJECT	2018 BUDGET					
	Consolidated Revenues Fund	Retained Revenues	Own Resources	Development Partners	Loan Financing/PPP	TOTAL RESOURCES
	US\$	US\$	US\$	US\$	US\$	US\$
GENERATION						
Hwange 7 & 8 Expansion		-	105 555 000	-	369 373 000	474 928 000
Rehabilitation of Hwange Power Station	9 700 000					9 700 000
Kariba South Extension	-	-	19 974 000	-	5 880 000	25 854 000
Gwanda Solar Energy Project	-	-	-	-	66 688 000	66 688 000
Tokwe Mukorsi Mini-Hydro Project	-	-	500 000	-	-	500 000
Kariba Dam Rehabilitation				6 900 000		6 900 000
Sub-Total	9 700 000	-	126 029 000	-	441 941 000	584 570 000
TRANSMISSION NETWORK REINFORCEMENT PROJECTS						
Alaska-Karoi	-	-		15 400 000	-	15 400 000
Orange Grove – Triangle Project			1 500 000			1 500 000
ZIMFUND Phase II Transmission and Distribution Rehabilitation	-	-	-	11 100 000	-	11 100 000
Sub-Total	-	-	1 500 000	26 500 000	-	28 000 000
Rural Grid Extension, Solar and Biogas projects	-	36 518 200	-	-	-	36 518 200
Sub-total	-	36 518 200	-	-	-	36 518 200
GRAND TOTAL	9 700 000	36 518 200	127 529 000	33 400 000	441 941 000	649 088 200

Source: Ministry of Finance & Economic Development

Power Generation

727. The Kariba South Extension Project, now at 92.3% completion, will be completed in 2018 using Zimbabwe Power Company's own resources of US\$20 million, as well as US\$5.9 million from China EximBank.
728. The first unit will be commissioned by end December 2017, whilst the second unit will come on stream by the first quarter of 2018, providing an additional 300MW to the grid.

729. With regards to the Hwange 7 & 8 Expansion Project, all conditions precedent have been met, with funding expected to come from China EximBank.
730. Once funding is secured, it is anticipated that US\$474.9 million will be drawn down, targeting main plant civil works, water treatment plant and down payment for electro-mechanical works, of which funding from China EximBank is US\$310 million and Hwange Electricity Supply Company's own resources, US\$165 million.
731. Furthermore, implementation of the Gwanda Solar Energy Project will commence in 2018, following the granting of incentives to the Zimbabwe Power Company to enable it mobilise funding from the market. At least US\$66.7 million will be mobilised during 2018, focusing on construction of a 25 MW solar plant under Phase I of the project.
732. At Hwange Thermal Power Station, an amount of US\$9.7 million has been set aside for the rehabilitation and maintenance works.
733. This will be funded through direct Budget support.

Transmission

734. Works on the US\$19.1 million Alaska-Karoi sub-transmission network reinforcement project will commence in 2018, with support from the African Development Bank.

735. An amount of US\$15.4 million will be disbursed in 2018 for the project, whose works include a new substation at Karoi, the 85km distribution line, boreholes, storage tanks and pump facilities for surrounding communities around Karoi, Makonde and Hurungwe districts.

736. Furthermore, US\$11.1 million will be disbursed under the Zim-Fund Phase II of the Emergency Power Rehabilitation Project for the following ongoing works:

- Transmission rehabilitation for Sherwood, Orange Grove, Marvel and Chertsey Substations;
- Procurement of Gimboki sewage works 33kV line; and
- Replacement of Turk Substation Transformer in Matabeleland North, Mpopoma 11kV switchgear & Hillside Road 11kV Board in Bulawayo and Stamford 33kV switchgear in Harare, among others.

737. The above interventions will mitigate transmission losses and enhance access to reliable supply of electricity for residents in the respective cities.

Rural Electrification

738. Electrification of our rural communities will be sustained through the Rural Electrification Fund.
739. For the period January to September 2017, 192 projects had been completed, bringing the total coverage of targeted public institutions, since inception of the Fund in 2002 to 5 579.
740. This gives a performance of 63%, when measured against the overall target of 8 878 institutions under the Programme.
741. During 2018, an amount of US\$36.5 million from the Fund will target 706 rural institutions, installation of 50 stand-alone solar micro grid solar systems at public institutions, and 16 biogas digesters.
742. The Table below shows the distribution of projects targeted for implementation in 2018.

2018 Targeted Rural Electrification Projects

PROVINCE	NUMBER OF INSTITUTIONS	SCOPE OF WORKS				2018 BUDGET (US\$)
		33kV Line km	19.1kV Line km	11kV Line km	MV Line km	
Manicaland	117	118		93	89	4 411 248
Mash Central	55	125	59	57	15	3 609 296
Mash East	98	55		89	56	3 791 817
Mash West	67	44		169	47	3 760 328
Masvingo	157	128		213	77	5 804 642
Mat North	64	131	39	105	21	4 558 836
Mat South	51	81	52	123	19	3 591 587
Midlands	97	104		195	32	4 783 221
Total	706	784	150	1 045	356	34 310 974

Source: Rural Electrification Agency

Prepaid Metering

743. The roll out of the prepaid metering system will receive a major boost through the Customer Supplied Meter Scheme, where customers procure prepaid meters from approved local agents.
744. This should ensure we achieve the target of 800 000 prepaid meters for domestic consumers, thereby guaranteeing cash flows for the energy sector.

Water Supply & Sanitation

745. Allocations to the water sector underpin our strategy to upscale investments that prioritise access, as well as sustainable supply of clean and safe water to communities.
746. Furthermore, investments will target building resilience to climate change impact, as well as towards treatment of waste water and sewage disposal, in order to protect the environment and the country's natural water sources.
747. During 2018, resources amounting to US\$147.5 million will be mobilised, with US\$102.8 million from the Budget and US\$44.7 million from development partners.
748. The Targeted projects earmarked for implementation during 2018 are as indicated below.

2018 Targeted Water & Sanitation Projects

NAME OF PROJECT	2018 FUNDING MIX					TOTAL
	CONSOLIDATED REVENUE FUND	RETAINED FUNDS	OWN RESOURCES	DEVELOPMENT PARTNERS	LOAN / PPP	
	US\$	US\$	US\$	US\$	US\$	
DAM CONSTRUCTION						
Dam Construction	71 708 000					71 708 000
Maintenance of Dams	2 000 000					2 000 000
Desilting of Silted rivers, Dams and Weirs	1 000 000					1 000 000
Sub-Total	74 708 000					74 708 000
RURAL WASH						
Borehole drilling and Water Supply Schemes	4 000 000	3 300 000		10 300 000		17 600 000
Upgrading of Water and Sewer for selected Rural Water Authorities	4 000 000					4 000 000
Sub-Total	8 000 000	3 300 000		10 300 000		21 600 000
URBAN WASH						
Upgrading of Water and Sewer for selected Urban Local Authorities	16 000 000			28 000 000		44 000 000
Integrated Urban Water Management				1 200 000		1 200 000
Small Towns WASH Project	500 000			5 200 000		5 700 000
Sub-Total	16 500 000			34 400 000		50 900 000
GRAND TOTAL	99 208 000	3 300 000		44 700 000		147 208 000

Source: Ministry of Finance & Economic Development

Dam Construction

749. Noting that water availability is critical to the development of communities, for agriculture, domestic and industrial use, the Budget continues to prioritise ongoing works on various dams across the country.

750. Dam works will be sustained during 2018, with a Budget allocation of US\$23.3 million for Gwayi-Shangani, US\$19.7 million for

Causeway whilst Marovanyati dam has been allocated US\$19.5 million.

751. The target is to ensure we complete Marowanyati and Causeway dams during 2018, whilst enabling significant progress on the works at Gwayi Shangani Dam.

752. Furthermore, Semwa Dam has been allocated US\$7.2 million for works to commence, whilst US\$2 million has been set aside for project development activities for Bindura and Chivhu Dams.

753. An additional US\$3 million has been allocated for the maintenance of existing dams, including desilting activities.

Rural WASH Programme

754. The rural water and sanitation (WASH) programmes will be sustained through Budget support of US\$8 million for borehole drilling and rural water supply schemes being undertaken by DDF, ZINWA and Rural District Councils.

755. In addition, the Water and Sanitation Programme (WASH) administered by UNICEF, will avail US\$10.3 million for drilling and rehabilitation of 5 600 boreholes, 12 piped water schemes and sanitation programmes in 12 Districts in Manicaland, Mashonaland East and Mashonaland Central provinces.

Urban WASH Programme

756. Recovery of water and sanitation services in most urban settlements faces the challenges of rapid urbanisation, ageing infrastructure and climate change.
757. An amount of US\$46.4 million has been earmarked for the Urban WASH programme, focusing on rehabilitation and upgrading of existing infrastructure, as well as construction of additional facilities for new settlements.
758. The Budget will allocate US\$16 million to selected Local Authorities for ongoing water and sewer upgrading programmes.

LOCAL AUTHORITY	PROJECT SCOPE	FUNDING
Hwange Local Board	Rehabilitation of Baobab and Empumalanga waste water treatment plants and trunk sewer line.	600 000
Chinhoyi Municipality	Rehabilitation of intake structures and raw sewage pump stations.	650 000
Kariba Municipality	Rehabilitation of water infrastructure.	740 000
Rusape Town Council	Servicing of Magamba Extension medium density area.	700 000
Chegutu Municipality	Upgrading of water mains and installation of Prepaid water meters at Rifle range, ZMDC heroes and CBD	1 090 000
Beitbridge Town Council	Upgrading of 1 km of 300mm trunk sewer main line to 600 mm.	500 000
Gokwe Town Council	Construction of water reticulation pipe network to the existing water reservoirs.	720 000
Chitungwiza Municipality	Procurement and installation of 43 000 prepaid water meters.	2 129 000
Mvurwi Town Council	Construction of sewer ponds	600 000
Marondera Municipality	Rehabilitation of Water and waste-water reticulation pipe network	650 000
Shurugwi Town Council	Refurbishment and re-equipping of pumping stations and treatment plant.	200 000
Chiredzi Town Council	Upgrading of the Pump station, trunk line and water reticulation.	600 000
Chipinge Town Council	Construction of water reservoir	500 000
Redcliff Town Council	Upgrading of the sewer reticulation network	400 000
Zvishavane Town Council	Rehabilitation of Mabula Waste Water and Runde Water Treatment Works	615 000
Gwanda Town Council	Construction and establishment of water pumping mains	306 000
GRAND TOTAL		11 000 000

Source: Ministry of Finance & Economic Development

759. Under the Zim-Fund Phase II Urgent Water Supply and Sanitation Rehabilitation Project, US\$18 million will be availed in 2018, in support of water and sanitation projects for Harare, Chitungwiza, Ruwa and Redcliff.
760. Furthermore, under the 13th African Development Fund (ADF), the African Development Bank will disburse US\$10 million to the City of Bulawayo for the upgrading of its water and sewerage infrastructure.
761. In addition, the World Bank, under the Zimbabwe National Water Project being implemented by the ZINWA, an amount of US\$3.3 million will be disbursed towards water and sewer upgrading works for Guruve, Lupane and Zimunya.
762. The development of an Integrated Urban Water Management for Marondera Municipality will be completed in 2018, benefiting from funding from the African Development Bank, which is expected to disburse US\$1.2 million.
763. The small towns WASH project, being managed by UNICEF with funding from the Australian Aid, will disburse US\$1.9 million for ongoing works at Gokwe, Shurugwi and Chivhu.

