



ZIMBABWE

THE 2014 NATIONAL BUDGET STATEMENT

Towards an Empowered Society and a Growing Economy

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by

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MOTION

1. Mr Speaker Sir, in terms of Chapter 17, Section 305(1-2) of the New Constitution of Zimbabwe, read together with Section 28(1) (a) of the Public Finance Management Act Chapter 22:19, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2014 Financial Year and to make Provisions for matters ancillary and incidental to this purpose.

INTRODUCTION

2. Mr Speaker Sir, the watershed 31 July 2013 harmonised general elections are now behind us, with the new ZANU PF Government in place.
3. As is typical of any election year, economic agents had prior to elections adopted a 'wait and see' attitude, with the last few months before the elections witnessing an intensified liquidity squeeze in the economy, leading to weak aggregate demand.
4. This also had the effect of slowing down economic activity, with 2013 GDP growth now estimated at 3.4%, down from the earlier 5% projection. Growth was 10.6% in 2012.
5. This situation has resulted in an increasingly difficult operating environment for both Government and the private sector.

6. While it is normal for economies that emerge from hyper-inflation to experience a few years of strong growth as the “low hanging fruits” are harvested, i.e. a period of fast growth followed by a slowdown, it is quite evident, Mr Speaker Sir, that we need to put in place Confidence Building Measures to deal with the challenges at hand before the economy slides into full blown deflation.
7. Business confidence remains low and Zimbabwe’s country risk premium is still high. The result is a lack of investment and financial inflows required to drive future growth.
8. Zimbabwe’s persistent current account deficit continues to be a strain on the country’s liquidity as more funds flow out to pay for imports than are generated by exports.
9. The huge import bill has, therefore, been a source of liquidity destruction.
10. It is, however, important to point out that the negative trade balance is not a deficit in its strict sense, but mostly paid for or funded from a number of sources that include Diaspora remittances and revenue from the sale of smuggled gold.
11. It is, therefore, vitally important, Mr Speaker Sir, that both Government and the business community retain a sense of calmness and exhibit confidence in the future.

12. Given that lack of confidence is a major driver of the challenges, calm and confidence portrayed by both political and business leadership is a necessary ingredient to help build confidence throughout the economy.
13. Mr Speaker Sir, in view of the above challenges that the economy is facing, this Budget proposes to introduce various Confidence Building Measures that are necessary to move the economy along the trajectory envisaged under ZIM-ASSET, our new economic blueprint for the next five years.
14. This, Mr Speaker Sir, aims to achieve sustainable development and social equity, propelled by the judicious exploitation of the country's abundant human and natural resource endowment.
15. The ZIM-ASSET programme also intends to accelerate the re-engagement process with international financial institutions and other creditors on arrears clearance, debt relief and new financing in support of its development projects.
16. Mr Speaker Sir, the 2014 National Budget, consequently seeks to facilitate the implementation of ZIM-ASSET programmes, paying particular attention to those priorities earmarked for delivery in 2014.
17. Central to this is recovery of both public and private investment in the economy. This should anchor increased economic activity across the various productive sectors of the economy.

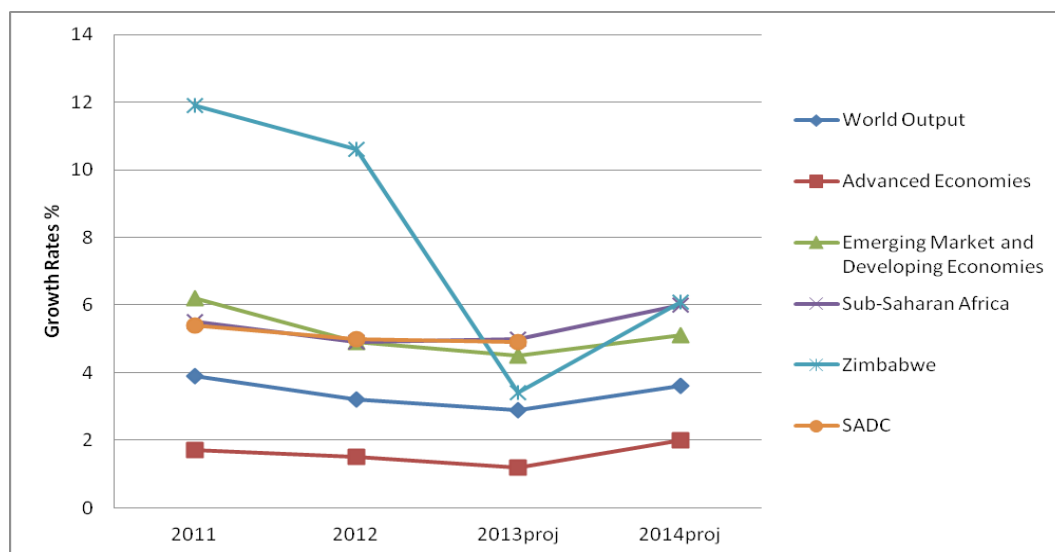
18. In formulating the 2014 National Budget, I also benefitted from the many submissions of various stakeholders.
19. Mr Speaker Sir, I am, therefore, indebted to the various contributors who made presentations during the consultations to champion the development agenda of this country.
20. Major inputs were received from Parliamentarians, Government Departments, and representatives of industry, farmers, labour, hospitality industry, academia, civil society, bankers, youth, women, small scale entrepreneurs and miners, among others.
21. Mr Speaker Sir, in my presentation I shall endeavour to speak to the Zimbabwean people in the language that they can understand and in this regard I stand guided by Hans Hoffman's words of wisdom that "The ability to simplify means to eliminate the unnecessary so that the necessary can speak."
22. This is more-so, in light of the new Government's obligation to make a difference from the past, through ushering effective responses to the deep hopes and expectations of the electorate and indeed the public at large.
23. Allow me, Mr Speaker Sir, before turning to specific interventions, to put the 2014 National Budget in the context of both the global and domestic economic environment.

GLOBAL ECONOMIC DEVELOPMENTS AND OUTLOOK

Output

24. In 2013, the global economy is expected to grow by 2.9%, from 3.2% recorded in 2012. The decline reflects economic slowdown spreading to major emerging economies, in particular China, Russia, India and Mexico, which were previously resilient to the global economic crisis.
25. The weakening growth in emerging economies, which had become Sub-Saharan Africa's new major economic partners such as India, China and Brazil will have a profound negative impact on the region's growth prospects in 2013 and beyond.
26. Zimbabwe's growth prospects in 2013 will also be undermined, mostly through subdued commodity prices, particularly for minerals.
27. In addition, Zimbabwe's external position suffered through reduced capital inflows such as FDI, diaspora remittances, export proceeds and official development assistance from both developed and fast emerging economies.

World Economic Growth Outlook



Source: WEO October 2013, IMF

28. In the outlook, global economic growth is projected to strengthen moderately to record 3.6% in 2014, from an initial projection of 3.8%. The projected 3.6% growth in 2014 compares with 2.9% growth in 2013.
29. This projected growth is predicated on moderate recovery in emerging markets and developing economies, which are projected to expand by about 5% in 2014, against 4.9% and 4.5% for 2012 and 2013, respectively. China's economy is, however, expected to grow by about 7.3% in 2014, compared with 7.6% in 2013, marking its lowest rate of economic expansion in more than a decade.
30. The strengthening of the US economy and modest economic growth in the Euro-Zone, particularly the United Kingdom will also contribute to global growth recovery.

Sub-Saharan Africa

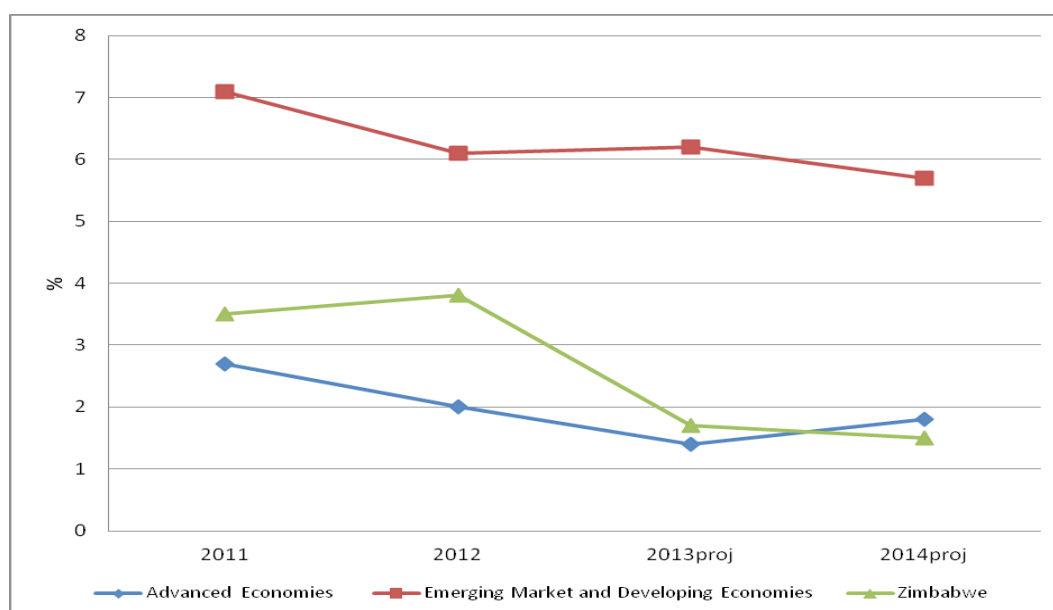
31. Sub-Saharan Africa's economies have generally maintained a strong pace despite some tensions observed in the external environment, including somewhat slower growth in emerging market economies.
32. The region's growth is projected to pick-up in 2014, despite the global headwinds that have moderately lowered its performance in 2013.
33. Strong investment demand continues to support growth in most countries of the region, and output is projected to expand by 6% in 2014, against 5% in 2013.
34. With regards to SADC, the economic growth is expected to slow down marginally to 4.9% in 2013, from an average of 5.4% and 5% in 2011 and 2012, respectively. This reflects challenges in the global environment which continued to undermine growth prospects in the region and in particular the continued uncertainties in the Euro-Zone.
35. Reflecting the above challenges, the fiscal deficit in Sub-Saharan Africa is projected to deteriorate to 1.6% of GDP in 2013, from 0.6% in 2012. Public debt is projected to also marginally increase on average from 42.2% of GDP in 2013, compared to 41% of GDP recorded in 2012.

36. Furthermore, there is a noticeable increasing trend in heavy investments in infrastructure, particularly power, transport and mining related activities in support of production and trade in SADC countries. SADC member countries continue to also make efforts to diversify their economies.

Inflation

37. Global inflation is projected to be subdued as a result of commodity prices that have fallen amid improved supply and lower demand from key emerging economies, notably China and India.

Global Inflation



Source: WEO October 2013, IMF

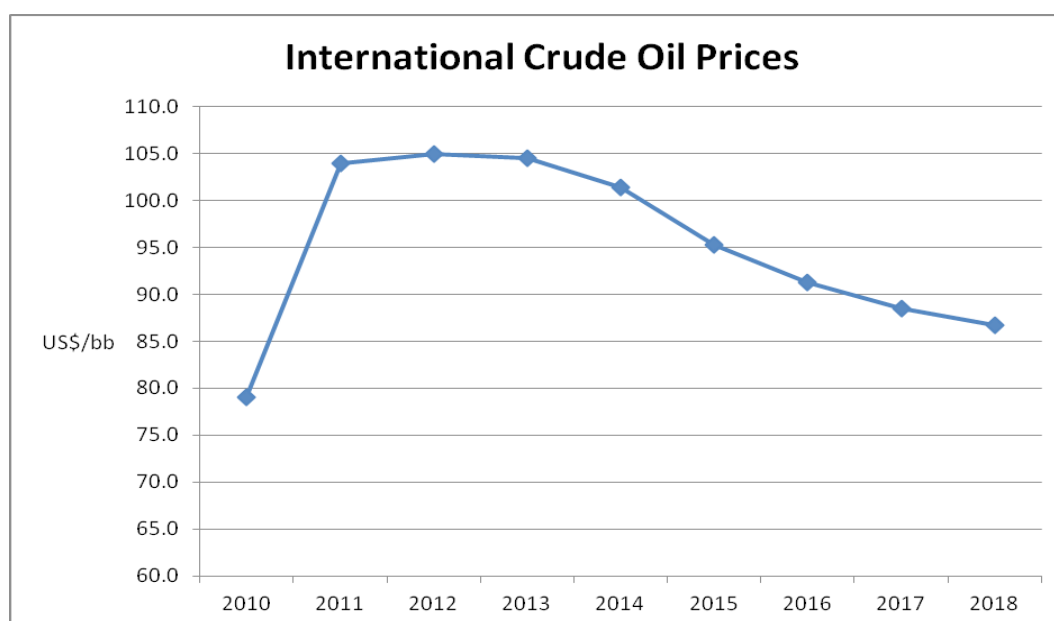
38. For the SADC region, average inflation is projected to decelerate from 7.2% in 2012 to 6.4% in 2013 benefiting from the depreciation of the South African rand.

Commodity Prices

39. International commodity prices are expected to remain subdued when compared to the higher levels recorded in 2011 as a result of lower demand and improved supply.

Oil

40. Global oil prices are projected to decline by 3% in 2014, that way suppressing inflationary pressures. This will be favourable to Zimbabwe's oil import bill.



Metals and Minerals

41. As indicated in the Table below, most mineral prices, with the exception of nickel are projected to continue decelerating in the outlook period. The 2014 projections, indicate a global average price decline of 4.2%.

World Bank Metal and Mineral Price Forecast (nominal US dollars)

Metals	Unit	2013	2014	2015	2016	2017	2018
Gold	US\$/toz	1380	1360	1350	1345	1340	1335
Platinum	US\$/toz	1480	1450	1400	1384	1369	1353
Copper	US\$/ton	7100	7050	7000	6980	6960	6939
Coal	US\$/ton	76	73	73	73	73	73
Aluminium	US\$/ton	1800	1850	1900	1928	1957	1985
Iron Ore	US\$/dton	134	135	137	138	139	139
Nickel	US\$/ton	1400	1500	1600	16190	16381	16575

Source: World Bank, October 2013

42. The projected decline in mineral prices will have adverse implications on the recovery efforts in the mining sector, as well as the economy in general.
43. It is against this background, Mr Speaker Sir, that the diversification of the economy through accelerated implementation of mineral beneficiation and value addition is being emphasised.

International Agricultural Commodity Prices

44. Most agricultural commodity prices are projected to decline in 2014 in response to a combination of economic slowdown in emerging markets and improved supply from source markets, particularly in the Southern Hemisphere.
45. International prices of wheat, maize, soya beans, groundnuts, cotton, alongside many other agricultural commodities are anticipated to decline in 2014 as indicated in the Table below.

Commodities	Units	2011	2012	2013	2014	2015	2016	2017	2018
Actual				Projections					
Wheat	US\$/ton	316.2	313.3	280.2	252.7	260.4	263.3	261.2	259.2
Maize	US\$/ton	291.8	298.4	249.0	205.0	209.0	210.0	210.0	210.0
Barley	US\$/ton	207.2	238.2	225.1	220.5	197.6	191.1	190.2	189.3
Soybeans	US\$/ton	484.2	537.8	527.0	477.4	444.6	464.0	464.0	464.0
Sunflower Oil	US\$/ton	1621.8	1489.5	1419.8	1365.5	1365.5	1350.7	1350.7	1350.7
Groundnuts	US\$/ton	1724.0	1884.6	2269.2	2146.8	2081.2	2081.2	2081.2	2081.2
Beef	cts/lb	183.2	187.9	181.7	168.9	166.9	161.0	161.0	161.0
Poultry	cts/lb	87.4	94.3	104.3	106.6	106.6	106.6	106.6	106.6
Sugar Free market	cts/lb	26.2	21.4	17.2	17.1	17.6	16.4	15.5	14.6
Tea	cts/kg	346.2	348.9	273.1	253.5	238.1	228.2	228.2	228.2
Cotton	cts/lb	154.6	89.2	88.7	82.2	77.3	74.3	69.9	65.9

Source: IMF International Agriculture Commodity Prices

DOMESTIC ECONOMIC DEVELOPMENTS AND OUTLOOK

GDP Growth

46. The year 2013 was marked by a number of socio-political events which required huge funding against limited budgetary resources. These included the conduct of the Constitutional Referendum in March 2013, leading to the harmonised elections on 31 July, 2013.
47. Typical of such events, extra attention had to be devoted to them for the greater part of 2013, which overshadowed and undermined normal economic activity.
48. Over and above the political uncertainty, the economy faced a poor agricultural season due to late, uneven and erratic rainfall.

The tight liquidity situation, retreating commodity prices, frequent power outages as well as unreliable water supply, among others, had a heavy toll on the economy.

49. Succumbing to the above challenges, the economy depicted signs of slowdown in 2013, although the overall economic growth remained positive.
50. As a result, real economic activity in 2013 is estimated to grow by 3.4%, from an estimate of 10.6% realised in 2012. The major drivers were mining, construction and tourism, among others as indicated below.

Real Sector Growth Projections: 2014-15

Items	2009	2010	2011	2012	2013	2014	2015
	Actual	Actual	Actual	Est.	Proj.	Proj.	Proj.
Agriculture, hunting and fishing	37.6	7.2	1.4	7.8	-1.3	9.0	5.1
Mining and quarrying	18.9	37.4	24.4	8.0	6.5	11.4	9.2
Manufacturing	17.0	2.0	13.8	5.3	1.5	3.2	6.5
Electricity and water	1.9	19.5	6.4	0.3	4.2	4.5	7.0
Construction	2.1	14.1	65.1	23.5	10.0	11.0	13.5
Finance and insurance	4.5	8.3	8.3	28.0	2.6	6.3	6.2
Real estate	2.0	4.9	48.9	59.0	10.0	11.0	13.5
Distribution, hotels and restaurants	6.5	8.8	4.3	4.3	3.4	5.1	5.0
Transport and communication	2.2	4.7	0.0	6.7	3.4	4.0	5.5
GDP at market prices	5.4	11.4	11.9	10.6	3.4	6.1	6.4

Source: RBZ, ZIMSTAT, MOFED

51. In 2014, the economy is, however, projected to record strong growth of about 6.1%, premised on an active ZIM-ASSET programme policy scenario anchored on strong recovery of

agriculture and improved performance of mining and construction sectors.

Aggregate Demand

52. In 2013, growth in aggregate demand is estimated at 5% compared to 13% in 2012, partly reflecting declining private consumption due to squeezed disposable incomes.
53. Of the total demand, final consumption alone is estimated to constitute 110% of GDP. This has compromised meaningful savings and hence investment, which stood at about 14.8% of GDP, levels which remain too low to finance sustained high economic growth rates.
54. The recorded investment was in fact primarily financed from external savings, as reflected through a huge current account deficit of about -22.5% of GDP.
55. In 2014, consistent with ZIM-ASSET programme targets, the savings ratio is expected to marginally increase to about 16.2% of GDP.

Sector Performance and Outlook

Agriculture

56. In 2013, agriculture growth is estimated to have declined by -1.3% from the initial growth projection of 6.4%. The revision

has been necessitated by under-performance of tobacco, maize, groundnuts and cotton against forecast targets.

Agriculture Growth Rates

(Commodities in thousand tons)	2009	2010	2011	2012	2013 Orig Proj	2013 Rev	2014 Proj
Agriculture Overall Growth	37.6	34.8	10.4	6.0	6.4	-1.3	9.0
Tobacco (flue cured)	58.6	123.4	132.9	144.5	170	166.6	171.0
Maize	1,240.0	1,328.0	1,452.0	968.0	1100	798.6	1,300.0
Beef	93.0	95.0	94.0	94.1	94	94.5	95.0
Cotton	211.0	270.0	250.0	350.0	283	140.0	178.9
Sugar	2,544.7	2,974.0	3,264.6	3,925.5	4500	4,159.0	4,550.0
Horticulture	35.0	43.0	45.0	51.0	54	55.0	59.4
Poultry	42.0	45.0	65.0	87.7	80	100.7	105.7
Groundnuts	216.0	186.0	231.0	120.0	130	86.7	136.0
Wheat	48.0	41.5	53.1	33.7	17	24.7	29.0
Dairy (m lt)	56.3	58.8	63.0	67.2	70	76.3	78.3
Coffee	2.6	2.5	2.7	1.9	2	1.5	1.3
Soyabeans	115.0	70.0	84.0	70.5	115	76.9	97.5
Tea	13.0	15.0	25.0	24.5	25	24.5	24.5
Paprika	3.0	4.0	3.5	4.0	5	4.5	5.0
Pork	8.0	9.0	20.0	23.0	15	25.7	26.0
Wildlife	56.0	56.0	47.0	48.0	49	49.0	49.0
Sorghum	181.0	132.0	95.0	64.8	114	69.2	98.0
Barley	40.0	44.0	44.0	44.0	44	44.0	44.0
Sheep & goats	0.5	0.5	4.0	6.3	3	6.5	6.5
Sunflower seeds	39.0	14.0	12.0	15.0	17	17.0	24.0
Ostriches	15.0	16.0	17.0	17.0	19	19.0	22.0

57. In 2014, agriculture is projected to grow by 9%, mainly driven by growth in maize (62.8%), cotton (27.8%), soya beans (26.7%), and groundnuts (56.8%), among other crops.
58. The improved state of preparedness, sustainable planned financing arrangements and inputs availability, among others, will support the above anticipated growth.

Maize

59. Maize output is estimated to have decreased to about 798 500 tons in 2013, from 968 041 tons in 2012. This was on account of reduction in area planted from 1 689 786 ha in the 2011/12 season, to about 1 442 845 ha in the 2012/13 agriculture season.
60. The poor quality of the season and the challenges related to inputs supply and their affordability also contributed to the decline in yields from approximately 1 ton/ha in 2011/12, to about 0.63 tons/ha.
61. About 1.65 million hectares will be put under maize during the 2013/14 season, with a projected output of 1.3 million tons. This will be underpinned by the forecast normal rainfall season, availability of funding from both Government and private sector, which should translate into improved yields.

Tobacco

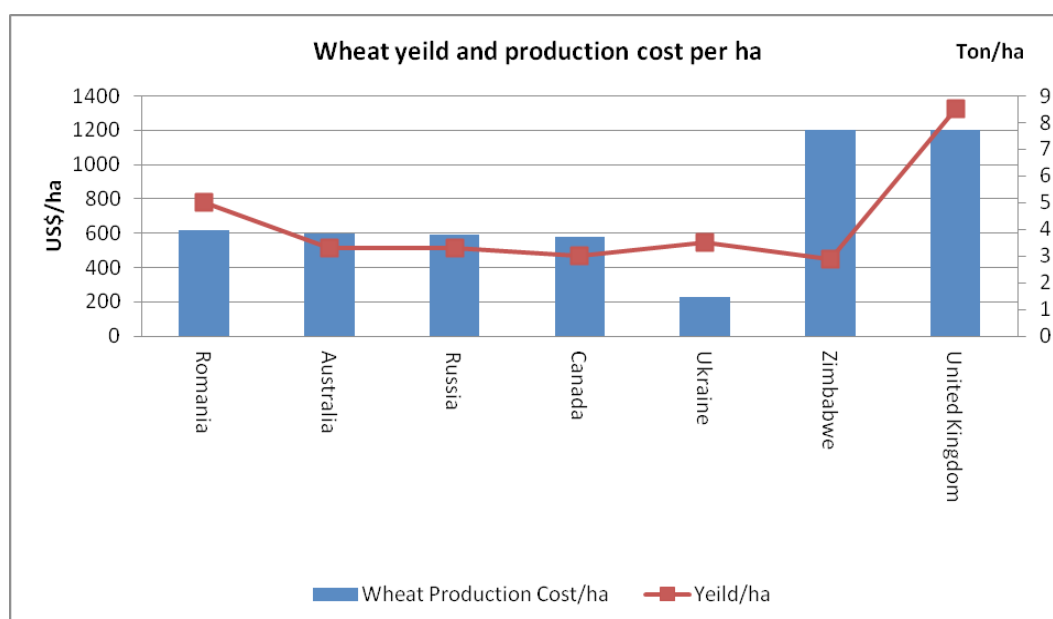
62. Tobacco output increased by 15% from the 2012 production level of 144 500 tons, to about 166 600 tons in 2013, from some 88 623 hectares that had been put under crop. This gives a yield of about 1.88 tons/ha, similar to that recorded in 2012.
63. The main supporting factors were the increased area planted and the number of growers. As a result, TIMB had by the close of

the 2012/13 marketing season sold 166.5 million kilograms of tobacco at an average price of US\$3.70/kg, realising US\$616.1 million in sales.

64. In 2014, tobacco production is projected at 170 000 tons – a 2.6% increase from the 2013 output. This growth is mainly on account of increased planted area of about 90 000 ha from the 88 600 ha planted in 2013.
65. Furthermore, 91 278 farmers have also registered to grow flue-cured tobacco in the 2013/14 summer cropping season, up from the 70 904 registered in the 2012/13 season. This is a 28.7% increase or 20 063 new farmers.
66. Tobacco seed sales also increased from 803 000 grammes last year, to 1 024 000 grammes this year. The seed is expected to cover close to 170 600 hectares.
67. In terms of financing, production will be underpinned by farmers' own resources, contract farming and bank funding arrangements. Contractors include the Chinese company - Midriver Enterprises, which is expected to contract nearly 80 000 farmers to produce tobacco.
68. Terms of the contract include provision of inputs, working capital for wages, as well as coal supply for curing the tobacco, that way reducing deforestation and promoting sustainable environmental protection practices.

Wheat

69. Wheat production is estimated to have declined from 33 700 tons in 2012, to about 24 700 tons in 2013. This is on account of declines in the area planted from 11 600 ha in 2012, to around 8 500 ha this year. The yield is expected to remain the same.
70. Challenges that have continued to affect the production of the crop include erratic power supply for irrigation, funding and high production costs, among others, making the production of the crop unviable.
71. It costs approximately US\$1 200 to grow a hectare of wheat in Zimbabwe against US\$230 in Ukraine, US\$580 in Russia and US\$600 in Australia, among others.



Source: OECD Agriculture Outlook 2009 – 2018, Ministry of Agriculture

72. Production in the traditional big growing countries such as Canada, is competitive as wheat is largely produced using natural rainfall as opposed to an irrigated wheat crop in Zimbabwe.

- 73. In the outlook, wheat production is projected to increase by 17.6% from 24 700 tons in 2013, to 29 000 tons in 2014.
- 74. Improved production is mainly premised on increased private sector funding and contract farming arrangements.
- 75. This should be supported by consistent and uninterrupted electricity supply for irrigation.

Cotton

- 76. Cotton output is estimated to have declined from 350 000 tons in 2012, to about 140 000 tons this year.
- 77. This is largely due to the decline in hectarage planted which fell from 450 000 ha in the 2011/12 season, to 241 849 ha in the 2012/13 season.
- 78. The decline was attributed to fewer farmers growing the crop due to unviable prices that had been offered by local merchants during the previous season.
- 79. Cotton output is forecast to grow from 140 000 tons in 2013, to 180 000 tons in 2014. This is on the back of anticipated increases in local demand.
- 80. Strategies for the revival of the textile industry and value addition combined with financing from the banking sector are also expected to boost local demand for cotton and, hence, its production.

81. To date, about 160 000 ha have already been earmarked for contract farming for the crop, with a total targeted hectarage of 277 000 ha at an average yield of 0.65 tons/ha.

Sugar cane

82. Sugar cane output is projected to increase by 6% in 2013, to about 4 159 034 tons from an area of about 44 818 hectares. The improved production is attributed to an increase in area planted by all major producers.
83. Potential production has, however, been adversely affected by the unavailability of water for irrigation following another poor rainy season that has seen some dams' water levels falling drastically.
84. Furthermore, the introduction of water-rationing measures to sugar cane farmers by the Water Resources Development and Management Agency due to critically low water levels in Lake Mutirikwi, has also affected capacity to irrigate the crop.
85. Output for sugar cane is projected at 4 550 000 tons in 2014, representing a 9% growth from the previous season. Growth in sugar cane production will be driven by the increase in hactarage planted from 44 818 ha in 2013, to 50 000 ha in 2014, improvements in water availability for irrigation, and the resumption of operations at the Chisumbanje ethanol plant.

86. Although Zimbabwe's average sugar cane yield over the last 3 years is at par with the global average of 85 tons/ha, yields are improving. Hippo Valley's yields are expected to improve from 83.5 tons/ha in 2010/11, to 89.6 tons/ha in 2011/12.

Soya-beans

87. Soya bean output is projected to increase to about 77 000 tons in 2013, from 70 452 tons in 2012. This is against a national requirement of about 220 000 tons per year.
88. The growth was spurred by the increase in area under cropping from 51 869 ha in 2012, to 59 179 ha in 2013. This is in response to the high demand and high prices the crop is fetching.
89. In addition, the low prices offered for crops such as maize and cotton, has resulted in some farmers shifting to cultivating these crops.
90. Soya bean output is projected to increase to about 97 500 tons in 2014, from 76 933 tons in 2013.
91. This will be on the back of anticipated investment by 12 companies in contract farming arrangements. Some 70 000 tons have been targeted under contract farming, with about 5 000 being farmers' own financing. Major companies that are into contract farming include Biscray Enterprises and National Foods.

92. The Agriculture Marketing Authority has also floated US\$35 million soya bean agro bills through CBZ. These are expected to finance the crop for the current season, complemented by farmers' own arrangements.

Horticulture

93. Horticultural production is estimated to increase to 55 000 tons from 51 800 tons produced in 2012, mainly driven by citrus fruit, mango, Irish potato, vegetables, tomatoes and macademia nuts.
94. The potential of horticulture has been hampered by the following challenges, among others—cheap imports particularly from Mozambique and South Africa which have flooded the market, crowding local products; intermittent power supply; stringent certification requirements and processes to participate in the export market, as well as lack of direct access to international markets, which reduce profitability as farmers resort to the use of middlemen.
95. Horticultural production is estimated to increase to 59 400 tons in 2014, from the 55 000 tons produced in 2013, representing a growth of 8%.
96. The continued financial support to the sub-sector by the banking sector is expected to contribute immensely to this growth. To

date a facility worth US\$5.8 million dollars has been established to finance horticulture production in the 2013/14 summer season.

Livestock Production

97. Poor pastures, particularly in communal areas, have decimated the national cattle herd and goats, particularly in the Matabeleland, Midlands and Masvingo regions following the drought experienced in 2012. Recourse to water bodies has been hampered by the dilapidated state of irrigation infrastructure.
98. In 2014 prospects for improved livestock production are positive with anticipations of a normal rain season for sufficient pastures for livestock grazing. This will be complemented by the continued ongoing restocking programmes by both Government and private sector players such as Nestle.
99. The anticipated increase in maize output will also improve the availability of stock feeds for livestock production.
100. Furthermore, Government, in partnership with Agribank, is finalising modalities for mobilisation of US\$50 million for on lending to A2 farmers at concessionary interest rates of below 9%. Out of this amount, US\$10 million will be set aside in support of livestock production.

101. FAO has also committed US\$11.25 million in support of livestock production.

Mining

102. The mining sector was initially projected to grow by 17.1% in 2013, which has, however, been revised downwards to 6.5%, mainly on account of low exploration, lack of capital and weakening commodity prices on the international markets.
103. As a result, reduced output was notable for gold and diamonds, with positive performance in platinum, nickel and coal, as indicated below.

Monthly Mineral Production—January-September 2013

MINERAL	Jan 2013	Feb 2013	March 2013	April 2013	May 2013	June 2013	July 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Total Volume
Gold \kg	1,088.44	1,066.38	1,111.39	1,168.23	1,238.28	1,146.59	1,292.60	1,203.02	1,153.50	1,281.585	1,155.76	12,914.51
Nickel \t	739.37	882.88	775.10	947.54	836.08	1,145.67	1,238.29	1,127.31	1,816.51	1,572.47	1,494.29	12,575.49
Coal \t	161,716	169,622	185,399	138,499	148,027	151,823	108,699	104,972	105,021	88,724		
Asbes- tos \t	160	236.72	217.00									
Chrome \t	9,223.00	11,142.00	11,609.00	10,520.00	21,654.00	27,925.00	27,336.00	43,096.00	55,850.00	48,170.00	45,760.00	312,285.00
Platinum \kg	1,007.59	1,219.61	1,069.03	976.45	1,093.55	1,233.25	1,064.54	1,062.10	1,112.49	994.75	1,131.26	11,964.62
Palladium \kg	767.75	422.63	802.01	736.91	853.95	975.22	832.55	823.73	851.80	775.99	907.95	9,260.56
Copper \t	599.43	702.63	651.95	607.32	685.18	789.56	688.31	665.96	688.92	851.18	723.64	7,654.08
Rhodium \kg	87.81	103.38	92.08	81.77	95.80	108.37	94.20	94.11	95.98	88.05	103.10	1,044.66
Dia- monds \crt	762,099.12	1,036,888.30	1,005,562.87	769,101.78	787,702.83	775,132.83						

Source: Chamber of Mines and Fidelity Printers

104. In 2014, the mining sector is projected to grow by 11.4%, on the back of planned investments and largely driven by strong performance in gold, diamonds, nickel and coal.

Mineral Output

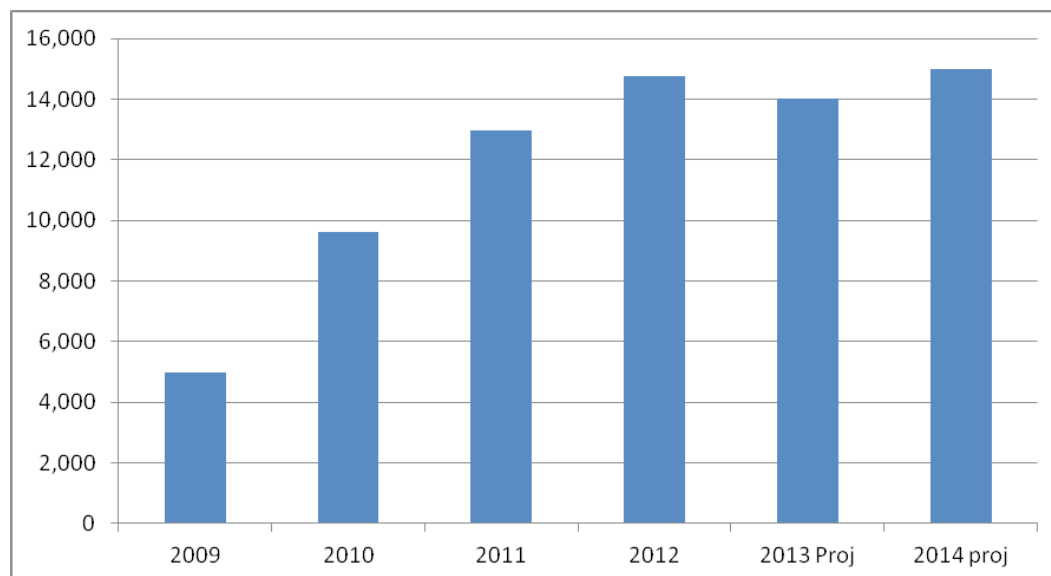
	2009	2010	2011	2012 Est	2013 Est	2014 Proj
Mining Overall Growth (%)	18.9	37.4	24.4	8.0	6.5	11.4
Gold (kgs)	4 966	9 620	12 949	14 743	14 000	15 000
Nickel (tons)	4 858	6 134	7 992	7 899	12 000	15 020
Coal (k tons)	1 606	2 668	2 922	2 564	3 300	4 000
Asbestos (k tons)	8	2		0	2	0
Chrome (k tons)	201	517	599	408	360	500
Platinum (kgs)	6 848	8 639	10 827	10 524	13 000	14 000
Palladium (kgs)	5 355	6 916	8 422	8 136	9 800	11 200
Black Granite (k tons)	162	165	168	171	174	187
Diamonds (000 carats)	1 306	3 000	8 719	12 015	11 000	12 000

Source: Ministry of Mines, Chamber of Mines, Fidelity Printers

Gold

105. Total gold output for the first eleven months of 2013 amounted to 12 914.51 kgs, compared to 13 650.9166 kgs produced during the comparative period in 2012, representing a 5.4% decline. The under-performance was attributed to the accident at Freda Rebecca, escalating operational costs, unreliable power supply, and falling international gold prices, reaching a low of US\$1 198 per ounce in June 2013.
106. Owing to the above, the 2013 total gold output target has been revised downwards from 15 000 kgs, to 14 000 kgs.
107. In 2014, however, gold production is projected to increase by 7.1% from 14 000 kgs in 2013, to 15 000 kgs.

Gold Output Production: 2009-2014-(‘000’ kgs)

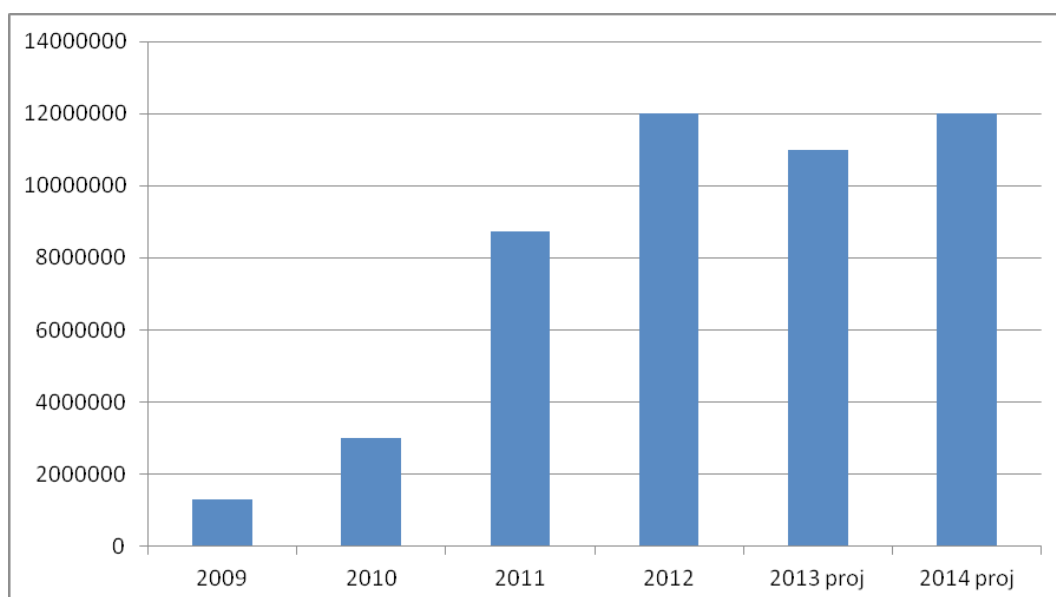


Source: Chamber of Mines and Fidelity Printers

Diamonds

108. Diamond output was largely subdued during the first 6 months of 2013 at 5.9 million carats, weighed down by the gradual transition from alluvial diamond mining, to conglomerates which are expensive to extract.
109. Against this background, the 2013 output target for the mineral was revised downwards from 12.5 million carats, to 11 million carats.
110. In 2014, diamond output is projected to increase to 12 million carats, benefiting from the recent removal of the Zimbabwe Mining Diamond Corporation (ZMDC) from the sanctions list by the European Union.

Diamonds Production: 2009-2014 (carats)



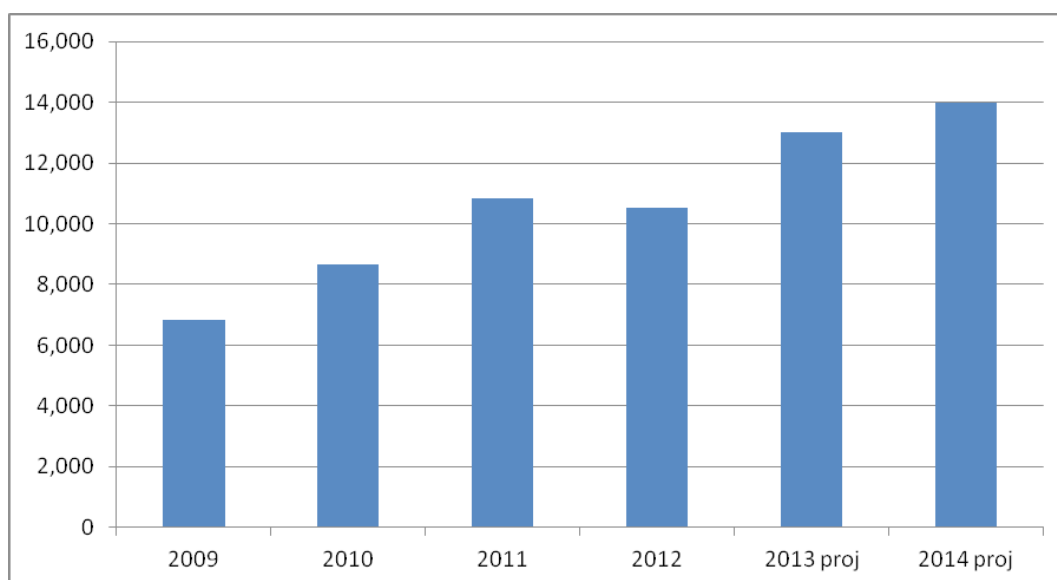
Source: Ministry of Mines

Platinum

111. Platinum production increased to 11 964.62 kgs during the first eleven months of 2013, from 10 038.82 kgs registered during the corresponding period in 2012.
112. Platinum mining company – Zimplats commissioned a new phase two concentrator at Ngezi in April this year, which boosted the mining giant's production capacity by 48%.
113. The other phase two expansion projects are expected to be completed by the first quarter of 2014 and will further enhance platinum production. After completion of its phase two expansion programs, Zimplats plan to have other new expansion projects that will ensure sustainable growth and development in its platinum production.

114. As a result, the platinum production target for 2013 has been revised upwards to 13 000 kgs from the initial target of 11 500 kgs, of which 76% of the target has been achieved in the first nine months of 2013.
115. Furthermore, platinum mining in South Africa – the top world producer, is becoming relatively more expensive than in Zimbabwe - the second largest platinum producer in the world. This has placed Zimbabwe at an advantage in terms of investments, which are expected to boost production in 2014 and beyond.
116. In this regard, platinum production is set to grow by 8% from 13 000 kgs in 2013, to 14 000 kgs in 2014.

Platinum Output Production

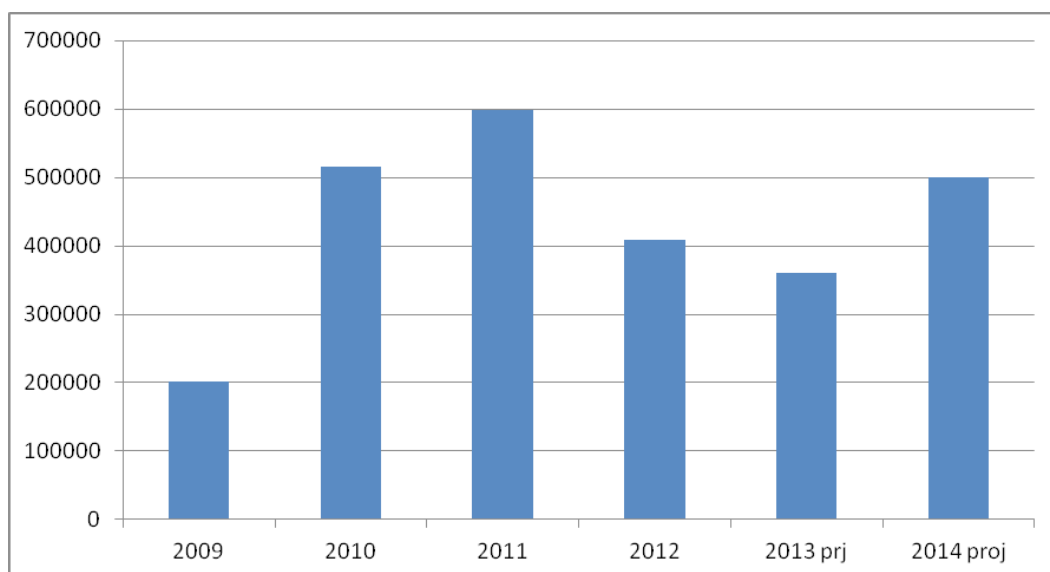


Source: Chamber of Mines

Chrome

117. A total of 312 285 tons of chrome was produced during the first eleven months of 2013, compared to 394 657 tons produced in the same period in 2012. The low output was due to low capacity utilisation during the first quarter of the year, due to viability challenges faced by chrome smelter companies.
118. To year end, chrome ore output is expected to increase to 360 000 tons, benefiting from increased output at ZIMASCO.
119. Chrome ore output is projected at 500 000 tons in 2014, as ZIMASCO is currently in the process of installing a new high-tech sintering plant that will result in transformation of chrome fines into lumps, which can be processed by the existing furnaces.

Chrome Output Production

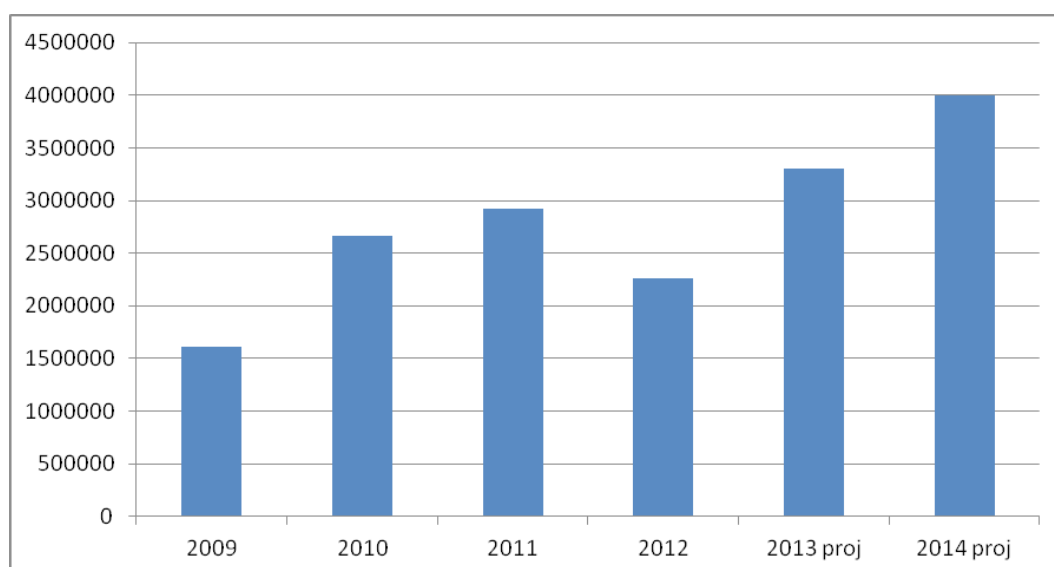


Source: Chamber of Mines

Coal

120. Cumulative coal output for the eight months to August 2013 was 2.2 million tons, necessitating an upward revision of the initial annual target of 2 million tons, to 3.3 million tons.
121. Coal output is projected to reach 4 million tons in 2014, largely underpinned by ramping up of production by a new player, Makomo Resources.

Coal Output Production



Source: Chamber of Mines and Ministry of Mines

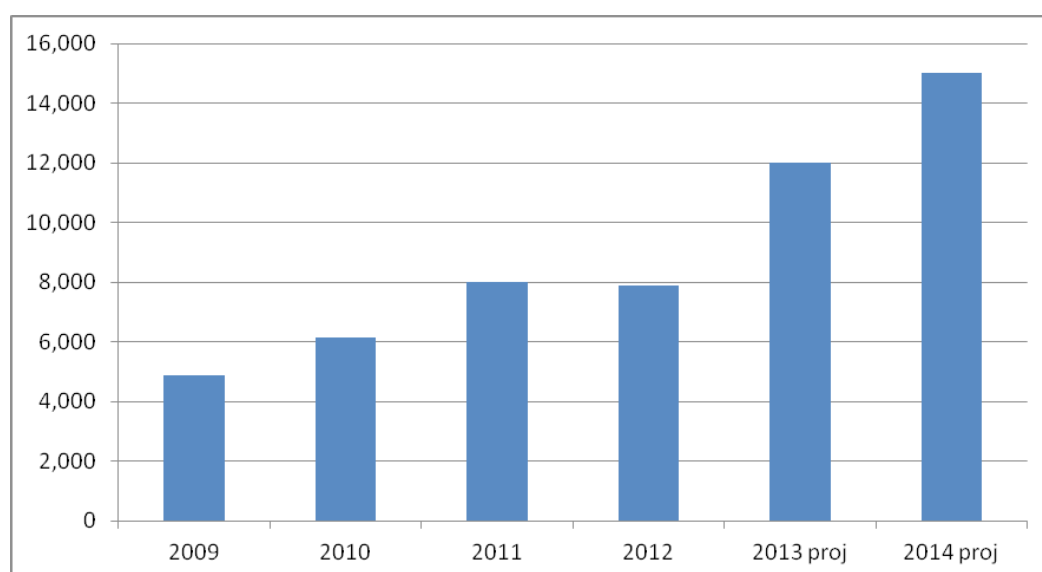
Nickel

122. Nickel output for the first eleven months of 2013 was 12 575.49 tons, compared to 7 500.00 tons produced in the same period in 2012, representing a 68% increase in nickel production.
123. The increase in nickel production is mostly attributed to strong performance by Bindura Nickel Corporation (BNC), which

resumed operations in April 2013 with a revised mining plan, which involves targeting high-grade ore.

124. Since resumption of operations, BNC output has been steadily increasing, producing an average of 350 tons per month for the first five months to August 2013.
125. Nickel output from platinum production is also increasing following the increase in platinum output and is set to benefit more from ongoing investment projects at Zimplats.
126. As a result, the 2013 nickel output initial target was revised upwards from 10 000 tons, to 12 000 tons.
127. In 2014, nickel output is projected at 15 000 tons, mainly on account of recapitalisation efforts at BNC, as well as rising output from PGM operations through expansion of existing and new projects.

Nickel Output Production



Source: Chamber of Mines and Ministry of Mines

Manufacturing

128. Manufacturing sector activities have largely remained subdued over the three quarters of 2013, with average capacity utilisation estimated at around 39.6% in 2013, down from 44.9% in 2012.
129. Consequently, the sector is expected to register moderate growth rates of 1.5% and 3.2% in 2013 and 2014, respectively, driven by the foodstuffs, tobacco, drinks and beverages sub sectors.
130. The manufacturing sector remains constrained by lack of funding, competitiveness and infrastructure challenges. Projected performance of respective sub-sectors is given below:

Projected Index of Manufacturing Sub-sectors Output

Activity	Weight	2012 Est.	2013 Proj	2014 Proj
Foodstuffs	13.5	113.8	118.3	120.7
Drinks, Tobacco and Beverages	19.5	91.6	94.1	101.3
Textiles and Ginning	11	67.7	65.3	62.8
Clothing and Footwear	6.8	62.2	62.8	62.1
Wood and Furniture	3.1	112.0	116.1	122.1
Paper, printing and Publishing	6.4	117.8	120.9	124.3
Chemical and Petroleum Products	11.5	130.4	134.2	137.9
Non-metallic mineral products	2.3	93.9	95.4	98.2
Metals and Metal products	22.1	160.2	160.2	166.3
Transport, Equipment	3	93.8	95.2	96.6
Other manufactured goods	0.8	129.7	130.4	130.8
Manufacturing Index	100.0	112.3	114.0	117.7
Manufacturing Growth Rate		2.3%	1.5%	3.2%

Source: MOFED and RBZ

Drinks, Tobacco and Beverages

131. Refurbishments and installation of new plant by Delta Beverages and Schweppes Limited in 2013, continue to spur output in this sub sector, with attained average capacity utilisation of about 75%.

Foodstuffs

132. The sub sector is benefiting from a ban of imported frozen chickens and table eggs, as well as increases in duty on other foodstuffs which can be produced locally.
133. The recapitalisation of Lobels and Bakers Inn is also expected to increase capacity utilisation in the sub sector, further boosting output in 2014.
134. The sub sector, however, continues to experience stiff competition from food imports which find their way through the country's porous ports of entry. These low priced imports reduce competitiveness of domestic products and push local producers out of business.
135. Furthermore, lower than anticipated agriculture throughput during the 2012/13 agriculture season subdued activities in agro-processing.
136. Large-scale food manufacturers such as National Foods Limited and Dairibord are now importing some of their inputs in order

to complement local supply, resulting in high production costs, thereby affecting the competitiveness of the final products.

Textile and Ginning

137. The textile industry has been hard hit by low cost clothing products flooding the domestic market from countries such as China, amongst others. The local spinning and weaving industry is near collapse, following the inability of David Whitehead Company to resume operations and the subsequent closure of Modzone and Karina companies during the first half of 2013.
138. The sub-sector is projected to contract further in 2014, owing to stiff competition from cheap imports, outdated equipment and funding challenges.

Clothing and Footwear

139. The clothing and footwear industry remains constrained by unfair competition from imported subsidised products flooding the domestic market.
140. The sub sector is, however, projected to register a marginal growth in 2014, emanating from new investment by one of the big players, BATA Shoe Company.

Wood and Furniture

- 141. The subsector continues to benefit from increased activities in the informal and construction sectors.
- 142. However, the sub sector faces downside risks emanating from reduced hectarage under plantation due to veld fires.

Chemical and Petroleum Products

- 143. Growth in chemical and petroleum products is hinged upon the settlement of Government debt to fertilizer producing companies which has crippled operations in the sub sector. Notwithstanding the debt, Zimphos has invested in new plant and machinery, thereby, boosting output in the sub sector.
- 144. The resumption of operations at the Chisumbanje Ethanol Plant is expected to further boost output in the sub sector.

Metals and Metal Products

- 145. Activities in the metals and metal products subsector are expected to improve in 2014, following the operationalisation of the ZISCO/ ESSAR deal.

Lines of Credit

- 146. From January to 31 October 2013, lines of credit approved through the External Loans Coordinating Committee (ELCC) amounted

to US\$2.6 billion, out of which US\$1.2 billion was disbursed to various sectors, with the bulk of the funds going towards the financial sector, followed by the agricultural sector.

147. The Table below shows details of the lines of credit:

Lines of Credit Beneficiary Sectors

Sector	Approved Amount (US\$ Million)	Disbursed Amount (US\$ Million)	Percentage Utilisation
Agriculture	1.084	441.5	41
Distribution	339.8	109.8	32
Energy	69.3	30.9	45
Financial	725.2	442.5	61
Manufacturing	108.0	72.7	67
Mining	233.2	158.2	68
Transport	11.2	8.6	77
Tourism & Hospitality	8.2	8.3	100
Construction	9.0	2.7	30
ICT	4.8	0.8	49
Total	2 594.1	1 276.3	

Source: RBZ

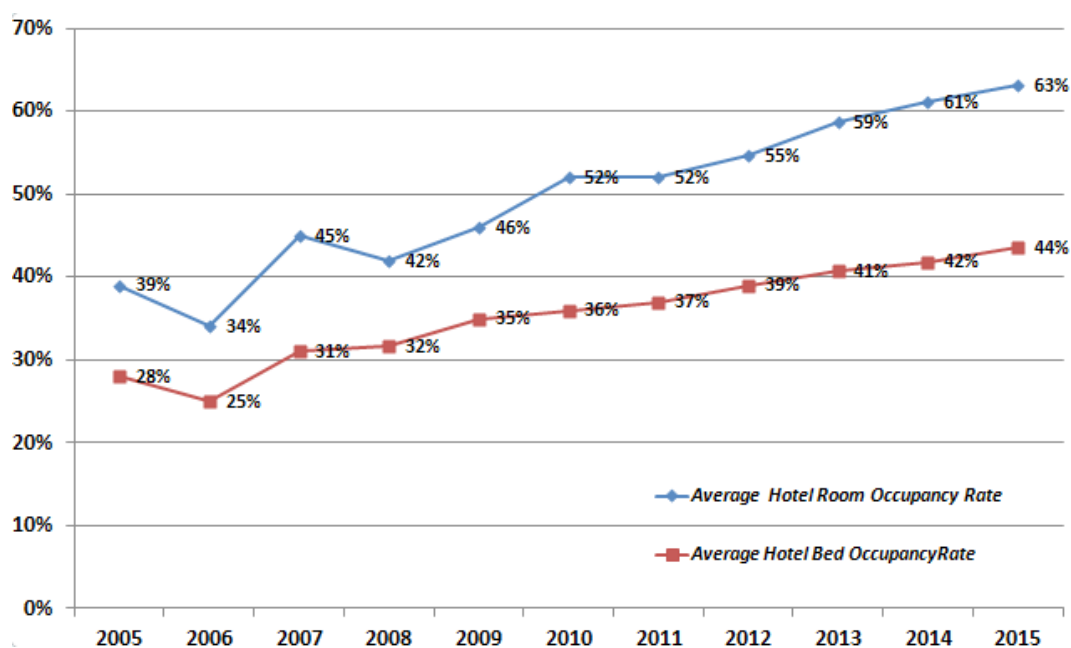
Tourism

148. Tourism's contribution to the economy is currently estimated at about 10% and has the potential to grow to 15% by 2015. In 2013, the sector is estimated to grow by 3.4%.

149. Average hotel room and bed occupancy levels, which are currently around 59% and 41%, respectively, are expected to improve in 2014 to 61% and 42%, respectively.

150. At least 2.1 million tourist arrivals are expected by the close of 2013, a 17% growth from the 1.8 million recorded in 2012. The 2013 arrivals translate to US\$851 million in revenue.
151. The tourism revenue receipts, however, do not seem to tally with the recorded increase in tourist arrivals. There is, therefore, an urgent need for Zimbabwe to embrace the Tourism Satellite Account module – a statistical package designed to accurately measure the sector’s contribution to the country’s GDP.

Average Hotel Room and Bed Occupancies



Source: ZTA Reports

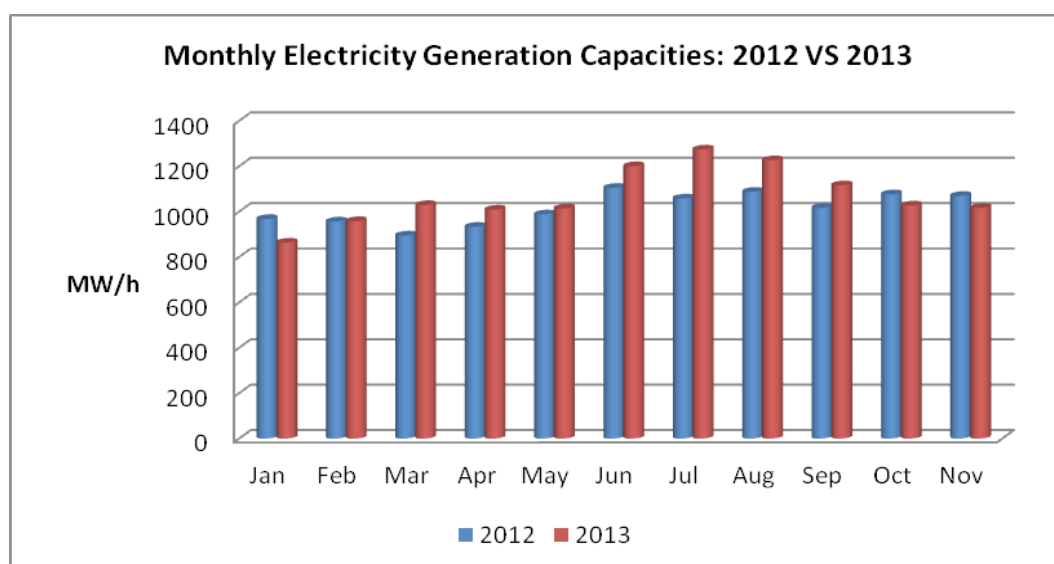
152. These improved occupancy rates are riding on the increased marketing efforts and the growing number of business and leisure tourists.
153. The peaceful political environment that prevailed during the Constitution making process, the referendum and the elections in

July 2013, and their international endorsement thereof, improved the image of the country as a safe tourist destination.

154. The successful co-hosting by Zimbabwe and Zambia of the UNWTO General Assembly in August 2013 at the Victoria Falls has also boosted Zimbabwe's image as a safe tourist destination. The sector will benefit tremendously from this event in the outlook period.

Energy

155. In 2013, power generation slightly improved compared to 2012. This is attributed to on-going rehabilitation works at Hwange and small thermal power stations, as well as scheduled maintenance works at Kariba Power Station.



Source: Ministry of Energy and Power Development

156. Generation capacity for the ten months of the year averaged 1073 MW, which is above 1012 MW realised in 2012. During the first

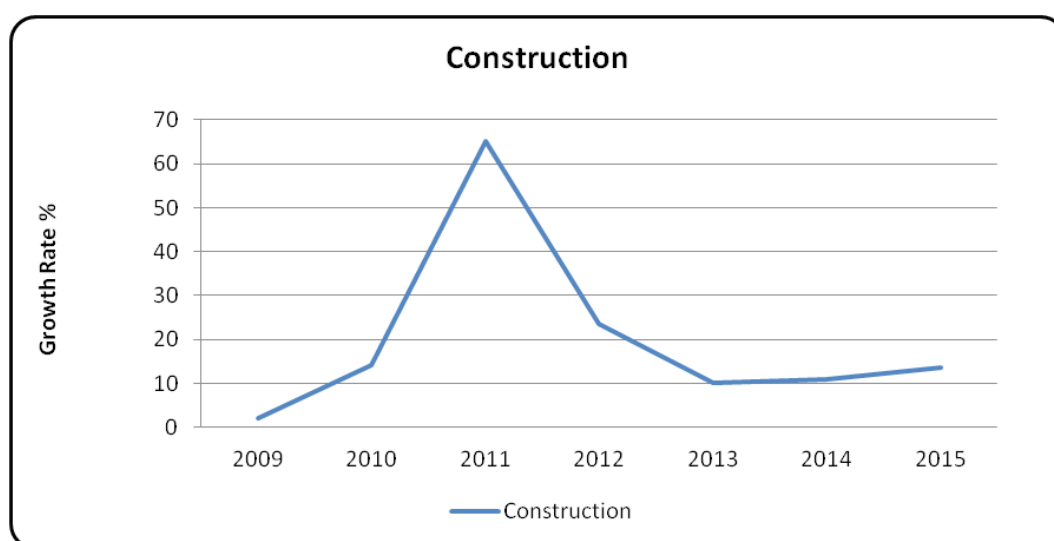
half, major generating plants managed to run consistently with less break-downs. As a result, the electricity sector is expected to grow by 4.2% in 2013.

157. In 2014, electricity generation is projected to grow further by 4.5%, spurred on by the rehabilitation project at Hwange and small power stations. This will also be supported by improved revenue collection from the on-going programme of installation of prepaid meters.

Construction

158. Steady growth has been witnessed in the construction industry since 2009, with immense growth of 65% registered in 2011.
159. Growth was mainly buoyed by increased business confidence, general improved economic activity, growth in the informal sector and the availability of cement competitively on the local market.
160. The sector, however, experienced a slowdown in 2012 to 23.5% on the back of declining public and private contracts as the liquidity challenges intensified. Many potential players in the construction sector held back on their proposed contracts, with minimal activities mainly on road network and airport rehabilitation programmes.

161. In 2013, construction industry is estimated to have grown by 10%. The growth was driven by construction and upgrading of resort facilities for the UNWTO General Assembly that was held in Victoria Falls, Government's infrastructure development programmes, mainly in roads, dams, office buildings, as well as construction of housing units in major urban areas.
162. In 2014, the construction sector is projected to grow by 11%. The growth is expected to be driven by public and private housing projects, on-going Government's infrastructure projects and also from the expected positive growth in other sectors such as mining, manufacturing and agriculture.



Source: ZIMSTAT

163. The sector, however, remains constrained by several challenges which include the following, among others:
- The prevailing liquidity crunch which has resulted in low economic activities;

- Unavailability of external lines of credit;
- Obsolete equipment;
- Shortage of skilled labour as most engineers and surveyors left the country in search of better remuneration in the region and abroad;
- High cost of building materials other than cement due to heavy duty imposed on imports; and
- Low project turnover for local companies.

164. The liquidity challenges have also resulted in limited mortgage finance available at high interest rates. In 2013, of the total loans advanced to the private sector only 2% was committed to construction. Construction projects by nature have a long time horizon of more than five years unlike agriculture and manufacturing of less than one year.
165. Given the limited budgetary resources in the budget, Government in conjunction with private players, will continue supporting the construction sector through Housing Schemes, civil works construction and other prioritised infrastructure projects in 2014.
166. In addition, Government will continue with infrastructure development projects through Joint Venture partnership and similar arrangements. Local players will be given preferential treatment where they have capacity.

Information Communication Technologies

167. ICT remains one of the fastest growing sectors anchored by rapid technological development and competition.
168. In 2013, growth in the sector remains as initially projected at 3.7%. The growth forecast is underpinned by innovation, and hence, massive investments in network, grid expansion and upgrading.
169. During the second quarter of 2013, total investment in the sector grew by 0.9% compared to the first quarter, with subsequent increase in both mobile and internet penetration rates.
170. Moreover, due to competition in the sector, a number of promotional packages have been launched and these have consequently increased the time spend on call and ultimately revenue for the sector increased by 4.3%.
171. The Table below shows the subscriber base in the sector.

Subscriber Base

	Mobile	Growth %	Fixed	Growth %	Internet	Growth %
2010	7,630,546		351,002		1,397,000	
2011	9,187,653	20%	355,814	1	2,451,145	75%
2012	12,613,935	37%	330,316	-7%	3,945,262	61%
2013	12,796,118	1%	313,372	-5%	4,868,623	23%

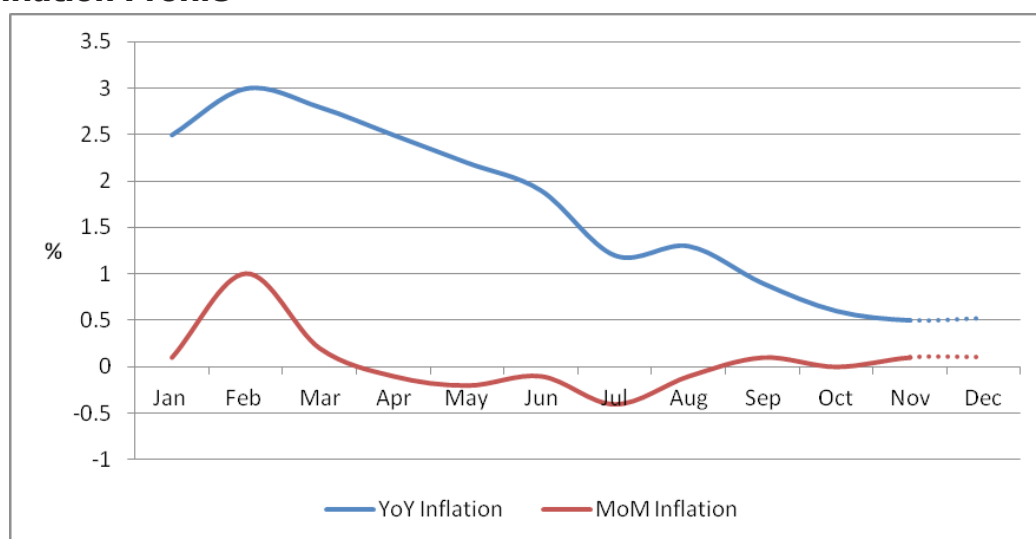
Source: POTRAZ

172. In 2014, the sector is expected to register a positive growth of 4.0%, anchored by product development and innovation. Data and internet service are anticipated to be the major revenue drivers in the sector going forward, with voice becoming complementary. This is reflected by a major investment shift towards expansion of broadband fibre network.

Prices

173. The general price level in the economy has been on the downward trend, with year on year inflation opening the year at 2.5% and declining to 0.54% in November 2013.
174. This deceleration reflects weak aggregate demand emanating from tight liquidity and, hence, low disposable incomes, depreciation of the rand against the United States dollar, stable inflation expectations, and steady international oil and food prices.

2013 Inflation Profile



175. In 2014, inflation dynamics will remain largely a function of the above-mentioned exogenous factors as well as endogenous movements in wages, regulated prices, including water, power, tele-communications and rentals.
176. Consequently, average inflation is projected at around 1.5% in 2014.

Deflation Risk

177. In spite of the single digit inflation achieved so far, the economy faces a downside risk of a deflation arising from tight liquidity in the economy affecting capacity of corporates to pay salaries, low disposable incomes and depreciation of the rand, among others.

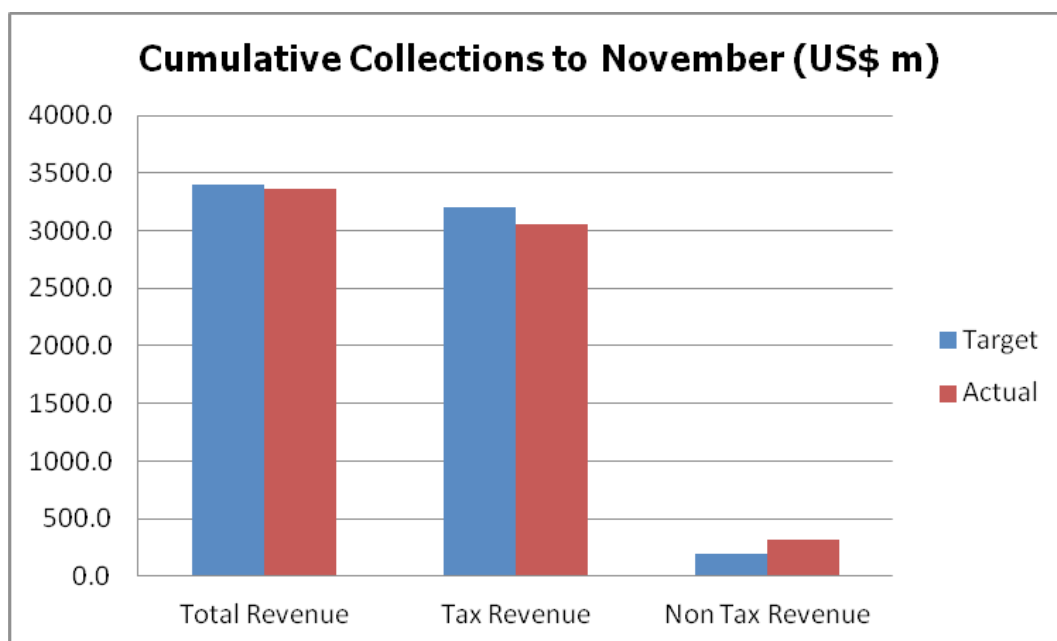
PUBLIC FINANCES

178. During the period January to November 2013, the Budget experienced a number of pressures from unbudgeted but inescapable programmes against low revenues.

Revenues

179. The 2013 National Budget provided for total revenues of US\$3.860 billion, of which tax revenue was projected at US\$3.646 billion, with non-tax revenue of US\$213.6 million.

180. Total revenue collections during the year 2013, up to November amounted to US\$3.360 billion, against a target of US\$3.395 billion, resulting in a negative variance of US\$35.0 million (1.0%).