Local Authorities Infrastructure Revolving Fund

764. Government, with support from the World Bank, undertook a Service Level Benchmarking (SLB) exercise in 32 urban local authorities, aimed at reversing the deterioration in service delivery by Councils over the years.
765. Through this exercise, Councils were able to identify performance gaps, as well as develop performance improvement plans, focusing on the water and sanitation sector, particularly the high water losses that exist in Local Authorities of around 60%.
766. Implementation of identified interventions remain a challenge, due to the limited financial capacity of Councils.
767. The Ministry of Local Government, Public Works and National Housing and the Infrastructure Development Bank of Zimbabwe (IDBZ) have concluded on the setting up of a Local Authorities Infrastructure Revolving Fund, which will provide funding for the implementation of identified infrastructure projects, consistent with approved performance improvement plans and service level benchmarking findings.
768. Access to the Fund resources will be based on the following criteria:
- Approved performance improvement plans;
 - Up to date audited Financial Statements or Ministry approved Audit catch up plans;

- Human resources capacity to implement the projects, such as the positions of Town Clerk, Treasurer and Engineer having been filled;
- Approved borrowing powers; and
- The Local Authority not having outstanding obligations to the Fund.

769. The 2018 Budget will set aside US\$5 million as seed capital to the Fund, which will be managed through the Infrastructure Development Bank of Zimbabwe.

Transport

770. Given the critical role of transport infrastructure in the socio-economic development of the country, investments in transport infrastructure will be prioritised in 2018, targeting roads, aviation and rail.

771. Overall support to the sector amounts to US\$386.1million, to be funded through fiscal resources, US\$106.6 million, the Road Fund, US\$233.6 million and loan financing of US\$45.9 million.

2018 Targeted Major Transport Infrastructure Projects

NAME OF PROJECT	Consolidated Revenue Fund	Retained Revenues	Statutory Funds and Other Resources	Total Resources
	US\$	US\$	US\$	US\$
Rehabilitation of Rail Infrastructure				
Recapitalisation Project				
Tracks Infrastructure	2 916 000	-	-	2 916 000

Signals, Electrical and Telecoms	300 000	-	-	300 000
Traction and Rolling Stock	6 534 000	-	-	6 534 000
Works and Building Services	250 000	-	-	250 000
Workshop and other Equipment	-	-	-	-
Sub-total	10 000 000	-	-	10 000 000
Road Construction and Upgrading				
Road Dualisation Projects	8 000 000	4 890 000	-	12 890 000
Upgrading of Trunk Roads	18 600 000	-	-	18 600 000
Road Rehabilitation	13 700 000	3 775 000	40 464 758	57 939 758
Rural Feeder Roads	10 000 000	-	25 309 839	35 309 839
Urban Local Authorities – Roads	-	-	45 758 761	45 758 761
Rural District Councils Roads	-	-	33 790 610	33 790 610
Bridge Construction	7 650 000	400 000	-	8 050 000
Tollgate Construction	-	-	7 400 000	7 400 000
Plumtree – Mutare Road DBSA Facility	-	-	44 050 579	44 050 579
Other Road Interventions	-	-	28 507 090	28 507 090
Capacitation of Road Authorities	15 000 000	2 550 000	8 300 000	25 850 000
Sub-total	72 950 000	11 615 000	233 581 637	318 146 637
J.M. Nkomo International Airport				
Construction of Control Tower	7 000 000	-	-	7 000 000
R.G. Mugabe International Airport Upgrading			45 900 000	45 900 000
Sub-total	7 000 000	-	-	52 900 000
TOTAL	89 950 000	11 615 000	279 482 637	386 147 000

Source: Ministry of Finance & Economic Development

Roads

772. The results of the National Roads Condition and Inventory Survey of February 2017 indicate that our road network has increased from 88 000 km in 1999 to 98 000 km.
773. However, 30% of the network is classified as poor, to very poor and 40% in fair condition, hence the need for increased investment in rehabilitation and maintenance programmes to reclaim the network.
774. In this regard, funding from the Budget of US\$89.6 million and the Road Fund, US\$233.6 million, will target improvement in the road network through the following:

- Restoration and upgrading of damaged sections and bridges under the Emergency Road Rehabilitation Programme;
- Dualisation of critical sections of the network;
- Dualisation of the Harare-Beitbridge Road, under a Build Operate and Transfer arrangement; and
- Capacitation of Road Authorities.

775. The detailed breakdown of the allocations to Road Authorities and works on targeted road sections, countrywide, are included in a separate 2018 Budget Supplement on the Emergency Roads Rehabilitation Programme, as well as the 2018 Budget Estimates Book.

Road Dualisation

776. Support will be extended towards dualisation and upgrading of critical sections of the road network, including the underway Harare-Beitbridge Road Dualisation Project.

777. The contractor for the Harare-Beitbridge Road, Geiger International is mobilising equipment, establishing site offices, as well as undertaking designs along the road section.

778. The above preparatory works should allow the contractor to commence works during 2018. The Budget has set aside US\$3.4 million to meet the costs of compensation under the project.

779. Furthermore, an allocation of US\$4.6 million will target ongoing works for dualisation of the Harare-Mutare road section between Goromonzi turnoff and Jamaica Inn Toll Plaza, as well as the Harare-Bulawayo road section, between Norton Service Centre and the Norton Toll Plaza.

Equipment for Road Authorities

780. Delivery of essential services by Local Authorities has been constrained by lack of appropriate equipment to enable them to undertake the tasks in a cost effective manner.

781. To help Councils roll out implementation of infrastructure projects and services required at the local level, the 2018 Budget has a provision of US\$15 million for procurement of equipment for identified Local Authorities.

782. An additional US\$10.8 million from the Road Fund will target procurement of road equipment for the Department of Roads.

783. The above interventions are over and above the US\$15 million already availed to the District Development Fund under the 2017 Budget.

Aviation

784. With regards to aviation infrastructure, priority will be on expansion of capacity of our domestic and international airports.

785. In this regard, a provision of US\$7 million will target works for the construction of J. M. Nkomo Airport Control Tower.

786. Furthermore, negotiations on the US\$153 million for the Robert Gabriel Mugabe International Airport upgrading project are expected to be complete before the end of December 2017, paving way for commencement of works.

787. The targeted scope of works include the following:

- Expansion of the Terminal Building;
 - Rehabilitation of the runway;
 - Installation of communication systems;
 - Construction of aerobridges;
 - Refurbishment of existing fire station and new satellite station;
- and
- Radar system, among others.

Rail

788. Strategies to re-capitalise the National Railways of Zimbabwe provide an opportunity for restoration of the role of rail transport, an affordable mode for bulk transportation which eases the cost of doing business and, hence, domestic production competitiveness.
789. In this regard, following Government approval, negotiations to re-capitalise NRZ, in partnership with a Consortium of Diaspora Infrastructure Development Group (DIDG) and Transnet of South Africa, are at an advanced stage.
790. The 'Framework Agreement' has been finalised, paving way for the development of a Model Agreement, which will be submitted to Cabinet for approval, with all the processes expected to be concluded by the first quarter of 2018.
791. The re-capitalisation programme targets refurbishment and replacement of NRZ rolling stock, signaling, ICT and track infrastructure, among others, under a joint venture partnership model estimated to cost US\$408 million.
792. This will raise NRZ's capacity to move cargo from the current 3.8 million to its peak of 18 million tons per annum.
793. Meanwhile, a Budget provision of US\$10 million has been set aside to cater for required emergency works on the rail network.

Beitbridge Re-Development

794. The re-development of Beitbridge has long been recognised as critical in addressing the congestion and chaotic situation obtaining at the main port of entry, resulting in delays, as well as lost production and revenue to the fiscus.

795. Implementation of identified infrastructure deficiencies and process flow improvements has been mired in controversy and disagreements among Government departments and officials, to the detriment of the overall economy.

796. Through this Budget, we are committing ourselves to start addressing the infrastructure bottlenecks at Beitbridge Border Post. In this regard, an allocation of US\$14.5 million has been set aside to cover the following:

- Relocation of VID from the border post, US\$4.2 million;
- Construction of a border control building to house non-critical stakeholders currently on the border; US\$1.2 million;
- Completion of institutional residential flats at Beitbridge, US\$4 million;
- Construction of separate lanes for commercial, buses and private vehicles; US\$2.3 million;

- Refurbishment of sewer and water reticulation systems; US\$1.3 million; and
- Perimeter fencing; US\$1.8 million.

Information Communication Technology

797. Information communication technologies are now a critical component of everyday life, changing the way we work, socialise and enjoy leisure time.
798. Consistent with our National Policy on Information Communication Technology (ICT), the 2018 Budget seeks to deepen the use of ICTs in the economy, targeting e-Government and e-learning programmes, as well as expanding coverage of the fibre optic backbone infrastructure.
799. The NetOne National Network Phase II is expected to be complete by end of 2017, providing scope for the parastatal to provide value added services to its clients.
800. With regards to the TelOne National Backbone Network and Broadband Access Project, an amount of US\$16 million will be drawn down on the China EximBank loan in 2018 to complete the project.
801. An additional US\$18.5 million of TelOne's own resources will be used to upgrade its core network systems, provide fibre network access to

homes and businesses as well as provide satellite connectivity to schools.

Zimbabwe Digital Broadcasting Migration Project

802. Following the challenges encountered in mobilising off-Budget funding for the Zimbabwe Digital Broadcasting Migration Project, the remaining critical works will have to be funded through the Budget.
803. In this regard, an amount of US\$22.6 million has been allocated to the Broadcasting Authority of Zimbabwe (BAZ) for the digitalisation of 9 television transmission sites, construction of 6 new transmission towers, upgrading of 9 existing FM radio sites and digitalisation of 2 television studios at Montrose.
804. Furthermore, the BAZ will, in 2018, commence provision of digital services from the 13 transmitter sites that have been completed.

E-Government Programme

805. Government will continue to consolidate and expand e-Government services to citizens in a cost effective manner.
806. In this regard, the 2018 Budget has provision for the implementation of the following e-Government projects:
- Computerisation of the Immigration Department; US\$4.2 million;

- Upgrade of ZIMRA systems, including computer replacements; US\$5.6 million;
- Cascading of e-Government flagship projects to Provinces, including online provision of 131 selected public services, US\$3.4 million, and
- Completion of works at the National Data Centre; US\$0.4 million.

Housing Development

807. The current housing backlog stands at over 1.3 million country wide, with Harare City Council's housing shortfall alone accounting for 500 000. Many of those in need of housing have spent years waiting for affordable accommodation¹⁰.
808. Given that housing is a basic human right, Government has continued to prioritise investments towards affordable housing across the country.
809. In addressing the housing backlog, Government has collaborated with various stakeholders, including public sector entities, the financial sector, and private individuals, through self-financing schemes as well as Housing Co-operatives.

¹⁰ Targeted Housing schemes are as contained in Annexure 7

810. Government has come up with various financing strategies aimed at providing low cost serviced land for housing development, in partnership with the Infrastructure Development Bank of Zimbabwe and the Urban Development Corporation.

811. Such strategies include:

- Home Ownership Schemes, largely funded by beneficiaries;
- Loan Funded Schemes, where the Local Authority, IDBZ and UDCORP identify suitable land and mobilise funding for servicing before selling the stands to beneficiaries; and
- Formalisation of informal settlements, where Government and the beneficiaries meet the cost of the required off-site and on-site infrastructure.

812. During 2018, the Budget will mobilise US\$182.4 million in support of the above strategies.

813. The targeted projects are in Annexure ...

814. Given the potential of privately funded schemes in addressing the housing backlog, Government will, during 2018, create the necessary synergies with banks, genuine housing co-operatives, Councils and other stakeholders, with a view of ensuring the housing backlog in our cities is reduced.

815. Such initiatives will be buttressed by the desire of many Zimbabweans to sacrifice their hard earned income towards a decent home for their families.
816. Government, however, notes that, Land Barons and some unscrupulous Housing Co-operatives, continue to take advantage of this desire and abuse contributions by members.
817. To protect genuine private investors from this, particularly within some Co-operatives, Government has since mandated the Urban Development Corporation to take over the administration of those schemes, where members are demonstrating lack of capacity to develop and service land availed by the State for housing development.
818. In this regard, UDCORP will administer the Co-operative Funds earmarked for land servicing, with the Co-operative receiving and managing contributions related to the administration of the Cooperative.
819. This will go a long way in bringing confidence to contributors for them to invest more towards housing development, as well as overcome problems brought up by "*Land Barons*", extorting citizens of their hard earned incomes.

Institutional Accommodation

820. A number of projects remain incomplete on account of limited resources, as well as capacity gaps within implementing agencies, resulting in failure to deliver the projects within time and Budget.

821. Notwithstanding resource constraints, the targeted approach whereby resources are ring fenced towards implementation of a few projects will be sustained in 2018 to ensure their completion.

822. In this regard, the 2018 Budget will invest US\$102 million for the construction and rehabilitation of institutional buildings, which include the following, among others:

- Lupane Composite Building, US\$5.1 million;
- 2 blocks of flats at Tomlinson Flats, US\$2.8 million;
- 6 District Registries, US\$3 million;
- Court facilities, US\$9.4 million;
- Chanceries and Embassies, US\$9.4 million; and
- State residencies, US\$4.7 million

823. Following the completion of enabling works at the proposed site for the New Parliament Building, works on the project are expected to commence in January 2018 under the Implementation Agreement, supported by the Chinese Government.

Smart Systems

824. As part of measures to reduce costs of utility bills, Government will invest in smart systems that allow the State to manage demand efficiently, effectively and responsibly.
825. Such interventions will target electricity, water, and telephone consumption levels within Ministries and Departments.

Irrigation Rehabilitation and Development

826. The gains we have achieved in attaining food security under the Special Maize Production Programme will need to be consolidated through increased agricultural production and productivity by harnessing our irrigation potential and optimal utilisation of existing idle water bodies.
827. In this regard, the Budget has an allocation of US\$52.1 million for irrigation rehabilitation and development, targeting at least 200 hectares per District to be implemented annually over the next 10 years. This should create the necessary resilience to rainfall variability, critical for food self-sufficiency.
828. To improve on cooperation and coordination within the various spheres of Government, a Project Steering Committee will be set up, comprising of key stakeholders, to oversee the overall implementation of the Programme.

829. The Budget will also allocate US\$2.7 million for project development activities on the US\$35.7 million Zhove Irrigation Project that will be funded by the Kuwait Fund for Arab Economic Development.

830. In addition, development partners are also supporting rehabilitation and development of a number of irrigation projects under the following facilities.

- The Smallholder Irrigation Revitalisation Project, co-funded by the International Fund for Agricultural Development (IFAD), OFID and Government will disburse US\$6,9 million towards the revitalisation and expansion of Musikavanhu, Sebaso, Chikwalakwala, Exchange and Rupangwana irrigation schemes;
- The Food and Agriculture Organisation (FAO), with support from the European Union, will disburse US\$2 million for ongoing works at 20 irrigation schemes in Matabeleland South and Manicaland provinces;
- An amount of US\$3.3 million will be disbursed by the Japanese International Cooperation Agency (JICA), for ongoing works at Nyakomba Irrigation Project Block A; and
- Through the Swiss Agency for Development Cooperation, FAO will also disburse US\$3.4 million towards 14 irrigation schemes in Masvingo province.

Tourism

831. The tourism industry remains a low hanging fruit for exploitation to generate the much needed foreign currency in our economy.
832. Prospects of reaching the annual target of 2.3 million tourist arrivals by year end remain on course. Already, the first half of 2017 recorded a 9.5% increase to 1.04 million tourist arrivals, compared to 952 948 received during the same period in 2016.
833. In 2018, the thrust is to strengthen destination marketing, paying special attention to high spending markets to increase tourism receipts.
834. In this regard, the 2018 Budget will increase allocation for the sector so as to enhance marketing of the country as a preferred destination for tourism, as well as support the promotion of domestic tourism with a bias towards improving Community Based Tourism Enterprises to empower local communities.
835. Furthermore, it is also imperative that we continue building on our current efforts to improve the requisite airport and road infrastructure, for increased connectivity, as well as provision of utilities and ICT, as a means to creating an enabling environment for the industry.

SMEs Infrastructure

836. Government recently approved the Small to Medium Enterprises Infrastructural Development Policy that compels Local Authorities to provide adequate infrastructure for SMEs in both urban and rural areas, to enhance their contribution to the economy.
837. Such infrastructure includes factory shells, warehouses, trading bays for cross border traders, as well as the necessary basic services such as water, access roads, parking space, ablutions and electricity.
838. To achieve this, Local Authorities are expected to ring fence at least 30% of revenue collections from SMEs towards infrastructural development.
839. Already, Government has recently launched a US\$90 million funding package aimed at capacitating various up-and-coming businesses to ensure that they contribute significantly to the economy.

Sprucing up Structures in Local Authorities

840. Urban local authorities will be required to spearhead initiatives for business operators to rehabilitate buildings that are substandard, including demolishing, where necessary, in compliance with national safety standards.

841. This requirement is part of the enforcement of by-laws that require business operators in central business districts and towns to comply with set minimum requirements.

842. In this regard, Local Authorities should impose fines to all those who do not comply.

Development Finance Institutions

843. Through the 2018 Budget, Government will provide US\$32 million as capitalisation to our key development finance institutions, to enable them leverage on their balance sheets in mobilising additional funding from the market.

844. Targeted institutions include the following:

- Infrastructure Development Bank of Zimbabwe; US\$20 million;
- Agribank; US\$10 million, and
- SMEDCO; US\$2 million.

845. The Budget will also allocate US\$15 million for the Project Preparation Development Facility to enable funding of project development costs for some of our priority projects to ensure they are bankable and ready for the market.

846. An additional US\$17 million has been allocated for our equity commitments to the multilateral financial institutions such as the African Development Bank and the World Bank, whilst US\$22.8 million has been set aside for called up guaranteed loans for Ziscosteel, IDC and Famers World.

Re-Capitalisation of IDC

847. The Industrial Development Corporation (IDC) submitted a request for a direct Budget allocation of US\$83 million to pay-off their debts.

848. Given the precarious fiscal position, IDC is being required to develop bankable projects and programmes that can be funded from the market, through such market instruments as bonds.

849. Treasury, working together with the Ministry of Industry, Commerce and Enterprise Development, remains ready to under-write such issuances, by providing the necessary incentives.

CHAPTER 11: FORTH-COMING DEVELOPMENT PROGRAMME

850. The programming of implementation of Zim Asset blueprint programmes and projects is up to 2018, and marks the first phase covering the period 2013 to 2018.

851. The first phase was based on four main clusters focusing on:

- Food Security and Nutrition;
- Social Services and Poverty Eradication;
- Infrastructure and Utilities; and
- Value Addition & Beneficiation.

852. Furthermore, it contained two enabling clusters namely, Fiscal Reform Measures and Aid Coordination, as well as Public Administration, Governance and Performance Management.

853. For the second phase, the Clusters defined in the first phase will be maintained as they remain relevant to the country's long term objectives and priorities.

854. Accordingly, Government has embarked on the development of a second phase of the Programme, which will span the period 2019 to 2023. Input into the successor development plan will be complemented by the 2017 and 2018 Zim Asset Review Reports.

855. The second phase of Zim Asset will stipulate the country's medium term strategic direction, development priorities and implementation strategies.
856. Government is at the centre of processes for coordinating development of these Plans and is now undertaking stakeholder consultation processes in this regard.
857. Information gathered during the consultative process will not only contribute towards development of the successor National Development Plan, but the National Investment Policy, Special Economic Zones Policy, harmonisation of investment laws and thereby produce an omnibus Investment Act.
858. These policy documents are necessary for the establishment of a real ICT driven One Stop Shop Investment Centre.
859. Of critical importance is the need for our economic blue prints to embrace the United Nations Sustainable Development Goals (SDGs), also known as Agenda 2030.
860. To this end, we need to ensure that this thrust is given due recognition by integrating the interventions on poverty espoused under the Interim Poverty Reduction Strategy Paper.

CHAPTER 12: REVENUE MEASURES

861. The revenue measures that are being proposed seek to consolidate the gains realised by local industry through support measures provided by Government, improve the tax administrative system, thereby enhancing tax collection, as well as provide *Relief to Taxpayers*.
862. The measures also seek to facilitate formalisation of informal business operations.

Support to Industry

863. Government has, over the years, provided support to local industry, through duty free importation of capital equipment, raw materials, as well as levelling the playing field between imported and locally produced goods.
864. It is pleasing to note that a sizable number of local industry players is taking advantage of such intervention support measures by Government to increase production and also gain market share.
865. In order to consolidate the gains being realised by local industry, Government will enhance and also renew the following support measures:

Manufacturing Industry

Furniture Manufacturers

866. In support of local production, Government introduced the Furniture Manufacturer's Rebate with effect from 1 January 2016.
867. The facility, which enables duty free importation of key raw materials, has resulted in increased capacity utilisation, from 60% in 2016 to 68% in 2017.
868. I propose to extend the list of raw materials that can be imported under the Furniture Manufacturer's Rebate.
869. The extension of rebate of duty has been guided by facilitating access to goods that are not produced by the local industry.
870. The proposed list of raw materials that can be imported under the Furniture Manufacturer's Rebate is contained in Annexure 7.
871. Furthermore, I propose to remove mattresses from the Open General Import Licence.

Dairy Industry: Suspension of Duty on Powdered Milk

872. Government, in 2014, introduced measures in support of growth and development of the dairy industry.

873. These included suspension of duty on imported powdered milk to complement inadequate supply of raw milk.
874. Meanwhile, I am pleased to note that the local dairy industry has made notable investment in plant and machinery for domestic production of dairy products.
875. This has seen growth in the demand for raw milk, a boost for the domestic dairy farmer.
876. Domestic production of raw milk remains, however, still lower than the requirements of the local dairy industry.
877. The 2018 Budget, therefore, proposes to extend the suspension of duty facility for a period of twenty four months, in order to augment insufficient domestic production of raw milk.
878. The ring-fenced milk powder requirements are as contained in Annexure 8.

Cement Manufacturing Industry

Customs Duty on White Cement

879. Tile adhesive manufacturers have potential to grow and meet increasing demand from the construction industry.

880. However, the industry faces competition from imported finished products.

881. In order to reduce the cost of production, I propose to ring-fence importation of white cement used in the production of tile adhesive by approved manufacturers at a reduced duty rate of 5%.