Source: Ministry of Finance & Economic Development

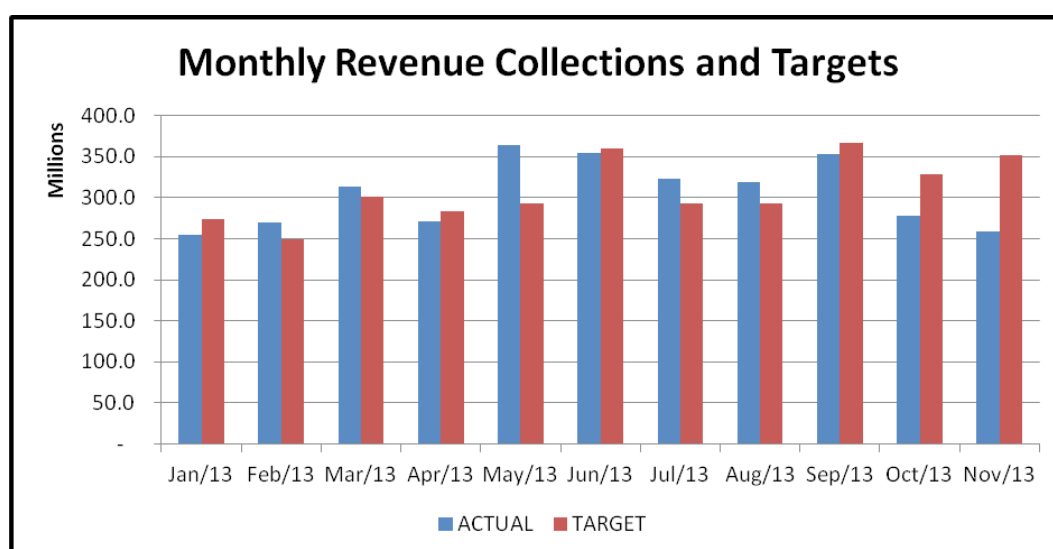
181. The negative variance could have been much higher had it not been offset by the once-off unbudgeted non-tax collections from the renewal of licencing fees from mobile telecommunication companies, whose business licences generated US\$145.5 million.
182. However, non-tax revenue from diamond did not materialise, notwithstanding a Budget provision of US\$61 million.
183. The Table below shows the actual cumulative revenue collections and targets.

Revenue Performance: January to November 2013

	Actual (US\$ millions)	Target (US\$ millions)	Variance (US\$ millions)
Total Revenue	3 360.3	3 395.5	-35.2
Tax Revenue	3 049.2	3 206.6	-157.4
Non Tax Revenue	311.1	188.9	122.2
Low Diamond Dividends	0	61	-61

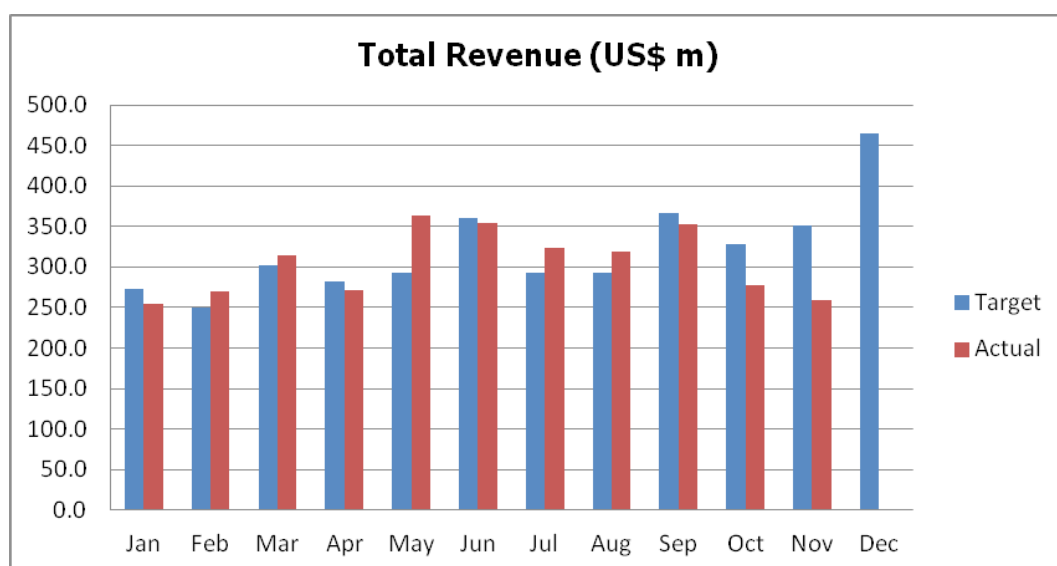
Source: Ministry of Finance & Economic Development

184. Monthly revenue performance depicted fluctuations, with positive variances recorded in the months of February, March, May, June and August, while revenue slippages were recorded in the months of January, April, June, September, October and November as indicated in the graph below.



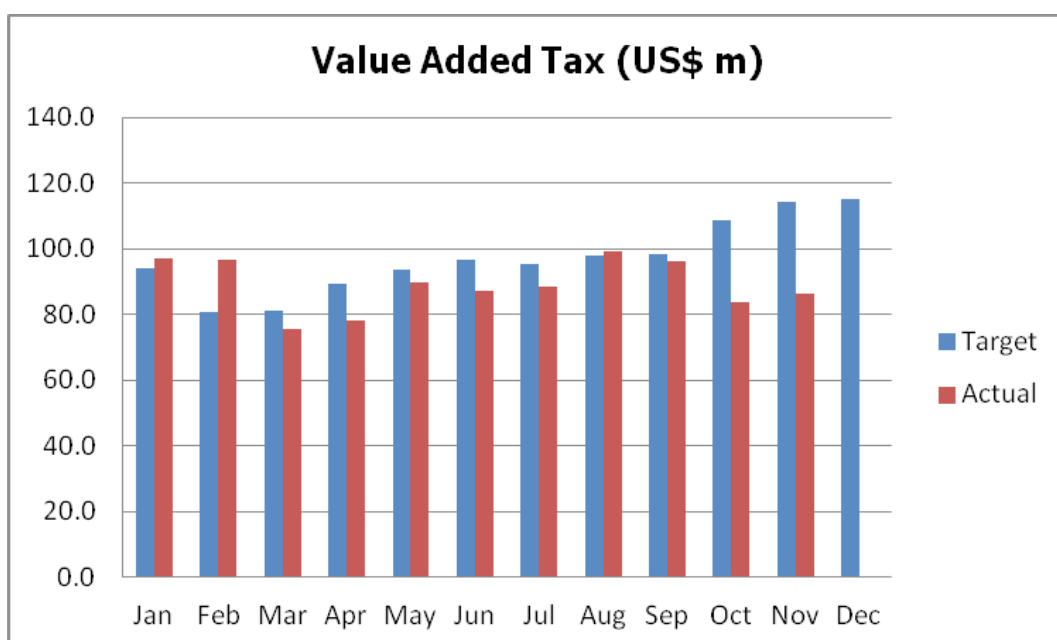
Source: Ministry of Finance & Economic Development

185. Tax revenues which are directly linked to economic activity, performed below the target for most of the period under review, reflecting the overall economic slowdown. Accordingly, a negative variance of US\$154.4 million was realised from tax collections of US\$3.049 billion, against a target of US\$3.206 billion as indicated below.



Source: Ministry of Finance & Economic Development

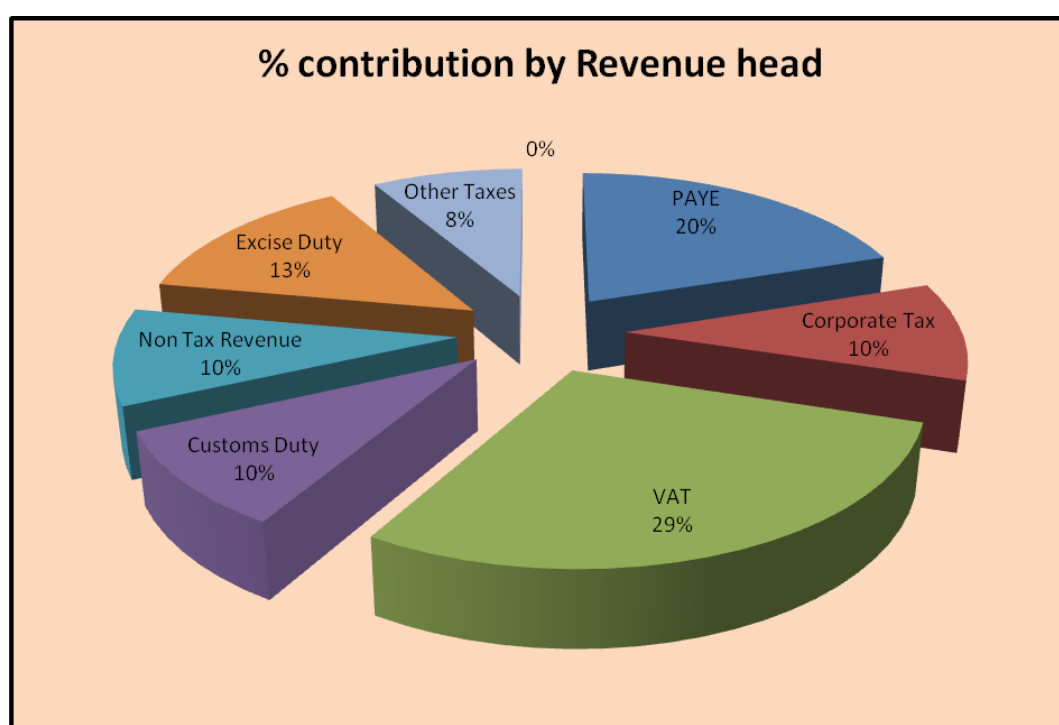
186. Furthermore, Value Added Tax collections, which performed below the target for most of the period except for January, February and August, are consistent with the economic slowdown.



Source: Ministry of Finance & Economic Development

Revenue Heads Performance

187. The pattern of individual revenue heads contribution remained relatively the same with Value Added Tax contributing the highest share at 29%, P.A.Y.E (20%), excise duty (13%), Non-tax revenue (10%), as indicated in the pie chart below.



Source: Ministry of Finance & Economic Development

188. Taking into account the remaining one month to end of the year, total revenue collections are now estimated at about US\$3.72 billion, which is below the original budget estimate of US\$3.86 billion.
189. This results in revenue projection shortfall of about US\$140 million.

Expenditures

190. Cumulative expenditures to November 2013 amounted to US\$3.526 billion against a target of US\$3.396 billion, resulting in expenditure overrun of US\$130 million. These were mainly channeled towards the following:

Total Expenditures: Jan – Nov 2013

	Target	Disbursements	Variance
	US\$ million	US\$ million	US\$ million
Employment Costs	2,284	2,429	-145
Operations	601	744	-143
Capital Projects	492	326	166
Interest	18	27	-9

Source: Ministry of Finance and Economic Development

191. The expenditure composition above, still remains a major concern as it is skewed towards recurrent expenditure, contrary to best practice of allocating 30% of total revenue to capital expenditure.

Employment Costs

192. For the period to November 2013, employment costs amounted to US\$2.429 billion accounting for 68.9% of total expenditure, against a target of US\$2.284 billion giving an overrun of US\$145 million.
193. This overrun under this expenditure head is a result of the planned cost of living review effected in January 2013.

Operations and Maintenance

194. During the period under review, operations and maintenance amounted to US\$744 million, accounting for 21.1% of total expenditures, against a target of US\$601 million giving an over-expenditure of US\$143 million.
195. This expenditure overrun was mainly necessitated by financing inescapable national programme such as the conduct of the Constitutional Referendum and Harmonised General Elections at US\$178.4 million, outstanding obligations for the holding of the 2012 National Census US\$12.4 million, as well as hosting of the UNWTO Conference, US\$7.6 million.
196. Funding of the above national programmes has unfortunately had the effect of crowding out other 2013 critical service delivery programmes. Resultantly the majority of Ministries suffered from under disbursement for their day-to-day operations.

Government Domestic Arrears

197. During the period to October 2013, Government instituted some demand management measures with both service providers and line Ministries in order to align consumption of services to budgeted resources to curb accumulation of new domestic arrears.

198. Notwithstanding this, domestic arrears to service providers remain, thereby undermining the business activities of service providers.
199. In this regard, total obligations to service providers stand at around US\$97.1 million.
200. Government will reduce the stock of domestic arrears in 2014. Given the very tight resource constraints in the 2014 Budget, we plan to eliminate the total stock of end 2013 domestic arrears by 2015.

Health

201. Provision of health care remains top priority for Government, as it is a critical imperator for sustained economic development and growth. In this regard, significant strides in the provision of health care services have been made. These include the following:
- the restoration of health care services and infrastructure through the targeted approach;
 - increase in immunisation coverage from 60% to almost 100%;
 - decreasing malaria incidence rate;
 - increase in percentage of women receiving ARVs from 84% in 2010, to 98% in 2011; and

- increase in utilisation of services for both outpatient departments and admissions.

202. Complementing Government support were various cooperating partners who made a total commitment of US\$161.6 million as indicated in the Table below:

Donor	Programme	Pledged Amount US\$ million
UNICEF	HTF	65
UNICEF	Various Programmes	10
Global Fund	Malaria	5.2
Global Fund	HSS(VHW)	1.4
Global Fund	Health Information	0.5
Global Fund	HIV/AIDS	72.2
WHO	EPI &EDC	0.2
CDC	Districts HSS	0.1
Total		161.6

Source: Ministry of Health & Child Care

203. The achievements have improved Zimbabwe's ranking out of which it is in the top 10 in Africa with regards to reduction in child mortality. Zimbabwe has the largest reduction in child mortality in Africa for the period 2000 to 2011.

Education

204. Despite the funding challenges facing the education system, the sector recorded a number of achievements in 2013. The 2013 grade 7 results improved from 47% to 49%, highlighting some improvements in the education sector.

205. The Ministry of Primary and Secondary Education facilitated the training of School Heads in financial management. The objective of the program was to reduce financial mismanagement in schools.
206. About 5 668 early child development centres were established, against a target of 2 093 which indicates a great achievement in the promotion of early child education in the country.
207. In order to provide education for all and bridge the gap between the rich and the poor, 500 000 pupils benefited from BEAM.

Capital Expenditure

208. Mr Speaker Sir, total disbursements for capital programmes during the period to November 2013 amounted to US\$326 million, against a target of US\$492 million giving an underperformance of US\$166 million. This accounts for 9% of total expenditures, which is below the Public Sector Investment Programme (PSIP) target of 14.6%.
209. The under-performance of PSIP disbursements for the period under review was mainly due to accommodation of non-discretionary expenditures such as employment costs and the harmonised general elections, against a background of limited budgetary resources.

210. The Table below highlights sectoral distribution of PSIP disbursements:

Capital Disbursements (US\$)

SECTOR	ORIGINAL BUDGET	DISBURSEMENTS TO NOVEMBER	% Utilisation
Energy	18,000,000	200,000	1.1
Transport & Communication	61,400,000	24,635,900	40.1
Water & Sanitation	97,225,000	97,940,192	100.7
Housing	55,893,000	11,010,800	19.7
ICT	19,710,000	8,650,000	43.9
Health	129,600,000	16,907,600	13
Education	53,290,000	22,590,873	42.4
Social Services	550,000	300,000	54.5
Agriculture	52,350,000	107,735,584	205.8
Furniture & Equipment	8,236,000	2,629,646	31.9
Vehicles	5,211,000	432,850	8.3
Other	45,855,000	23,698,550	51.7
ZIMRA Capital Grant	17,680,000	9,200,000	52.0
Grand Total	565,000,000	325,931,995	57.7

Source: Ministry of Finance & Economic Development

Transport

211. Notwithstanding the crowding out of capital expenditures by the recurrent budget, notable progress was achieved in the implementation of some projects as indicated below.

Roads

212. A total of US\$7.3 million was disbursed towards the dualisation of the Harare – Mutare highway. This was against a target of US\$5 million for 2013.

213. With regards to the rehabilitation of roads, some US\$1.43 million, against a target of US\$1 million, was disbursed towards the rehabilitation of the Harare-Masvingo highway.
214. Further interventions with regards to our roads included high volume road construction for the Wedza-Sadza-Murambinda road at US\$641 019, as well as works on the Masvingo round-about for US\$550 000.
215. Narrow mat widening, as well as resealing works were down along the Chivhu-Nyazura and Makuti-Kariba roads at a cost of US\$24 110 and US\$25 335, respectively.

Rural Roads

216. Interventions were targeted at grading and spot re-gravelling of our rural roads. The works undertaken are indicated in the Table below:

Grading and Spot Regravelling

Road Project	2013 Allocation (US\$)	Disbursement (US\$)
Binga-Sengwa-Bumi	600 000	141 866
Harare-Mt Darwin-Mukumbura	600 000	60 800
Mutoko-Nyamukoho	650 000	607 215

Source: Ministry of Finance & Economic Development

On-going Bridge Construction Projects

217. Notable progress was also achieved with regards to on-going bridge construction. Once completed, this should ensure smooth flow of traffic, as well as improve accessibility. Some of these projects include the following:

Ongoing Bridge Construction Projects

Projects	2013 Allocation (US\$)	Disbursement (US\$)
Tuli	1,500,000	560,990
Manyame	200,000	334,847
Munyati	800,000	16,422
Nyahodi (Approaches)	500,000	90,874
Little Sebakwe (Approaches)	500,000	969

Source: Ministry of Finance & Economic Development

Railways

218. Rail transport plays the central role of connecting major economic centres within and outside our borders, in the transportation of bulk raw materials, finished goods and passengers.
219. The National Railways of Zimbabwe (NRZ), however, has been facing a number of challenges with respect to rolling stock, as well as locomotive capacity, thereby, undermining its capacity to fully meet demand.
220. In order to mitigate this, US\$2.8 million was disbursed for refurbishment of locomotive power and rolling stock, as well as US\$1.2 million for main line caution removal.

Air Transport

221. Government also intervened on the rehabilitation and upgrading of our major airport facilities. Some of these works included upgrading of flight information display systems, air cargo services, as well as baggage handling facilities.
222. Some US\$2.4 million was also disbursed for the rehabilitation of the runway at Harare International Airport.

2013 Supplementary Estimates

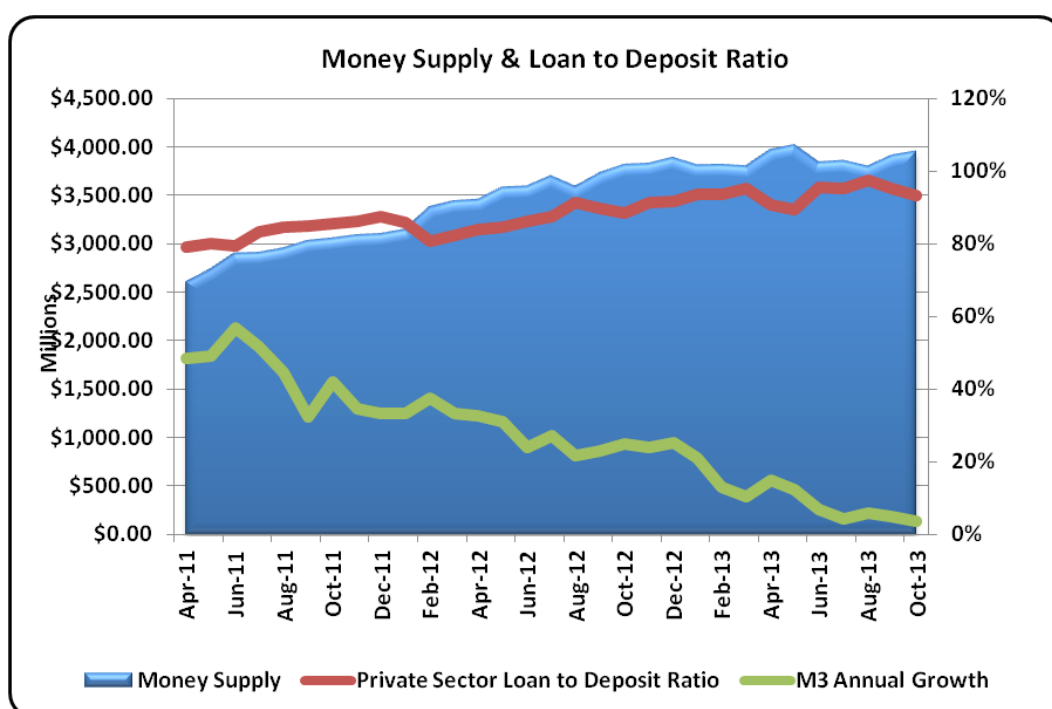
223. Mr Speaker Sir, as I have alluded to earlier, one of the challenges we encountered during the implementation of the 2013 Budget was that the Budget has had to accommodate higher expenditures than provided for.
224. This was with respect to the Referendum, Harmonised elections, food security, and selected projects as well as on employment costs.
225. I am, therefore, presenting and laying before this August House Supplementary Estimates of Expenditure for 2013 of US\$492 million and will move an Appropriation (Supplementary) Bill. The objective is to regularise the Budget Estimates for 2013.
226. Mr Speaker Sir, Government had to call on both financial and other organisations to support with resources for the above national programmes.
227. The support came in the form of largely treasury bills and financing facilities.
228. It is on the above account that, on behalf of Government I want to sincerely thank all institutions and organisations who answered to the call.
229. In spite of the Supplementary Estimates, the actual expenditure for 2013, will remain within the revised estimated revenue targets of US\$3.7 billion.

Financial Sector

230. Mr Speaker Sir, vulnerabilities in the financial sector persisted stemming from poor corporate governance, prevailing liquidity crunch, low capitalisation levels and poor asset quality. This situation exacerbated the financial sector's ability to mobilise funds for on lending to the productive sectors of the economy.

Deposits

231. The year on year growth in money supply stock stood at 3.61% as at 31 October 2013, compared to 24.9% as at 31 October 2012. Accordingly, money supply stock, as at 31 October 2013, stood at US\$3.951 billion.



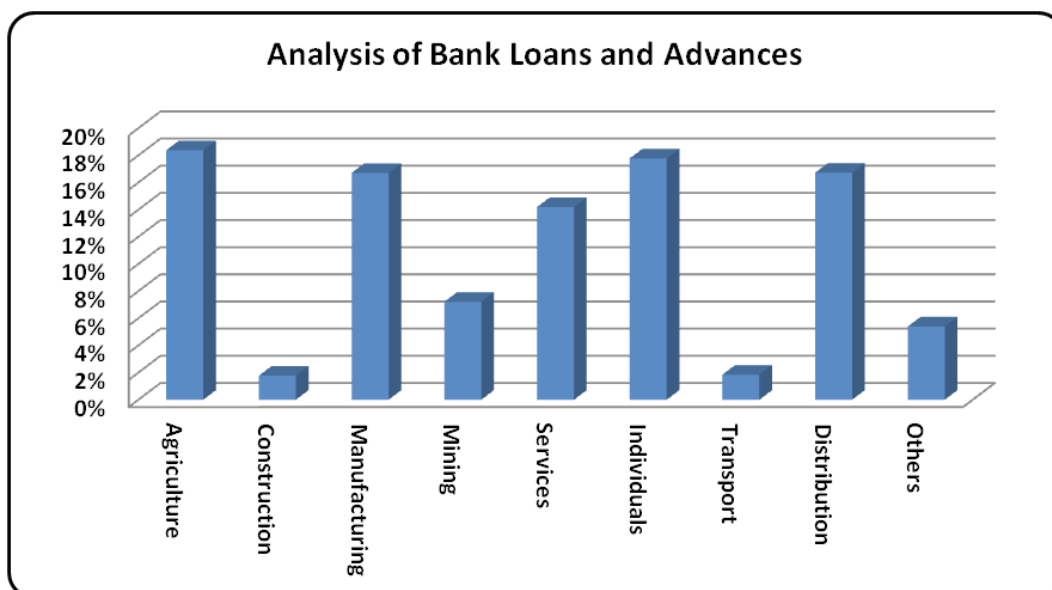
Source: Reserve Bank of Zimbabwe

Loans and Advances

232. Notwithstanding, the slowdown in money supply growth, the annual growth in loans and advances to the private sector increased by 9.3% as at 31 October 2013, compared to 29.3% as at 31 October 2012.
233. To highlight the serious liquidity crunch obtaining in the economy, a total of US\$124.3 million was advanced to the private sector as new borrowings during the first ten months of this year, compared to US\$662.3 million during the same period in 2012.
234. Reflective of the prevailing environment, the loan to deposit ratio has remained relatively high above 90% for the greater part of this year. As of 31 October 2013, the loan to deposit ratio stood at 93%.

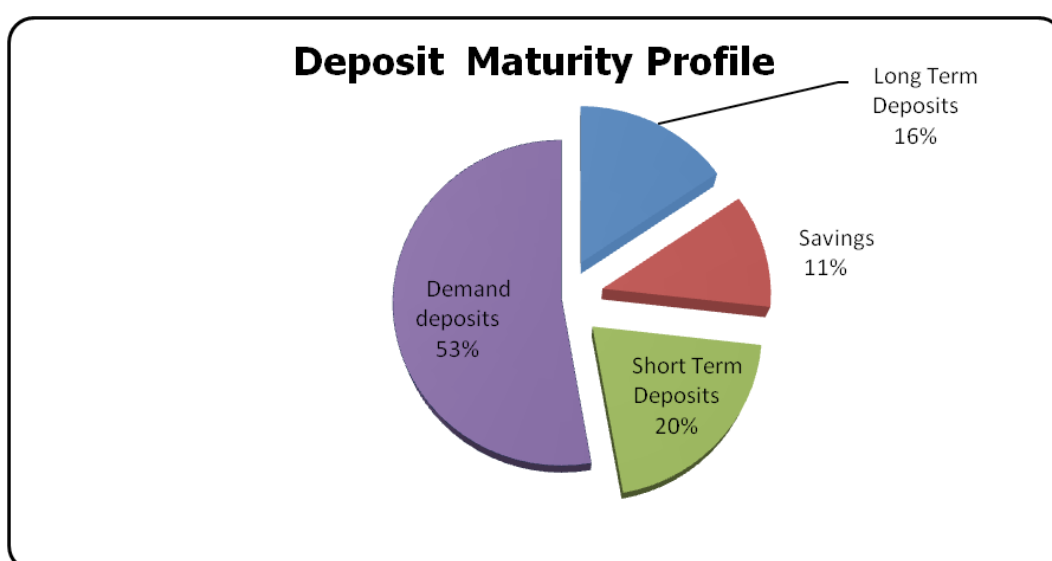
Analysis of Bank Deposits

235. The composition of bank deposits has mostly been from Services Organisations (24%), Financial Organisations (17%) and Individuals (14%). The deposit taking institutions should devise products that result in financial inclusion of the non-banked public so that their contribution increases from the current 14%.



Source: Reserve Bank of Zimbabwe

236. Composition of deposits continued to be transitory in nature with demand deposits dominating at 52.7% of total deposits, followed by under 30-day deposits at 33%, while long term deposits continued to lag at 15%. The dominance of demand and short term deposits means that banks cannot lend long term capital, which the productive sectors of the economy desperately need.



Source: Reserve Bank of Zimbabwe

Interest Rates

237. During the period under review, interest rates quoted by commercial and merchant banks ranged from a minimum of 3% per annum, to 24% per annum as indicated below.

Time Deposit Interest Rates

Time Deposit Rates	Min	Max
30-Days	3	16
60-Days	4	17
90-Days	4	17
180-Days	4	15
360-Days	4	24
Over 1 Year	4	17

Source: Reserve Bank of Zimbabwe

238. The lending interest rates for companies during the last ten months of 2013 ranged from 3% – 30% per annum, with the average interest rates of 17% being applied to corporate loans.

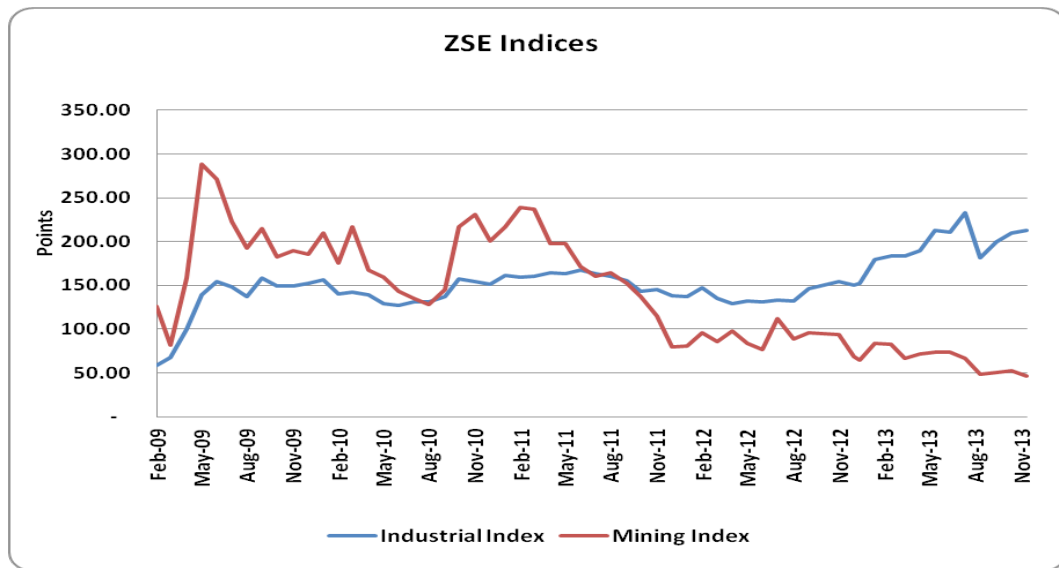
Lending Rates for Corporates

Lending Rates	Min	Max	Median	Mean
30-Days	6	30	18	17.3
60-Days	6	30	18	17.2
90-Days	6	30	17.3	17.0
180-Days	3	30	18	17.0
360-Days	3	30	18	17.0
Over 1 Year	6	30	18	18

Source: Reserve Bank of Zimbabwe

Zimbabwe Stock Exchange

239. Trading on the local bourse during the past eleven months of 2013 have been generally positive although clouded by political uncertainty, as investors were cautious and speculative in nature.
240. The industrials opened the year 2013 at 152.4 points, and gained 60.05 points (39.8%) to close the month of November 2013 at 213.9 points.
241. Notwithstanding the above, the pre-election period was characterised by strong bullish sentiments, increased consumer and business confidence with the industrial index reaching an all time high of 232.87 points as at 30 July 2013.
242. However, the post-election period was characterised by some bearish sentiments normally associated with adjustments. Foreign investors pulled out of the market and local investors could not capitalise on the relatively low prices due to a liquidity crunch, hence, the industrial index declined to 181.67 points as at 31 August 2013.
243. In the third quarter of 2013, the industrial index was steadily rising as business and investor confidence has been improving. This is shown in the graph below:



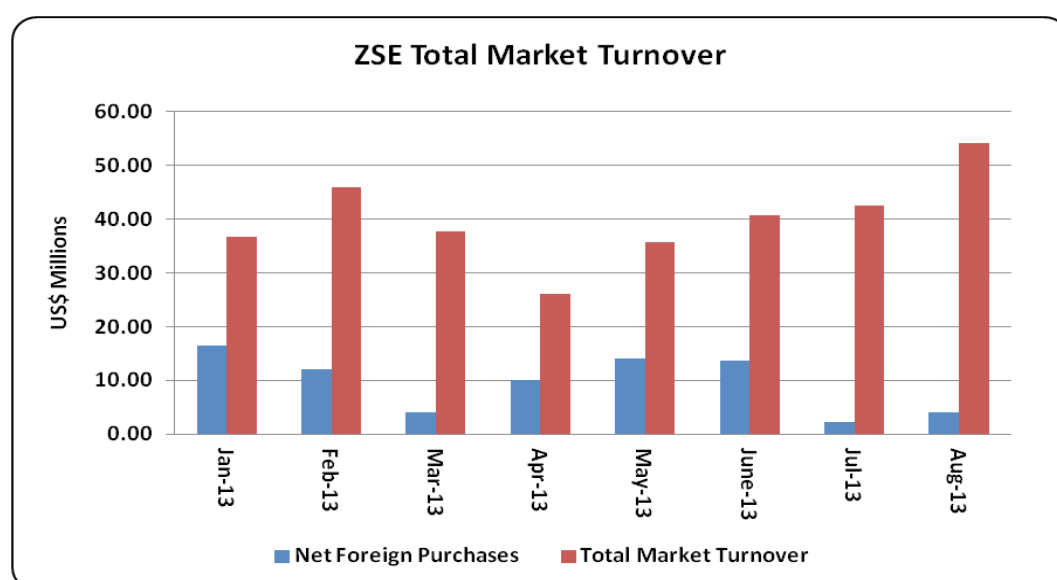
Source: ZSE

244. Contrary to the general market sentiments, the mining index opened the year 2013 at 65.12 and lost 18.1 points (-27.8%) to close the month of November 2013 at 47.2 points.
245. During the first eleven months of 2013, the mining index was very volatile, registering 84.07 points as at 31 January 2013, falling 66.21 points by 31 March 2013, before recovering in July 2013, and trending southward in November 2013 as shown in the graph below.
246. This could be fundamentally explained by weakening international commodity prices and the high cost of production and general operating environment in the mining sector.
247. Accordingly, the market capitalisation moved in tandem with the market direction as it started the year 2013 at US\$3.96 billion

and reached an all-time high of US\$6.00 billion on 30 July 2013, before declining to US\$5.5 billion as at 30 November 2013.

ZSE Market Turnover

248. Net foreign purchases by foreigners averaged 45% of total market turnover during the month of January 2013, but declined to 38% in March 2013 and further decreased to 8% during the month of August 2013.
249. Thus the reduced net foreign purchases and increased foreigner investor sales translated into declining portfolio investment which contributed to the strong bearish sentiments on the stock market as local investors were not liquid enough to invest on the market.



Source: Zimbabwe Stock Exchange

250. Mr Speaker Sir, it is encouraging to note that as at 30 September 2013, the Zimbabwe Stock Exchange remained within the regional top five on a Year-to-Date Return Basis, after Ghana, Malawi, Nairobi and Uganda.

Insurance and Pensions Industry

251. Mr Speaker Sir, the insurance and pensions industry plays a critical role in mobilising savings and providing future security for beneficiaries. The industry's total assets grew by about 20% from US\$2.99 billion in December 2012, to US\$3.6 billion as at 30 September 2013.
252. The growth has largely been driven by life assurance and pension fund assets as shown in the Table below:

Insurance & Pensions Industry Total Assets: 30 September 2013

Class of Business	Total Assets as at 31 Dec 2012 (US\$000)	Total Assets as at 30 June 2013 (US\$000)	Total Assets as at 30 Sept 2013 (US\$000)
Short Term Insurers	135, 870	173,793	149, 865
Short Term Reinsurers	102, 646	111,061	119, 760
Life Assurers	1, 177, 000	1, 085, 000	1, 453,338
Life Re-Assurers	1, 183	1, 273	6, 951
Funeral Assurers	58, 729	58, 580	68, 446
Pension Funds	1, 512, 000	1, 626, 000	1, 801, 234
Total	2, 987, 428	3, 055, 707	3, 599, 594

Source: Insurance and Pension Commission

Status of Compliance to Minimum Capital Requirements

253. Mr Speaker Sir, Honourable Members will recall that the minimum capital requirements for insurance industry players were reviewed in the 2013 National Budget Statement as indicated in the Table below.

Compliance to Minimum Capital Requirements: 30 September 2013

Class of Business	Minimum Capital Requirements	30 June 2013 Compliance Level (%)	31 September 2013 Compliance Level (%)
Short Term Insurers	US\$1,500,000	91	96
Short Term Reinsurers	US\$1,500,000	100	100
Life Offices	US\$2,000,000	89	90
Life Re-assurers	US\$1,500,000	100	100
Funeral Assurers	US\$1,500,000	73	89
Insurance Broker:			
Prescribed securities	US\$100,000	89	86
Professional Indemnity Cover	US\$200,000		
Reinsurance Broker:			
Prescribed securities	US\$100,000	100	100
Professional Indemnity cover	US\$250,000		

Source: Insurance and Pensions Commission

254. In terms of compliance, insurance companies are supposed to be 50% compliant by 30 June 2013, 75% compliant by 31 December 2013 and fully compliant by 30 June 2014.
255. Most companies complied with the 30 June 2013 thresholds and are likely to meet the June 2014 deadline.

Prescribed Asset Status Requirements

256. Mr Speaker Sir, the 2013 National Budget targeted to raise US\$150 million through prescribed assets to finance infrastructural projects. There was, however, little progress in this area as identified beneficiary institutions made minimal efforts to comply.