882. Currently, import of white cement attracts customs duty of US\$100 per tonne.

Ton Clinker

883. The local cement manufacturing industry has adequate capacity to produce ton clinker, which is the key raw material in cement manufacturing.

884. This presents an opportunity for value addition, and also preserve on the scarce foreign currency.

885. It is, thus, proposed to remove ton clinker from the Open General Import Licence in order to support local production.

886. These measures take effect from 1 January 2018.

Textile Industry

887. Notwithstanding support measures availed by Government to the textile manufacturing industry, the sector continues to face competition, due to the influx of dumped cheap imported fabrics.
888. This has been compounded by limited administrative capacity to identify the various types of fabrics.
889. Importers have, thus, used the capacity gap to declare imported products under tariff codes which attract lower rates of duty.
890. In order to minimise false declaration, I propose to introduce a Fabric Specification Declaration Form that will be used in the verification of fabrics.
891. A sample Fabric Specification Declaration Form is contained in Annexure 9.
892. ZIMRA will also collaborate with the textile industry with a view to building capacity.
893. It is further proposed to increase Customs Duty on Cotton Fabric from 10%, to 30% plus \$2.50 per kilogram, with effect from 1 January 2018.

Clothing Manufacturers' Rebate

894. The clothing manufacturers' rebate which was availed by Government with effect from 1 January 2016 has enabled manufacturers to be price competitive on the domestic market.

895. There is, thus, need to continue supporting procurement of raw materials at a lower cost, following the expiration of the rebate concession on 31 December 2017.

896. I, therefore, propose to extend the facility by a period of a further two years.

Luggage Ware Manufacturers' Rebate

897. Whereas Government availed the Luggage Ware Manufacturers' rebate facility with effect from 1 January 2016, manufacturers, however, faced challenges in accessing the facility which expires on 31 December 2017.

898. Most of the luggage ware manufacturers have not been able to raise the bond security, which is required to secure duty on raw materials in a bonded store.

899. The luggage ware manufacturers, thus, lost considerable time to utilise the facility.

900. Submissions from luggage ware manufacturers indicate that most companies now have the financial capacity to raise the bond security.
901. It is, therefore, proposed to extend the rebate facility for a period of two years beginning 1 January 2018.

Suspension of Excise Duty on Raw Wine

902. Government suspended excise duty on importation of raw wine, under a ring-fenced facility for approved manufacturers, for a period of one year beginning 1 January 2017, in order to supplement supply of locally produced raw wine.
903. Local production of raw wine is still insufficient to meet domestic distillers' demand.
904. In order to encourage local value addition, as well as enhance competitiveness of locally produced wine, I propose to extend the ring-fenced excise duty free importation of raw wine for another period of twelve months.
905. I further propose to increase the quantity of imported raw wine under concession from 30 000 to 90 000 litres.

Soap Manufacturers

906. In order to support production of lower cost locally manufactured soaps, thereby enhancing competitiveness, Government, in 2013, introduced a rebate of duty on raw materials used in the manufacture of soap.
907. Raw materials such as fatty acids, palm stearine and palm kernel oils, among others, are thus imported duty free.
908. There is, however, need to extend the list of raw materials covered under the existing duty concession to take account of advances in production formulae.
909. The concession will benefit such new investment in soap manufacturing. Already, investment to the tune of US\$50 million has been made into soap manufacturing, based on new production formulae.
910. The 2018 Budget, therefore, proposes to include under the rebate scheme selected inputs such as caustic soda, sodium carbonate and silicate, among other base chemicals.

Tourism Industry

Rebate of Duty on Capital Goods Imported by Tourism Operators

911. Government extended the rebate of duty on capital goods imported by Tourism Operators for a period of two years, with effect from 1 January 2016.

912. However, due to limited access to funding, the tourism sector has not been able to fully take advantage of the rebate scheme.

913. It is, therefore, propose to extend the rebate of duty for a further period of two years.

Suspension of Duty on Motor Vehicles Imported by Safari Operators

914. Government has also availed suspension of the duty facility on motor vehicles imported by approved safari operators, in order to replace ageing fleet.

915. Safari operators who have not been able to benefit from the incentive scheme due to financial challenges are, thus, now able to take advantage of the recently introduced Reserve Bank facility for the tourism sector.

916. The 2018 Budget, therefore, proposes to renew the facility for the next two years beginning 1 January 2018.

Support to Anchor Companies

Agriculture

917. I have already alluded to the 'New Economic Order', which prioritises high productivity in agriculture with a view to support and sustain other sectors of the economy.
918. Key to improving agriculture productivity is the provision of extension and technical services to smallholder farmers who in most cases lack the expertise to cultivate and market their produce.
919. Already, some small scale farmers are benefiting from strategic partnerships with *Anchor Farmers*. *The Anchor Farmer* concept integrates commercial farming and smallholder farmer outreach, providing farmers with access to inputs, agronomic advice, and markets.
920. In support of such partnerships, the 2018 Budget proposes a 150% allowable deduction on expenditure related to technical and support services availed to smallholder farmers by anchor farmers.

Manufacturing

921. The concept of anchor farmers will also be extended to manufacturing companies that sub-contract the production of goods to small to medium enterprises.

Power Generation

922. Government, in recognition of the energy deficiency within the country, extended a number of fiscal concessions towards power generating projects. These include rebate of duty on capital equipment and exemption from excise duty on diesel, which has assisted in minimising construction costs.
923. In view of the anticipated surge in demand for electricity, consistent with the growth trajectory expected under the new economic dispensation, investment in power generation projects such as small hydro and solar plants is critical.
924. It is, therefore, proposed to exempt power generation projects from Corporate Income Tax for the first 5 years of operation, with effect from 1 January 2018.
925. Thereafter, a corporate tax rate of 15% will apply.

Suspension of Customs Duty on Luxury Buses Imported by Approved Importers

926. Government in 2017, ring-fenced importation of 30 luxury buses at a reduced rate of 5% for a period of twelve months beginning 1 January 2017.
927. However, due to foreign currency challenges, some luxury bus operators have not been able to utilise the facility.

928. The 2018 Budget proposes to extend the ring-fenced suspension of duty on the outstanding quota of luxury buses by a further 1 year.

Tyre Re-treading

929. A number of companies have invested in the tyre re-treading business hence are expected to produce about 150 000 tyres in 2018.

930. Tyre casings, which are a key input in the re-treading of tyres for buses and lorries, however, attract the same rate of duty of US\$2.50 per Kg as finished tyres, thus, hampering growth of the industry.

931. In order to enhance the viability of the tyre treading industry and affordability of tyres, I propose to ring-fence 150 000 tyre casings imported by approved tyre re-treaders at a lower rate of duty of 15%, with effect from 1 January 2018.

Health Sector

932. Government, with effect from January 2016, introduced a rebate of duty on capital equipment imported by the mining, manufacturing, agriculture and power generation sectors.

933. However, imports of capital equipment by the health sector are liable to duty and VAT, hence undermine efforts to improve citizens' access to quality health facilities.

934. The 2018 Budget proposes to extend the rebate of duty facility on capital equipment imported by approved medical institutions and practitioners, with effect from 1 January 2018.

Micro Enterprises

935. You will recall that Government, during the 2017 National Budget, identified inadequate working capital as one of the hindrances to the growth of Small and Medium Enterprises.

936. Consequently, for the year 2017, Government ring-fenced US\$5.4 million projected revenue from presumptive taxes for on-lending to Small and Medium Enterprises.

Of the projected revenue, US\$3.5 million had, as at 30 September 2017, been collected and disbursed to the Small and Medium Enterprises Development Corporation.

937. However, an important Constituency, comprising of informal traders and vendors, also require capacitation, in support of transition to formal businesses so that they can begin to meaningfully contribute to the fiscus.

938. During Budget consultations, Treasury officials had opportunity to receive input from some of the representatives of the Apex Council of Sector Associations of informal traders as represented by the likes

of Ms Agnes Magunje, Mr Arthur Muromba and Mrs Charity Mandishona, among others.

939. The Sector Associations of informal traders pointed out potential opportunities for exploitation to enhance their contribution to overall economic activity and employment creation.

940. Among the challenges they outlined as undermining the realisation of their aspirations remains lack of requisite security to access financing, cost of capital, affordable premises to operate from, among others.

941. In order to address some of these challenges, I propose to ring-fence US\$2.5 million of the US\$5 million projected to be raised from presumptive taxes during the 2018 fiscal year towards support of initiatives to facilitate transition of informal traders and vendors to formal businesses.

942. The remaining US\$2.5 million will be channelled towards on-lending to Small and Medium Enterprises.

943. Of the ring-fenced amount for informal traders and vendors, US\$2 million will be used to finance construction of affordable premises, whilst US\$0.5 million will be earmarked for purchase of machinery by Sector Associations registered with the Ministry of Industry, Commerce and Enterprise Development.

944. Modalities for disbursement of the funds will be developed in consultation with the Ministry of Industry, Commerce and Enterprise Development.

Obligations under the SADC Trade Protocol

945. As a signatory to the SADC Trade Protocol, Zimbabwe committed itself to offering preferential tariff rates to other SADC Member States and also eliminate import restrictions.

946. Government has, however, been implementing a tariff regime that balances the sustainability of industry, balance of payments, regional and multilateral trade obligations, thereby partially contravening the *Free Trade Area* obligations.

947. The interventions have enabled resuscitation of some industries, enhanced capacity utilisation and competitiveness of locally produced goods.

948. In view of the progress realised, the support availed to the local industry will be reviewed.

Revenue Enhancing Measures

Export Tax on Un-beneficiated Minerals

Platinum

949. Government, in 2014, introduced a 15% tax on the exportation of un-beneficiated platinum with a view to compel mining companies to expeditiously transition towards value addition of the mineral, which continued to be exported in raw form.
950. However, implementation of tax was suspended over the period 2015 to 2017, to enable platinum producers to execute their commitments for establishment of beneficiation plants, in line with the agreed road map.
951. The Table below shows the progress made by platinum mining companies towards attaining the targets set in the agreed road map:

Level	Stage	Metallurgical Plant	Unki	Mimosa	Zimplats
1	Concentration to produce concentrates	Concentrator	Done	Done	Done
2	Smelting to produce Matte	Smelter (Matte)	To Commission in August 2018	Feasibility Studies	Done
3	Base Metal refining-recovering of base metals	Base Metal Refinery	Outstanding	Outstanding	Outstanding
4	Precious Metal Refining	Precious Metal Refinery	Outstanding	Outstanding	Outstanding

Source: Chamber of Mines

952. Government, however, notes with concern the slow pace in implementing agreed targets, particularly stage 3, which was due for completion by 1 January 2017.
953. As a consequence, the companies continue to export raw and semi-processed platinum.
954. Cognisant of investment that has already been made by some mining houses towards attaining milestones in the agreed road map, the 2018 Budget proposes to further defer implementation of the export tax on un-beneficiated and semi-beneficiated platinum to 1 January 2019.
955. The Budget also proposes to reduce the export tax from 15% to staggered rates of tax, as follows with effect from 1 January 2019:

Proposed Rates of Export Tax on Un-beneficiated Platinum

Level of Beneficiation	Export Tax on Un-beneficiated Platinum (%)
PGM Concentrate	5
White Matte	2.5
PGM and Base Metal	1
Precious Metal Refinery	0

Lithium and Dimensional Stones

956. Lithium, which is used in the manufacture of automotive batteries and the bulk of dimensional stones such as *Black Granite and*

Marble, are exported with minimum value addition, depriving the country of potential foreign currency receipts and opportunities to create employment.