Compliance to prescribed assets: 30 September 2013

Class of Business	Current Compliance Level (%)
Short Term Insurers	0.45
Short Term Reinsurers	0
Life Offices	1.06
Life Re-assurers	0.43
Funeral Assurers	0.06
Pension Funds	0.65

Source: Insurance and Pensions Commission (IPEC)

257. In this regard, Government urges beneficiary parastatals with viable and bankable projects involved in infrastructure particularly power, ICT, water & sanitation and transport, among others, to expedite the processes for mobilising resources through long term infrastructure bonds.
258. Based on the total assets reported as at 30 September 2013, realisable resources from the industry will amount to US\$220 million in prescribed assets during the year 2014.

Contribution Pension Arrears

259. Mr Speaker Sir, Government is concerned with pension contribution arrears mostly being accrued by parastatals and

local authorities currently amounting to US\$152 million. These arrears are mainly arising from the following factors:

- High contribution rates of up to 30%;
- Absence of a policy framework which defines benefits and contribution structures for parastatals and local authority pension scheme;
- Poor corporate governance and accountability on these contributory institutions, which has seen some of the executives awarding themselves hefty salaries and allowances, and
- Making deductions while failing to remit pension contributions to their pension funds.

260. Government is, therefore, calling upon the defaulting parastatals and local authorities to make good their pension arrears.

261. Meanwhile the Insurance and Pensions Commission (IPEC) will, through stakeholder consultations, come up with a policy framework which defines benefits, contributions, structures and governance of pension funds in local authorities and parastatals.

262. Going forward, realising full potential of the insurance and pensions industry will, however, require addressing challenges around issues such as:

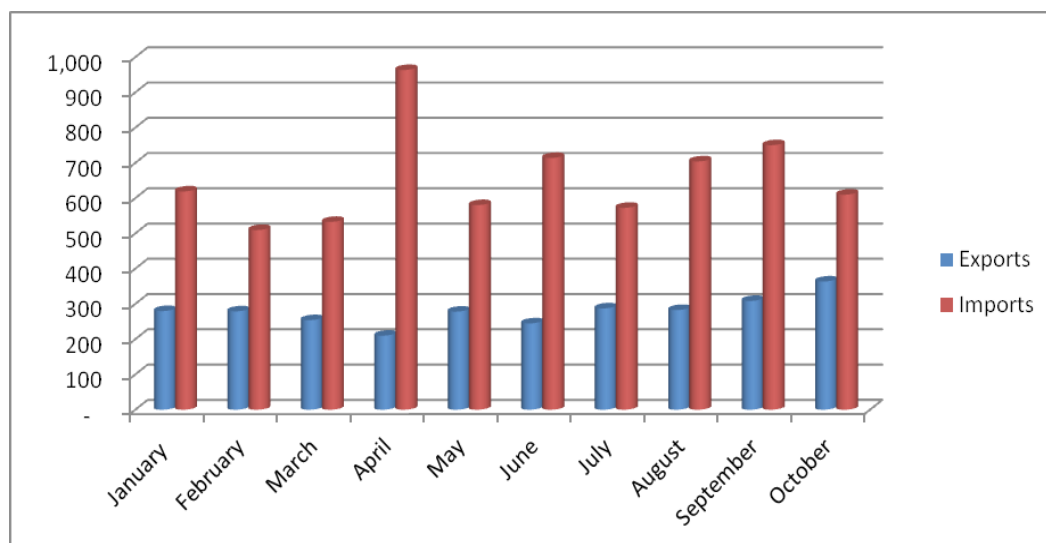
- negative public perception following values lost during the hyper-inflationary period;
- poor corporate governance in some institutions;
- increasing contribution arrears in some pension funds;
- liquidity constraints;
- low pension pay-outs; and
- out-dated legislation.

Trade

Exports

263. Total exports for the period January to October 2013 stood at US\$2.8 billion, this is against US\$3.2 billion realised during the same period in 2012.
264. The declining growth in exports is a reflection of the overall slowdown in the real economic activities. By the end of 2013, exports are projected to reach US\$4.430 billion.

Imports and Export Performance



Source: ZIMSTAT – 2013

265. In 2014, growth in exports is hinged on the overall performance of the economy. Exports are forecasted to reach US\$5.0 billion.
266. The 1.5% growth in exports will rely on access to low costs for intermediate inputs. Reduction of input tariffs, extension of the preferred economic operator status and implementation of the duty drawback system would also revitalise the growth of exports of goods and services.

Imports

267. Imports continue to grow faster than exports, totaling US\$6.6 billion by October 2013, this is against US\$6.1 billion realised during the same period in 2012.

268. Total imports for the year 2013 are expected to reach US\$7.682 billion, while in 2014, US\$8.321 billion is forecasted. Consequently, due to the fast growth in imports against the sluggish growth in exports, the current account deficit continues to widen to US\$3.8 billion. This deficit has already surpassed the original projected deficit of US\$2.5 billion for 2013.
269. The country is, therefore, experiencing a competitiveness gap. The appreciation of the real exchange rate suggests that the price structure of the economy has shifted against tradable products, as capacity constraints are hampering the domestic supply response to the strong spike in domestic demand that followed 2009 stabilisation.
270. The distribution sector has filled the gap instead, supplying imported goods, keeping prices of tradables at low levels and contributing to a widening current account deficit. This is contributing to the continued de-industrialisation in the economy.
271. As dollarisation precludes an exchange rate policy, our response should focus on support to increased productivity in the private sector and facilitation of entry of new firms.
272. Short-term protectionist measures can lead to short-term gains at the expense of the medium-term recovery. The effectiveness of such measures could also be affected by the lack of capacity

on the part of the firms to respond to price-changes, due to broader production challenges. These include ageing equipment and machinery, power outages, high cost of borrowing and weak linkages with domestic suppliers.

OFFICIAL DEVELOPMENT ASSISTANCE

273. Official Development Assistance (ODA) inflows for the period January to September 2013, amounted to US\$259.1 million against a combined annual projection of US\$642.7 million.

Bilateral Development Assistance

274. Of the total ODA, bilateral development partners contributed US\$144.6 million and the major contributors were the United Kingdom (US\$33.7 million), the European Union (US\$18.9 million), Australia (US\$15.4 million) and Sweden (US\$13.1 million), Switzerland (US\$11.2 million and China (US\$10 million).

Bilateral Development Assistance

DEVELOPMENT PARTNER	2012 DISBURSEMENT (US\$)	2013 PROJECTION (US\$)	2013 DISBURSEMENT (US\$) (Jan-Sept)	2014 PROJECTION (US\$)
Australia	46,094,373	43,893,043	15,423,388	33,165,888
Canada	16,748,444	387,263	8,024,526	-
China	37,711,536	-	10,025,968	-
Denmark	24,932,530	39,475,643	1,657,606	-
European Union	75,364,666	89,314,579	18,906,881	22,900,000
Finland	-	5,320,000	-	-
France	2,501,900	2,658,464	-	-

DEVELOPMENT PARTNER	2012 DISBURSEMENT (US\$)	2013 PROJECTION (US\$)	2013 DISBURSEMENT (US\$) (Jan-Sept)	2014 PROJECTION (US\$)
Germany	44,269,000	-	6,679,534	11,733,000
Ireland	4,355,720	3,835,000	78,000	-
Japan	17,081,505	3,787,898	8,045,324	-
Netherlands	17,646,718	17,677,584	6,375,045	-
Norway	20,141,490	27,007,000	7,676,000	23,883,000
Sweden	38,408,097	34,000,000	13,080,619	13,921,758
Switzerland	19,917,626	14,782,800	11,285,747	7,442,112
UK	201,069,000	184,450,000	33,745,100	130,530,000
USA	154,053,437	46,300,000	3,625,762	-
Total	720,296,042	512,889,274	144,629,500	424,925,758

Source: European Union

Multilateral Development Assistance

275. Multilateral Development Partners contributed to the economy US\$114.5 million as indicated in the Table below.

Multilateral Development Assistance

DEVELOPMENT PARTNER	2012 DISBURSEMENT (US\$)	2013 PROJECTION (US\$)	2013 DISBURSEMENT (Jan-Sept) (US\$)	2014 PROJECTION (US\$)
AfDB	145,770	3,214,014	3,214,014	10,157,323
FAO	185,878	573,519	569,887	-
GAVI	-	-	-	6,800,000
Global Fund	191,124,115	85,120,318	83,933,046	118,411,443
ILO	386,941	554,825	438,143	-
UN Women	686,352	1,246,326	710,841	-
UNAIDS	426,337	528,800	791,209	-
UNCTAD	332,597	331,601	242,486	-
UNDP	6,939,182	6,924,353	5,442,060	-
UNESCO	755,627	590,600	333,227	-
UNFPA	4,250,711	4,280,459	2,425,664	-
UNICEF	6,350,818	15,333,844	4,550,407	-
WHO	5,507,138	2,659,478	3,387,786	-
World Bank	7,302,330	8,434,215	8,434,215	20,000,000
Total	224,393,796	129,792,352	114,472,985	155,368,766

Source: UNICEF

Utilisation

276. In 2013, support under ODA was largely channeled towards humanitarian and social programmes in agriculture, health, education, social protection, and governance sectors.
277. The disbursement rate as at end June 2013 was 26.9 percent – a significant decrease from the 2012 disbursement rate of 52 percent for the period under review.
278. The slow disbursement is attributed to the fiscal restraints in the development partner countries, as well as the “wait and see attitude” adopted by some development partners in the run up to the Elections and the Inauguration of the new Government.
279. Official Development Assistance for 2014 is projected at US\$580.3 million in support of humanitarian and social programmes in agriculture, health, education, social protection and governance sectors.

Programme Support

Programmatic Multi-Donor Trust Fund (Zim-Fund)

280. Mr Speaker Sir, as Honourable Members may be aware, the African Development Bank administered Zim-Fund is currently focusing on rehabilitation of the following:

- water supply & sanitation infrastructure for six municipalities;
- ash plant at Hwange Thermal Power Station; and
- power sub-transmission & distribution facilities.

Progress on Phase I Projects

281. Cumulative disbursements for Phase I projects under Zim-Fund since 2011 amounted to US\$14.22 million, as at end-November 2013 as indicated in the Table below:

Disbursements for Zim-Fund Phase I Projects

Project	Allocation US\$ m	Disbursement US\$ m	Undisbursed Amount US\$ m
Power	39.60	4.70	34.90
Water & Sanitation	43.60	9.52	34.08
Total	83.20	14.22	68.98

Source: AfDB

282. The seemingly low disbursement rate with respect to the power project is on account of the related infrastructure rehabilitation works which require long lead time to manufacture customised equipment such as transformers.
283. Payment for the equipment, which is currently being manufactured, will be made when the equipment is delivered.
284. It is anticipated that the projects will be completed by 30 September 2014.

285. Beneficiary cities and towns with a total population of 4.5 million are Harare, Mutare, Masvingo, Chitungwiza, Kadoma, and Chegutu.

Progress on Phase II Projects

286. Cognisant of the need to deepen Zim-Fund Phase I interventions, preparatory work for Phase II of the Emergency Power Infrastructure Rehabilitation and the Urgent Water Supply and Sanitation is now at an advanced stage, following approval by the African Development Bank.
287. Implementation of the projects is expected to commence at the beginning of 2014.
288. Mr Speaker Sir, may I take this opportunity to convey my profound appreciation, to Development Partners who have contributed to the Zim-Fund.
289. May I also urge participating development partners to scale up their contributions. I would also like to invite other development partners to contribute to the Zim-Fund in order to widen its scope.

Results Based Financing Trust Fund

290. Mr Speaker Sir, Honourable Members are aware that since 2011, the World Bank has been supporting the Ministry of Health

& Child Care under a US\$15 million grant for a Health Sector Development Project, funded by the Multi Donor Trust Fund for Results Based Financing (RBF).

291. Given the positive roll-out of the RBF, Government requested for additional funding for the Health Sector Development Project in December 2012, for which the World Bank granted an additional US\$20 million in July 2013.
292. The additional financing will scale up on-going support to the initial eighteen (18) rural districts and to increase the project coverage by including two urban districts in Harare and Bulawayo, focusing on maternal and child health, as well as, strengthening institutional capacity of the country's health system.

Health Transition Fund

293. The Health Transition Fund (HTF) is a UNICEF administered multi-donor initiative, established in 2011 to support the health sector over the period 2011-2015 and is in its third year of implementation.
294. The HTF has an estimated total programme budget of US\$435 million aimed at improving health delivery systems in Zimbabwe.

295. Mr Speaker Sir, I would like to commend our development partners for contributing a total of US\$79.4 million in 2013 to the Fund.
296. Of this amount, US\$64.8 million was disbursed by UNICEF towards programme activities targeting maternal and child health, malaria prevention, provision of essential medicines, support to the Health Services Fund, establishing a Health Management Information System and a monitoring and evaluation system, among others.
297. The HTF, together with other initiatives such as the World Bank supported the Health Sector Development Support Project which I alluded to earlier on, will assist Government in bringing the health delivery system firmly back on its feet.
298. In this regard, given the positive correlation between a functioning health delivery system and any country's economic growth and development, I am also calling upon development partners to consider scaling up their support towards the Fund, as well as, synchronising these interventions in order to eliminate any duplication.

Education Transition Fund

299. Mr Speaker Sir, the launch of the US\$54 million Education Transition Fund (ETF) Phase I in 2009, also administered by

UNICEF, contributed immensely to the resuscitation of the education system.

300. Taking cue from the successes of ETF Phase I, the programme was extended by another 5 years from 2012 to 2015, with a total budget currently at US\$152 million.
301. Mr Speaker Sir, I am pleased to inform Honourable Members that in 2013, US\$49.8 million was mobilised from development partners, of which US\$30.1 million was disbursed towards programme activities by September 2013.
302. The programme activities supported include curricula review, teacher training support; textbooks & early childhood development kits, learning assessment system, school grants, sector-wide strategic planning, education information systems, school governance and management, as well as, school supervision system.

Child Protection Fund

303. Mr Speaker Sir, Government together with development partners, is committed to ensuring that childrens' rights and fundamental freedoms are respected, protected and fulfilled as contained in our Constitution and the National Action Plan for Orphans and Vulnerable Children (NAP II) from 2011 to 2015.

304. In light of this, Honourable Members will be pleased to note that development partners through the Child Protection Fund (2011-2013), are working tirelessly towards achieving this cause.
305. In 2013, US\$21.2 million was availed through UNICEF, and as at September 2013, US\$14 million had already been utilised.
306. It is my sincere hope, that this programme will be extended and scaled up considering the various challenges being faced by the Zimbabwean child.

11th European Development Fund

307. Mr Speaker Sir, Government and the European Union are currently undertaking a programming exercise for the 11th European Development Fund (EDF) for the period 2014-2020.
308. The areas identified for cooperation are health, agriculture, and governance under an indicative country allocation of €233 million.
309. However, these funds will be availed on condition that there will be a positive outcome with regards to lifting of restrictive measures under Article 96 of the ACP/EU Cotonou Agreement by the EU Council in February 2014.

EXTERNAL DEBT

310. The resolution of Zimbabwe's debt overhang is key to normalising our relations with the international financial institutions and bilateral creditors. It has become one of the serious impediments to the country's developmental agenda.
311. Mr Speaker Sir, the continued accumulation of external debt payment arrears is seriously undermining the country's creditworthiness, and severely compromising the country's ability to secure new financing from both bilateral and multilateral sources.
312. In this regard, Government in November 2010 approved the Zimbabwe Accelerated Arrears Clearance Debt and Development Strategy (ZAADDs), in order to pave the way for negotiating the clearance of arrears and debt relief for the country.
313. The key tenets of ZAADDs are as follows:
- The establishment and operationalisation of a Debt Management Office in the Ministry of Finance;
 - Undertaking a validation and reconciliation exercise of Zimbabwe's public and publicly guaranteed external debt database with all creditors;

- Re-engagement with the international community for the removal of sanctions;
- Negotiating with creditors and the Development Partners for arrears clearance, debt relief and new financing; and
- Leveraging Zimbabwe's natural resources in pursuit of debt relief.

314. Mr Speaker Sir, I am pleased to report that significant progress has been made in the implementation of ZAADDs, with the Zimbabwe Aid and Debt Management Office (ZADMO) being established in December 2010, in the Ministry of Finance. ZADMO is now fully operational.

315. In addition, the validation and reconciliation exercise of the external debt data base which commenced in 2011 has now been completed.

Zimbabwe's External Debt Position

316. Mr Speaker Sir, following the completion of the validation and reconciliation exercise, total external public and publicly guaranteed debt (excluding Reserve Bank and private sector external debt) as at 31 December 2012, stood at US\$6.077 billion, (49 per cent of GDP).

317. The stock of accumulated arrears accounted for US\$4.72 billion (78 per cent of total debt stock) as indicated in the Table below.

Total Public & Publicly Guaranteed External Debt

	2011		2012	
	DOD Including Total Arrears US\$ m	Total Arrears Stock US\$ m	DOD Including Total Arrears US\$ m	Total Arrears Stock US\$ m
GRAND TOTAL	5,830	4,443	6,077	4,712
Bilateral creditors	3,349	2,523	3,591	2,751
Paris Club	2,858	2,431	3,017	2,650
Non-Paris Club	491	92	572	102
Multilateral creditors	2,481	1,921	2,487	1,960
AfDB	622	565	636	582
World Bank	1,335	905	1,348	937
I.M.F	121	121	125	125
E.I.B	293	255	302	268
Others	110	74	75	45
Nominal Debt Indicators (%)				
Debt to GDP	35		49	
Debt to Revenue	200		173	
Debt to Exports of Goods and Services	130		149	
Arrears to Exports	93		10	
Arrears to GDP	44		38	

Source: Ministry of Finance and Economic Development

Multilateral Debt

318. Total multilateral debt stock as at 31 December 2012, stood at US\$2.49 billion (41 per cent of total debt), of which arrears amounted to US\$1.96 billion.

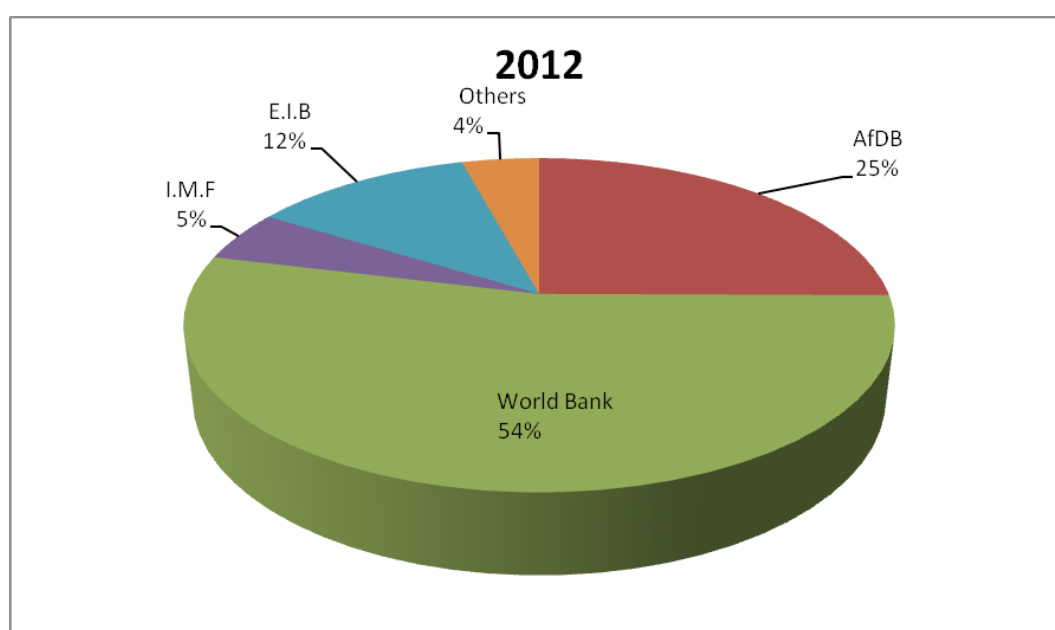
319. The breakdown of the arrears is as follows:

- World Bank, US\$1.4 billion;
- African Development Bank, US\$632 million;

- European Investment Bank, US\$302 million;
- International Monetary Fund, US\$125 million; and
- Other multilateral creditors, US\$117 million.

320. The position on multi-lateral debt arrears is also reflected in the following pie chart:

Multilateral Debt as at 31 December 2012

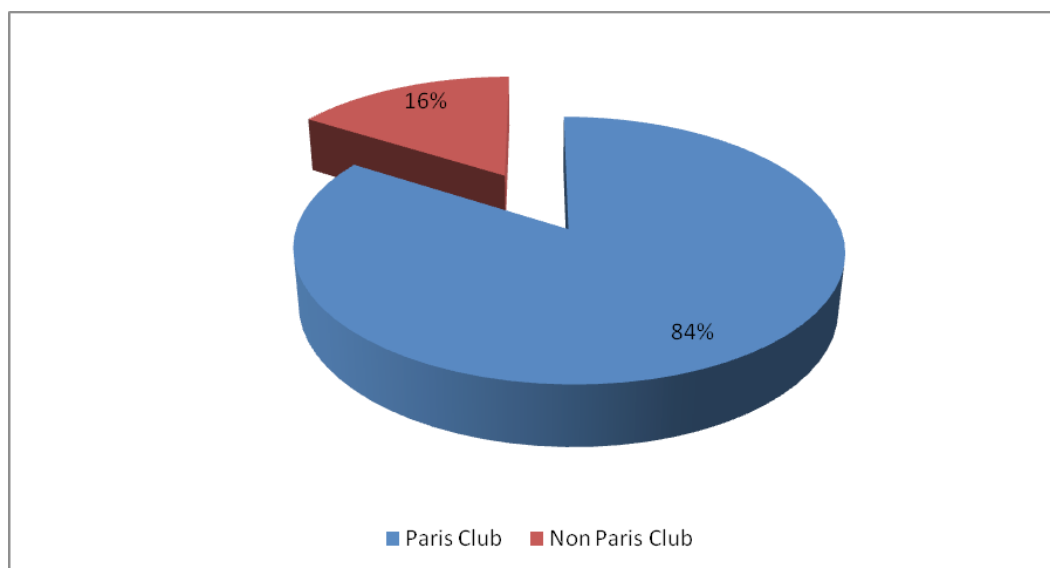


Bilateral Debt

321. Total external debt to bilateral creditors stood at US\$3.59 billion (59 per cent of total debt), of which the stock of arrears amounted to US\$2.75 billion or 77 per cent.

322. Of the total bilateral debt, as at 31 December 2012, US\$3.02 billion is owed to the Bilateral Paris Club creditors, and US\$572 million to the Non-Paris Club creditors which include China.

Bilateral Debt by Creditor Category



323. The top five Paris Club bilateral creditors which are owed US\$2.30 billion are as follows:

Bilateral Debt of top five creditors

Country	Amount (US\$ millions)
Germany	801
France	481
Japan	394
United Kingdom	386
United States	240

Source: ZADMO

324. Mr Speaker Sir, the detailed composition of the Paris Club external debt position as at 31 December 2012 is reflected in the Table below:

Paris Club External Debt by Creditor Category (US\$ m): 31 December 2012

	DOD Including Total Arrears & Penalty Interest	Debt Outstanding and Disbursed (DOD)	Total Arrears Stock
Paris Club	3 019	367	2 650
Austria	36	2	34
Belgium	71	1	71
Finland	108	6	103
France	481	46	435
Germany	801	128	673
Italy	153	19	134
Japan	394	92	302
Netherlands	100	3	97
Norway	68	0	68
Spain	57	8	48
Sweden	78	0	78
Switzerland	45	0	45
U.K	386	2	384
U.S.A	240	60	180

Source: ZADMO

Penalty Charges

325. Of the total external debt amounting to US\$6.077 billion, penalty charges accounted for US\$1.026 billion (17 per cent of total external debt).

KEY ECONOMIC CHALLENGES

326. The economic developments highlighted above, reflect that the economy is saddled with severe socio-economic challenges and these could be summarised as follows: -

- High consumption, leading to negative domestic savings and, hence, exposing the country to rely on external savings;
- Liquidity constraint reflected in declining money supply growth, low financial intermediation and resulting in weak aggregate demand;
- High debt overhang resulting in limited and highly priced lines of credit;
- Limited external inflows in the form of foreign direct investment, lines of credit and grants linked to high country risk premium resulting in low confidence by investors;
- Food insecurity owing to low productivity, low investment, as well as climate change induced droughts and erratic rainfall distribution pattern;
- Lack of industry competitiveness due to obsolete equipment and outdated technology as well as dumping and smuggling imposing unfair playing field with external competitors;
- Infrastructure deficits, in particular transport, energy and water, resulting in high cost of doing business and, hence, lack of competitiveness;
- Financial sector vulnerabilities stemming from weak governance, low interbank market activity, high non-performing loans (15.9% on average), low capitalisation and poor asset quality in several banks;

- Lack of transparency and accountability in the exploitation of our mineral resources;
- Widening current account deficit due to faster growth of imports than exports leading to hemorrhaging of the economy.

327. Mr Speaker Sir, the economic developments and outlook highlighted above have guided the formulation of the Macro-Economic and Budget Framework for 2014-15, as well as the proposed respective interventions.

MACRO-ECONOMIC AND BUDGET FRAMEWORK

328. Consistent with the ZIM-ASSET programme, the Macro-Economic Framework for 2014-15 is built on an active policy scenario, which projects real GDP growth of about 6.1% in 2014 and 6.4% in 2015.

329. This translates into a nominal GDP of about US\$14.065 billion, up by almost 7% from the 2013 nominal GDP of about US\$13.099 billion.

330. This is consistent with single digit average annual inflation of about 1.5% as indicated below:

Macro-economic and Budget Projections: 2014-15

	2009	2010	2011	2012	2013Est.	2014 Prj	2015 Prj.
National Accounts (Real Sector)							
Real GDP at market prices (million US\$)	8 157	9 085	10 167	11 241	11 626	12 337	13 123
Nominal GDP at market prices (million us\$)	8 157	9 457	10 956	12 472	13 099	14 065	15 228
Real GDP Growth (%)	5.4	11.4	11.9	10.6	3.4	6.1	6.4
Inflation (annual average) %	-7.9	3.0	3.5	3.8	1.7	1.5	2.0
Government Accounts							
Revenues & Grants (Millions US\$)	934	2 198	2 770	3 452	3 722	4 120	4 340
% of GDP	11.4	23.2	25.3	27.7	28.4	29.3	28.5
Expenditures & Net Lending (million US\$)	966	2 228	3 102	3 746	4 057	4 120	4 340
% of GDP	11.8	23.6	28.3	30.0	31.0	29.3	28.5
Balance of Payments Accounts							
Exports (million US\$)	1 796	3 541	4 771	4 355	4 430	5 024	5 524
Imports (million US\$)	3 662	5 834	8 491	7 456	7 682	8 321	8 690
Current Account Balance (million US\$)	-1 140	-1 918	-3 127	-2 380	-2 550	-2 471	-2 299

Source: Ministry of Finance and Economic Development

Assumptions

331. The above projections assume the following supportive factors:

- Timely and full implementation of measures proposed in the ZIM-ASSET programme.
- A stable political and macro-economic environment, supportive of overall economic activity;
- Inflation adjusted wage bill;
- Clarity and flexibility in the implementation of the Indigenisation and Economic Empowerment regulations;
- Policy clarity that builds confidence;

- Commitment to continued use of multiple currencies;
- Improved investment and deepening liberalisation measures to further support viability and competitiveness of our industries;
- Continued re-engagement with creditors, including implementation of the Staff Monitored Programme to resolve the external debt overhang and unlock new financing;
- Normal rainfall in support of agriculture for the 2013/14 season;
- Managing the balance of payments, particularly the widening and unsustainable current account deficit; and

THE 2014 BUDGET FRAMEWORK

332. Mr Speaker Sir, budgetary resources remain limited in view of the small size of the national value added output.

333. Based on the projected nominal GDP of US\$14.065 billion, the 2014 Budget will be anchored on revenues of about US\$4.120 billion (29.3% of GDP), up from the expected US\$3.722 billion by end of 2013.

334. This is against Ministries bids of about US\$8.9 billion, excluding employment costs, requiring some rationalisation and re-prioritisation of various programmes.

335. Tax revenues are anticipated to constitute US\$3.824 billion, with the balance of US\$296 million being non-tax revenue.

336. Of the total non-tax revenue, US\$96 million is on account of diamond dividend, with US\$115.7 million being revenues from investments and property.
337. Of the total budget, current expenditures will account for US\$3.628 billion, of which employment costs will require at US\$3 billion, representing about 73% of the total Budget.
338. Mr Speaker Sir, the above current expenditure levels imply that only US\$492 million remains available for supporting capital development programmes during 2014.

Budget Framework

Government Accounts	2009	2010	2011	2012	2013	2014	2015
Revenues & Grants (Millions US\$)	934	2 198	2 770	3 452	3 722	4 120	4 340
% of GDP	11.4	23.2	25.3	27.7	28.4	29.3	28.5
Tax Revenue	882.6	2073.7	2660.1	3278.9	3401.2	3824.0	4096.8
% of GDP	10.8	21.9	24.3	26.3	26	27.2	26.9
Non Tax Revenue	51.0	124.5	110.3	172.9	321.0	296	243.7
% of GDP	0.6	1.3	1.0	1.4	2.4	2.1	1.6
Expenditures & Net Lending (million US\$)	966	2 228	3 102	3 746	4 057	4 120	4 340
% of GDP	11.8	23.6	28.3	30.0	31.0	29.3	28.5
Current Expenditures	920	1 634	2 551	3 207	3 666	3 628	3 606
% of GDP	11.3	17.3	23.3	25.7	28.0	25.8	23.7
Capital Expenditure & Net lending	46	593	551	539	391	492	735
% of GDP	0.6	6.3	5.0	4.3	3.0	3.5	4.8

Source: Ministry of Finance and Economic Development

Downside Risks

339. The proposed Macro-Economic and Budget Framework above faces a number of downside risks, which are both exogenous and endogenous.

340. These risks will require mitigation measures in order to attain our objectives and targets.

341. The major risks over the realisation of the Macro-economic and Budget Framework include:

- Poor rainfall season;
- Budget pressures, particularly from employment costs;
- Low Foreign Direct Investment, due to slow investor response;
- Little progress on the debt resolution and the re-engagement process;
- Lack of clarity on key policies, particularly the Indigenisation and Economic Empowerment programme;
- Slow progress on implementation of key policies; and
- Slow recovery in the global economy.

BUDGET POLICY THRUST & INTERVENTIONS

342. Mr Speaker Sir, the Macro-Economic Framework for 2014 indicates that the bulk of the envisaged revenue projection for the coming year will largely be taken up by current expenditures related to employment costs.

343. It is, therefore, critical that we grow the economy, that way allowing us scope to lower the proportion of the public wage bill in overall budget expenditures.

344. In this regard, it is necessary that the 2014 Budget lay out various necessary measures supportive of rapid growth in the economy under various priority areas.

Reaffirmation of the Use of Multiple Currency System

345. Mr Speaker Sir, Government has continued to reassure the market that the multi-currency regime is here to stay. This is against a background of speculation and reports to the contrary, which are clearly unfounded, and can only be motivated by intentions to undermine confidence in our economy.

346. This position, I must add, is anchored in our ZIM-ASSET blueprint, and as a matter of fact, depending on size or volume of trade flows, I would be persuaded to introduce other foreign currencies to the cocktail of multi-currency regime currencies, if conditions warrant.

347. Hence, consistent with pronouncements in ZIM-ASSET, let me categorically re-state that the economy will continue using the multiple currency regime.

Policy Certainty & Consistency

348. Mr Speaker Sir, policy consistency, credibility, certainty and transparency are critical building blocks for confidence building, over and above the prevailing stable macro-economic environment.

349. Clarity on issues around the application of our Indigenisation and Economic Empowerment (IEE) regulations, “doing business” reforms, capitalisation of domestic banks, public enterprise reforms, and the role of Joint Venture partnership investments in financing projects all remain critical.

Clarification of Indigenisation & Economic Empowerment Regulations

350. Mr Speaker Sir, policies promotive of the participation of indigenous groups in main stream economic activities are not peculiar to Zimbabwe.

351. While in some countries these are motivated by the need to empower previously disenfranchised communities, in others, these are being pursued in line with those countries’ domestic strategic interests.

352. However, the challenge we have faced relates to perceptions, as well as elements related to interpretations over the application of our Indigenisation policy.

353. Mr Speaker Sir, a lot of clarifications are being sought by would be investors on our IEE laws and regulations.

354. As policy makers we have not also be speaking with one voice on this issue, a development that has tended to create and add to the confusion.
355. I feel I need to take this opportunity to clarify the position and set the record straight.
356. Confusion on over IEE seems to be emanating from the process rather than the Law.
357. The clarification I give is that implementation of our IEE laws and regulations will be undertaken under a sector specific approach that is guided by the following:

Resource Based Investments

358. In the case of resource based investments, our contribution is the depleting asset in the form of the in-situ value of the mineral which will be our contribution to the 51% of the business.
359. The investor who comes with capital, technology and managerial skills to exploit this depleting resource is entitled to 49% of the shareholding.

Other Investments

360. With respect to the other sectors of the economy, the 51/49% share structure still applies.

361. However, what needs to be clarified in this connection is that the 51% stake for Zimbabweans is not available for free where the enterprise does not benefit from a natural resource or raw material derived from Zimbabwe.
362. In the same vein, where the enterprise does not benefit from a natural resource or raw material derived from Zimbabwe, the business partners in the investment are free to make their own decisions on how and when, within the gazetted framework, the 51% contribution is to be financed or achieved.
363. Government does not expect this to happen overnight, but expects it to be a process which should ultimately lead to conformity with the Law.
364. It should also be clarified and understood, Mr Speaker Sir, that the investor has a privilege of choosing his/her Zimbabwean partner. Only where this arrangement has failed would Government assist.
365. It is on the basis of the above clarification that Government is placing great importance on investment as a major driver of the ZIM-ASSET programme.
366. Both local and Foreign Direct Investment is most welcome, and vigorously promoted.

367. Zimbabwe remains one of the countries with the best investment policies, from a friendly Exchange Control regime on investment, to the diverse natural resource endowment.

Joint Ventures & Similar Arrangements

368. Mr Speaker Sir, limited domestic financial resources necessitate that we also consider undertaking some joint venture investment projects with other partners.

369. This is particularly so where projects require large outlay of financial resources for acquisition of capital and newer technology, as well as access to global markets.

370. In this regard, measures to avoid inconsistencies and delays as experienced over the implementation take off of the ZISCO/ ESSAR joint venture investment project agreement will be necessary.

371. In this case, the result has been loss of value addition to domestic natural resource endowments, production, exports and employment, undermining the country's potential economic growth and development.

372. Furthermore, the adverse impact on the economy is compounded by lost opportunities related to the potential downstream intra-sectoral linkages with other industries.

373. It is, therefore, critical that where we engage potential investors there be consistency and certainty of implementation.

Harnessing Diaspora Resources

374. Most countries in the world, including our regional neighbours, Mr Speaker Sir, are benefiting immensely from financial transfers by their nationalities in the Diaspora.

375. Zimbabwe has a large part of its population living in the Diaspora. These Diasporans are desirous to contribute towards the development of their country.

376. While the full statistics on diaspora remittances and other contributions have been difficult to verify due in some cases to the informal channels of remittances used, many households survived on these remittances during the period 2002-2009.

377. Many Zimbabwean professionals, artisans and other skilled persons who left the country, and may not return soon, still want to invest and contribute to the country's development process¹.

378. Information at hand suggests that Zimbabwe is in receipt of US\$1.6 billion in remittances during January-November 2013.²

¹ Source: Zimbabwe Diaspora Home Interface Programme Survey (ZIDHIP)

² Source: Reserve Bank of Zimbabwe

379. Accordingly, Mr Speaker Sir, Treasury shall develop and implement a framework for further facilitating tapping into this resource.