957. For example, lithium concentrate with a grading of 5 to 6% lithium oxide is exported through off-take agreements at prices of about US\$600 per tonne.

958. Upon beneficiation, the resultant lithium carbonate is sold at prices ranging from US\$15 000 to US\$20 000 per tonne.

959. The 2018 Budget, therefore, proposes to impose an export tax of 5% on the gross value of exported lithium.

960. Further proposals to impose a staggered export tax on the export of un-beneficiated dimensional stones are as follows:

Dimensional Stone	Uncut	Cut only	Cut and Polished
Export Tax (%)	5	2.5	0

961. These measures take effect from 1 January 2019.

Deductions Allowable against Taxable Income

Removal of Input VAT from Deductible Expenditure

962. The Value Added Tax system provides for a refund on input tax incurred by registered operators.
963. Furthermore, the Income Tax legislation allows for deduction of expenses incurred in the production of income.
964. In order to reduce taxable income, taxpayers claim income tax expenses, including input Value Added Tax which would have been refunded, thereby prejudicing the fiscus.
965. Therefore, it is proposed to disallow the input VAT component from deductions allowable in the determination of taxable income.

Prepayments

966. Expenditure incurred by taxpayers during the normal course of trade is allowed as a deduction against income.
967. However, current legislation does not provide for the treatment of prepaid expenses, whereby taxpayers pay for goods and services in advance.
968. Taxpayers, thus, have an opportunity to claim deductions on the prepaid expenses, thereby prejudicing the fiscus.

969. In order to ensure that expenses are accounted for in the period in which they are incurred, it is proposed to apportion prepaid expenses in the determination of taxable income.

970. These measures take effect from 1 January 2018.

Levy on Sport Betting

971. Sport betting has rapidly grown as a recreational activity, generating in excess of US\$30 million per annum.

972. In order to mobilise resources to upgrade community recreational centres, the 2018 Budget proposes to levy 5% of gross takings by bookmakers, with effect from 1 January 2018.

Ports of Entry and Routes: Designation of Rutenga as a Port of Entry

973. The National Railways of Zimbabwe operates some inland railway sidings through which a significant volume of imported and exported goods transit en route to local and export destinations.

974. Rutenga inland railway siding, operated by the National Railways of Zimbabwe, is one of the strategically located private railway sidings that accounts for a significant volume of un-customed goods.

975. The Minister responsible for Finance may, subject to such conditions as he may specify, designate places to be *Ports* through which goods may be imported or exported.
976. Rutenga is, however, not designated as a port of entry, hence this poses a risk to customs duty and other taxes payable on such goods, since no ZIMRA officials are stationed to record and account for customs duty and other taxes payable.
977. In order to safeguard revenue to the fiscus, it is proposed to designate Rutenga as a Port of Entry, with effect from 1 January 2018.

Relief Measures

Amnesty for Interest and Penalties on Outstanding Taxes

978. His Excellency, the President, alluded that activities linked to 'Operation Restore Legacy' had helped uncover cases where huge sums of money and other assets were illegally externalised by certain individuals and corporates.
979. A three-month moratorium, within which those involved in the malpractice could bring back the funds and assets, with no questions being asked or charges preferred against them, was subsequently granted.

980. In the same vein, Government recognises that the economic challenges experienced over the past decade have resulted in a number of companies failing to meet their tax obligations.

981. The 2018 Budget, therefore, proposes an amnesty for interest and penalties on outstanding taxes accrued prior to 1 December 2017, for taxpayers that come forward and settle their obligations within the period ending 30 June 2018.

Moratorium on Tax Arrears for Companies Assisted by the Zimbabwe Asset Management Corporation

982. Government, through the Reserve Bank, created the Zimbabwe Asset Management Corporation as a Special Purpose Vehicle to house banking sector non-performing loans.

983. The corporation, thus, assisted several companies that were debt ridden, to restructure their balance sheets.

984. Turnaround efforts by some the companies have, however, been affected by the adverse macroeconomic environment, exacerbated by significantly high tax arrears to ZIMRA.

985. In support of initiatives to restructure the balance sheets of these companies, Government will consider, where warranted, a moratorium on tax arrears owed by companies that benefited from debt assumption by the Zimbabwe Asset Management Corporation.

Withholding Tax on Tobacco

986. The Income Tax legislation requires registered businesses to withhold and remit to ZIMRA, 10% of the value of the goods and services supplied by non-compliant businesses that would have not been issued with a tax clearance certificate.
987. Whereas a significant number of taxpayers have been complying with the requirement to withhold tax from non-compliant businesses, this has not been the case with *Tobacco Auction Floors* on sales by farmers.
988. The *Tobacco Auction Floors* have, thus, accumulated significant tax arrears.
989. This is despite the fact that tobacco farmers generate substantial revenue in excess of the aggregate amount of US\$250, above which tobacco buyers are required to withhold the 10% tax.
990. During the just ended 2017 tobacco marketing season, tobacco sales generated US\$600 million from A1 and A2 resettlement, communal and small scale commercial farmers as shown in the table 1 below:-

Threshold (US\$)	Number	of	Value (US\$ Millions)	%age Cont
10 000 and Below	80 474		260.9	47
10 001 to 20 000	4 543		59.8	11
20 001 to 50 000	854		24	4
50 001 to 100 000	140		10.2	2

100 001 to 1 million	486	126.3	23
Above 1 Million	46	77.8	14
Total	86 543	600	

Source: Tobacco Industry Marketing Board

991. Although registered buyers of tobacco should have withheld the 10% withholding tax from a significant number of farmers, this was not the case, since operations of some farmers, particularly at communal level, are not viable on account of the huge expenditures incurred in growing and marketing the crop.
992. In order to ease the tax burden on tobacco farmers that are experiencing viability challenges, the 2018 Budget proposes to exempt registered buyers of tobacco from the requirement to withhold the 10% tax, with effect from 1 January 2018.

VAT Withholding

993. In 2016, Government introduced a 10% withholding VAT on output tax charged by suppliers of goods and services, following realisation that some registered operators were under-declaring the extent and value of their supplies to large corporates, thereby suppressing the output tax charged and potential VAT remittances to ZIMRA.
994. ZIMRA subsequently appointed selected compliant VAT registered operators as withholding agents.
995. Whereas the withholding tax has assisted in minimising loss of revenue, it has, however, resulted in cash flow challenges for some

companies that would be required to claim from ZIMRA refunds that are not timeously processed.

996. In order to minimise cash flow challenges on VAT registered operators, the 2018 Budget proposes to review the VAT withholding rate from 10% to 5% of the value of taxable supplies, with effect from 1 January 2018.

997. Furthermore, VAT withholding tax will, however, not apply on transactions between compliant VAT registered taxpayers who would have been appointed as withholding agents.

VAT on Capital Equipment arising from Change of Policy

998. VAT registered operators are allowed to claim input VAT on capital goods used to manufacture taxable supplies.

999. However, in circumstances where the manufacturer changes use of the capital goods to produce exempt supplies, the plant and equipment is deemed to have been disposed, hence output VAT is payable.

1000. The decision by Government to exempt previously zero rated supplies, such as margarine, eggs, rice implies that plant and equipment used by registered operators was deemed to have been disposed, resulting in an unplanned output VAT liability.

1001. In order to mitigate the impact of the VAT liability on affected suppliers, it is proposed that the *Deeming Provision* shall not apply where change of use is emanating from Government policy.

1002. This measure takes effect from 1 January 2018.

VAT Exemption on Goat and Sheep Meat

1003. Whereas other meat products such as beef, chicken and pork are exempt from VAT, meat of goats and sheep is liable to a 15% standard rate of VAT.

1004. This scenario makes goat and sheep meat more expensive relative to other meat products.

1005. In order to level the playing field, the 2018 Budget proposes to exempt goat and sheep meat from VAT, with effect from 1 January 2018.

Thin capitalisation

1006. In the prevailing liquidity challenges, an increasing number of company shareholders are resorting to raising capital to finance business operations through borrowing in place of equity financing.

1007. The result is that companies are exceeding the Income Tax Act prescribed debt to equity ratio of three to one for companies that claim interest on loans as a tax deduction.

1008. Consequently, interest on the portion of the loan that results in the company exceeding the Prescribed Ratio is disallowed as a deduction against taxable income.

1009. In order to support capitalisation initiatives, it is proposed to exclude locally contracted debt from the Prescribed Ratio of three to one, on condition that the Parties involved are unrelated.

1010. Furthermore, in order to avoid manipulation of financial statements through inflating equity, the 2018 Budget proposes to define equity to include issued and paid up share capital, un-appropriated profits, reserves, realised reserves and interest free loans from shareholders.

1011. These measures take effect from 1 January 2018.

Capital Allowances on Housing, Hospitals and Schools Incurred by Special Mining Lease Holders

1012. Partial capital allowance relief is provided on expenditure incurred by holders of Special Mining Leases in construction of staff housing, hospitals and schools.

1013. In order to uplift the living standards of mining communities and also retain skilled labour force, the 2018 Budget proposes to review the allowances as follows:-

- Staff housing, from US\$10 000 to US\$25 000; and
- Schools, hospitals, clinics and nursing homes, US\$150 000.

1014. These measures take effect from 1 January 2018.

Value Addition and Beneficiation: Royalty on Un-beneficiated Raw Diamonds

1015. In order to promote mineral beneficiation, which has potential to substantially increase foreign currency earnings and also create employment, Government removed the 15% royalty payable on diamonds sold to domestic firms for purposes of cutting and polishing, with effect from 1 January 2015.

1016. The concession was expected to lower the price of diamonds supplied to domestic industry by the value of the royalty forgone.

1017. However, Government notes with concern that local diamond producers have not been passing the benefit arising from the exemption as a price discount to domestic beneficiation firms, thereby undermining initiatives to encourage local beneficiation.

1018. The 2018 Budget, therefore, proposes to amend the legislation to provide for a price discount on diamonds sold to domestic firms that are engaged in beneficiation activities, with effect from 1 January 2018.

1019. The price discount will be equivalent to the value of the diamond royalty forgone.

Duty on Commercial Tyres

1020. Despite a supportive duty structure of 15% plus US\$5/kg instituted to level the playing field between imported and locally manufactured tyres, the tyre manufacturing industry continues to experience viability challenges.

1021. Consequently, the sole manufacturer of commercial truck tyres had ceased operations but is, however, scheduled to resume production during the first quarter 2018.

1022. In the absence of a local producer, commercial vehicle operators are importing tyres at a relatively high cost, hence are in some instances deferring the replacement of worn tyres, risking the lives of road users.

1023. It is, therefore, proposed to ring-fence importation of 100 000 tyres at a lower duty rate of 15% for the first quarter of 2018.

Export and Foreign Remittance Incentive

1024. In support of export growth and generation of foreign currency, Government, in June 2016, introduced an Export and Foreign Remittance Incentive scheme.

1025. Proceeds from the export incentive scheme were subsequently exempt from Income Tax with effect from 23 March 2017, the date of promulgation of the Finance Act.

1026. The 2018 Budget, therefore, proposes to align the Income Tax relief on Export and Foreign Remittance Incentives to the date of introduction of the scheme, that is, June 2016.

Interest on Penalties

1027. The current legislation provides for levying of interest on unpaid penalties.

1028. The impact of levying interest on penalties has resulted in unsustainable tax obligations and, in some instances, liquidation of companies.

1029. In order to give relief to companies, it is proposed to repeal interest on the Penalty, with effect from 1 January 2018.

Effective Date for Health levy

1030. Whereas Government had proposed 1 January 2017 as the effective date for levying of Health Levy, the Finance Act was, however, promulgated on 23 March 2017.

1031. In order to avoid retrospective collection of revenue, the 2018 Budget proposes that the Health Levy be effective from the date of promulgation of Finance Act, 2017.

Review of Mining Fees and Charges

1032. In order to enhance the viability of the mining sector, through promotion of investment in prospecting and exploration activities, as well as promote beneficiation, Government continues to review mining fees and charges.

1033. The ground rental fee applicable to diamond concessions is currently levied at US\$3 000 per hectare per annum, set with a view to discourage speculative holding of claims.

1034. However, representations have been made to Government with appeals to lower the cost of doing business and promote sustainable operation of diamond mining companies.

1035. The 2018 Budget, therefore, proposes a downward review of ground rental fees in retrospect from \$3 000 to \$225 per hectare per annum.

Fees on Cancellation of Export Bill of Entry

1036. The current legislation provides for a fine of US\$50 on cancellation of an Export Bill of Entry due to registration errors or termination of export orders by prospective customers, among other factors.

1037. In order to reduce the cost of doing business, it is proposed that the fee be reduced from the current US\$50 to US\$10, where an export order has been cancelled, with effect from 1 January 2018.

Efficiency in Revenue Administration

Non-tax Revenue

1038. Revenue from fees, charges and fines is currently being collected mainly using cash, plastic money through Point of Sale Machines, and electronic bank transfers.

1039. Collection of non-tax revenue through use of mobile money platforms such as Eco-cash, Tele-cash and One-money remains negligible. This is in spite of significant growth in the use of mobile money across other sectors.

1040. There is, therefore, need for public institutions to also tap into Mobile Money Platforms through which the public can pay fees, charges and levies with relative ease of payment, and administrative efficiencies for revenue collection.

1041. This would also go a long way in curbing rent seeking behaviours that arise from collusion between users of services and receivers of revenue, thereby enhancing revenue to the fiscus.

Interface with Government Payments System

1042. Furthermore, in order to enhance transparency, the 2018 Budget proposes that the Government Payments System be interfaced with the Mobile Money Platforms through which Treasury can monitor, in real time, daily Departmental revenue receipts.

Re-organisation of Beitbridge Border Post

1043. Government acknowledges the need to ease entry and exit of tourists and travellers, improve trade facilitation and revenue collection efficiency at Beitbridge Port of Entry.

1044. In the longer term, this will also require large investment in new infrastructure facilities at the port of entry.

1045. In the interim, Government has been working with the African Development Bank to improve exit and entry efficiencies using the existing facilities.

1046. In this regard, the Border Post expert subsequently engaged, with the assistance of funding from the African Development Bank, has since concluded the final report to this effect.

1047. Government is, therefore, implementing the following short term measures:

- Full roll out of the *Electronic Cargo Tracking System*;
- Connection of electronic manifest control system to the ASYCUDA World Server;
- Harmonisation of Container Depot operations to 24 hours in line with the Border Post operating hours;
- Connection of mobile scanners to ASYCUDA World Server in order to enable real time entry and timely acquittal of goods;
- Relocation of passenger buses carrying commercial cargo to a transit shed for purposes of clearance. This assists to provide convenience to travelers with nothing to declare;
- Implementation of the e-customs initiative for the advance clearance and online payment of relevant charges for tourist motor vehicles;
- Enhancement of the current status where searches are conducted at a single bay by all agencies, thereby minimising delays and inconveniences arising from multiple searches;
- Implementation of a single and central payment window for duty, fees and other charges;

- Installation of a public address system to facilitate efficient clearance of travellers;
- Construction of a customs barrier that is accessed through an electronic control;
- Installation of an electronic system that sequences and notifies the next person to be served;
- Construction of a shed for storage of seized vehicles; and
- Construction of a clearance booth and post signage.

1048. ZIMRA will, thus, be held to account for meaningful progress on implementation of the short term measures by end of March 2018.

Measures Taken to Decongest Beitbridge Border Post

1049. In order to decongest the Beitbridge Border Post, Government has installed a Closed Circuit Television system which monitors adherence to border procedures by ZIMRA and other agencies.

1050. In addition, security forces were deployed to remove touts, vendors and beggars from the Customs Controlled Area.

1051. These measures have, however, not yielded the intended results.

Removal of Unauthorised Persons from the Customs Controlled Area

1052. Whereas only licenced agents should operate within the Customs Controlled Area, there however, has been a proliferation of touts who solicit for business from travellers, smugglers and illegal immigrants.

1053. The situation is worsened by vendors and beggars who also undertake their business within the Customs Controlled Area.

1054. This is despite the presence of security agencies, who should maintain law and order, since Ports of Entry are security zones.

1055. Activities of unauthorised persons have resulted in congestion which creates a conducive environment for rent seeking activities, thereby prejudicing the fiscus of potential revenue.

1056. Congestion has also contributed to delays in the clearance of Bona-fide travellers, who experience inconveniences when completing immigration and customs formalities.

1057. The image of the country is also tarnished, thereby affecting tourist arrivals.

Restoration of Order

1058. In order to eliminate inefficiencies due to congestion arising from activities of unauthorised persons operating at Beitbridge Border

Post, and also drawing from the new dispensation, as enunciated by His Excellency, the President, Government proposes an extension of *Operation Restore Legacy* by the Zimbabwe Defence Forces, to Beitbridge Border Post, in order to restore order.

1059. The Zimbabwe Defence Forces command structures will, therefore, with immediate effect, coordinate with other security agencies removal of touts, vendors and beggars from the Customs Controlled Area.

1060. Furthermore, in order to ensure that only authorised persons enter the Customs Controlled Area, thereby eradicating loitering, it is proposed to demarcate the pathway for pedestrians entering and exiting the Customs Controlled Area, in line with best practice in the region.

Ports Authority

1061. In order to enhance efficiency at Ports of Entry, Government is in the process of establishing a National Ports Authority, whose mandate is to maintain infrastructure and manage the administrative affairs of Border Posts, among others.

1062. In the interim, the Zimbabwe Revenue Authority will be the Lead Agency, which coordinates operations of Border Posts, in order to avoid discord, since multiple agencies operate at the Border Posts.

Bonded Warehouses

1063. In order to facilitate trade, the Commissioner General of ZIMRA may licence bonded warehouses to secure goods without payment of duty.

1064. Currently, 245 premises have been registered as *Bonded Warehouses*, of which about 70 accommodate motor vehicles.

1065. Proprietors of these bonded warehouses are compelled to accommodate goods imported by other traders, subject to availability of space, hence assume risk on behalf of other importers.

1066. Traders are, however, required to furnish ZIMRA with proof that the proprietor is willing to store the goods under the surety of a bond.

1067. Importers have taken advantage of limited ZIMRA administration capacity to monitor *Bonded Warehouses*, hence generate fraudulent documentation which purportedly shows that proprietors would have provided space and bond surety for imported goods, thereby prejudicing the fiscus of revenue.

1068. In order to countervail this malpractice, the 2018 Budget proposes to provide for *Private* and *Public Bonded Warehouses*, with effect from 1 January 2018.

1069. For ease of monitoring, importations into *Private Bonded Warehouses* will be linked to the proprietors' Business Partner Numbers, whereas *Public Bonded Warehouses* will be manned by ZIMRA officers.

Pre-clearance of goods

1070. Under the current legislation, an importer or his agent, has the option to lodge pre-clearance documents before arrival of the goods dispatched by rail, road or air transport.

1071. The submission of import documents and other required information, including Manifests, facilitates processing by ZIMRA prior to the arrival of goods, thereby expediting the release of the cargo upon arrival.

1072. In order to ease congestion, which is a major barrier to trade, it is proposed that mandatory pre-clearance of commercial cargo transported by road, be implemented with effect from 1 February 2018.

1073. This policy will also apply where a transporter consolidates consignments imported by private individuals.

Temporary Exportation of Motor Vehicles

1074. Syndicates, that include Government Agencies and individuals, prejudice the fiscus through evasion of customs duty on high value motor vehicles.

1075. These syndicates fraudulently obtain number plates for non-existent vehicles which they fix onto imported vehicles, purported to have been temporarily exported.

1076. In order to counter such fraudulent activities, thereby safeguarding revenue to the fiscus, the 2018 Budget proposes to automate the recording of vehicles exported temporarily.

Penalty for Failure to Report Malfunctioning or Theft of Fiscal Devices

1077. The usage of fiscal devices by VAT registered operators in category C has improved from 5 500 in 2016 to 6 300 taxpayers in 2017.

1078. Despite this progress, some taxpayers are reluctant to report malfunctioning or stolen fiscal devices, thereby threatening potential revenue flows to the fiscus.

1079. In order to promote compliance in the use of fiscal devices, the 2018 Budget proposes to impose a penalty of US\$25 per device per day, up to a maximum of 181 days, for failure to report malfunctioning or theft of fiscal devices within eight hours.

1080. It is further proposed to impose a fine not exceeding Level 7 of the Standard Scale of Fines or imprisonment for such a period not exceeding twelve months where the maximum period of 181 days has lapsed.

1081. ZIMRA will, thus, be expected to develop a platform to facilitate reporting of faulty or stolen devices.

1082. These measures take effect from 1 January 2018.

Development Partners

Rebate of Duty on Goods Imported by Development Partners under an Aid or Technical Cooperation Agreement

1083. In recognition of the importance of development assistance, Government provides a rebate or refund of duty on goods imported by Development Partners under an *Aid or Technical Cooperation Agreement*.

1084. Goods imported by Development Partners under an *Aid or Technical Cooperation Agreement* are, thus, exempt from *Customs Duty* and import *Value Added Tax (VAT)*.

Value Added Tax on Locally Purchased Goods

1085. Current legislation provides for the exemption from VAT, of such goods and services purchased by or supplied to persons approved by Government.

1086. The exemption of goods and services in place of institutions is consistent with international best practice and also assists in minimising potential incidences of fraud.

1087. Administratively, the VAT exemption is implemented through a refund mechanism, whereby the exempt persons are requested to pay VAT upfront and thereafter lodge a refund claim with the tax administration.

1088. Within the scope of this legislative provision, Government has, on a case by case basis, been granting VAT exemption on projects undertaken by development partners under an *Aid or Technical Cooperation Agreement*, where goods are procured locally.

1089. As already pledged by His Excellency, the President, during his inauguration speech, definitive steps to re-engage the international community will be initiated.

1090. It is anticipated that cooperation with *Development Partners* will be broadened, thereby increasing projects that will be implemented.

1091. In this regard, it is necessary to facilitate development assistance through migration from the piece meal, case by case approach, that delays implementation of projects.

1092. The 2018 Budget, therefore, proposes to extend the *Value Added Tax Refund* facility on goods locally purchased for use on *Approved Projects* by all Development Partners.