380. I have in mind to fund some of the small scale hydro-electric schemes through issuance of Diaspora Bonds, and for the Diasporans to participate in their economy through some of the opportunities arising out of the indigenisation policy programme.

381. Furthermore, to harness the diaspora potential, Government will:

- Formalise the platform for dialogue with the diaspora through engaging the Zimbabwe Diaspora Home Interface Programme (ZIDHIP), arguably the largest official diaspora organisation known to us to discuss the several engagement initiatives and policies that Government could implement in order to grow their contribution;
- Articulate policy to guide diaspora engagement; and
- Promote investments by the diaspora through tax and import duty incentives for qualifying investments in the manufacturing and other capital intensive industries.

Access to International Funds

382. Government is aware of the existence of several international funds targeted at financing specific projects. These funds can be availed by virtue of our membership to either the African

Union, Sub-Regional Blocs, specific International Committees or Conventions etc.

383. Examples of such funds include the Green Fund which is meant at financing projects aimed at mitigating the effect of, and adaptation to Climate Change for communities, the Adaptation Fund, the Global Environment Facility, as well as other related development programmes.
384. Mr Speaker Sir, I would like to urge line Ministries to seriously consider sourcing funding from such international Funds to finance key projects under their management.

Guidelines for Joint Venture Partnership & Similar Arrangements

385. Mr Speaker Sir, I have already alluded to challenges related to limited budgetary resources as employment costs take account of most of the Budget resource envelope.
386. This has implications on our implementation of most of the ZIM-ASSET programme priority projects, particularly the larger ones in infrastructure, making it unavoidable that we partner with friendly foreign investors.
387. In terms of the ZIM-ASSET blueprint and the Resolution just passed at the ZANU PF 14th National People's Annual Conference

in Chinhoyi over 11-14 December 2013, Government proposes to finance certain infrastructural projects off the Budget through inviting participation in Joint Venture partnership and similar arrangements.

388. Projects which are candidates for such participation are in the following sectors:

- Energy;
- Water;
- Roads;
- Information Technology;
- Railways; and
- Civil Aviation.

389. Mr Speaker Sir, would be investors are, therefore, advised to approach the respective line Ministries who superintend the sectors of their interest.

390. Line Ministries will, in turn, initiate the projects and submit the same to the Cabinet Committee on Utilities and Infrastructure, which has been set up to handle such proposals.

391. Pursuant to this, Mr Speaker Sir, the existing 2004 Policy Guidelines on Joint Venture partnership and similar arrangements are being fine-tuned to avoid uncertainty and delays in the processing of projects, while at the same time giving clarity to would be investors, thus making the investment opportunities more attractive.
392. To give legal force to the implementation of projects under Joint Venture partnership and similar arrangements, Government is working on the Guidelines, to guide the receipt and procedure for determination of the proposals.
393. Mr Speaker Sir, these Guidelines would be gazetted by the end of February 2014, under the Zimbabwe Investment Authority Act.
394. The process will ensure transparency and that the country gets value for money. This will eliminate corrupt tendencies and practices.
395. Furthermore, the implementation framework also provides for dealing with challenges related to the tendering processes, a major draw-back in the implementation of projects.

FISCAL DISCIPLINE

Gradual Budget Wage Bill Reduction Road Map

396. Mr Speaker Sir, the Wage Bill at 75% of the 2013 Budget continues to account for a disproportionate share of overall budget expenditures.
397. This is notwithstanding the fact that at the individual level the public service remuneration structure has remained modest, with monthly payments of under US\$316 at the entry levels.
398. Even our professionals in education, health and administration are being remunerated at monthly average levels of around US\$465.
399. The disproportionate share of our wage bill in the total Budget implies that we are only living under 25% of Budget resources for both Operations and the Capital Budget.
400. Mr Speaker Sir, it is, therefore, critical that we grow the economy, to allow us to do more meaningful review of the public service remuneration structure, while at the same time creating additional budgetary resources for social expenditures and growth enhancing infrastructural expenditures.

401. Pursuant to this, as we implement the ZIM-ASSET priority programmes, Government will be operating on a gradual Budget wage bill reduction strategy.
402. This should see us reduce the wage bill from the prevailing absorption of 75% of the Budget in 2013 to 55-65% by 2015, further reducing to 30% by 2018.

Public Service Conditions of Service

403. Mr Speaker Sir, Government is, in line with the commitments made during the electoral process, working towards raising minimum public servants remuneration to current Poverty Datum Line levels as given by ZIMSTAT.
404. A staggered and progressive approach towards realising this goal will be implemented in a manner that leaves room for continued funding of Government operations, including service delivery.
405. Mr Speaker Sir, there is consensus on this among us, that is, Government and the Apex Council, representing civil servants.
406. In this regard, this consensus will no doubt guide and facilitate the implementation of a sustainable road-map towards the realisation of our commitment to review minimum Public Service conditions to the Poverty Datum Line.

407. As we work towards this commitment, Government will also progressively improve the welfare of public servants through the provision of non-monetary benefits in such areas as housing.

408. In this regard, Government will, through the respective Ministries and Agencies, engage Local Authorities and financial institutions over the provision of serviced stands and mortgage finance.

Civil Service Establishment

409. Mr Speaker Sir, managing the size of the general civil service establishment, mindful of the need to fill posts in critical sectors, will also be necessary.

Employment Costs in Local Authorities, Public Enterprises & Grant Aided Institutions

410. Mr Speaker Sir, Government is concerned by the extent to which employment costs tend to crowd out the conduct of the core business of most of our public enterprises, including our local authorities and grant aided institutions.

411. Sadly, the unsustainable employment costs are largely on account of the huge salaries, allowances, and perks being paid to top management – contrary to the Corporate Governance Framework for State Enterprises and Parastatals over principles of affordability, and sustainability.

412. Not only is some executives' remuneration beyond the capacity of the institutions themselves, but are financed from commercial borrowings. In some cases, these institutions are failing to meet their wage payments on time.
413. Government ends up being called upon to bail out these entities, with incessant calls for debt assumption and Budget appropriations.
414. In this regard, the Office of the President and Cabinet is spearheading the development of the guiding Remuneration Framework for all entities that make or are likely to make a charge on the Consolidated Revenue Fund with effect from early 2014.
415. This framework will tighten Governance oversight structures over remuneration, giving consideration to ability to pay, taking account of service delivery targets, as well as rewarding corporate performance that is above targets.

Culture of Honouring Obligations

416. Mr Speaker Sir, successful implementation of the ZIM-ASSET programme will require that we inculcate a culture of honouring our obligations, both as Government, as well as our private sector.

417. In this regard, Ministries and Departments, public enterprises and grant aided institutions and any other institutions that might create a contingent liability for Government, will not be allowed to incur obligations for which they have no capacity to pay.
418. The necessary framework to enforce this is being finalised and will be communicated to all the relevant stakeholders.

Culture of Adherence to the Budget

419. Furthermore, Mr Speaker Sir, it is also necessary that we mainstream a culture of adherence to Budget allocations to line Ministries.
420. Currently, Government is inundated with claims on the State arising from expenditures for which no provision would have been made in the Budget. The resultant indebtedness is chocking the operations of suppliers and service providers.
421. Hence, the 2014 Budget allocations will be accompanied by the necessary indications to some of the affected service providers such as utilities, on the implied consumption ceilings that will apply to Ministries and Departments.

Strict Alignment of all Expenditures to Disbursements

422. Mr Speaker Sir, to complement the above, it will be necessary that monthly expenditure programmes of Ministries and Departments remain aligned to disbursements.
423. Accounting Officers will be held responsible for any violations to the strict alignment of all expenditures to disbursements.

Disincentives over Obligations Incurred Outside Budget Framework

424. Furthermore, instances where Ministries and Departments incur expenditures outside the Budget framework have also been noted.
425. In this regard, Treasury will be communicating the necessary disincentives over obligations incurred outside the Budget framework.

User-Pay Principle

426. Mr Speaker Sir, our people are generally ready to pay for services rendered, as well as goods provided.
427. We have no culture of free hand-outs expectations among the generality of our population. It is clear that the public is aware of the un-sustainability of free hand-outs.

428. If anything, where these are not targeted, they often undermine individual initiative of the supposedly beneficiary, brooding dependency.
429. The onus on us as Government is, therefore, guaranteeing delivery of core services at reasonable costs, mindful of the readiness of the public to play its part as it accesses such services.
430. Hence, where there is capacity to pay for provision of public services through improved investment in public infrastructure development, the implementation of the ZIM-ASSET programme will benefit from the application of the user pay principle.
431. Innovative application of this principle should also extend to the funding of collapsed urban public services, including the road network across our towns.
432. Mr Speaker Sir, what will also be critical is the ring-fencing of collected revenues for use in the areas they are intended for, thus, plugging out potential leakage holes.

Project Implementation

433. A number of infrastructure projects in various sectors such as roads, dams, health and education facilities and Government facilities, take long and remain incomplete way beyond their normal project cycle, resulting in increased costs.

434. In most cases, these challenges arise on account of capacity limitations on the part of implementing agencies, weaknesses in the adjudication and contract awarding processes.
435. Furthermore, this challenge is compounded by the spreading of the little resources thinly, resulting in most of the projects remaining incomplete over long periods.
436. Hence, from 2014, Ministries will be required to focus mostly on ongoing projects that are guaranteed of resources and are earmarked for completion during the fiscal year.
437. Ministries are also required to intensify the monitoring of the implementation of these projects in line with scheduled completion cycles.

Public Procurement

Value for Money

438. Mr Speaker Sir, it is critical that we strengthen governance and accountability in public resource management.
439. In this regard, the public procurement function provides an important mechanism for achieving value for money in spending of public resources by public institutions, making it a key component of Public Finance Management and, in particular, the Budget execution process.

440. Transparent and efficient procurement ensures that appropriate quantities, quality and prices are realised over public spending on goods and services.
441. The need to ensure accountability and value for money, coupled with a recognition of resource constraints to implement Government programmes, make it imperative that efficient public procurement arrangements be put in place to improve service delivery to stakeholders.
442. Public procurement, therefore, goes beyond compliance with legal requirements or obtaining goods and services that meet technical requirements.
443. Mr Speaker Sir, it is also necessary that winning bidders have demonstrable evidence of capacity to deliver.

Adjudication Time Lines & Processes

444. Mr Speaker Sir, stakeholders have raised concern over delays in procurement processes.
445. These often impact on service delivery as implementation of projects and programmes takes longer, while costs escalate, and in the process draining public funds.
446. It will, therefore, be necessary to stipulate time frames over

procurement adjudications, as well as allowing greater latitude for Accounting Officers' involvement.

447. In this regard, further development of templates and bidding documents standards should facilitate adjudication processes.

448. Linking bid prices to market conditions should also allow for greater scope for the elimination of bidders that offer above market prices, undermining value for money principles.

449. Mr Speaker Sir, let me, therefore, assure Honourable Members that the Office of the President and Cabinet will be spearheading the review of public procurement processes.

Procurement Framework

450. It is critical that the public procurement system be anchored by a comprehensive and transparent legislative and regulatory framework.

451. Such a framework should provide for the setting up of appropriate structures, role clarity and be buttressed by an efficient appeals mechanism to enhance accountability and promote the achievement of Government's service delivery objectives.

452. The development and retention of capacity at both procuring entities and supervisory/regulatory levels is critical to ensuring

that the structures put in place to operationalise the system are effective.

453. It is, therefore, necessary that we revamp our public procurement arrangements and processes to achieve efficient, transparent, accountable and professionally managed systems that enjoy high level of business confidence and ensure consistent attainment of best value for money.

Publicising of High Value Tenders

454. Mr Speaker Sir, it is also necessary that we further enhance transparency in public procurement.
455. Currently, tender awards are communicated in the public domain through the Government Gazette.
456. In this regard, Government proposes to have tender awards above set thresholds, and the anticipated related performances, publicised through our print and electronic media.
457. Furthermore, it will also be necessary that periodic progress reports on implementation of major tender projects be availed to the public, for transparency, evaluation, and public awareness purposes.

Buy Zimbabwe

458. Mr Speaker Sir, public procurement expenditures represent a significant component of public spending that can be used to influence the level of economic activity in the country.
459. In this regard, awarding tenders for the supply of goods required for bigger projects to local companies will help stimulate local production and employment creation.
460. This is particularly so where our companies have the reputation for producing high quality products.
461. Government, therefore, proposes to review our public procurement systems to advance the Buy Zimbabwe campaign, obviously guarding against compromising on quality and delivery.

PUBLIC ENTERPRISE REFORM AGENDA

Public Enterprise Reform

462. Public Enterprises (PEs) are key players in the provision of public services such as power, water and transport, among others.
463. As such, efficient and effective operation of these entities is essential and supportive of smooth operations of other economic players in various productive sectors of the economy.

464. However, over the years, PEs reform process has been slow, yielding limited progress reflected through current challenges with regards to provision of power, water and transport including rail and aviation.
465. These inefficiencies continue to impose high costs on operations of our key productive sectors.
466. This, therefore, calls for the need by Government to urgently revisit the strategy for reforming Public entities, given that some of these public entities are expected to spur economic growth and generate employment as enshrined in the ZIM-ASSET programme.
467. Such a strategy should identify and separate those entities requiring restructuring from those in need of capital injection through a strategic partner.
468. Furthermore, the timing of the restructuring will also be important.

Dividend Policy

469. Mr Speaker Sir, enterprises in which the State has significant shareholding are required to declare dividends of at least 50% of after tax profits to the shareholder.
470. Regrettably, an increasing number of enterprises have not been adhering to this policy.

471. Government will, therefore, be instituting measures on boards and management that fail to comply with this requirement.

DEBT MANAGEMENT

Cash Flow Management Domestic Borrowing

472. Mr Speaker Sir, increased recourse to public sector borrowing from the domestic financial sector would, under the prevailing liquidity challenges, exacerbate the situation and, therefore, can only be counter-productive.
473. The major adverse effect would be to crowd out the requirements for all the other sectors underpinning recovery and growth of the economy.
474. In this regard, public sector borrowing requirements from the domestic market will essentially relate to cash flow management requirements within the framework of the Cash Budgeting principle.

External Borrowing for Capital Projects

475. Mr Speaker Sir, with regards to the large financial requirements in support of some of the key *enabler* capital projects, Government will partner with external financiers for support for such projects.
476. Given the debt distress situation, hence, our quest for debt relief, such external borrowing can only be on concessional terms.

Relating Borrowings to Servicing Cash Flows

477. Over and above the requirement for concessionality, Government will require that all such borrowings be related to matching servicing cash flows.
478. Hence, Mr Speaker Sir, all Government entities requesting support with regards to external borrowing in support of projects are being required to be guided by this consideration.
479. Previously, a significant number of borrowings have been entered into by public entities without due regard to this, a situation that has forced lenders to call up on Government guarantees right from the onset.
480. This Mr Speaker Sir, is undermining Budget capacity to adequately deal with most of its Voted for expenditure programmes, including core Government operations and public service delivery.

ZIM-ASSET FINANCING

481. Mr Speaker Sir, financing of various projects and programmes under the ZIM-ASSET is premised on domestic resource mobilisation, as well as leveraging on the country's productive potential.

482. In this regard, in order to raise the much needed liquidity in the economy, I propose that we leverage our natural resources. Funds raised under such frameworks would be used to revamp agriculture, industrial rehabilitation and for infrastructural projects.

483. The limitations related to the Budget that I have alluded to require us to re-prioritise those projects planned for next year as we concurrently explore opportunities from external and private financing.

484. Drawing from ZIM-ASSET, I am proposing the following sector priorities together with the respective financing options:

- Re-prioritisation of Projects
 - Energy, to overcome the adverse impact of intermittent power disruptions;
 - Water;
 - Transport;
 - ICT;
 - Housing;
- Joint Venture targeted projects; and
- Loan Financed projects.

485. Companies are facing a serious challenge from the inadequate supply of key enablers such as water, transport and communications and power.

486. As a result, a significant number of companies have either downsized their operations, while others have completely closed down.
487. In some cases, several companies are struggling to remain afloat due to resorting to costly alternative means of production such as the use of generators for power supply.
488. Hence, the issue of investing in the key enablers, guaranteeing supplies to industry, mining, agriculture, among others, can never be over-emphasised.
489. Mr Speaker Sir, the indicative outline of projects that will be funded off Budget is Annexed to this Budget Statement.

Housing

Provision of Housing

490. Mr Speaker Sir, in order to meet the objectives enunciated in ZIM-ASSET on the provision of housing, the financial sector is urged to contribute towards this objective.
491. It is against this background, Mr Speaker Sir, that I shall be gazetting the necessary instrument to extend the tax exemption on mortgage finance to all financial institutions that are providing mortgage finance.

492. To hasten the provision of houses to our people, I am calling upon my colleague, the Minister responsible for Housing, Hon. Chombo, to make land available in cities, towns and growth points for this development.

493. Treasury will facilitate the mobilisation of resources for the purpose of planning, surveying and servicing of land for the development of housing stands.

National Housing Development

494. Mr Speaker Sir, as part of implementing the National Housing Policy, Government continues to leverage on land and the National Housing Fund to attract private capital for housing development throughout the country.

495. To date, 1 748 stands and 288 units have been availed to the public as part of the broad National Housing Development Programme. In 2014, the Budget, together with recoveries from sale of stands will support projects in:

- Dzivarasekwa Extension Phase II;
- Parklands;
- Waneka;
- Cherutombo;

- Nemamwa;
- Chiredzi;
- Tshovani; and
- Murereki.

496. In addition, Government will also capitalise the Civil Service Housing Loan Scheme, which acts as non-monetary incentive for members of the Civil Service.

497. Under the scheme, civil servants access loans for purchase of housing stands, and construction and improvements of houses.

PROVINCIAL ALLOCATIONS

498. Honourable Members will be aware that Section 301 (3) of the Constitution provides that “not less than 5% of the national revenues raised in any financial year must be allocated to Provinces and Local Authorities as their share in that year” to meet their social and economic development needs.

499. Based on the projected revenues for 2014, the share for the Provinces and Local Authorities would amount to US\$200 million.

500. The Provincial Councils will need to work with the respective line Ministries and Councils for identification of relevant projects and programmes.

501. I am also aware that the Ministry of Local Government, Public Works and National Housing is currently working on the appropriate enabling legislation, institutional and accountability structures for Provincial Councils.
502. I, therefore, propose to allocate US\$2 million for institutional strengthening and capacity building measures as well as enhancing the accountability framework that will ensure that State resources entrusted in these Councils are managed efficiently and effectively.
503. Once the institutional, regulatory and accountability frameworks are established, future Budgets will ensure that Provincial Councils have direct access to their 5% share of Budget resources in line with the Provisions of the Constitution.

RESTORATION OF CONFIDENCE IN THE FINANCIAL SECTOR

504. Mr Speaker Sir, confidence in the financial sector is paramount for enhancing liquidity within the economy.
505. Unlike during the period preceding the multi-currency system when the Reserve Bank still had a lot of influence on the liquidity available in the country, the current environment requires that the country earns whatever liquidity it needs.

506. The strategy to restore confidence in this sector would need to be done, not haphazardly, but on a sequential, methodical and systematic basis.

Financial Sector Vulnerabilities

507. Mr Speaker Sir, the financial sector is facing a number of vulnerabilities which include:

- Under-capitalisation;
- Increasing non-performing loans;
- Absence of an inter-bank market;
- Market illiquidity, resulting in:
 - failures to meet customer RTGS instructions;
 - limited lending; and
 - high lending rates.
- Lack of confidence.

Capitalisation of Banks

508. I propose to maintain the current levels of banks' capitalisation in order not to further strain this sector which is critical for the sustenance of the economy.

509. The capitalisation levels shall be announced in the forthcoming Monetary Policy Statement of the Reserve Bank.

Non Performing Loans

510. Asset quality is one of the most critical determinants of a bank's financial condition, as loans comprise the bulk of a bank's assets. Bank management of those assets is critical for the safety and soundness of an individual bank and the financial sector as a whole.
511. The banking sector's average non-performing loans to total loans ratio increased from 1.8% as at 31 December 2009, to 15.64% as at 30 September 2013. In June 2013, non-performing loans were at 14.51%. Regional best practices are below 3%.
512. The deteriorating asset quality is reflective of corporate viability challenges. In addition, the mismatch between long term requirements for the productive sectors and short term volatile deposits has bred fertile ground for the rise in non-performing loans.

Credit Reference Bureaux

513. Mr Speaker Sir, the growing non-performing loans compromise profitability and reduces the capacity of banks to lend, threatening the stability of the banking sector.
514. The Reserve Bank, in conjunction with the Bankers Association is spearheading the operationalisation of Credit Reference

Bureaux. The necessary legal framework will be put in place accordingly.

Bank Charges and Interest Rates

515. Mr Speaker Sir, you will recall that the Reserve Bank signed a Memorandum of Understanding with Banks to provide for affordable banking products and services.

516. In the spirit of allowing market forces to determine the cost of banking products and services, the MOU was discontinued effective from 1 December 2013.

517. I have, however, noted with concern the recent astronomical increases in bank charges by some of the banking institutions.

518. In this regard, I would like to sternly warn such institutions that Government will not hesitate to regulate bank charges and interest rates if banks fail to self-regulate.

Introduction of an Inter-bank Market

519. Mr Speaker Sir, the absence of an active inter-bank market means that surplus positions at some banking institutions, remain unavailable to deal with shortages at others, thereby resulting in periodic gridlocks in Real Time Gross Settlements.

520. Prior to the introduction of the multi-currency system in 2009 as a result of the hyper-inflation which severely affected the acceptability of the local currency, the local banking system had a vibrant interbank market which was anchored by the Reserve Bank of Zimbabwe as Lender of Last Resort and Liquidity Support Provider.
521. The current situation is one of desperation, where each bank is left to fend for itself since there is no formal inter-bank market. This situation is disastrous for the soundness of the banking system.
522. In view of the above, I propose to introduce a US\$100 million Interbank Programme supported by an international bank, the African Export-Import Bank, as a guarantor with effect from 1 April 2014.
523. This inter-bank market is a necessary first step or first resort to build confidence within and amongst the local financial institutions, that way overcoming the liquidity problem as banks trade with each other.

Confidence in the Central Bank

524. Mr Speaker Sir, restoration of public confidence in the country's Central Bank is at the core of building overall confidence in the country's financial sector.

525. Pursuant to that, the following confidence building measures around capitalisation, Reserve Bank debt, and restoration of lender of last resort are being implemented in order to restore and enhance the role of the Reserve Bank in promoting stability in the financial sector.

Capitalisation of the Reserve Bank

526. Mr Speaker Sir, the next step to restore confidence in the financial sector is to capitalise the Reserve Bank.

527. The first stage of achieving this is underway, as I propose the assumption of the Reserve Bank of Zimbabwe debt of US\$1.35 billion by Government.

528. This is a critical process to free up the Central Bank's balance sheet before capitalisation.

529. Accordingly, Mr Speaker Sir, Treasury shall be proceeding to issue the requisite debt instruments to local financial institutions and other players who were owed by the Reserve Bank, and this will be done by 31 March 2013.

530. The debt instruments to be issued shall be in the form of Government securities that shall be accorded Tier One Capital Status.

531. The second stage is to raise an amount of US\$150–200 million to capitalise the Reserve Bank, in order for it to provide liquidity support to the financial sector as we proceed to ensure that it effectively plays its Lender of Last Resort role and re-discount market instruments when the need arises.

532. Efforts are at an advanced stage to raise the required capital and I expect this to be achieved by 31 March 2014.

Banker to Government

533. Mr Speaker Sir, I propose that once we have successfully established an inter-bank market and capitalised the Reserve Bank by 31 March 2014, the central bank would resume the role of Banker to Government.

534. I would like, Mr Speaker Sir, to express our appreciation to CBZ Bank that has been successfully carrying out this role for the past five years.

535. Capitalisation of the central bank is *sine qua non* for the Reserve Bank to resume this Banker to Government role and eventual Lender of Last Resort role given that it has no reserves of foreign currency at the moment.

Reserve Bank Debt

536. As I have indicated above, the Reserve Bank accrued in the past years debt estimated at US\$1.35 billion.
537. Cabinet has already approved the debt assumption by Government, under which the domestic debt stock of US\$754 million will be addressed through issuance of 5 year Government paper.
538. However, the external debt component amounting to US\$596 million due to external sources will be addressed as part of our overall External Debt Resolution Strategy.
539. Honourable Members, the Reserve Bank Debt Assumption Bill will soon be introduced in this August House, to provide for the necessary legal framework.

Lending to Emerging Economically Active Groups

540. Mr Speaker Sir, the economy has, since 2000, undergone profound structural changes.
541. Examples are, firstly, the informalisation of the economy and, secondly, the structural change in agriculture in view of land reform. In this case, where in year 2000 we only had 2 000 large scale farmers in the tobacco industry, growing of the crop is now dominated by over 90 000 small scale farmers.

542. This, Mr Speaker Sir, requires that the financial services sector would need to adjust their lending policies to provide an appropriate response to the new agricultural production clientele.
543. Currently, the banking sector is shunning lending not only to this segment of agriculture, but also to our SMEs, and small scale farmers, a situation that is leaving a large chunk of our economically active population unbanked.
544. Hence, I would like to take this opportunity to urge the banking sector to pay heed to the structural changes that have taken place in our economy.
545. I further urge the sector to abandon their culture of risk avoidance, and assume risk management stances and lend to these emerging economically active groups.

Tapping into the Unbanked

546. Mr Speaker Sir, part of the challenges related to the prevailing liquidity crunch in our financial system is reflective of limited mobilisation of domestic savings.
547. The monetary authorities have, therefore, been called upon to institute measures to foster savings mobilisation, also targeting the unbanked savings with households and in the informal sector.

548. Mr Speaker Sir, the Finscope Survey Report of 2011 revealed that 40% of the population is financially excluded and that only 24% is banked.
549. Furthermore, only 13% of the population uses savings products. Other indications are that there is in excess of US\$2 billion circulating outside the formal banking system.
550. Going forward, Government challenges the financial services sector to come up with innovative ways to tap into the unbanked population.
551. Mr Speaker Sir, our banks' focus cannot continue to be clamouring over transacting with a historically perceived 'blue chip' clientele.

Mobile Banking

552. Mr Speaker Sir, I want to commend the mobile banking service providers for enhancing financial inclusion by reaching out to the formally unbanked through introduction of such products as EcoCash, One Wallet, Textacash, E-wallet, among others.
553. Government stands ready to work and support initiatives that broaden the participation of the generality of the populace in the financial sector.
554. In this regard, the Reserve Bank is reviewing the regulatory framework to cover all aspects of mobile banking.

555. It will also be necessary that charges for such services are made affordable, that way also increasing clientele, financial inclusion and lowering average costs.

Financial Services Awareness

556. Mr Speaker Sir, financial inclusion will also necessitate investment by financial service providers and respective regulatory institutions in broadening public awareness over available financial services and products.
557. Cognisant of this, I am proposing the development of the framework for this, also with the participation of the Consumer Council.
558. This should, Mr Speaker Sir, also embrace issues related to Consumer Protection.
559. The necessary details for the Financial Services Awareness Strategy are being finalised and are being coordinated by the Reserve Bank.

Deposit Protection Premiums

560. You recall, Mr Speaker Sir, that the Deposit Protection Corporation contribution premiums were reviewed in the 2013 National Budget.

561. Whilst it is necessary that depositors' funds are protected by the Deposit Protection Corporation, it is essential, Mr Speaker, Sir, that levies do not become burdensome to the operations of banks.
562. I propose to reduce the levy from 0.3% to 0.2% of total deposits without fixing a cap, but excluding Government deposits and foreign lines of credit.
563. This measure will take effect from 1 January 2014. This means that there should be compliance by all financial institutions with the levy regime that is currently obtaining up until the end of this year.
564. The Special Levy of US\$7.6 million introduced through the 2013 budget is hereby set aside.

Review of Insurance and Pension Legislation

565. Mr Speaker Sir, in order to develop the insurance sector in line with international best practices, the Insurance Amendment Bill, Pension and Provident Funds Amendment Bill and the Insurance and Commission Amendment Bill will be presented to Parliament in 2014.

566. The amendments will focus on three pillars, which are, corporate governance, legal & regulatory framework and prudential standards.

567. Specific amendments will include the following, among others:

- Enhancing the supervisory powers of the Insurance & Pensions Commission;
- Addressing corporate governance issues;
- Regulation of micro-insurance;
- Anti-money laundering and countering the financing of terrorism;
- Group-wide supervision of financial conglomerates; and
- Regulation of medical insurance schemes by the Insurance and Pension Commission.

Transfer of Asset Managers & Collective Investment Schemes

568. Mr Speaker Sir, in order to consolidate regulation of capital markets under one regulator, recent amendments to the Securities Act, transferred the regulation of Asset Management Companies and Collective Investment Schemes from the Reserve Bank to the Securities and Exchange Commission.

569. Accordingly, the administrative arrangements of transferring the regulation of asset managers and collective investment schemes are being finalised.

Financial Regulators Forum

570. Mr Speaker Sir, some of the challenges of financial sector stability emanate from the respective regulators adopting a silo approach to surveillance.

571. I, therefore, propose to broaden the supervisory framework by requiring the adoption of a collaborative approach, in line with the COMESA framework for assessing and maintaining financial stability.

572. This will entail introduction of a Financial Regulators Forum, comprising of the Insurance and Pensions Commission, Deposit Protection Corporation, Securities Commission, and Reserve Bank, served by the necessary Multi-sectoral Financial Stability Committees.

573. Mr Speaker Sir, a key deliverable of the collaborative financial stability assessments will be identification and assessment of potential risks and vulnerabilities in the financial system.

ZSE Demutualisation

574. Honourable Members will recall that technical advisors were appointed in June 2013 to spearhead the demutualisation project.
575. The Exchange is expected to be demutualised by end of the first quarter in 2014 and this should improve corporate governance on the the ZSE through separation of management, ownership and participation.

Automation of the ZSE

576. Mr Speaker Sir, the Zimbabwe Stock Exchange has already put in place a framework for the establishment of an Automated Trading System that will complement the proposed Central Securities Depository.
577. Indications are that the trading platform will be automated in the second quarter of 2014.

“Corporate Actions”

578. There is an increasing trend of de-listings and suspensions on the ZSE. Since the beginning of the year, ten counters were delisted while five were suspended largely due to viability challenges.
579. Furthermore, about 20% of the listed companies on the ZSE were inactive, with only ten out of the sixty four active listed companies constituting over 75% of total market capitalisation.

580. The above movements on the secondary market are only reflecting operating challenges at firm level.

SME Exchange

581. Mr Speaker Sir, the Zimbabwe Stock Exchange is in the process of developing an Exchange for Small-to-Medium Enterprises (SMEs).

582. This process should also benefit from the on-going consultations with relevant stakeholders.

583. Mr Speaker Sir, it is Government's expectation that the low tier stock market will broaden participation of SMEs and other indigenous companies in the mainstream economy.

Targeted Infrastructure Bond Issuances

584. Mr Speaker Sir, to complement budgetary resources for PSIP, Government will, through its relevant agencies, be issuing infrastructure bonds to finance some of the targeted ZIM-ASSET priority projects.

585. The necessary features to improve infrastructure bond attractiveness and tradability, such as tax exemption, prescribed asset status, liquid asset status, Government guarantees among others, will be made available.

586. Given market indications of appetite for investment in such instruments by our diaspora, this group will also be targeted in the bond issuance programme.
587. Issuance of targeted infrastructure bonds will also be against the background of expressions of willingness by some corporates to fund identified commercially viable infrastructure projects, such as power projects.
588. Government will also be engaging the pension and insurance industry to participate in the financing of infrastructure priority projects.

National Social Security Authority Investments

589. Mr Speaker Sir, you will recall that in the 2012 Budget, Government expressed concern over NSSA's investments with regards to sensitivity over issues that affect workers, particularly housing and public infrastructure.
590. Instead, developments to date show that NSSA is losing policy holder deposits following investment in areas that do not improve the welfare of pensioners.
591. Government will, therefore, be proposing review of aspects of the NSSA Act (Chapter 17:04), stipulating how investments will be undertaken, with particular focus on Part V (Sections 29 and 30).

TRADE IMBALANCE

Incentives for Value added Exports

592. Mr Speaker Sir, in Zimbabwe like in many other developing countries, exports are predominantly primary commodities, while on the other hand the bulk of imports are dominated by finished products.
593. This has resulted in persistent negative trade balance, given that primary commodities fetch lower prices on the international market in contrast to the value added imports.
594. In this regard, there is an urgent need that Government comes up with appropriate incentives to promote value addition of our exports whilst at the same time exploring requisite incentives.
595. Furthermore, given our unsustainable trade balance, it will be necessary that we manage our imports without compromising the objectives of re-tooling and ensuring the availability of essential imports such as energy.

Dealing with Imports

596. Mr Speaker Sir, as I have already mentioned earlier, the trade balance between our recorded exports and imports of around US\$3.7 billion for January–October 2013 is a cause for concern.

597. Honourable Members, the question as the trade deficit continues to grow is how this trade imbalance is being financed.
598. In this regard, Mr Speaker Sir, the extent to which financial realisations from unrecorded exports, smuggled goods, including gold, diaspora remittances estimated for 2013 at US\$1.6 billion, imports by NGOs, and offshore lines of credit are funding the trade imbalance is being ascertained.
599. The kind of goods being imported into the economy is also a cause for concern, and borders on irrational exuberance.
600. Cheap and subsidised imports are flooding the domestic market to levels where the country has become a dumping ground, literally killing the manufacturing sector as most of these imports can be manufactured locally.
601. Mr Speaker Sir, the situation is exacerbated by the large volumes of imports of trinkets and vehicles, estimated in excess of US\$1.5 billion and resulting in an unsustainable import bill.
602. I, therefore, call upon all business operators and individuals to place common good ahead of personal interest in the manner in which we are conducting ourselves on imports.

603. In this regard, Government will be instituting measures to manage imports as well as maintenance of an even playing field with regards to cheap imports.

Smuggling

604. Furthermore, Mr Speaker Sir, growth in receipts from customs duty is not consistent with that of imports, clearly suggesting leakages of revenues.

605. Hence, it will also be necessary that we strengthen measures to reduce smuggling, targeting not just the enhancement of Government revenue, but also to protect the local economy.

606. This is because implementing protection measures to assist local industry at this point without dealing with the root cause of the problem would be futile.

607. I, therefore, propose to allocate in this Budget resources to deal with smuggling.

SANCTIONS, EXTERNAL DEBT & RE-ENGAGEMENT WITH IFIS

608. Mr Speaker Sir, the imposition of the illegal sanctions against our country and the accumulation of the external debt to the multilateral institutions, Paris Club creditors and bilateral creditors in an amount now verified to be US\$6.1 billion is the cost that we

have had to pay for daring to reassert our sovereign control over our land.

609. With respect to the illegal sanctions, I call upon the countries that imposed them to lift the sanctions unconditionally for the betterment of our economy.

610. Complete removal of sanctions would boost business confidence and reduce country risk premium and improve access to lines of credit. Their removal would also enhance the enjoyment by our people of their socio-economic rights.

Re-engagement with International Financial Institutions

611. Mr Speaker Sir, the ZIM-ASSET programme recognises the centrality of re-engagement with our creditors for debt relief, including new financing.

612. With respect to the debt overhang, we remain committed to engaging the Bretton Woods Institutions and will to the best of our ability abide by the Staff Monitored Programme.

613. The 2014 National Budget, therefore, seeks to advance this objective, to which the implementation of the Staff Monitored Programme with the International Monetary Fund as approved by Cabinet in June 2013.

614. Accordingly, Government has been re-engaging with the IMF, World Bank and the African Development Bank on the resolution of our quest for debt relief.
615. In this regard, Honourable Members will be aware that Government has been implementing a Staff Monitored Programme with the IMF, which was endorsed by Cabinet on 6 June 2013.
616. Mr Speaker Sir, I must hasten to repeat what I conveyed to the Bretton Woods Institutions, *“the Staff Monitored Programme is keeping the Zimbabwean economy in a standstill position”*.
617. This is not in the interest of both the creditor and our economy. Our economy needs an injection of new money.
618. I, therefore, call upon all our creditors to seriously consider granting us debt relief and, at the same time, providing us with new funding so that we broaden our revenue base, thereby enhancing our capacity to honour our obligations.