1093. The refund facility will also be provided to *Agents* who are contracted by such Development Partners.

1094. Furthermore, in order to expedite completion of projects, refunds will be processed within a period not exceeding 30 days.

1095. These measures take effect from 1 January 2018.

Legislative Amendments

VAT exemption on Financial Services

1096. In support of initiatives towards financial inclusion, Government in 2017 exempted banking and payment solutions offered by any person registered under the National Payments Systems Act from VAT.

1097. However, the legislative amendment erroneously removed banking institutions from the definition of financial institutions which are already exempt from VAT.

1098. It is, therefore, proposed to amend the definition of financial services to include banking institutions.

Exemption of Taxes and Levies on Fuel Imported for Approved Power Generation Projects

1099. Government took a decision to support approved power generation projects by availing a facility for importation of diesel without payment of excise duty, carbon tax, NOCZIM Debt redemption and strategic fuel reserve levies.

1100. Exemption from excise duty on diesel has already been facilitated through subsidiary legislation.

1101. The 2018 Budget, therefore, proposes to regularise the exemption of diesel imported for use in approved power generation projects from carbon tax, NOCZIM Debt redemption and strategic fuel reserve levies, with effect from 1 January 2017.

Presumptive Tax - Designation of Collecting Agents

1102. The Income Tax legislation requires designated agencies to collect presumptive tax on hair salons, commuter omnibuses, haulage trucks, taxi cabs and driving schools, among others.

1103. Commencement of revenue collection by designated agencies is, however, subject to conclusion of a contract with ZIMRA, providing for the level of agency fees and training of personnel.

1104. Government, however, notes that contract negotiations between ZIMRA and designated agents takes considerable time, thereby prejudicing revenue to the fiscus.

1105. It is, therefore, proposed to remove the requirement for a contract between ZIMRA and agencies appointed to collect presumptive taxes, with effect from 1 January 2018.

Reduction of Mineral Royalties for Platinum

1106. Government entered into *Special Mining Lease Agreements* with some platinum group mining companies which provide for a specific royalty rate of 2.5%.

1107. However, platinum produced by mining companies that do not have a *Special Mining Lease Agreement* remained liable to a royalty rate of 10%, as provided for in the Finance Act.

1108. In line with the principles of equity and fairness in the taxation system, Government committed, in April 2017, to align the royalty rates to 2.5% as part of the 2018 Budget measures.

1109. The 2018 Budget, therefore, proposes to regularise royalty rates for platinum on all platinum group mining companies with effect from 1 April 2017, until August 2019.

CONCLUSION

1110. The above measures are not exhaustive and will continue to be enhanced as we move towards a *'New Economic Order'* for a prosperous Zimbabwe.

1111. While implementation of these measures will be painful in the short term, their medium term benefits are quite positive, laying a solid recovery path for the economy.

1112. In addition, having been isolated by the international financial markets for more than a decade, effective implementation of the turnaround measures will send a strong signal to the international community and capital markets and ultimately, facilitate the much needed financial support for the country's development agenda.

Hon. P.A. Chinamasa (M.P.)

Minister of Finance and Economic Development

7 December 2017

ANNEXURES

Annexure 1: GDP Growth Rates by Sector (%)

	2017	2018	2019	2020
GDP by Industry Growth Rates	3.7	4.5	5.6	6.0
Agriculture and forestry	14.6	10.7	8.1	8.9
Mining and quarrying	8.5	6.1	7.6	8.9
Manufacturing	1.0	2.1	3.9	4.2
Electricity and water	10.7	28.5	11.9	6.6
Construction	2.2	2.1	8.1	8.4
Distribution, Hotels and restaurants	1.1	7.3	7.0	8.0
Transportation and communication	2.3	1.9	4.1	6.0
Financial, banking and insurance activities	0.2	1.2	9.2	6.2
Administrative and support service activities	-0.9	-0.9	-0.9	-0.9
Education and training	2.3	0.5	3.1	3.1
Human health and social work activities	2.0	2.2	1.0	1.0
Private's education and health	2.2	0.9	2.7	2.6
Real estate activities	2.2	2.1	8.1	8.4
Other service activities	-1.7	-0.8	-0.2	1.0
Private households with employed persons	-1.5	0.0	0.8	0.0

Source: Ministry of Finance & Economic Development, Reserve Bank

Annexure 2: Crop and Livestock Output ('000' tons)

	2017	2018	2019	2020
Agriculture Growth (%)	14.6	10.7	8.1	8.9
Tobacco (flue cured)	190	200	210	215
Maize	2155	2200	2500	2550
Beef	74	82	95	105
Cotton	75	130	150	150
Sugar cane	4350	4900	5100	6900
Horticulture	67	68	69	70
Poultry	121	158	165	178
Groundnuts	139	139	150	200
Wheat	160	200	250	350
Dairy (m lt)	83	88	95	105
Coffee	1	1	1	1
Soybeans	36	72	75	80
Tea	19	20	20	21
Paprika	8	8	8	9
Pork	10	11	14	15
Wildlife	32	33	32	35
Sorghum	182	200	228	230

Barley	12	13	28	30
Sheep & goats	9	11	12	13
Sunflower seeds	10	11	4	5
Ostriches	19	19	19	19

Source: Ministry of Agriculture, Mechanisation and Irrigation Development

Annexure 3: Mining Output

	2017	2018	2019	2020
Overall Mining Growth (%)	8.5	6.1	7.6	8.9
Black Granite \t	215	216	218	220
Chrome \t	1 500	1 700	2 000	2 100
Coal \t	3 500	4 500	5 000	6 200
Cobalt \t	450	500	520	550
Copper \t	9 336	9 500	9 700	10 100
Gold \kg	24 500	26 000	28 000	30 000
Graphite \t	7 200	8 250	8 300	9 000
Iridium \t	650	700	725	750
Nickel \t	17 700	17 800	18 560	20 500
Paladium \kg	12 400	12 400	12 800	13 500
Phosphate \t	28 600	28 886	29 175	9 000
Platinum \kg	15 500	15 500	16 000	17 000
Rhodium \kg	1 500	1 500	1 548	1 645
Ruthenium \kg	1 300	1 300	1 342	1 426
Diamonds	2 500	3 500	4 500	5 600

Source: Ministry of Finance & Economic Development

Annexure 4: Manufacturing Indices

	2017	2018	2019	2020
Manufacturing Growth (%)	1.0	2.1	3.9	4.2
Foodstuffs	101	105	110	115
Drinks, Tobacco and Beverages	99	100	105	110
Textiles and Ginning	80	85	87	88
Clothing and Footwear	95	97	99	100
Wood and Furniture	98	99	100	105
Paper, printing and Publishing	91	95	95	95
Chemical and Petroleum Products	88	88	92	100
Non metallic mineral products	143	145	147	150
Metals and Metal products	70	71	76	80
Transport, Equipment	66	67	68	69
Other manufactured goods	67	67	68	69

Source: Ministry of Finance & Economic Development

Annexure 5: Fiscal Framework (US\$m)

Budget Framework	2017 Est.	2018 Prj.	2019 Prj.	2020 Prj.
Nominal GDP (US\$ Million)	18130.0	19426.3	21108.5	23067.7
Real GDP Growth (%)	3.7	4.5	5.6	6.0
CPI Annual Average (%)	1.1	3.0	5.8	6.3
Revenue and Grants (US\$M)	4338.5	5071.2	5484.4	5970.0
Tax Revenue (US\$M)	3668.5	4300.0	4675.9	5080.0
% of GDP	20.2	22.1	22.2	22.0
Non Tax Revenue (US\$M)	237.0	237.2	254.5	300.0
% of GDP	1.3	1.2	1.2	1.3
Retained Funds	433.0	434.0	434.0	434.0
% of GDP		2.2	2.1	1.9
Grants		100.0	120.0	156.0
% of GDP		0.0	0.0	0.0
Total Expenditure (US\$M)	6045.0	5743.0	5893.5	6033.5
% of GDP	33.3	29.6	27.9	26.2
Recurrent Expenditure (US\$M)	4515.0	4581.0	4578.0	4676.3
% of GDP	24.9	23.6	21.7	20.3
Employment Costs (US\$M)	3394.8	3239.4	3268.4	3268.4
% of GDP	18.7	16.7	15.5	14.2
Capital and Net lending (US\$M)	1530.0	1162.0	1315.5	1357.2
% of GDP	8.4	6.0	6.2	5.9
Budget Balance (US\$M)	-1706.5	-671.8	-409.1	-63.5
% of GDP	-9.4	-3.5	-1.9	-0.3
Total Debt Stock (US\$M)	13579.0	14454.8	15075.3	15283.0
% of GDP	74.9	74.4	71.4	66.3
Domestic (US\$M)	6031.4	6699.7	7002.2	6894.9
% of GDP	33.3	34.5	33.2	29.9
Foreign (US\$M)	7547.6	7755.1	8073.1	8388.1
% of GDP	41.6	39.9	38.2	36.4

Source: Ministry of Finance of Finance & Economic Development, Reserve Bank

Annexure 6: Targeted Housing Projects for 2018

NAME OF PROJECT	IMPLEMENTING AGENCY	LOCATION	2018 BUDGET FUNDING MIX				
			Budget	Own Resources	Beneficiary Contributions	Loan Financing	Total Resources
			US\$	US\$	US\$	US\$	US\$
Lona Funded Schemes			7,800,000	20,000,000		31,682,000	59,482,000
Tafara Flats	MLGPWNH	Tafara	1,000,000				1,000,000
Budiriro Flats	MLGPWNH	Budiriro	1,200,000				1,200,000
Civil Service Housing Scheme	MLGPWNH	Various	5,600,000				5,600,000
Nemamwa	IDBZ	Masvingo				1,282,000	1,282,000
Sumben Housing Project	IDBZ	Harare		5,000,000		7,200,000	12,200,000
Empumalanga West Housing Project	IDBZ	Hwange		3,000,000		2,800,000	5,800,000
Kariba Housing Project	IDBZ	Kariba		4,000,000		10,900,000	14,900,000
Clipsham II housing project	IDBZ	Masvingo		4,500,000		6,500,000	11,000,000
Gwanda Housing Project	IDBZ	Gwanda		3,500,000		3,000,000	6,500,000
Beneficiary Funded Shemes			9,740,000	67,300,000	5,500,000	6,000,000	88,540,000
Crownlands Home Ownership scheme	Chinhoyi Town council	Chinhoyi	1,000,000		1,000,000		2,000,000
Mkoba Home Ownership Scheme	City of Gweru	Gweru	800,000				800,000
Tshovani Home Ownership	Chiredzi Town Council	Chiredzi	1,660,000				1,660,000
Murereki Home Ownership Scheme	Makonde RDC	Makonde	1,280,000				1,280,000
Knockmalloch Housing Development	UDCORP	Norton		35,000,000		6,000,000	41,000,000
Umvutcha Housing Development	UDCORP	Bulawayo	3,000,000	8,000,000			11,000,000
Manresa Housing	UDCORP	Harare		18,300,000			18,300,000
Glenview Housing	UDCORP	Harare		4,000,000			4,000,000
Edinburgh Housing Development	UDCORP	Harare			1,500,000		1,500,000
Dunottar Housing Development	UDCORP	Harare			3,000,000		3,000,000
Chirundu Housing Development	UDCORP	Chirundu	2,000,000	2,000,000			4,000,000
Urban Renewal/Regularisation Schemes			-	2,000,000	32,400,000	-	34,400,000
Sakubva Renewal	MLGPWNH	Mutare		2,000,000			2,000,000
Highfields Messenger Camp		Highfields			2,400,000		2,400,000
Caledonia Housing Development Regularisation	UDCORP	Harare			10,000,000		10,000,000
Retreat Housing Development Regularisation	UDCORP	Harare			10,000,000		10,000,000
Nyatsime Housing Development Regularisation	UDCORP	Chitungwiza			3,000,000		3,000,000
Gimboki Housing Development Regularisation	UDCORP	Mutare			4,000,000		4,000,000
Hatcliffe Housing Development Regularisation	UDCORP	Harare			3,000,000		3,000,000
GRAND TOTAL			17,540,000	89,300,000	37,900,000	37,682,000	182,422,000

Source: Ministry of Finance and Economic Development

Annexure 7: Furniture Industry Raw Materials

Tariff Code	Description	Current Customs Duty %
3208.90.00	-Other paints and varnishes	20
3916.90.00	- Of other plastics	10
3921.90.90	- - -Other plates, sheets, film	10
3926.30.00	- Fittings for furniture, coachwork or the like	40
4408.10.10	---Planed, sanded or finger-jointed sheets for veneering	10
4408.10.90	---Other Sheets for veneering	10
4811.9020	---Paper foil for use in the manufacture of furniture	10
5507.00.00	ARTIFICIAL STAPLE FIBRES, CARDED, COMBED OR OTHERWISE PROCESSED FOR SPINNING	10
5515.99.10	- - -Canvas weighing not less than 340g/m2	10
5515.9990	--- Other	10
7317.00.00	Nails	20
8302.42.00	-- Other, suitable for furniture	20
8302.49.90	--- Other	20
9401.90.00	- Parts of Seats	20

Annexure 8: Ring-fenced Milk Powder Requirements

Name of Company	Full Cream Milk Powder (Kgs)	Skimmed Milk Powder
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		(Kgs)
Alpha Omega Dairy	100 000	-
Carnethy Estate (Pvt) Limited	60 000	-
Competitive Brand Shapers TA CBS	80 000	-
Dairibord Zimbabwe (Private) Limited	1 220 000	1 500 000
Dendairy (Private) Limited	1 800 000	670 000
Gouda Gold, trading as Yomilk	90 000	-
Kefalos Cheese Products	120 000	75 000
Kershelmar Dairies	40 000	20 000
Nestle Zimbabwe (Private) Limited	-	300 000
Probrands (Private) Limited	500 000	50 000

Annexure 9: Fabric Specification Declaration Form

Fabric Structure	Woven / Weft Knitted / Warp Knitted or Non Woven
Composition	100% Cotton/100% Polyester/ 65% polyester & 35% Cotton etc Precise % of the fibre or yarn composition must be provided
Weight	The weight of fabric in both grams per square metre and the weight of fabric per running metre.
State	Whether the fabric is loom or greigh or unbleached state/ dyed/ bleached/printed or Yarn dyed.
Yarn Type	Whether staple fibre yarn/texturised filament yarn/ untexturised filament yarn etc

Annexure 10: Guidelines for Farmer Identification for the Special Crop/Command Programme 2017/18 Season.

1. The following are guidelines being used to contract farmers under the Command Agriculture Programme.

- Proof of land ownership for example title deed, offer letters, leases, permits and support letter from Village/Kraal head for communal area;
- Previous records on special crop/command agriculture programme (NB defaulters not to be considered);
- Verified arable land size (use of GPS for area measurement);
- Farmers production records and evidence of sales e.g. electricity, water bills, labour records, input record books and sales records;
- Proof of farm equipment, storage facilities, harvesting equipment, shelling and threshing equipment;
- Farm management arrangement (source of draft power, availability of agricultural labour, evidence of good agricultural practices, conservation works on the farm);
- Natural region 1,2,3 except where there are functional irrigation facilities;
- Functional and non-functional irrigation systems on farm (NB rehabilitation requirements for those with non-functional irrigation schemes must be stated as well as availability of water permits); and

- Farmers' capability.
2. Proposed land sizes to be supported under each sector
- Communal sector-**3ha**;
 - OR/A1 farming sector -**5ha**;
 - Small scale commercial farming sector-**10ha**;
 - Medium scale commercial farming-**20ha**;
 - Large scale commercial farming sector-**100ha**;

 - Irrigation schemes-allocate according to land size per scheme, considering reliability of water supply source and sufficiency of water, and the irrigation system should be functional; and

 - Government Institutions and Parastatals e.g. ZPCS, Police, Army, ARDA-Can be given 100% depending on capability.

Annexure 12: State Enterprises & Local Authorities

1. Agribank
2. Agricultural and Rural Development Authority
3. Agricultural Marketing Authority (AMA)
4. Air Zimbabwe
5. Allied Timbers Zimbabwe (Private)
6. Broadcasting Authority of Zimbabwe
7. Civil Aviation Authority of Zimbabwe (CAAZ)
8. CMED (Pvt) Ltd
9. Cold Storage Company (CSC)
10. Courier Connect
11. Deposit Protection Corporation
12. Environmental Management Agency (EMA)
13. Forestry Commission
14. Grain Marketing Board (GMB)
15. Hwange Colliery
16. Industrial Development Corporation
17. Infrastructural Development Bank of Zimbabwe (IDBZ)
18. Kariba Hydro-Power Company
19. Kingstons Limited
20. Liquor Licensing Authority
21. Medicines Control Authority of Zimbabwe (MCAZ)
22. Minerals Marketing Corporation
23. National Arts Council of Zimbabwe
24. National Biotechnology Authority
25. National Handling Services (NHS)
26. National Oil Infrastructure Company
27. National Pharmaceutical Company
28. National Railways of Zimbabwe (NRZ)
29. National Social Security Authority (NSSA)
30. NetOne (Pvt) Ltd
31. New Ziana
32. People's Own Savings Bank (POSB)
33. Petrotrade
34. Pig Industry Board
35. Postal and Telecommunications Regulatory Authority (POTRAZ)
36. Powertel

37. Printflow (Pvt) Ltd
38. Radiation and Protection Authority of Zimbabwe (RPAZ)
39. Reserve Bank of Zimbabwe
40. Road Motor Services
41. Rural Electrification Agency
42. Scientific and Industrial Research and Development Centre
43. Small and Medium Enterprises Development Corporation
44. TelOne
45. Tobacco Industry Marketing Board
46. Tobacco Research Board
47. Transmedia Corporation
48. UDCORP
49. Urban Development Corporation
50. Verify Engineering (Pvt) Ltd
51. Willowvale Mazda Motor Industries
52. ZESA Enterprises
53. ZESA Holdings
54. Zimbabwe Academic Research Network (Zarnet)
55. Zimbabwe Broadcasting Corporation
56. Zimbabwe Consolidated Diamond Mining Company
57. Zimbabwe Defence Industries (ZDI)
58. Zimbabwe Electricity Transmission and Distribution Company
59. Zimbabwe Energy Regulatory Authority (ZERA)
60. Zimbabwe Institute of Public Administration and Management
61. Zimbabwe International Trade Fair (ZITF)
62. Zimbabwe Investment Authority (ZIA)
63. Zimbabwe Mining Development Corporation
64. Zimbabwe National Road Administration (ZINARA)
65. Zimbabwe National Water Authority
66. Zimbabwe Parks and Wildlife Management Authority (ZIMPARKS)
67. Zimbabwe Posts
68. Zimbabwe Power Company
69. Zimbabwe Revenue Authority (ZIMRA)
70. Zimbabwe Tourism Authority
71. Insurance and Pensions Commission
72. Local Authorities

ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
AU	African Union
BEAM	Basic Education Assistance Module
BOP	Balance of Payments
BOT	Build, Operate & Transfer
BSP	Budget Strategy Paper
CAAZ	Civil Aviation Authority of Zimbabwe
CDF	Constituency Development Fund
CIT	Corporate Income Tax
COMESA	Common Market for Eastern and Southern Africa
COTTCO	Cotton Company of Zimbabwe
CPI	Consumer Price Index
CZI	Confederation of Zimbabwe Industries
DDF	District Development Fund
DFID	Department for International Development
DSA	Debt Sustainability Analysis
ECD	Early Childhood Development
EMA	Environmental Management Agency
EU	European Union
FAO	Food and Agriculture Organisation
GDP	Gross Domestic Product
GMB	Grain Marketing Board
HSCT	Harmonized Social Cash Transfer System
IBDZ	Infrastructure Development Bank of Zimbabwe
ICT	Information Communication technology

IDC	Industrial Development Corporation
IFIs	International Finance Systems
IMF	International Monetary Fund
IPEC	Insurance and Pension Commission
I-PRSP	Interim Poverty Reduction Strategy Paper
JICA	Japan International Cooperation Agency
MoAMID	Ministry of Agriculture, Mechanization and Irrigation Development
MoFED	Ministry of Finance and Economic Development
MoHCC	Ministry of Health and Child Care
MoHTE	Ministry of Higher and Tertiary Education
MoIC	Ministry of Industry and Commerce
MoJLPA	Ministry of Justice, Legal and Parliamentary Affairs
MoLGRDNH	Ministry of Local Government, Rural Development and National Housing
MoMEPIP	Ministry of Macro-Economic Planning and Investment Promotion
MoPSE	Ministry of Primary and Secondary Education
MPSLSW	Ministry of Public Service, Labour and Social Welfare
MSMECD	Ministry of Small and Medium Enterprises and Cooperative Development
MTEHT	Ministry of Tourism, Environment and Hospitality Industry
MWAGCD	Ministry of Women Affairs, Gender and Community Development
MYIEE	Ministry of Youth, Indigenization and Economic Empowerment
NASSA	National Social Security Authority
NPLs	Non-Performing Loans
NRZ	National Railways of Zimbabwe
OFID	Opec Fund for International Development
PFM	Public Finance Management
PFMA	Public Finance Management Act
PFMS	Public Finance Management System

PIT	Personal Income Tax
PPPs	Public-Private Partnerships
PRSP	Poverty Reduction Strategy Paper
PSC	Public Service Commission
PSIP	Public Sector Investment Programme
RBZ	Reserve Bank of Zimbabwe
RDCs	Rural District Councils
SADC	Southern African Development Community
SERA	State Enterprises Reform Agency
SMEDCO	Small and Medium Enterprises Development Corporation
SEPs	State Owned Enterprises
SEZ	Special Economic Zones
TIMB	Tobacco Industry Marketing Board
UDCORP	Urban Development Corporation
UNDP	United Nations Development Programme
UNICEF	United Nations Children Education Fund
USD	United States Dollar
VAT	Value Added Tax
VTCs	Vocational Training Centres
WASH	Water and Sanitation Program
WB	World Bank
ZEC	Zimbabwe Electoral Commission
ZIA	Zimbabwe Investment Authority
ZIM ASSET	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZIMDEF	Zimbabwe Manpower Development Fund
ZIMRA	Zimbabwe Revenue Authority
ZIMSTAT	Zimbabwe National Statistics Agency
ZINARA	Zimbabwe National Roads Authority

ZINWA	Zimbabwe National Water Authority
ZMDC	Zimbabwe Mining Development Corporation
ZNCC	Zimbabwe National Chamber of Commerce
ZSE	Zimbabwe Stock Exchange