Staff Monitored Programme

619. The SMP covers the period June to December 2013, and focuses on the following:
- Fiscal consolidation and strengthening public financial management, including protecting investment in infrastructure and priority social spending;

- Completing the structural reforms in the areas of tax policy and administration, and increasing transparency in collection of revenues from activities of the mining of diamonds;
- Enhancing financial sector stability and reducing vulnerabilities;
- Completing the reforms at the Reserve Bank, especially the restructuring of its balance sheet and strengthening the banking sector regulatory and supervisory framework;
- Building the stock of usable international reserves; and
- Implementing a prudent borrowing strategy and strengthening debt management through the implementation of measures contained in the policy document, the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy.

620. It is important to note that the successful implementation of the SMP is a pre-condition for negotiating arrears clearance and debt relief.

621. Progress in the implementation of the SMP will be evaluated through bi-annual reviews for end June and end December performance. The report of the first review of the SMP is being finalised.

622. This will also assist in reducing the country's credit risk rating and in the process attracting foreign direct investment.

Strengthening Debt Management

623. In order to strengthen debt management, it will be critical that debt management processes be supported by separate primary legislation.
624. In this regard, the principles of the Public Debt Management Bill will be submitted to Cabinet for approval, in line with the Constitution.

Concessional Borrowing

625. Mr Speaker Sir, I have already highlighted that, given our external debt arrears, it is important that future external borrowings be for priority developmental projects, and on concessional terms.

Official Development Assistance

626. Mr Speaker Sir, Government acknowledges complementarity between the Budget and official development assistance from cooperating partners as a sustainable strategy for promoting development through effective implementation of programmes in various sectors, such as Health & Education Transition Funds, Child Protection Fund, Rural & Urban Water, Sanitation and Hygiene.
627. Mr Speaker Sir, Government urges development partners to channel development assistance through the Budget to ensure

effective planning, monitoring and evaluation of utilisation of public funds.

Aid Coordination Policy

628. The Inclusive Government adopted an Aid Coordination Policy in May 2009. However, implementation of the Policy became hamstrung due to the fragmentation of functions within Government.
629. Cognisant to the above, Government will review the existing Aid Coordination Policy Framework to align it to the new institutional arrangements.
630. Furthermore, the policy review will also take into account best practice principles under the Busan Partnership for Effective Development Cooperation adopted in November 2011, which includes promotion of ownership of development priorities, focus on results, transparency and shared responsibility, among others.

Development Support

631. Mr Speaker Sir, previous Budgets reiterated the importance of channeling development assistance for both humanitarian and development programmes as critical for the achievement of economic growth and development objectives.

632. Government, therefore, calls upon development partners to also prioritise socio-economic development programmes such as energy, transport, water and sanitation and other infrastructure projects for the country to achieve sustainable economic growth and development.

SECTORAL SUPPORTIVE MEASURES

Agriculture Productivity

633. Mr Speaker Sir, I have already alluded to some of the challenges related to low yields in both crop production and animal husbandry.

634. Indeed in a number of cases where we complain of lack of viability in the production of some crops, the bottom line would be low productivity levels per hectare of cultivated land.

635. Hence, the future viability of our agriculture sector and its competitiveness over other countries will critically hinge on maximising yields per hectare.

636. This will, therefore, require us to pay attention to the following areas:

- Irrigation development;
- Timely availability of affordable financing;

- Research and extension services;
- Agricultural training and skills development;
- Agricultural mechanisation; and
- Viable and accessible marketing arrangements.

Drought Proofing Agriculture

637. Mr Speaker Sir, Zimbabwe is a sub-tropical country with one rainy season, November to March – 657 mm/year, and more than 80% of rural households living in natural regions III, IV and V.
638. The rainfall pattern in these areas is erratic, making dry-land cultivation risky and chances of food insecurity high.
639. Global climate changes have implied greater variability, exacerbating recurrences of drought and flood situations.
640. In this environment, investment in irrigation infrastructure becomes an essential mitigatory factor that guarantees productivity and farm output.
641. The total cost of planned irrigation schemes across Provinces is estimated at US\$580 million as indicated in the Table below:

NAME OF SCHEME	PROVINCE	OVERALL REQUIREMENT (US\$m)	2014 REQUIREMENT (US\$m)	2015 REQUIREMENT (US\$m)
Biri (2000 ha)	Mashonaland West	1.22	0.45	0.77
Zhove (4000 ha)	Matabeleland South	34.00	21.90	12.10
Osborne (9000 ha)	Manicaland	42.00	21.00	21.00
Muzhwi (6000 ha)	Masvingo	5.20	3.20	2.00
Mundi Mataga (775 ha)	Midlands	4.83	3.23	1.60
Binga (16000 ha)	Matabeleland North	4.26	0.18	4.08
Lilstock (8000 ha)	Mashonaland Central	32.73	13.85	18.88
Mutawatawa (500 ha)	Mashonaland East	4.11	1.90	2.21
Mtange (105 ha)	Midlands	1.63	1.03	0.60
Mazvikadei (12000 ha)	Mashonaland West	60.00	30.00	30.00
Kariba (60000 ha)	Mashonaland West	100.00	40.00	60.00
Biri (9000 ha)	Mashonaland West	50.00	20.00	30.00
Tokwe Murkosi (23000 ha)	Masvingo	51.00	5.00	46.00
Bindangombe (400 ha)	Masvingo	4.00	4.00	
Dande (10000 ha)	Mashonaland Central	-		
Shashani (400 ha)	Matabeleland South	4.00	2.00	2.00
Bubi Lupane (200 ha)	Matabeleland North	2.00	2.00	
Mwarazi (407 ha)	Manicaland	4.07	2.00	2.07
Manyuchi (2280 ha)	Masvingo	17.00	7.00	10.00
Ruti (60 ha)	Masvingo	0.60	0.60	
Umgusa (50 ha)	Matabeleland North	0.50	0.50	
MundiMataga (300 ha)	Midlands	3.00	3.00	
Mandindindi (50 ha)	Mashonaland Central	0.50	0.50	
Chimwe Chegato (330 ha)	Midlands	3.30	1.65	1.65
Subtotal		429.95	184.99	244.96
Rehabilitation of communal irrigation schemes (6000ha)		38.34	20.00	18.34
Expansion of irrigation schemes in communal areas (16176ha)		112.00	55.00	57.00
GRAND TOTAL		580.29	259.99	320.30

Irrigation Development

642. Mr Speaker Sir, while over 550 000 ha of our land is irrigable, only 33.6% or 200 000 ha is under irrigation development, with a significant number of the irrigation schemes regrettably non-functional.
643. This, therefore, means that the country continues to experience under utilisation of existing water bodies.
644. Accordingly, the 2014 National Budget prioritises rehabilitation and operationalisation of all those idle irrigation schemes, while gradually putting on board those identified and planned new schemes in all the Provinces.
645. In this regard, I propose to allocate US\$9.4 million for this programme targeting the rehabilitation of communal irrigation schemes to ensure that we begin to utilise some idle investments.
646. Mr Speaker Sir, the irrigation programmes targeted in 2014 and 2015 are the following.

Hiring of Equipment

647. Mr Speaker Sir, Government has established, in partnership with the manufacturers of irrigation equipment, a facility for farmers to access irrigation equipment and support services on Hire Purchase arrangements.

648. This will be complemented by the promotion of Partnerships investment in irrigation development targeting A2 farmers with irrigable land.

National Irrigation Development Fund

649. In the same vein, Government is promoting investment in irrigation development, targeting A2 farmers with irrigable land.
650. To this end, the resuscitation of the National Irrigation Development Fund will be pursued for farmers to access credit financing for irrigation development.

ARDA Farms

651. Mr Speaker Sir, there is immense potential to increase production at ARDA farms.
652. In this regard, joint venture initiatives between ARDA and the private sector will be promoted in order to support the optimal use of ARDA farms.

Communal Schemes

653. With regards to communal irrigation schemes, beneficiaries will be expected to make contributions towards maintenance for sustainability.

Cost of Inputs

654. Mr Speaker Sir, I have already alluded to the reality that our people do not expect free hand outs with regards to food, inputs or any other public services.
655. Consistent with this, Government's support with regards to inputs will in future be guided by strategies that ensure affordability of agricultural inputs in the market place. This is essential for improved agricultural productivity.
656. Hence, Mr Speaker Sir, the Cabinet policy position on inputs will be as follows:
- Phasing out the buying and distribution of inputs to farmers; and
 - Instead, subsidise the cost of production of the inputs so that farmers will be able to buy them at competitive prices.
657. In this regard, we will be putting in place the necessary mechanism, including the mobilisation of the requisite resources for implementation of the above programme and to make this a reality for future seasons, targeting aligning the costs of inputs to regional benchmarks.
658. Furthermore, measures to guard against abuse by unscrupulous and speculative dealers will be necessary.

659. Our economy will draw bigger mileage from such interventions, especially as we support improved capacity and cost containment at input suppliers who produce seeds, fertilizers and requisite chemicals.
660. This will also necessitate improved investment in equipment to overcome challenges related to use of outdated and dilapidated machinery and technology, which contribute to increasing costs of production.

Capacity for Input Suppliers

661. In the spirit of promoting business operations, Government will continue to honour its obligations to input suppliers.
662. To this end, Government has cleared its outstanding payments of US\$11.8 million arising from previous seasons, as indicated below:

Supplier	Payments US\$
Pannar	2 022 025
Pioneer	3 729 087
Seedco	4 008 262
Total Seed Houses	9 759 374
ZFC	1 542 155
Nyiombo	500 000
Total Fertilizers Companies	2 042 155
Overall Total	11 801 529

663. Furthermore, we will be facilitating input suppliers' access to credit lines, that way supporting their recapitalisation.

Financing of Farmers

664. Honourable Members will be aware that, other than poor rainfall and prolonged dry spells, agricultural growth has been weighed down by acute under-funding, resulting in low yields.

665. In the case of cereals, average maize output during 2009-13 has been hovering around 956 000 tons per annum, against a national consumption requirement of 2.2 million tons, including for stock feed.

666. Maize yields over 2009-12 are indicated below:

Maize Yields

Year	Output (Thousand Tons)	Area Planted (thousands)	Yield per Ha
2009	1240	1507.0	0.82
2010	1328	1803.5	0.70
2011	1451.6	2096.0	0.69
2012	968	1689.8	0.57
2013 Est.	798.596	1265.237 (177 written off)	0.63
2014 Projection	1300	1650.0	0.80

Source: Ministry of Agriculture, Mechanisation & Irrigation Development

667. Mr Speaker Sir, low yields per hectare threaten food security, and force us to rely on imports.

668. Hence, the 2014 Budget prioritises timely mobilisation of resources, to enable farmers to take advantage of the onset of agricultural seasons. This will also necessitate adequate support for the vulnerable farmer.

Basic Input Package

669. For the 2013/14 agriculture season, Government initiated a US\$161 million facility, of which US\$157.9 million is for inputs and the balance of US\$3.1 million caters for the rehabilitation of DDF tractors and GMB handing costs, as indicated in the Table below:

Financial Requirements

	Communal (US\$m)	Old Resettlement (US\$m)	Small Scale Commercial (US\$m)	A1 Farmers (US\$m)	Total (US\$m)
Input Costs					
Seed	33 600 000	1 800 000	204 000	3 480 000	39 084 000
Compound D	43 400 000	2 325 000	263 500	4 495 000	50 483 500
Ammonia Nitrate	49 000 000	2 625 000	297 500	5 075 000	56 997 500
Lime	9 800 000	525 000	59 500	1 015 000	11 399 500
Sub-Total	135 800 000	7 275 000	824 500	14 065 000	157 964 500
Other Costs					
DDF tractor rehabilitation					530 000
GMB handling costs					2 605 600
Total	135 800 000	7 275 000	824 500	14 065 000	161 100 100

Source: Ministry of Agriculture, Mechanisation & Irrigation Development

670. The above input requirements under the Basic Input Package comprise of 16 285 tons of seed and 243 000 tons of fertilizer also indicated below:

Seed and Fertilizer Amounts

	Communal	Old Resettlement	Small Scale Commercial	A1 Farmers	Total
Targeted Beneficiary Households	1 400 000	75 000	8 500	145 000	1 628 500
Quantities					
Seed (tons)	14 000	750	85	1 450	16 285
Compound D (tons)	70 000	3 750	425	7 250	81 425
Ammonia Nitrate (tons)	70 000	3 750	425	7 250	81 425
Lime (tons)	70 000	3 750	425	7 250	81 425

Source: Ministry of Agriculture, Mechanisation & Irrigation Development

671. Under this scheme, about 1.6 million households are targeted country-wide and will benefit from an input package comprising of:

- Maize/small grain seed, 10 kg;
- Fertilizer Compound D, 50 kg;
- Fertilizer Ammonium nitrate, 50 kg; and
- Lime 50 kg.

672. Mr Speaker Sir, as at 12 December 2013 distribution of input packs under the scheme was as follows:

- 15 242 tons of maize seed and small grains valued at US\$36.5 million;
- 25 180 tons of compound D fertilizer valued at US\$15.6 million;
- 15 609 tons of ammonium nitrate fertilizer valued at US\$10.9 million; and

- 4 059 tons of lime valued at US\$608 850.

Distribution of Inputs

Company	Contracted		Deliveries by Suppliers as at 12 December		Distribution to Beneficiaries as at 12 December		Balance Available At GMB Depots.		Balance Based on Contracted Tonnage	
	Quantity (tons)	Value (US\$)	Quantity (tons)	Value (US\$)	Quantity (tons)	Value (US\$)	Quantity (tons)	Value (US\$)	Quantity (tons)	Value (US\$)
Maize seed	16,385	39,084,000	15,855	38,052,864	15,062	36,148,800	793	1,904,064	530	1,031,136
Small Grains	665	1,000,000	363	739,400	113	163,200	250	576,200	302	260,600
Subtotal	17,050	40,084,000	16,218	38,792,264	15,175	36,312,000	1,043	2,480,264	832	1,291,736
Compound D	81,000	50,220,000	26,126	16,198,275	25,180	15,611,600	946	586,675	54,874	34,021,725
Ammonium Nitrate	80,000	56,000,000	16,675	11,672,395	15,609	10,926,300	1,066	746,095	63,325	44,327,605
LIME	30,000	4,150,000	4,210	631,500	4,059	608,850	151	22,650	25,790	3,518,500
Sub total	191,000	110,370,000	47,011	28,502,170	44,848	27,146,750	2,163	1,355,420	143,989	81,867,830
Grand total		150,454,000		67,294,434		63,458,750		3,835,684		83,159,566

Source: Ministry of Agriculture, Mechanisation & Irrigation Development

673. Farmers in the drier areas of the country have an option to receive a Livestock Support Pack comprising drugs, vaccines and stock feed equivalent to the value of grain input package.

Cooperating Partners

674. The Food and Agricultural Organisation (FAO), working in conjunction with other co-operating partners, are complementing Government efforts in mobilising financing for the summer cropping season.
675. Already, a total of US\$19.25 million has been raised, with inputs benefiting some 77 800 vulnerable smallholder farmers.

Private Sector Support to Agriculture

676. A two pronged approach is being pursued to assist A2 farmers through direct bank credit financing and contract farming.

Bank Facilities

677. The banking sector has arranged a number of facilities in support of agriculture to the tune of US\$625 million broken down as follows:

Credit Facilities Available

Crops	Estimated Hectarage	Credit Facility available: US\$	% Distribution of the Total
Cattle Ranching		630,000	0.1
Cotton	329,000	46,800,000	7.6
Dairy Farming	22,000	5,500,000	0.9
Fertilizer		28,280,000	4.6
Horticulture	30,694	21,800,000	3.5
Maize	22,955	35,185,000	4.9
Orange fruit		3,000,000	0.5
Other	42,395	38,630,000	6.2
Potatoes and tomatoes	245	1,500,000	0.2
Poultry		700,000	0.1
Seed	5,653	30,248,000	4.9
Soya bean	3,914	3,165,800	0.5
Sugar beans	100	120,000	0
Sugar cane	67,400	43,000,000	6.9
Tea	1,280	10,500,000	1.7
Tobacco	83,520	343,156,900	55.4
Wheat	11,300	12,500,000	2
Total Support		624,715,700	100

678. Mr Speaker Sir, we will also need to inculcate in farmers a culture of loan repayment as a way to restoring banking sector confidence

to support future agriculture production programmes.

Restoration of the Stop Order System

679. Hence, in order to give confidence to banks to finance agriculture and to avoid side marketing, it is imperative, Mr Speaker Sir, that the Agricultural Marketing Authority (AMA) restores an effective stop order system.
680. I am, Mr Speaker Sir, expecting cooperation from all stakeholders in this regard.

Contract Farming

681. With regards to contract farming, some farmers have already entered into contract farming arrangements with private contractors for the production of maize, soya beans, sorghum, sugar beans, tobacco and cotton crops.
682. To date, hectarage under contract farming for respective crops is summarised in the Table below:

Contract Farming Hectarage

Crop	Hectarage
Maize	74 000
Soya Beans	71 300
Sorghum	10 500
Sugar Beans	1 050
Tobacco	550

683. Mr Speaker Sir, it will be necessary that we strengthen the legal provisions for contract farming to guard against side marketing.

Marketing of Produce

684. Mr Speaker Sir, efficient marketing of agriculture commodities is key to the sustainable growth of the sector and to ensuring fair prices to our farmers.

685. Hence, there is need to ensure efficient market operations for agricultural commodities linking producers to buyers.

Agriculture Commodity Exchange

686. Government has already approved the establishment of the Agricultural Commodity Exchange, as a critical institution to support the marketing of agricultural commodities through a competitive open market.

687. This should also offer scope for introduction of such schemes as the warehouse receipts system to enable farmers to borrow against their agricultural produce.

688. However, the operationalisation of the Agricultural Commodity Exchange has been delayed by administrative challenges which have now been resolved.

689. This now paves way for the finalisation of the remaining logistical arrangements and its speedy operationalisation.

Strategic Reserve Stocks

690. Mr Speaker Sir, to ensure food security, it is necessary that we have Strategic Grain Reserves to provide a reliable buffer during deficit periods.

691. The efficient management of these stocks becomes critical.

692. In this regard, Mr Speaker Sir, it is necessary that Government makes timely payments to farmers for maize deliveries towards our Strategic Grain Reserve.

693. As at 6 December 2013, out of cumulative deliveries of grain of 42 796 tons valued at US\$16.82 million, Government has been able to pay US\$9.2 million for 24 338.6 tons of maize and 1 073 tons of wheat, leaving a balance of US\$7.1 million.

694. This represents significant improvement over previous high levels of outstanding payments to farmers for deliveries towards our Strategic Grain Reserves.

Research and Extension Services

695. Mr Speaker Sir, it will also be necessary that we build on the

existing agricultural research and extension services in support of capacitating our farmers, also essential for higher productivity.

696. In this regard, Government has set aside US\$4.9 million in support of broader research and extension services also covering farmers in new resettlement areas.

697. Furthermore, consideration will be given to improving staff manning levels.

Livestock

Production & Development

698. Mr Speaker Sir, the national herd has not improved significantly since the 1980s due to a number of factors which include inadequate research, erratic funding, coupled with persistent outbreaks of animal diseases.

699. Government efforts to support the rebuilding of the national herd include the following:

- Establishment of livestock breeding centres;
- Strengthening research and extension services;
- Conservation of livestock genetic resources; and
- Generation and dissemination of information.

Support Programmes

700. Mr Speaker Sir, similar interventions as those on the crop input side are required in livestock to mitigate against droughts as well as other adverse factors that hinder the growth of the national herd, dairy, poultry and small stock.
701. The on-going livestock development programme remains a priority, targeting to raise the beef and dairy herd from the current 5.4 million and 27 000 to 6 million and 35 000, respectively, by 2015.
702. Realising the above targets require enhanced collaborative efforts from both Government and private players in mobilising requisite resources.
703. Efforts by private players such as Nestle Zimbabwe in the purchase of 2 000 heifers under the five year US\$14 million programme to enhance dairy farming will also be supported and should be emulated by other players.
704. In that regard, Government has set aside US\$2 million in support of the on-going livestock development programme.

Animal Disease & Pest Control

705. Mr Speaker Sir, the Budget needs to support the mainstreaming of animal welfare standards and programmes, aimed at detecting and combating animal diseases.

706. In this regard, it is necessary that we prevent entry, spread, establishment and resurgence of eradicated animal diseases and pests.

A2 Farms Leasehold Title Surveys

707. The issuance of leasehold titles is necessary for building confidence in agriculture, that way, facilitating increased investment by farmers.

708. This, however, requires surveying of land allocated to farmers, particularly in our new resettlement areas.

709. The level of financial resources required for this exercise is beyond the capacity of most new farmers.

710. It is, therefore, necessary that the Budget also supports mobilising resources for speeding up land title surveying.

711. This should also overcome some of the challenges undermining land utilisation related to disputes over boundaries and ownership.

712. Furthermore, wider surveying of allocated land facilitates issuance of 99-Year Leases, a barrier to accessing financial borrowings from the banking sector.

Mechanisation

713. Mr Speaker Sir, a total of US\$98 million has been mobilised in support of agriculture mechanisation, of which an initial US\$39 million will be disbursed during 2014 for acquisition of agriculture equipment and machinery.

MINING

Accounting for Mineral Revenue

714. As the mining sector is increasingly becoming the mainstay of growth, contributing more to GDP, there is need to ensure that the sector's fiscal obligations are met through enhanced compliance in terms of remittance of mining tax revenue.
715. This is so, Mr Speaker Sir, as leakages in the mining sector, involving both established and small scale miners, are depriving the country of huge amounts of revenues.
716. Such revenue losses are through malpractices such as smuggling, under-invoicing, and externalisation of export proceeds, among others.
717. Government is, therefore, working on measures to strengthen accountability and security systems for mining houses in order to improve transparency and timely remittal of fiscal obligations to Treasury.

718. In dealing with the plugging of mineral leakages, Government will review and strengthen the existing laws and systems in the mining sector.
719. The formalisation of operations of small scale mining companies through an Act, including their marketing system, will also be an integral part of plugging mineral leakages.
720. In this regard, Government will also consolidate efforts on embracing the World Bank's Extractive Industries Transparency Initiative principle, balancing the benefits accruing to mining houses with those accruing to the fiscus.

Mineral Value Addition

721. Mr Speaker Sir, previous Budgets have emphasised the importance of beneficiation and value addition of our mineral resources in order to diversify industry through forward and backward linkages, derive more value and, avoid exporting jobs.
722. Regrettably, little progress has been made in the identified areas, and we continue to allow truck and rail loads of crushed rock ore out of our borders for value addition and job creation overseas.
723. In line with the ZIM-ASSET programme, our value addition and beneficiation policy will require the following:

Platinum

724. Mr Speaker Sir, in an endeavour to promote value addition and beneficiation of mineral commodities, Government gave a two year window beginning 2013, for existing platinum producers to set up a platinum refinery plant in the country.
725. Government is, however, concerned by the lack of progress to date, which seems to emanate from the non-committal of platinum producers. This is, however, notwithstanding that our production capacity and the platinum mineral reserves are adequate to support such investment on a sustainable and viable basis.
726. Government is, therefore, reiterating that it will enforce the two year period window, which ends in 2014, after which exports of raw platinum will not be permitted.
727. Meanwhile, Government will introduce some tax disincentives on the export of raw platinum, including other minerals.

Gold

728. In the case of gold, Fidelity Printers and Refineries started refining since 17 December 2013.
729. I, therefore, put in place a ban on the export of unrefined gold.

730. More-over, Fidelity Printers and Refineries will be the sole buyer and exporter of gold.
731. All the above measures are effective 1 January 2014.
732. In the meantime, as I have alluded to earlier, resources will be allocated to deal with smuggling. Reducing smuggling will enhance Government revenue and boost the local economy.
733. At the same time, Government is committed to supporting the small scale gold miners.

Diamonds

Diamonds Revenue

734. Mr Speaker Sir, there has been a lot of speculation surrounding the diamond industry.
735. This speculation has come about because of very little information about diamond sales and production, which has not been helpful to the reputation of the industry as a whole.
736. To kill the perception surrounding the industry, His Excellency, The President, has directed that we institute measures to ensure greater transparency.

737. My colleague, the Minister of Mines and Mining Development, Hon. Walter Chidakwa, and I have been meeting to ensure compliance with His Excellency's directive.

738. Accordingly we have resolved to do the following:

- To institute measures that ensure surveillance of the entire production, sorting and transmission of diamonds. The surveillance to include resort to use of close circuit television networks and if need be to advanced satellite tracking.
- To exercise tripartite control by the Ministry of Finance (through ZIMRA), the Ministry of Mines and the mining company over the vault into which raw diamonds are deposited by Dense Media Separator (DMS).
- To clarify that the applicable tax structure is as set out in the Tax Measures I have outlined in this Budget Statement.
- To direct the Minerals Marketing Corporation of Zimbabwe (MMCZ) to make deduction of revenues due to the fiscus and pay the same directly into the fiscus.

739. The above measures are to apply to those mining companies in which the State has 50% ownership or in the case of Marange Resources where Government has 100% ownership.

740. The above tax structure shall also apply to all mining companies in

respect of all revenue items due to Government, namely Royalty and Depletion fees.

Diamond Valuers

741. Mr Speaker Sir, the importance of confirming and approving fair values of diamond parcels cannot be over-emphasised.
742. Hence, appropriate measures, institutional frameworks and capacity will be put in place to enhance the efficiency and effectiveness of Government Diamond Valuers.
743. The necessary complementary restructuring and institutional capacity development of the Government Diamond Valuator will be undertaken.

Diamond Inspectorates

744. Furthermore, Government will establish and capacitate dedicated Diamond Inspectorate teams in line with the Zimbabwe Diamond Policy.
745. This will be complemented by enhancing the efficiency and effectiveness of Ministry of Mines' other Departments, including the various roles of ZIMRA and the other relevant agencies of Government.

Role of ZIMRA

746. Mr Speaker Sir, transparency and accountability to minimise leakages in the exploitation of mineral resources saw Government mandate the stationing of ZIMRA officers at selected mining locations.

747. Hence, ZIMRA officers may enter any mining working place at any time for the purpose of:

- Inspecting such location, premises or working places and examining prospecting or mining operations or the treatment of minerals being performed or carried out thereon;
- Taking soil samples or specimens of rocks, ores, concentrates, tailing, or minerals situated upon that area, premises or working places for the purpose of examination or assay;
- Examining and making copies of or taking extracts from books, accounts, vouchers, documents, maps, drilling logs or records of any kind;
- Examining security systems at mining locations; and
- Ensuring that any royalties or taxes payable in relation to the minerals mined at the mining location in question are paid and collected.

748. Notwithstanding the comprehensive provisions enshrined in the legislation, the ZIMRA administration has, however, not

been effective in the discharge of its functions, due to lack of cooperation, particularly from the diamond mining companies.

749. ZIMRA is, hence, not involved in the value chain of diamond production up to the marketing stage, as envisaged in the legislation.

750. Government, through the Ministries of Finance & Economic Development and Mines & Mining Development, will put in place, penal provisions that may include withdrawal of licences, for failure to facilitate access by ZIMRA officers to the entire value chain, from production to the marketing of diamonds.

751. In order to enable ZIMRA officers to acquaint themselves with diamond mining operations, Government, with the assistance of cooperating partners, has also put in place capacity building programmes.

Security & Accounting Systems

752. Mr Speaker Sir, the security and diamond accounting systems are compliant with Kimberly Process Certification Scheme (KPCS) minimum standards.

753. However, their effectiveness and efficiency depends on the knowledge, willingness and cooperation of employees and management of the mining companies to implement them.

754. Hence, further tightening of all the security and diamond accounting systems will be necessary. This will include putting in place mechanisms for Government Inspectorate and Valuation teams to access these systems.

755. Government will be urgently reviewing the Precious Stones Trade Act so that it caters for enhanced diamond security, valuation, accounting and local beneficiation.

Consolidation

756. Mr Speaker Sir, currently there are eight diamond mines in the Chiadzwa area.

757. To my knowledge, this is the only country in the world, whose diamond mining industry has this many players in such a restricted area.

758. It is for this reason that His Excellency the President, has directed that in the medium term we look into the feasibility of consolidating the players in the industry.

759. Reviewing the licencing of multiple players in the exploitation of diamonds, with the objective of consolidating the production and marketing of diamonds, is also in line with regional best practices.

760. Mr Speaker Sir, this is imperative for the optimum exploitation of diamonds throughout the entire value chain, from production to marketing.

761. Existence of numerous players in the exploitation and marketing of diamonds poses leakage challenges. This is exacerbated by the absence of a legal framework and standard operational guidelines which regulate operations of diamond mining companies.

Joint Task Force on Diamond Related Revenues

762. Mr Speaker Sir, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation aims at achieving sustainable socio-economic development through the judicious exploitation of the country's abundant natural resources, of which diamond is one of them.

763. Cognisant of the above, there is need to enhance transparency to ensure that revenue flows from these resources contribute meaningfully to the country's economic reform and development agenda.

764. To this end, Mr Speaker Sir, a Joint Task Force comprising of the Ministries of Mines & Mining Development and Finance & Economic Development, together with the Zimbabwe Revenue Authority has been set up and the Terms of Reference are being finalised.

765. Other relevant members from other Government departments will be co-opted from time to time.
766. The Joint Task Force will be mandated to monitor all diamond related revenues which will inform Budget formulation and execution.
767. Furthermore, transparency will be enhanced by the presentation to Parliament, and publication, by early 2014, of the 2012 audited financial accounts of ZMDC.

Beneficiation

768. Mr Speaker Sir, in the diamond industry we cannot continue to rely on revenue from rough diamond sales to the traditional diamond processing and trading centres of Antwerp, Surratt, Tel Aviv, New York and Dubai.
769. While there might be pressure for maintaining rough diamond exports to meet immediate fiscal needs, there are huge downstream opportunities for sustainable local cutting and polishing industries.
770. Given that we stand to benefit from local beneficiation of our diamond production, we will need to address several market distortions and constraints that stand in the way of the realisation of a viable sub-sector.

771. We will, therefore, be implementing appropriate strategies that unlock maximum value from the industry in order to ensure its maximum contribution and integration to the national economy.

772. Mr Speaker Sir, this will entail:

- Engaging a number of private players for setting up diamonds cutting and polishing companies, as well as the respective training; and
- Reviewing distortions that favour international rough diamond buyers, dealers, as well as cutting and polishing centres at the expense of local dealers.

Chrome

773. Government took a position to ban exports of chrome ore in order to encourage value addition by our smelting companies.

774. However, that position was relaxed following some challenges with small chrome producers who had accumulated huge stockpiles of chrome ore as a result of limited absorptive capacity of local smelting companies.

775. The challenges with smelting companies were, however, related to the slump in ferrochrome prices on the international markets, which are however, temporal in nature.

776. Accordingly, Government will uphold the ban on raw chrome exportation policy and further support those companies whose processing operations go beyond ferrochrome production, in order to mitigate against price volatility on the international market.

777. The availability of huge stocks of chrome ore also presents opportunities for other players to set up new smelting plants, as evidenced by the recent opening of Afrochine smelting plant in Selous.

Support for Small Scale Miners

778. The capital intensive nature of mining activities poses challenges to operations of many small scale miners.

779. This is notwithstanding that small scale mining activities employ a lot of people in the country. Most of these artisanal small miners lack skills and, hence, Government will support their capacity building programmes.

780. Initiatives on joint ventures with external partners will also be supported.

Pledge of Claims as Collateral

781. Mr Speaker Sir, a large number of big companies who are holders of claims leverage them in acquiring financing from international markets.

782. Regrettably, our small scale miners who are holders of geologically surveyed claims, with known resource endowments are unable to leverage these in securing financing, resulting in many claims remaining undeveloped.
783. In order to encourage the participation of financial institutions in supporting small scale mining activity, I am proposing tax incentives for financial institutions who accept geologically surveyed claims as collateral for small scale miners' borrowing requirements.

Sovereign Wealth Fund

784. Experiences from other countries show that Sovereign Wealth Funds have scope for supporting and facilitating broader development of other sectors.
785. This is in acknowledgement of the finite nature of mineral resources, and, hence, allows for availability of resources beyond the lifespan of the respective mineral resource.
786. The objective under ZIM-ASSET is to leverage mineral resources for establishment of the Zimbabwe Sovereign Wealth Fund earmarked for supporting various projects under the program, as well as other future inter-generational projects.

787. Already, Mr Speaker Sir, Cabinet approved the Sovereign Wealth Fund Bill on 6 November 2013. This is now awaiting the approval of Parliament.
788. Government will, therefore, initiate modalities for the establishment of the Sovereign Wealth Fund, taking advantage of experiences from other countries.

Amendments to Mining Laws

789. Confidence building and ability to attract investment for exploration and production into the mining sector require a clear mining policy and requisite legal framework. Currently the country is relying on an old colonial period Mines and Minerals Development Policy.
790. Government is, therefore, developing a new comprehensive Minerals Development Policy, which will establish an internationally competitive, stable and conducive business climate to attract investment.
791. Furthermore, a factor inhibiting growth in the mining sector is the numerous mining claims held by mining companies and individuals for long periods of time and for speculative purposes.
792. To facilitate leverage of mineral resources, amendment to the Mining Laws would be made under the Budget to introduce the

principle that requires claim holders to exploit their claims and upon failure to do so, risk losing the claim.

793. The new policy framework will lead to overhauling the current Mines and Minerals Act and amending the Precious Stones Trade Act.

Rights of Farmers

794. Mr Speaker Sir, currently, our mining legislation offers greater rights to the miner at the expense of the farmer.
795. Regrettably, this has tended to adversely impact on effective land utilisation, undermining some of the gains of Land Reform.

Exploration Company

796. Extensive exploration country-wide, in both brown and green fields, will help ensure that the mining sector plays the role of being the centerpiece of economic recovery and development.
797. Exploration is also essential in expanding our mineral base and assists in guiding valuation and extraction rates, necessary for sustainable exploitation and development of the country.
798. To successfully implement this measure it is critical that we carry out geological surveys of our mineral claims so that we have some idea of the value of such claims.

799. Available information shows that Zimbabwe is under explored, as the country has, over a number of years, failed to undertake new exploration activities.
800. This process, I am afraid, will take some time as we would need to raise the requisite resources to undertake the surveys.
801. In my January 2009 Budget, I recommended the formation of an Exploration Corporation to carry out the geological surveys.
802. I am informed that the Corporation was established but not capitalised. Efforts would, therefore, be made to ensure that this is done during the course of the financial year.
803. In this regard, Government will continue to direct more investment into exploration activities and also operationalise the Mining Exploration Company.
804. Private companies will however, still remain integral players in exploration activities

Capacitating the Geological Survey Unit

805. The Geological Survey Unit is central in gathering knowledge on the country's mineral endowments, generating new data and computerising existing information to make it easily available to clients.

806. The Department has over the past 100 years, accumulated a huge geological data base. The data is however, in analog format that is incompatible with the modern ways of manipulating information for various purposes.
807. Capacitating of the Department, including its computerisation will, therefore, ensure designing of new forms of capturing data, securing its storage, timeous processing, as well as handling of applications and granting of exploration licences.
808. I am, therefore, allocating US\$1.5 million for this purpose.

INDUSTRY

Buy Zimbabwe Strategy

809. Mr Speaker Sir, due to a host of challenges bedeviling the local industry, capacity utilisation has declined to approximately 39% in 2013.
810. Various initiatives have been put in place by Government since 2009, such as the Zimbabwe Economic and Trade Revival Facility (ZETREF) and the Distressed and Marginalised Areas Fund (DiMAF).
811. These facilities are being complemented by the Buy Zimbabwe Campaign, which is an initiative designed to promote demand

of local goods and services, for inclusive growth, empowerment and employment.

812. The promotion of locally produced goods will contribute significantly towards reviving the country's manufacturing industry.

813. Mr Speaker Sir, I want to acknowledge the work that is being done by the Buy Zimbabwe Campaign Team and partnering institutions, in promoting the demand for locally produced goods and services.

814. This effort, if supported by all stakeholders will benefit all local producers through the Buy Zimbabwe's marketing strategies and activities that encourage the purchasing/procurement of partnering products and services.

815. Furthermore, the dedicated linkage programmes will create frequent business and networking opportunities for our local producers, with strategic international businesses partners.

816. Mr Speaker Sir, success of the Buy Zimbabwe Campaign will critically depend on the competitiveness of our production structures, coupled with attainment of high standards with regards to quality of products.

817. This, Mr Speaker Sir, is against the background of the globalised trading environment in which, historical protective market barriers are being overcome by low cost production in overseas markets.

Lines of Credit

818. Mr Speaker Sir, domestic companies are confronted with capital constraints, high cost of borrowing and unavailability of long-term financing.

819. As a result, most companies are operating with costly out-dated machinery, prone to intermittent break down, thereby affecting smooth production operations.

820. The implied high cost of production is also making local products uncompetitive on both the local and international market.

821. Therefore, in support of our companies re-tool, the following supportive interventions are being pursued:

Existing Lines of Credit

822. Mr Speaker Sir, Government is concerned with the low utilisation of External Loans Coordinating Committee (ELCC) approved lines of credit, at a time when most of the sectors of the economy are bemoaning lack of credit.

823. It is, therefore, necessary that borrowing companies meet all the conditions precedent, as delayed disbursements are primarily related to failure by beneficiaries to meet some terms and conditions which include down payments and commitment charges.

824. On its part, the ELCC will continue to process expeditiously all loan applications above thresholds that require its approval. Already, this threshold has now been raised from US\$1 million, to US\$5 million.

Other Sources of Funding

825. Mr Speaker Sir, in pursuit of lines of credit, due cognisance of the reality of the new global financial architecture will be necessary.

826. This will require that we also tap into emerging markets, now increasingly assuming greater dominance in international financial relations and cooperation. Sustained growth in these markets not only offers sources of new investment capital, but also scope for alternative trade partners.

827. This, Mr Speaker Sir, however, is not to ignore existing possibilities of financial support through the traditional financial arrangements.

828. Central to success will be establishment of solid performance of servicing external obligations, over and above our firmness in

protecting our interest in all negotiations with our trading partners, as well as development of bankable projects.

829. Furthermore this, of course, will hinge on our continued cooperation with regional financial institutions such as the African Development Bank, Afreximbank, and PTA Bank who have stood by us through their unconditional support to productive sectors of the economy.

Anti-Dumping

830. A fair playing field with external competitors/ imports is necessary in protecting our infant and fragile industry. Dumping from other countries remains and will have to be managed.
831. Where feasible and necessary, a strong well supported import substitution policy should be pursued. This, in particular, becomes relevant to numerous small household goods whose production should ordinarily be undertaken by our SMEs, that way creating jobs, promoting empowerment and fighting poverty.
832. In this regard, Government will review and strengthen anti-dumping laws, in a move to reduce the dumping of cheap goods in the country.

833. Honourable Members will also note the influx of a number of substandard products getting into the country through our porous ports of entry.

834. Hence, Government will intensify security at border posts to curb corrupt practices and prevent the unlawful entry of these products into the country.

835. Further to that, in dealing with the above challenge, Government will, in 2014, enact the National Quality Standards Authority Bill to curb the importation of sub-standard goods.

Industrial Competitiveness

836. Mr Speaker Sir, the local industry has become more and more less competitive due to a number of factors as alluded above.

837. To that end, Government will adopt a holistic approach that includes the introduction of tariff and non-tariff measures on products that the country has a comparative advantage to produce locally.

838. Furthermore, Government will also attend to reforms which improve the investment climate in the country.

Doing Business Reforms

839. Zimbabwe's business environment is generally ranked as highly uncompetitive, with ratings of 170 out of 189 countries in 2013 by the World Bank.
840. Mr Speaker Sir, while there is no doubt some of the uncompetitive rating of our business environment drew from negative perceptions over the country, there are major areas where there is need for reform with regards to doing business in our market.
841. Already, this Budget is proposing measures to deal with issues related to investor confidence and power supply, among others.
842. Mr Speaker Sir, addressing some of the challenges undermining the doing business environment largely require administrative reviews.
843. In this regard, Government is, in conjunction with ZIA, working to implement reforms in some of the following indicators:
- Starting business;
 - Dealing with construction permits;
 - Registering property;
 - Getting credit;
 - Paying taxes;

- Trading across borders;
- Enforcing contracts; and
- Resolving insolvency.

844. Pursuant to this, the Zimbabwe Investment Authority will engage respective Ministries, Departments and institutions to speed up the implementation of doing business reforms, with the support of COMESA and the World Bank.

845. Government will also extend the preferred economic operator status and implementation of the duty drawback system which would revitalise export of goods and services. In addition, the Government will also continue to implement doing business reforms.

Promoting Domestic Technology

846. The industrialisation of the country can only be accelerated and sustained on a solid technological base.

847. In the current knowledge based global economy, industrialisation is increasingly driven by science, technology and innovation. The ability to develop, acquire, upgrade, and adapt technologies is a key element for competing effectively in the global world.

848. In this regard, Government is encouraging appropriate linkages of our Universities, Tertiary & Research and Development Institutions, and industry for the development of appropriate and adaptive technologies.

Cluster Value Chains

849. As articulated in the ZIM-ASSET and the Industrial Development Policy, Government will prioritise the cluster based value addition and beneficiation strategy as one of the key strategies to drive up productivity in the economy.

850. The motive of adopting such a strategy is based on the proven benefits accruing in terms of attainment of economies of scale, enhanced value addition, global competitiveness and development of comparative advantages.

851. The strategy has already been formulated in the leather sector and measures are being taken to facilitate the implementation process.

Special Economic Zones

852. Mr Speaker Sir, one of the key success factors for implementation of the ZIM-ASSET is the establishment of Special Economic Zones offering special trade incentives to stimulate local and foreign investment within the zone.

853. Special Economic Zones will be geographically defined areas where we will put in place incentives, with the objective of stimulating business and job growth. These will be located on sites where there is strong job growth potential, which will be supported by Government through offering of a combination of fiscal and policy incentives.

854. Such Zones target modern manufacturing and technology sectors with the potential to increase exports and create new jobs, guided by:

- Supporting the expansion of business clustering around targeted areas;
- Increasing clustering around existing large manufacturing anchor tenants;
- Re-developing former industrial areas;
- Major location re-development; and
- Focus on advanced and high tech engineering along specified corridors.

855. Sectoral focus includes:

- Agro-processing;
- Diamond beneficiation;
- Gold value addition;

- Low carbon manufacturing;
- Healthcare;
- Medical technologies;
- Renewable energy;
- Waste management and logistics; and
- Port of entry corridors.

856. The combination of fiscal and policy incentives will be as follows:

- Concessional interest rates for specified periods for businesses in the Zone;
- A simplified planning regime;
- Support for roll-out of super fast broad-band to the Zone;
- Enhanced capital allowances for businesses making large investments in plant and machinery; and
- Marketing support.

857. To ensure their operationalisation, Government is developing the necessary regulatory framework, drawing from the successful experiences of such countries as China, India, South Korea, Malaysia, Singapore and Dubai.

858. In this regard, Government will also be calling for the input of various stakeholders from the private sector.

TOURISM

859. Tourism development is being guided by the implementation of the National Tourism Policy Launched and adopted in 2012.

Tourism Master Plan

860. The Tourism Master Plan facilitates the development of structured tourism facilities across the country, leveraging on competitive advantage of tourism products in a particular area.

861. In 2014, Government will, therefore, expedite the completion of the Tourism Master Plan, necessary for facilitating investment in developing the sector.

Country Image Promotion

862. The notable improvement in business and leisure tourist arrivals confirms the onset of recovery of tourism in the country, following years of isolation and negative publicity.

863. Government will, therefore, take advantage of the prevailing conducive tourism environment and further promote the penetration into those markets that remain untapped.

864. Already, the peaceful environment that existed prior and post-election, and the successful co-hosting of the 20th Session of the

United Nations World Tourism Organisation (UNWTO) General Assembly with Zambia in August 2013, present opportunities to further advance the marketing of our country as a safe tourist destination.

865. Hence, the Budget will continue to support marketing efforts, targeting participation in international fairs and expos, development of a National Convention Bureau and opening tourism offices in major source markets, among others.

Tourism Satellite Account

866. Notwithstanding the increase in tourist arrivals, tourists receipts have remained depressed, thereby understating the sector's contribution to the economy.
867. Accurate accounting of receipts from tourism activities requires us embracing the Tourism Satellite Accounting (TSA) system, which is a statistical tool that provides a framework for collecting, compiling and reporting accurately tourism activities.
868. This accounting system traces tourism activity recording indicators such as receipts, arrivals, occupancy rates and expenditure, employment, and, hence, reflects the totality of all tourist related expenditures.

869. In order to promote the development and usage of this concept, I am proposing to allocate the requested amount in the 2014 Budget for the following TSA related surveys:

- Visitor Exit Survey;
- Tourism Employment Survey;
- Domestic and Outbound Market Survey; and
- Census of Services Survey.

Domestic Tourism

870. Mr Speaker Sir, domestic tourism ordinarily should be the anchor for the development of our tourism sector.

871. In this regard, the ZTA and the hospitality industry should support the development of tourism products and packages tailored for the domestic tourist.

872. These include, among others, conference, holiday and tour packages.

Investment in the Tourism Sector

873. Sustained growth and development of tourism, requires continuous investment.

874. In previous years, capital investment in the sector was in part,

supported by tax incentives which provided duty free exemption on certain categories of capital goods for hotels, restaurants and safari operators.

Uni-VISA

875. Mr Speaker Sir, SADC is considering the introduction of a Uni-VISA system to allow free movement of persons across the region. The Uni-VISA is modeled along the lines of the Schengen Visa, which allows people to move freely across European countries that are part of the Visa regime.
876. The adoption of the Uni-VISA system will make the region more accessible to international visitors who may want to visit several tourist destinations within the region on one trip.
877. In this regard, I will be making interventions in support of increase investment in the tourism sector.
878. In this way, tourism destinations in the region will complement each other, offering a more diverse regional tourism product for visitors.
879. Having benefited from the pilot phase between Zimbabwe and Zambia during the UNWTO, Government will encourage support from other countries for the full implementation of the Uni-VISA project.

EMPOWERMENT

Small to Medium Enterprises

880. World-wide, SMEs have become an important force and engine of economic growth and development. Economic growth in developed countries such as Japan, Korea, Taiwan and many others was significantly generated by SMEs activities.
881. The importance of SMEs is further amplified by the increasing percentage contribution to GDP, accounting for significant levels in China, Germany, and South Korea, among others.
882. According to the Finscope Survey of 2012, Zimbabwe's SMEs contribute more than 60% to GDP and employ more than 5.8 million people.
883. Therefore, strategies that target the development of SMEs will provide immense benefits to the country in terms of growth, employment generation and support to the fiscus through taxes, among others.
884. Furthermore, the flexibility of SMEs provides backward and forward linkages in the mainstream supply chain, that way enabling them to exploit niche markets.

885. SMEs development is, however, hamstrung by several challenges relating to working capital constraints, high cost of borrowing and business management skills, which all undermine the graduation of SMEs into sizable corporates.

886. In support of SMEs development, the thrust will be in the following areas.

Access to Credit

887. Mr Speaker Sir, the last Finscope Survey indicated that a mere 14% of SMEs access financial services from banking institutions.

888. Hence, Government will urge financial institutions to develop products and services that benefit SMEs, in the process building relationships.

889. This should be complemented by Government efforts to promote savings and credit cooperatives as an alternative source of finance for SMEs.

890. Furthermore, recapitalisation of SEDCO should inject new capital for the benefit of SME programmes.

891. Mr Speaker Sir, as a quid-pro-quo, it will be necessary that more SMEs develop banking relationships, including honouring their tax obligations.

892. In this regard, the removal of bottlenecks for the registration and licencing of SMEs should curb incidences of corrupt activities.

Technical & Business Management Training

893. Mr Speaker Sir, increased adoption by SMEs of modern production technologies and equipment should also make their products more competitive.

894. In this regard, Government has already set up technology centres for the benefit of SMEs through training and technology transfer.

895. It will, therefore, be necessary that more SMEs benefit from this initiative, which includes developing technical and business management skills.

896. Other programmes to empower SMEs run businesses focus on:

- Registration of companies;
- Costing, and book keeping;
- Business ethics, and leadership; and
- Marketing.

Workspace

897. SMEs face a shortage of working space, hence, Government is collaborating with local authorities to enhance the allocation of appropriate workspaces to SMEs.

Management Information Systems

898. Development of a database on SMEs facilitates formulation of targeted interventions, as well as effective performance monitoring and evaluation systems for the sector.
899. Consequently, Government through the respective Ministry has established a central computerised Observation Unit, complemented by data capturing centres in all ten Provinces.

Youth

900. Mr Speaker Sir, Government has made significant progress in enhancing youth participation in productive sectors of the economy in an effort to enhance their empowerment and also create an inclusive and equitable economy.
901. The youth constitute more than 50% of the Zimbabwean population and, as such, the 2014 National Budget will support various projects and programs that seek to enhance youth participation in all aspects of the economy.

Skills Development and Vocational Training

902. Government recognises vocational training for youth as an essential element for entrepreneurial skills development. Specific training programmes will be oriented towards value addition

and business management. This will inculcate good business practices and ethics among youth entrepreneurs.

903. The private sector will also play a critical role in youth skills development and vocational training.

Youth Empowerment Programmes

904. The finalisation of the Youth Economic Empowerment Policy Framework remains a priority in championing participation of youths in income generating projects across all sectors of the economy. Mainstreaming the empowerment agenda, during the implementation of the Policy will be within the context of the SMEs development strategy.

Women Empowerment

905. Government remains committed to empowering women and enhancing their involvement and participation in all aspects of economic development.
906. This is more-so as women provide formal labour across all productive sectors of the economy, particularly in agriculture.
907. The 2014 National Budget will, therefore, prioritise and support various programmes and policies aimed at advancing and empowering women through an allocation of US\$2.5 million.

National Gender Policy and Mainstreaming

908. A revised Gender Policy that is aligned to the SADC Protocol on Gender and Development has been adopted by Government. The 2014 Budget will support the implementation of this policy, which will institutionalise gender mainstreaming across all Government institutions.
909. The mainstreaming process is being undertaken through the Gender Responsive Economic Policy Management Initiative (GEPMI), together with the Gender Responsive Budgeting Programme.
910. Furthermore, the responsible Ministry will conduct targeted awareness campaigns against gender based violence.

National Community Development Policy Formulation

911. In addition, support will be extended to the development of a National Community Development Policy, that will identify and coordinate the establishment of Community Centres and provide a sustainable development programme on poverty eradication among rural communities.

ENVIRONMENT

912. Poor management of the environment and natural resources impose heavy penalties on development through land degradation, wildlife losses, water and air pollution as well as changing climatic conditions, including global warming.
913. Mitigating the above challenges, therefore, requires collective effort, involving all stakeholders, from individuals to community level.
914. Such efforts should include environmental awareness programmes coupled with stiffer penalties, which from experience have proved effective in combating unsustainable environmental malpractices.
915. Furthermore, it is imperative that regulatory institutions such as National Parks and Wildlife Authority be capacitated to carry out their mandate and I am, therefore, proposing to allocate US\$1.5 million to the Authority.

Land Degradation

916. Unregulated economic activities, particularly in mining, agriculture, and road construction sectors have led to land degradation across the country. Such activities include, cultivation in wetlands

and along rivers, resulting in siltation of rivers, a situation that is unsustainable.

917. It is, therefore, imperative that local authorities in cooperation with communities coordinate their efforts in managing such malpractices through awareness campaigns and application of existing measures and penalties.
918. In addition, Government public works programmes will also be coordinated together with initiatives on gully reclamation, clearing of dump sites, and reclamation of wetlands.
919. Strengthening of the Environmental Management Agency (EMA) to monitor such activities should be given due attention.

Anti-Poaching

920. Zimbabwe boasts of a wide range of bird and animal species which form a strong foundation for tourism activities around National Parks. However, poaching has become a serious challenge in game parks and new resettlement areas.
921. A case in point is the poaching disaster recently witnessed in Hwange, where over 100 elephants were killed by cyanide poisoning. It is, therefore, imperative that regulatory authorities, particularly National Parks and Wildlife Authority be capacitated in order to curb such disasters in the future.

922. Harder punitive measures against poachers will also be implemented in order to deter poaching.

Climate Change Mitigation

923. Climate change poses a complex challenge to social and economic development. Increased frequency and intensity of extreme weather events, such as droughts and gradual increases in average temperatures and declines in precipitation, are adversely affecting key sectors of the economy, especially agriculture.
924. Government is finalising the National Climate Change Response Strategy to mitigate climate change issues. Like most other developing countries, Zimbabwe is also focusing on adaptation strategies to climate change through embracing appropriate technologies in agriculture, industries, among others.

Communal Area Management Programme for Indigenous Resources (CAMPFIRE)

925. The sustainable management of the environment and natural resources is critical to anchor economic growth. Thus, there is need to provide support for the extension of the CAMPFIRE concept to all natural resource exploitation activities in the respective communal areas endowed with tradable natural resources.

926. Greater participation of the private sector in natural resource and environmental management is also required through the use of Private Public Community Partnerships in community projects. These initiatives will go a long way in ensuring sustainable management of the environment and natural resources as they involve all relevant stakeholders.
927. The environmental and natural resources management agencies will also be supported to enable them to fulfill their mandate.

Management of Water Resources

928. The country is challenged with lack of access to clean, safe and portable water due to aged infrastructure, urban expansion and resettlement schemes as well as high levels of pollution of water sources.
929. The priority is, therefore, to rehabilitate and upgrade water and sewer infrastructure, as well as to develop new water sources in order to service current and new settlements.
930. Local authorities will invest more in water resources management, taking advantage of Joint Venture partnership and similar arrangements and also leveraging income from service charges and other assets such as land.

931. Rural communities will take a leading role in the management of water and sanitation infrastructure in their communities in partnership with the District Development Fund and the Zimbabwe National Water Authority.

LABOUR LAW REVIEW

932. Government has already alluded to the need to review the country's existing labour laws, which tend to be skewed in favour of employees, without taking due cognisance of productivity and the capacity of companies to pay. This has contributed to numerous company closures. This is also constraining potential investment into the country.

933. Government will, therefore, expedite the finalisation of the ongoing review of labour laws with a view of making them flexible and linking remuneration to productivity, that way promoting interests of both the investor and employees.

Labour Productivity

934. Mr Speaker Sir, the hyper-inflation era significantly changed the work ethics of the labour force in this country.

935. That culture has continued to exist even under the multi-currency system to the extent that productivity has gone down across the whole economy.

936. It is, therefore, necessary, Mr Speaker Sir, that review of our labour laws also takes account of productivity.

937. I am, therefore, calling upon my colleague, the Minister responsible for Labour, Hon. Goche, to seriously consider amendments to the Labour Act that relate work to productivity.

938. Mr Speaker Sir, it is also necessary that we introduce in our Labour Laws, flexibility in the hiring of workers, as well as alignment of wage adjustments to labour productivity.

939. In this regard, resuscitation of the Social Contract between Government, Labour and Business will be useful.

MPs Arrear Allowances

940. Mr Speaker Sir, Members of Parliament from the last Parliament, including Ministers who served during the Inclusive Government, have outstanding payment of allowances due to them.

941. Treasury acknowledges this indebtedness, and will endeavour to honour the payment commitment towards Members of Parliament allowances.

Demonetisation of the Zimbabwe Dollar

942. It is imperative, Mr Speaker Sir, that the Zimbabwe dollar is demonetised and that Zimbabwe dollar balances, including

Zimbabwe dollar Paid Up Permanent Shares (PUPS) balances are converted to US dollars for those accounts in financial institutions' books as at 31 January 2009.

943. This measure, apart from reassuring the public that the multi-currency system is here to stay, will go a long way in compensating the public who lost their money as a result of hyper-inflation.

944. Mr Speaker Sir, an indicative amount of US\$20 million is required for this purpose.

945. I propose that this matter be resolved by 31 March 2014 through the issuance of Treasury Bills to the respective financial institutions for them to further credit bank accounts of their clients in their books as at 31 January 2009.

946. These Treasury Bills shall also be granted a Tier One Capital Status.

REVENUE MEASURES

947. Mr Speaker Sir, the revenue measures that I am proposing seek to promote economic growth, wealth and job creation through support to the productive sectors of the economy, enhance revenue collection, as well as provide some relief to taxpayers.

948. The proposed measures are as follows:

Measures in Support of the Productive Sectors

Manufacturing

Tariff Regime

949. Government has been implementing a tariff regime that balances the sustainability of our balance of payments and supports the competitiveness of the local industry, mindful of the regional and multilateral trade arrangements that the country is signatory to.
950. The influx of cheap imported goods has continued to impact negatively on the competitiveness of local industry, which already faces such challenges as lack of access to capital, high interest rates and cost of utilities, among others.
951. These, coupled with incentives offered in other countries for goods destined for the export market, further worsens the unevenness of the level of the playing field.
952. While the modest support measures introduced by Government have gradually yielded positive results, particularly on the poultry, fruits, cooking oil, prepared foodstuffs, beverages and other products, such imported finished products as dairy, vegetables, soaps and refrigerators have remained on an upward trend, regardless of the potential for local production.

953. The Table below shows a comparison of the import values of selected finished goods for the period 2009 to October 2013.

Product	2009	2010	2011	2012	Jan-Oct 2013
Chickens	29,361,641	22,036,412	13,644,444	10,474,746	820,663
Dairy Products	19,021,390	26,649,825	42,341,495	37,108,760	35,844,395
Vegetables	22,944,816	24,510,333	11,555,908	9,216,209	8,093,272
Fruits	4,328,480	7,186,050	9,995,239	4,433,591	3,138,642
Cooking Oil & Fats	114,247,329	148,966,175	201,410,123	206,248,770	69,520,938
Preparations of Cereals	74,192,246	27,649,205	35,677,823	18,271,907	14,280,472
Prepared/Tinned Foodstuffs	22,722,841	44,678,767	59,440,399	62,278,566	32,500,760
Beverages	24,220,579	24,903,009	30,015,712	20,323,325	7,686,085
Tobacco	68,291,039	120,150,872	98,504,499	159,664,916	69,206,647
Soaps & Other Organic Agents	42,370,16	68,091,631	91,454,009	82,507,814	69,890,617
Flexible intermediate bulk containers	19,625	208,505	52,327	82,255	429,723
Footwear (covering ankle but not knee)	1,194,613	963,196	1,106,743	768,506	461,503
Electrical Refrigerators	4,458,426	13,672,061	21,051,553	15,521,083	12,965,984
Electrical Ovens	2,994,103	4,435,972	4,944,752	3,610,573	1,929,564
Light Passenger Motor Vehicles	118,008,792	479,392,340	426,905,624	530,677,542	216,318,396

954. It is, thus, necessary that measures to level the playing field between imported and locally produced goods be continuously reviewed in order to promote domestic value addition.

955. Mr Speaker Sir, I, therefore, propose measures that seek to support the productive sectors, through suspension of customs duty on inputs, provide modest protection on competing imported finished products.

Steel and Plastic Manufacturers

956. In order to provide relief to the steel and plastic manufacturers, I propose to review duty on finished goods as follows:

Tariff Code	Product	MFN Rate (%)	SADC Rate (%)	Proposed Rate (MFN/COMESA/SADC)
3920.2010	Printed Polymers of propylene	10	0	40/30
3923.2100	Plastics bags of polymers	15	20	40/30
3924.1000	Plastic basins, buckets, plates & mugs	40	15	40/30
3924.9000	Plastic basins, buckets, plates & mugs	40	15	40/30
3917.2320	PVC Pipes	15	0	15
3917.2390	PVC Pipes	5	0	5
3917.3210	HDPE pipes	15	0	15
3917.3220	HDPE pipes	15	0	15
3917.3290	HDPE fittings	15	0	15
3917.4000	PVC fittings	15	0	15
4202.1200	Trolley Case/Back Packs	40+\$2.50/kg	5	40+\$2.50/kg/25 +\$2.50/kg
6305.3200	Woven polypropylene bulk bags	15	15	40/30
6305.3300	Woven polypropylene bags	15	15	40/30
5407.2090	Woven polypropylene cloth	10	0	40/30
7321.8200	Paraffin Burners	40	0	25/20
7210.4100	Galvanised steel sheets	15	20	25/20
7323.9290	Cast Iron Pots	40	0	20
7615.1900	Aluminium pots, e.t.c	40	0	20
7323.9190	Articles of iron, e.t.c.	40	0	20
7210.4990	Galvanised steel sheets	15	0	25/20
8716.8010	Wheelbarrows	25	15	40/30
8716.9000	Wheelbarrow Parts	5	0	40/30

Dairy and Processing Industry

957. In order to enhance growth and competitiveness of milk production, thereby consolidating the gains realised to date, and also to allow full recovery, I propose to review duty on milk as follows:

Tariff Code	Product	MFN Rate (%)	SADC Rate	Proposed Rate (MFN/ SADC)
0401.2000	Milk and Cream	40	10	20
0401.5000	UHT Fresh Milk	40	10	US\$0.25/litre
0402.1090	Skimmed Milk Powder	0	10	US\$2.50/kg
0402.2190	Full Cream Milk Powder	10	10	US\$2.50/kg

958. Powdered milk is, however, an input into production of fresh milk, yoghurts and cheese, among other products, hence, I propose to ring-fence importation of this product by manufacturers, under a rebate of duty.

959. Furthermore, I propose to reduce duty on key raw materials, in order to enhance competitiveness of local dairy processors, as follows:

Tariff Code	Product	MFN Rate (%)	SADC Rate	Proposed Rate (MFN/SADC)
1806.2000	Ice cream coating	40	10	5
7607.1910	Aluminium Foil	15	0	5
7607.2000	Backed Aluminium Foil	15	0	5
2109.9010	Stabiliser	10	10	5
4421.9000	Ice Cream Sticks	25	5	5
2008.8000	Strawberry Pulp	25	0	5
2008.2000	Pineapple Pulp	25	0	5
2008.7000	Peach Pulp	25	0	5

Biscuit Manufacturers

960. Biscuit manufacturers are also facing competition from imported products. I, therefore, propose a downward review of duty on imported inputs, in order to reduce the cost of production, thereby enhancing competitiveness, as follows.

Tariff Code	Product	MFN Rate (%)	SADC Rate	Proposed Rate (MFN/SADC)
0910.1200	Ginger Powder	10	0	5
0801.1100	Desiccated Coconut	10	0	5

Paint Manufacturers

961. Local producers of paint products also continue to face unfair competition from the region, whose imports come in under preferential agreements and do not attract customs duty.
962. I, therefore, propose to review upwards, duty on finished products, in order to level the playing field between imported and locally produced paints, as follows:

Tariff Code	Product	MFN Rate (%)	SADC Rate	Proposed Rate (MFN/SADC)
3208.1000	Paints Based on Polyester	15	0	20
3208.2000	Paints Based on Acrylic	15	0	20
3208.9000	Other Paints	15	0	20
3209.1011	Pigmented Water Thinned	15	0	20
3209.1091	Other Pigmented	15	0	20
3209.1099	Other Paints	15	0	20
3209.9011	Pigmented Water Thinned	15	0	20
3209.9019	Other Pigmented Paints	15	0	20
3209.9091	Other Pigmented Paints	15	0	20
3209.9099	Other Paints	15	0	20
3210.0011	Pigmented Water Paints	15	0	20
3210.0019	Non-Pigmented Water Paints	20	0	20
3210.0039	Pigmented distempers	20	0	20
3210.0091	Other Non-pigmented	15	0	20

Metal and Electrical Manufacturers

963. Local manufacturers produce aluminium overhead electric cables that are mainly used by the Zimbabwe Electricity Transmission and Distribution Company.

964. In order to level the playing field between locally produced and finished products imported under preferential arrangements, I propose to review duty as follows:

Tariff Code	Product	MFN Rate (%)	SADC Rate (%)	Proposed Rate (SADC/MFN)
7605.2100	Aluminium Cables	10	0	20/30
7614.1000	Aluminium Cables	20	0	20/30
7614.9000	Wire Cables	20	0	20/30
7413.0000	Copper Cables	20	0	20/30
8544.6010	Copper wires	10	0	20/30

Rubber Industry

965. Mr Speaker Sir, with regards to rubber, the local manufacturers have capacity to meet local demand for rubber products. However, also due to infrastructure challenges, the local industry is unable to compete on a level playing field.
966. I, therefore, propose to review duty on finished rubber products as follows:

Tariff Code	Product	MFN Rate (%)	SADC Rate (%)	Proposed Rate (SADC/MFN)
4009.1100	Mining Hoses	15	10	25
4009.3100	Mining Hoses reinforced	15	0	25
4010.1100	Conveyer belt with metal	15	0	25
4010.1200	Conveyer belt with textile	15	0	25
4012.1190	Other Retreaded Tyres	5	0	US\$2.50/kg
4016.9100	Floor covering	15	0	25

Oil Expressers

967. The supply of cooking oil is constrained by the low production of soya bean, mainly due to inadequate funding for farmers.

Local oil producers also face unfair competition from products purported to originate within the region, hence are eligible for preferential duty.

968. I, therefore, propose to review duty on raw materials and finished products, in order to support local production, as follows:

Raw Materials

Tariff Code	Description	MFN Rate of Duty	SADC Rate of Duty	Proposed MFN/ SADC Rate of Duty
1518.0090	Emulsifiers	10	0	5
4811.9090	Wrappers for Margarine	10	0	5
3823.1900	Palm Fatty Acid	15	0	5
2103.9090	Spices	40	0	10
1108.1900	Starch	15	0	10

Finished Products

Tariff Code	Product	MFN Rate (%)	SADC Rate (%)	Proposed Rate (SADC/MFN)
1515.1920	Vegetable oil	10	0	40
1517.1000	Margarine	15	15	40
3401.1100	Soap Tablets	10	10	40
3401.1900	Soap Bars	10	10	40
3402.9010	Washing powder (not for retail)	5	0	40

969. I, further, propose to remove cooking oil and laundry bar soap from the travellers' rebate.

Clothing Manufacturer's Rebate

970. Government introduced the clothing manufacturer's rebate facility in support of the local industry. Although the facility has benefited clothing manufacturers, it is, however, due to expire on 31 December 2013.
971. In order to consolidate the gains that have already been realised in the clothing sector, I propose to extend the rebate of duty on imported raw materials for use in the manufacture of clothing by a further period of one year.

Beverages Manufacturing Industry: Aluminium Cans

972. Beverage manufacturers import steel cans for packaging purposes from the SADC region at a preferential duty rate of 0%. However, aluminium cans, which are lighter, reusable and environment friendly, attract duty of 15%.
973. In order to enhance competitiveness of local manufacturers, I propose to remove duty on aluminium cans imported from the region.

Wines and Spirit Manufacturers: Raw Materials for Manufacture of Cider

974. Although there is a ready market for ciders, the product is,

however, not produced locally, hence there are high volumes of imports.

975. In support of the initiative by a local wine producer to modernise plant and machinery to enable production of ciders, I propose to ring-fence importation of fermented apple base, under manufacturers rebate.

Sugar Industry

976. Despite local industry capacity to meet local demand, manufacturers and retailers import relatively cheaper sugar, mainly from the region.
977. Consequently, the sugar industry has accumulated stocks of unsold sugar, resulting in significant job losses.
978. I, therefore, propose to review upwards, customs duty on imported sugar from 10% to 10% + US\$100 per ton.
979. Government, will, however, ring-fence importation of bottler grade sugar under manufacturers rebate, if necessary, so that the local manufacturers are not prejudiced.

Blanket Manufacturers

980. Supportive measures to the blanket manufacturers have resulted in a significant investment in plant and machinery. However, the

industry continues to face increased competition from imported blankets, hence, is on the brink of collapse.

981. Whereas the industry undertakes the value addition process from production of knitted fabric to the final stages of printing and dyeing of the blankets, competitors merely import polyester knitted fabric, batting and binding material in finished form.

982. In support of value addition efforts by the blanket manufacturers, I propose to review duty on finished products as follows:

Tariff Code	Product	MFN Rate (%)	SADC Rate	Proposed Rate (MFN/SADC)
5603.1300	Batting	10	0	40%+US\$2.50/kg
6003.3400	Knitted Lingerie	10	0	40%+US\$2.50/kg
6005.3400	Knitted Fabric	10	0	40%+US\$2.50/kg
6006.3400	Mattress Ticking	5	0	40%+US\$2.50/kg
6301.2000	Blankets	40%+US\$1.50/kg	0	40%+US\$2.50/kg

Pharmaceuticals Industry

983. The pharmaceutical industry has potential to promote linkages with the packaging, distribution and marketing industries, thereby creating employment.

984. In recognition of the significance of the pharmaceutical manufacturing industry, Government has already provided for a rebate of duty on essential raw materials imported for manufacture by the industry.

985. I, therefore, propose to gazette the list of raw materials eligible for importation under the manufacturers rebate scheme.

Baking Industry

986. Government increased customs duty on wheat flour from 5% to 20% with effect from 1 August 2012. This policy thrust was intended to encourage local beneficiation of wheat, thereby promoting the local milling industry and manufacture of stock feeds.

987. Flour imports for the baking industry amounting to 7 500 metric tons per month, which is necessary for blending purposes, was ring fenced at a rate of duty of 5%, provided importation is done by bakeries.

988. Statistics on wheat flour imports reveal low utilisation of the facility, whereby an average of 3 000 metric tons of wheat flour per month is currently imported by both bakers and traders.

989. The decline in wheat flour imports is also a result of the arrangement between bakers and millers, whereby bakers made an undertaking to purchase 75% of their flour requirements on the local market.

990. In view of the positive developments, I propose to review downwards the ring-fenced wheat flour imports by bakeries at a lower duty rate of 5% from 7 500 to 5 000 metric tons per month.

Review of Rules of Origin on Wheat Flour

- 991. Despite the significant decline in importation of wheat flour, particularly from countries outside the region, there has, however, been a notable increase in the importation of wheat flour under the Bilateral Trade Agreements with some neighbouring countries.
- 992. The importers are taking advantage of the current simple Rules of Origin criterion on wheat flour imported under Bilateral Trade Agreements, whereby a change in tariff heading from wheat to flour qualifies the product as originating.
- 993. This is undermining Government efforts to resuscitate the local milling industry and, consequently, production of wheat by local farmers.
- 994. In order to promote agro-processing, I propose that wheat should be wholly produced and milled into flour, in order to qualify under Rules of Origin for purposes of preference.

Export Tax on Raw Hides

- 995. The leather industry currently operates at capacity levels of between 25-40% due to inadequate raw material supply, since leather merchants prefer to export the hides in raw form.
- 996. I propose to levy an export tax of US\$0.75 per kg on raw hides, in order to encourage value addition.

Lapse of the Zimbabwe-South Africa Bilateral Trade Agreement

997. The Government of the then Southern Rhodesia and the Government of the Republic of South Africa, entered into a trade agreement which came into force on 1 December 1964.
998. Zimbabwe benefited from this agreement during the time it was in force, until the inception of the SADC Trade Protocol in 2000.
999. However, the Republic of South Africa no longer offers preferences on goods imported from Zimbabwe in accordance to the 1964 Bilateral Trade Agreement between the two countries. This is premised on their view that the SADC Trade Protocol currently offers better preference to goods originating from both countries.
1000. Zimbabwe currently honours the Bilateral Trade Agreement, which, however, does not yield any benefit to the country in the absence of reciprocation from the other trading partner. Consequently, revenue foregone in application of these preferences amounted to about US\$56 million in 2012 and US\$32 million for the period January to September 2013.
1001. Due to the lapse of the Zimbabwe South Africa Agreement, I propose to suspend customs duty preferences under the 1964 Bilateral Trade Agreement between Zimbabwe and the Republic of South Africa, until such a time when the parties agree to reciprocate the application of the Agreement.

VAT Zero Rating of White Sugar

1002. At the inception of VAT in 2004, Government zero rated a number of basic commodities that include bread, mealie-meal, and brown sugar, among others. White sugar was, however, excluded from the list of zero rating.
1003. Since white sugar was exempted from sales tax before the inception of VAT, manufacturers and retailers assumed that the product was also zero rated under the VAT regime.
1004. As a result, manufacturers and retailers accumulated substantial amounts of VAT to the fiscus back-dated to 2009 and, hence, may have to borrow in order to liquidate outstanding VAT.
1005. In order to avail relief to manufacturers and retailers, I propose to zero rate white sugar with effect from 1 February 2009.

VAT Zero Rating/Duty Suspension – Soya Bean Crude Oil

1006. Notwithstanding adequate capacity of the local industry to crush and refine cooking oil, the limited supply of soya beans and other oil seeds has constrained production of cooking oil. Local producers have, thus, resorted to importing crude oil in order to fulfil local demand.

1007. In order to alleviate the costs associated with importation of crude oil, thereby enhancing local refining of cooking oil, I propose to zero rate and suspend customs duty on imported soya bean crude oil.

National Project Status

Exclusion of Locally Produced Capital Equipment

1008. Mr Speaker Sir, Government put in place a rebate of duty on goods for incorporation in the construction of approved projects, in support of investment in public sector infrastructural projects which have national significance in terms of contribution to economic growth and employment.

1009. Capital equipment that the local industry has capacity to produce has also been imported under a rebate of duty.

1010. In order to promote linkages and build synergies between industries, I propose to exclude locally produced equipment from rebate of duty under the National Project Status.

1011. The above measures take effect from 1 January 2014.

Support to Industry Recapitalisation

1012. As already stated in the ZIM-ASSET programme, Government is committed to resuscitating distressed and closed companies with

a view to increasing capacity utilisation to optimum levels. The resuscitation and growth of the manufacturing sector is premised on consistent availability of electricity and water, concessional finance and access to capital equipment for re-tooling, among others.

1013. In support of efforts by the local industry to re-tool, Government has zero rated capital equipment for duty purposes.

1014. Furthermore, a 90 day VAT deferment facility is available for the importation of industrial and capital equipment by companies in the mining, agriculture, manufacturing, health and aviation transport sectors.

1015. Government, thus, urges companies to take advantage of the existing facilities.

1016. In view of the support that Government has availed to industry, it is necessary that the benefits be passed on to the consumers. Government will, thus, put in place a mechanism to monitor unjustifiable price increases as well as productivity in the industries supported.

Mining

Royalty on Gold: Small Scale Miners

1017. Mr Speaker Sir, small scale gold mining producers have potential to significantly contribute to the growth of the economy, provided

challenges such as access to concessional financing, unfavourable marketing conditions, inadequate mechanisation, stringent licencing requirements and relatively high fees and taxes are addressed.

1018. The contribution of small scale gold mining producers increased significantly in 2004 to an all-time high of 11 tons, compared to other years where the contribution ranged between 1.2–3.9 tons per annum.

1019. The major reason for the decline in the contribution of small scale gold producers is the withholding of the royalty of 7% on gross proceeds by licenced gold buyers, which reduces their earnings.

1020. In order to incentivise small scale gold producers to sell their produce through the formal channels, thereby enhancing remittances to the fiscus, I propose to levy a lower rate of royalty of 3% on small scale gold producers whose output does not exceed 0.5 kg per month, with effect from 1 January 2014.

1021. This facility will, however, not apply to primary gold producers.

1022. Furthermore, Government will de-criminalise activities of small scale gold miners in order to bring them into the mainstream economy.

Unutilised Mining Claims

1023. Government underscored the need for an efficient and transparent licencing system in the allocation of mineral rights which will promote sustained mineral exploitation.
1024. Subsequently, a system of escalating fees to be levied on holders of mining claims under the “use it or lose it” principle was introduced, in order to deter holding onto mineral rich land for speculative purposes.
1025. The new mining fee structure has so far registered a positive impact, to the extent that some holders of un-worked claims have partially surrendered their claims. However, large areas of prospective ground already occupied continue to be held onto for too long without being exploited, thereby inhibiting growth of the mining sector.
1026. In order to reinforce the “use it or lose it” principle, I propose that un-worked claims be forfeited to Government after a period of three years. This will offer new entrants the opportunity to access unutilised claims.
1027. This measure takes effect from 1 January 2014.

Mining Fees and Charges

1028. Although Government reviewed downwards mining fees and charges, some of the fees, however, remain relatively high compared to those obtaining in the region, hence continue to act as an impediment to investment.
1029. Furthermore, mining houses pay other fees and charges to such Government agencies as the Environmental Management Agency, Radiation Protection Authority of Zimbabwe and Rural District Councils, thus, increasing the cost burden of mining activities.
1030. In order to encourage investment in prospecting and exploration activities and also enhance the viability of the mining sector, I propose to further review selected mining fees and charges in consultation with the Ministry of Mines and Mining Development.

Incentives for Financing Small Scale Miners

1031. Small scale miners have a huge potential to contribute to economic growth and employment creation. Small scale mining is, however, constrained mainly by failure to access concessionary finance due to lack of collateral.
1032. This is despite that small scale miners hold geologically surveyed claims with known resource endowments, which can be used as collateral security.

1033. In order to realise full economic gains from small scale mining, I propose to exempt from income tax, interest income earned by financial institutions on loans advanced to small scale miners, with effect from 1 January 2014.

1034. The small scale miners will also be compelled to sell their output through Fidelity Printers.

Beneficiation of Natural Resources

Export Tax on Un-beneficiated Minerals

1035. Mr Speaker Sir, the contribution of the mining sector to the fiscus is limited, mainly due to export of un-beneficiated mineral resources. Government has already announced the intention to penalise export of unprocessed minerals where there is potential for beneficiation.

1036. In this regard, an export tax of 15% on the value of gross export proceeds of chrome ore and fines was introduced in January, 2010. However, exports of chrome ore have since been banned, and any exemptions issued will also be withdrawn.

1037. In view of the potential to beneficiate platinum, Government has already pronounced its intention to oblige platinum producers to beneficiate platinum within a period of two years beginning 1 January 2013.

1038. Government will, therefore, levy an export tax on un-beneficiated platinum and diamonds, with effect from 1 January 2014.

VAT Zero Rating on Local Diamond Sales

1039. A number of companies have been licenced to beneficiate rough diamonds through cutting and polishing before export.

1040. Whilst rough diamond exports are zero rated, sales to the local market for further processing and export are, however, standard rated.

1041. In recognition of the value addition process that beneficiation firms undertake, and also to reduce the cost of sourcing rough diamonds, I propose to VAT zero rate sales of rough diamonds to the local industry, with effect from 1 January 2014.

Tourism

Rebate of Duty on Capital Equipment Imported by Tourism Operators

1042. Honourable Members will recall that in 2009, Government introduced the duty free importation of capital equipment in order to support the expansion and modernisation of hotels and restaurants.

1043. The tourism and hospitality industry has tremendously benefited from this facility, especially in showcasing the country at the

recent 20th UNWTO General Assembly held in Victoria Falls. The facility expired in August 2013.

1044. The tourism and hospitality industry, however, needs more time to implement the expansion and modernisation programme, hence, I propose to re-introduce the rebate of duty on capital goods, with effect from 1 January 2014, for a period of 12 months.

1045. The terms and conditions that applied to the previous facility will be maintained.

Suspension of Customs Duty on Motor Vehicles imported by Safari Operators

1046. Government, in 2009, also introduced the suspension of customs duty on motor vehicles imported by tourism operators, in order to assist in the replacement of the ageing fleet.

1047. Whilst a significant number of safari operators have benefited from the facility, other operators could not, however, benefit from the facility due to financial challenges.

1048. I, therefore, propose to re-introduce suspension of duty on motor vehicles used by safari operators, for a further period of 12 months with effect from 1 January 2014.

1049. The terms and conditions that applied to the previous facility will be maintained.

Financial Services Sector

Mortgage Financing

1050. Mr. Speaker Sir, the current legislation provides for exemption from income tax on receipts and accruals of building societies, in recognition of the role played by the institutions in the provision of mortgage finance.

1051. Expansion in the services offered by commercial banks has resulted in the extension of mortgage finance to home seekers.

1052. I, therefore, propose to extend the exemption from income tax to receipts and accruals on mortgage finance offered by other financial institutions with effect from 1 January 2013.

Insurance and Pension Housing Fund

1053. In order to address the housing backlog, Government has established an Insurance and Pension Sector Housing Fund (IPHF). The Fund is expected to be funded from proceeds of housing bonds to be issued to companies in the pension and insurance industry.

1054. In order to facilitate uptake of the bonds, I propose to exempt from income tax, receipts and accruals of the Fund and interest earned on the bond, with effect from 1 January 2014.

Investor Protection Fund

1055. In order to compensate investors prejudiced by misconduct of a licenced broking firm, Government set up an Investor Protection Fund. The Fund is financed through a statutory levy of 0.05% on the value of any purchase, sale or exchange of securities brokered.

1056. I propose to exempt from income tax, receipts and accruals of the Investor Protection Fund, thereby facilitating growth in the capital base.

1057. This measure takes effect from 1 January 2013.

Transport

Joint Venture Projects: Financing of Plumtree-Mutare Road

1058. Honourable Members will be aware that Government entered into a loan agreement with the Development Bank of South Africa with a view to financing the Plumtree-Mutare road.

1059. In order to raise funds to service the above loan, I propose an additional road levy of 2c/litre and 1c/litre on petrol and diesel, respectively, with effect from 1 January 2014.

Urban Roads Rehabilitation Fund

1060. A significant portion of the urban road network has exceeded the recommended life span, hence, is in a very poor condition. This has been compounded by an increase in vehicle traffic as well as a maintenance backlog due to inadequate funding.
1061. The poor state of roads has resulted in road carnage and increased maintenance costs to vehicle owners.
1062. It is, therefore, imperative for Government to capacitate urban road authorities to rehabilitate the road network, through the establishment of a fund.
1063. Measures to mobilise resources for the Fund will, thus, be implemented in consultation with the Ministry of Transport and Infrastructure Development, Urban Local Authorities and Zimbabwe National Roads Administration.
1064. Mr Speaker Sir, resources raised towards this Fund will be ring-fenced for the specific purpose of road rehabilitations and maintenance.

Energy

VAT Exemption on Imported Electricity

1065. Mr. Speaker Sir, the current production of electricity is less than the installed capacity, on account of the old and unreliable

infrastructure. Electricity supplies are, thus, augmented by imports.

1066. The inadequate supply and high cost of electricity has negatively affected the productive sectors. As a result, some industrial and mining companies have suspended their expansion plans.

1067. It is, therefore, important that Government supports initiatives to improve electricity supply, whilst also reducing the cost to the consumer.

1068. I, therefore, propose to exempt electricity imports from VAT. This will also release funds to enable the Zimbabwe Electricity Transmission and Distribution Company to focus on maintenance works and replacement of aged equipment.

1069. This measure takes effect from 1 February 2009. Indigenisation Policy

Support to Indigenisation

1070. Mr Speaker Sir, under the current legislation, expenditure and losses incurred for the purposes of trade or in the production of the income are allowed as a deduction in the determination of taxable income, provided such expenditure or losses are not of a capital nature.

1071. The costs incurred in compliance with the indigenisation policy vary depending on the nature of the approved indigenisation implementation plan. These costs, however, do not qualify as deductible expenses in the determination of taxable income.

1072. In support of implementation of the indigenisation policy, I propose that the following direct and indirect costs incurred by a company in the process of implementing approved indigenisation plans be deductible:

- Cash donation to a community share ownership trust; and
- Loans to an indigenisation partner in the form of vendor financing which are repayable through forgone dividends. The deduction will be spread over the tenure of the loan.
- Interest costs incurred by the indigenisation partner on loans advanced in order to purchase shares.

1073. I, further, propose that capital gains realised on the disposal of shares pursuant to complying with the indigenisation policy be exempt from tax, to the extent that the deemed fair market price is higher than the selling price to the indigenisation partner.

1074. The above measures take effect from 1 January 2013.

Tax Relief Measures

Retrenchment/Severance Packages

1075. Government acknowledges that retrenchment packages provide a valuable source of income to retrenchees whose chances to be gainfully employed are minimal, once they are laid off.
1076. In order to assist retrenchees invest in income generating projects, the tax-free threshold of US\$5 000 or one third of the retrenchment package up to US\$15 000, was provided with effect from 1 January 2010.
1077. In view of the current market developments whereby higher retrenchment packages are paid, I propose to review the non-taxable portion of the retrenchment package to US\$10 000 or one-third of the retrenchment package up to a maximum of US\$60 000.
1078. This measure takes effect from 1 January 2013.

Rebate of Duty

1079. The Customs and Excise (General) Regulations provide for various duty rebate schemes for duty free importation of goods by individuals, charitable organisations and corporates, among others.

1080. Administration of the rebate schemes is delegated to the Commissioner General of the Zimbabwe Revenue Authority, whose discretion in the exercise of his powers is to be guided by conditions specified in the Regulations.

1081. The Regulations, however, do not provide for an appeal process, against the determination of the Commissioner General.

1082. I, therefore, propose to provide for an appeal process to the responsible Minister under circumstances where the applicant is not satisfied with the determination of the Commissioner General.

Revenue Enhancing Measures

Model for Sharing Diamond Revenue

1083. Mr Speaker Sir, Government, in 2011, agreed on a formula for revenue sharing by shareholders. The formula provided for operational and statutory costs, depletion and management fees, as follows:

Nature of Expense	%
Royalty	15
Management fees (Joint Venture Partner)	2.5 - 5
Depletion fees (ZMDC)	2.5 - 5
MMCZ Commission	0.875
Operational costs	38
Total Costs	58.875 - 63.875
Government /Joint Venture Partner Share	18.06 - 20.56

1084. The above formula has since been abandoned, hence, under the current arrangement, the Zimbabwe Mining Development Corporation pays out dividends to its shareholders as the Board may determine in relation to that year. There is, thus, no certainty on the quantum of the dividend that may be declared and remitted to the State.

1085. In order to ensure consistent flow of revenue to the fiscus, I propose a revenue sharing formula of 10% on gross proceeds of diamond sales. The revenue will be withheld at source, after conclusion of each sale.

1086. Furthermore, depletion fees which were payable to the Zimbabwe Mining Development Corporation will be withheld at source and paid to the Exchequer.

1087. The above measures take effect from 1 January 2014.

Mineral Royalty

1088. Minerals are a depleting resource, hence, Government levies a royalty as compensation for extraction rights.

1089. Government has already emphasised that the contribution of the mining sector to the fiscus is minimal, compared to other countries in the region. This is exacerbated by the generous deduction of

royalties and other numerous expenses incurred in the extraction of minerals.

1090. In order to enhance the contribution of the mineral resources to the fiscus, I propose to disallow royalty as a deductible expense against taxable income.

1091. This measure takes effect from 1 January 2014.

Taxation of High Earning Individuals

1092. In recognition of the high levels of disparity between incomes of the rich and the poor, Government, in 2012, increased the highest marginal tax rate to 45%, on incomes above US\$10 000.

1093. There, however, is a general trend whereby executives are awarded hefty salaries and benefits, which, in some instances, constitutes the bulk of a whole company's wage bill. This has further exacerbated the gap between employees and management.

1094. In order to address the growing income disparity, I propose to introduce a flat tax of 50% on incomes above US\$20 000 per month, with effect from 1 January 2014.

Mobile Transfer Services

1095. Mr Speaker Sir, the emergence of mobile technology has opened doors to innovative technology which facilitates transfer of funds

through mobile phones. This new phenomenon has provided greater flexibility and financial inclusivity to the majority of the population in remote areas where banking services are not available.

1096. Notwithstanding the positive impact of mobile banking services on the welfare of the then financially excluded members of our society, this product should, however, conform to the tax principle of fairness, hence, the current tax on similar products such as Automotive Teller Machines (ATM) and Point of Sale (POS) should apply.

Intermediated Money Transfer Tax

1097. In order to level the playing field, I propose to levy an intermediated money transfer tax of US\$0.05 per transaction whenever a transfer of funds occurs between two persons using the mobile platform service.

1098. The mobile service operator will be obliged to withhold the intermediated money transfer tax.

Automated Financial Transactions Tax

1099. On every occasion that a customer of a financial institution withdraws cash or effects any debit on his or her account by means of an automated teller machine, which includes an electronic

device, the financial institution concerned deducts an automated financial transaction tax of US\$0.05 on each transaction.

1100. The automated financial transaction tax, thus, applies on transfer of funds from a financial institution to a mobile platform.

1101. The above measures take effect from 1 January 2014.

Capital Gains on Disposal of Immovable Property through Cession

1102. Currently, a certificate issued by ZIMRA confirming payment of capital gains tax is required, in order to facilitate registration of the acquisition of immovable property or marketable security with the Registrar of Deeds or the Transfer Secretary.

1103. However, transfers of property, where taxpayers buy or sell immovable property from land developers or local authorities through cession, are excluded from the requirement for a certificate issued by ZIMRA confirming payment of capital gains tax.

1104. Consequently, gains realised upon disposal of immovable property through cession are not subject to Capital Gains Tax upon transfer.

1105. I, therefore, propose to levy Capital Gains Tax on gains realised upon disposal of immovable property through cession, with effect from 1 January 2014.

Rationalisation of Zero Rated Products

1106. A long list of zero rated goods and services undermines the revenue base. The SADC Protocol on Finance and Investment, thus, urges Member States to rationalise and harmonise VAT zero rated goods and services in line with international best practice, whereby the list of goods and services should comprise a few essential commodities.

1107. Although Government has rationalised the list of zero rated and exempt goods and services, the current list of zero rated goods and services, however, remains relatively long, hence, increases the cost of administration.

1108. I, therefore, propose to remove the following goods from the list of zero-rated products with effect from 1 January, 2014:

- Yoghurt;
- Cream;
- Butter; and
- Plain buns.

Passenger Motor Vehicle Benefit

1109. Mr. Speaker Sir, as part of remuneration policy, some companies offer their employees non-monetary benefits such as the use of company motor vehicle for purposes other than the business of the employer. The value of the advantage or benefit accruing from the personal use of such vehicles is deemed as employment income accruing to the employee, hence, is taxable.

1110. The monetary value of the advantage or benefit accruing to the employee from the use of the motor vehicle is determined by the cost to the employer of providing the benefit, on the basis of the engine capacity.

1111. I propose to review the deemed costs to the employer, which were last reviewed in 2010, in order to align the value of the advantage or benefit to the current cost of providing the motor vehicle as follows:

Engine Capacity(cc)	Current Cost(US\$)/ Year	Proposed (US\$)/ Year
1 500 cc and below	1 800	3 600
1 501 to 2 000	2 400	4 800
2 001 to 3 000	3 600	7 200
3 000 and above	4 800	9 600

1112. This measure takes effect from 1 January 2014.

Withholding Tax on Entertainers/Artists

1113. Mr Speaker Sir, Zimbabwe has witnessed an influx of non-resident performing artists that include musicians, dancers and comedians. In order for a foreign artist to perform in Zimbabwe, the National Arts Council of Zimbabwe requires a tax clearance certificate, certifying that the whole or part of the tax liability has been paid to the Zimbabwe Revenue Authority.
1114. The current requirement for an estimated assessment for performing artists is complicated and is not secure enough to minimise revenue leakages, since there is no legal obligation on the promoters or paying agents to withhold tax from performing artists.
1115. In order to simplify the mechanism for taxation of performing artists and plug existing loopholes, I propose to introduce a 15% withholding tax on gross fees paid to non-resident performing artists, with effect from 1 January 2014.

Excise Duty on Ethanol

1116. In support of initiatives to promote local production of ethanol, thereby enhancing availability of fuel, as well as manage the current account, Government suspended excise duty on ethanol and also introduced mandatory blending.

1117. The support availed has yielded positive results, hence, the project is now fully operational.

1118. I, therefore, propose to lift the suspension and levy excise duty of US\$0.05 per litre of ethanol, with effect from 1 January 2014.

Efficiency in Tax Administration

1119. Mr Speaker Sir, the Zimbabwe Revenue Authority plays a strategic role of revenue collection and trade facilitation, which is pivotal to the growth and development of the economy. In order to enhance efficiency in the operation of the Revenue Authority, it is critical to strengthen tax laws.

1120. I, therefore, propose the following legislative amendments, with effect from 1 January 2014:

- Increase the quorum of the ZIMRA Board of Directors from four to six in line with the increase in the number of board members.
- Extend the provision to expeditiously recover any outstanding tax or duty, including any interest and penalty thereon to include the Customs and Excise Act.
- Amend the third schedule of the VAT regulations in order to replace VAT Forms 1 (application for registration), 2 (details of spouse of a sole trader) and 3, with REV 1, which captures details contained in Forms 1, 2 and 3.

- Replace Zimbabwe dollar fine for failure to register for VAT with a fine not exceeding US\$30 for every day the taxpayer remains unregistered.
- Limit the time period within which a Bill of Entry can be used to claim input tax to twelve months.
- Provide penalty for failure by suppliers to issue VAT invoices without prescribed features.
- Amend VAT Act in order to allow clients to lodge objections against the assessment or decisions made in respect of fiscal regulations.
- Replace the Zimbabwe dollar clearance fees with a fee of US\$10 for every Bill of Entry submitted.
- Provide for a cancellation fee of US\$10 on each Bill of Entry cancelled, in order to discourage lodging of multiple entries.
- Provide for a fine for contravening any other provisions of the Customs and Excise Act.
- Extend the Border Post operating hours as follows:
 - Chirundu—6 a.m.-10 p.m. for both individuals and commercial traffic;
 - Victoria Falls—6 a.m.-10 p.m. for individuals and 8 a.m.-5 p.m. for commercial traffic; and
 - Kazungula—6 a.m.-10 p.m. for individuals and 8 a.m.-5 p.m. for commercial traffic.

- Introduce legislation to facilitate the conduct of Post Clearance Audits.
- Review the prescribed amount on duty remitted on any single consignment of goods from US\$20 to US\$50 on the free on board value, in order to ease the administrative burden of collecting small amounts of duty.
- Compel taxpayers to register with the Zimbabwe Revenue Authority from the date of trading.
- Insert a definition of payment that covers all forms of payment under withholding amounts on contracts.
- Introduce legislation to curb abuse of tax treaties through treaty shopping and paper companies.
- Incorporate transfer pricing provisions from the proposed New Income Tax Act.
- Extend VAT to accommodation services for non-resident tourists.
- Impose penalty for failure to notify ZIMRA on change of place of residence by beneficiaries of immigrants rebate.
- Introduce legislation to curb evasion of payment of capital gains tax on disposal of property through share transfers.

CONCLUSION

1121. Mr Speaker Sir, while it is true that we have faced some formidable challenges in the past, the truth is that we have prevailed over those challenges through the Grace of God, and also through national tenacity and unity of purpose, rooted in our liberation struggle, that “we are our own liberators”.

1122. There’s now a palpable spirit of optimism gripping our country and this should provide the strength and motivation to deal with the challenges lying ahead and transform the livelihoods of all our people for the better.

1123. Mr Speaker Sir, our aspirations and desires as defined in our ZIM-ASSET should guide the Nation towards a common objective of *‘an Empowered Society and a Growing Economy’*.

1124. This, Honourable Members, requires that we all play our part and remain vigilant and focused towards realising the developmental aspirations of our country.

1125. Mr Speaker Sir, I commend the 2014 National Budget to the House and I lay the Estimates of Expenditure on the Table.

I Thank You

ANNEXURE: SUMMARY OF ZIM-ASSET INFRASTRUCTURE PROJECTS

SECTOR	PROJECT NAME	PROJECT DESCRIPTION	PROJECT COST ELEMENTS	DURATION	2014 BUDGET ALLOCATION	OTHER FUNDING OPTIONS
ENERGY	Kariba South Extension US\$440 million	Construction of an additional two units to increase generation by an additional 300MW	Construction costs US\$355 million	4 years	US\$10 million for 2014 Develop cost requirements	US\$319 million mobilised through line of credit from China Eximbank
			Development Costs US\$85 million			
	Hwange Thermal Power Station 7 & 8 US\$2.3 billion	Construction of an additional two units to increase generation by an additional 600MW	Construction costs US\$960 million	5 years		Contract awarded and negotiations towards financial closure in progress
			Transmission and distribution US\$370 million			
			Project Development US\$896 million			
	Batoka Hydro Project US\$3 billion	Project to be implemented jointly with Zambia for construction of a 1 600MW hydroplant shared equally between the two countries	Construction costs US\$2.8 billion	7 years		Project to be implemented through the Joint Venture framework
			Transmission and distribution US\$200 million			
	Gwanda Solar Project US\$250 million	Construction of a solar plant in Gwanda to generate 250MW.	Cost estimated at US\$183 - \$250 million	24 months		To be funded through IPP. Feasibility studies underway
			Generation and transmission expenses estimated at US\$90 million			
	Gas/ Diesel Plant US\$90 million	Construction of a gas/diesel peaking plant in Mutare to generate 100MW		24 months		To be funded through loan financing

SECTOR	PROJECT NAME	PROJECT DESCRIPTION	PROJECT COST ELEMENTS	DURATION	2014 BUDGET ALLOCATION	OTHER FUNDING OPTIONS
	US\$310 million	fluidised bed combustion (CFBC) technology.	Bulawayo US\$130 million including \$20 m for water supply			in the three projects. Harare is now at the point of technical adjudication
			Munyati US\$110 million			
	Mini Hydro Power Stations US\$164 million	21 sites on existing dams and 6 run on river systems identified with 9 awarded to IPPs of which 3 are already operating	Cost estimated at US\$164 million			Projects to be funded through IPPs
	Hwange Thermal Power Station Rehabilitation US\$115 million	Sustaining the on-going rehabilitation of the plant including overhaul of unit 4,5 & 6 as well as the auxiliary plant	Estimated costs amount to US\$115 million	12 months	US\$3.2 million for replacement of obsolete plant operating system	ZPC to provide US\$56.2 million, ZimFund \$14 million for Ash Dam and \$28.6 million line of credit for Deka Pipeline
	Transmission and Distribution Projects US\$694 million	Upgrading and rehabilitation of transmission and distribution infrastructure in order to improve the wheeling of power.	New Bindura - Mutorashanga (US\$15 million)			To be Funded under Joint Venture
			Orange Groove - Hotsprings \$20 million			To be Funded under Joint Venture
			New Alaska - Sherwood \$20 million			To be Funded under Joint Venture
			Procurement of transformers \$19.5 million			To be Funded under Phase II ZimFund
			Replacement of old 330 kva cables at Kariba Power Station \$8.7 million		US\$5 million	Balance to be funded from ZETDC own resources
			Prepaid Metering Project \$40 million			To be funded under loan from Afreximbank
			Network Reticulation \$15 million			To be funded under loan from Afreximbank

SECTOR	PROJECT NAME	PROJECT DESCRIPTION	PROJECT COST ELEMENTS	DURATION	2014 BUDGET ALLOCATION	OTHER FUNDING OPTIONS
TRANSPORT	Dualisation Projects US\$2.3 billion	Harare - Mutare	Completion of the Harare - Goromonzi turnoff		\$3.550 million	
		Harare - Masvingo - Beitbridge	565 km road with combination of 4 lane dual carriageway and 4 lane single carriageway \$1.2 billion	4 years		To be funded under Joint Venture
		Harare - Chirundu	352 km road with combination of 4 lane dual carriageway and 4 lane single carriageway \$883 million	4 years		To be funded under Joint Venture
		Norton - Kadoma	100 km four lane carriageway from Norton to Kadoma	24 months		Funded from a Joint Venture between ZINARA & Group Five
		Harare - Nyamapanda 238 km	Upgrading of Road			Joint Venture Arrangement
	Roads Rehabilitation & Upgrading US\$1.8 billion	Bulawayo - Beitbridge 322km	Upgrading of Road			Joint Venture Arrangement
		Bulawayo - Victoria Falls 439km	Upgrading of Road			Joint Venture Arrangement
		Bulawayo - Plumtree 110 km	Upgrading of Road			Joint Venture Arrangement
		Harare - Bindura 89 km	Upgrading of Road			Joint Venture Arrangement
		Trunk Roads	Construction & rehabilitation of major roads & bridges		\$21.75 million	
		Regravelling & regrading projects			\$5.8 million	
		Local Authority roads	Rehabilitation Programme for local authority roads \$400 million			To be funded through Joint Venture and lines of credit
	Rail Transport	Rehabilitation of Rail	Track \$830 million	10 years	\$5.53 million	NRZ currently in

SECTOR	PROJECT NAME	PROJECT DESCRIPTION	PROJECT COST ELEMENTS	DURATION	2014 BUDGET ALLOCATION	OTHER FUNDING OPTIONS
	US\$2.1 billion	Infrastructure	Signalling \$257 million			discussion with financiers for a \$479 million loan facility
			Rolling stock \$942 million		\$4.47 million	
		Harare International Airport Upgrading Programme	Complete runway rehabilitation & airfield ground Lighting system \$11 million	12 months	\$5.9 million	To be financed through loans
			Aviation Equipment \$3 million			
			VIP state Pavilion \$4 million			
			NHS Equipment \$3 million			
			Baggage handling equipment \$3 million			
			Maintenance Equipment \$2 million			
	Airports US\$347.1 million	J. M. Nkomo Airport	Control Tower & Fire Station US\$13 million			
			Terminal Building certificates US\$1.8 million		\$1.8 million	
			Cargo centre \$10 million			
			Sewer Ponds \$1.3 million		\$1.3 million	
			Construction of a 4 km runway and terminal building US\$150 million.	30 months		US\$150 million loan mobilised from China Eximbank
		Buffalo Range Airport Upgrading Programme	Construction of a new terminal building, runway and taxiway US\$145 million.	12 months		US\$145 million to be mobilised through Joint Venture arrangements

SECTOR	PROJECT NAME	PROJECT DESCRIPTION	PROJECT COST ELEMENTS	DURATION	2014 BUDGET ALLOCATION	OTHER FUNDING OPTIONS
WATER & SANITATION	Additional Capacity US\$2 billion	Kunzvi Dam, Treatment Plant & Conveyancing System	Construction of a dam, treatment plant and conveyancing system to supply water to Greater Harare \$586 million	7 years		Joint Venture or Loan Financing
		Matebeleland Zambezi Water Project	Construction of a dam, laying of a 367 km pipeline to Cowdry Park, upgrading of a treatment plant and installation of 8 pump stations \$1.4 billion	8 years	\$10 million for Gwayi Shangani Dam	Joint Venture or Loan Financing
	Water & Sewer Infrastructure Rehabilitation US\$437 million	Water & Sewer Infrastructure Upgrading for Local Authorities	Rehabilitation and upgrading of water and sewer infrastructure for urban local authorities \$365 million	8 years	\$12 million	ZimFund support of 35.5 m targets 6 local authorities. Governmentt also mobilised \$142 m for Harare projects.
		Rural Water & Sanitation	Construction and rehabilitation of boreholes in all the country's districts \$72.2 million	3 years	\$3 million	Under WASH, Unicef support amounts to \$34.1 million for 2014
	ICT	Fibre Optic Backbone Infrastructure	completion of rollout & replacement obsolete telecoms equipment \$180 million	3 years		To be financed through loans & Joint Venture
		National Mobile Broadband Project	Upgrading and expansion of 2G, 3G and development of 4G or Long Term Evolution (LTE) technologies US\$218 million	3years		The full requirement mobilised through a Loan from china Eximbank

SECTOR	PROJECT NAME	PROJECT DESCRIPTION	PROJECT COST ELEMENTS	DURATION	2014 BUDGET ALLOCATION	OTHER FUNDING OPTIONS
	E-Government US\$242 million	Automation of Government systems	Automation of Government (US\$150 million), National Data centre (US\$80 million) and operationalisation of flagship projects (US\$12 million).	2 years	\$11.5 million for operationalisation of e-government projects	To be financed through Loans
	ZIMRA US\$50 million	Automation of Systems	Modernisation of systems including cargo tracking and customs clearance \$50 million.	2 years	\$8 million	Balance to be financed through Loans
	Education US\$223 million	E-Learning & Community Information Centres	Computerisation of schools through procurement of computers, software including internet connectivity \$223 million	6 years	US\$6.2million for e-learning, community information centres & data centre	Loans
BORDER POSTS	Upgrading of Broadcasting Transmission infrastructure US\$150 million		Upgrading of broadcasting transmission infrastructure (US\$50 million)	2 years	\$3.33 million for digitalisation of transmission sites	Balance to be financed through Loans
			Upgrading of broadcasting equipment (US\$100 million)			
	Upgrading of Border Post Facilities US\$450 million	Beitbridge	Construction including modernisation of facilities \$67 million	18 months		Joint Venture Arrangement
AGRICULTURE	Irrigation Development US\$580 million	Other Border Posts	Provision of addition facilities at ports of entry \$383 million.	4 years		Joint Venture or loan facilities
		Idle water bodies	Development of infrastructure on underutilised water bodies \$430 million			Additional funding from loan financing

SECTOR	PROJECT NAME	PROJECT DESCRIPTION	PROJECT COST ELEMENTS	DURATION	2014 BUDGET ALLOCATION	OTHER FUNDING OPTIONS
			Rehabilitation of communal irrigation schemes \$38.34 million		\$9.4 million targeting 40 schemes	
			Expansion of irrigation schemes in communal areas \$112 million			
	GMB US\$211 million	Recapitalisation of GMB	Rehabilitation of silos US\$107 million, upgrading of ICT infrastructure (US\$23 million and other infrastructure including equipment (US\$81 million)	3 years		To be financed through Loans
	ARDA US\$190.5 million	Recapitalisation of ARDA	Development & rehabilitation of irrigation infrastructure (US\$85.3 million), rehabilitation & procurement of equipment (US\$89.7 million) & others (US\$15 million)	3 years		To be financed through Loans
	Input Support	Agriculture Input Support Programme	Procurement of agriculture inputs	1 year		To be financed through Loans
	AGRIBANK US\$50 million	Recapitalisation of Agribank	Recapitalisation of the Bank (US\$50 million)	1 year	US\$4 million	
	Strategic Grain Reserve US\$96 million	Grain procurement	Procurement of grain for the strategic grain reserve (US\$96 million)	1 year	US\$36 million	Loans
	Rebuilding the National herd US\$76.8 million	Livestock production and development	Resuscitation of CSC US\$30.8 million, breeding & multiplication centres \$9 million & research & extension US\$37 million	1 year		Loans

SECTOR	PROJECT NAME	PROJECT DESCRIPTION	PROJECT COST ELEMENTS	DURATION	2014 BUDGET ALLOCATION	OTHER FUNDING OPTIONS
	Research Stations & Agricultural Colleges US\$42 million	Revitalisation of research stations	Procurement of equipment and rehabilitation of facilities \$42 million		\$2 million	Loans
HOUSING	Public Amenities US\$1.8 billion	Composite Offices	Construction of Government offices \$14.5 million	2 years	\$5.83 million	
		Courts	Construction and rehabilitation of courts \$31 million	2 years	\$4.5 million	
		Rehabilitation works for Government buildings	Replacement of lifts, painting and other works \$36 million		\$3 million	
		Other Institutional Buildings	Construction of other institutional buildings US\$305.2 million		\$32.7 million	
		Health facilities	Construction and rehabilitation of institutional facilities \$1.3 billion		\$55.9 million	
		Education Infrastructure	Construction and rehabilitation of institutional facilities \$1.3 billion		\$35.5 million	
		Parliament Building	Construction of a new Parliament Building \$145 million	3 years		Loan
	National Housing Development US\$88.6 million	Provision of stands and construction of flats & houses	Construction of offsite and onsite infrastructure including servicing of stands, construction of houses and flats \$88.6 million	On-going	\$8.4 million	Loans & Joint Ventures