

MOTION

1. Mr Speaker Sir, I move that leave be granted to present a Statement of the Estimated Revenues and Expenditures of the Republic of Zimbabwe for the 2016 Financial Year and make Provisions for matters ancillary and incidental to this purpose.
2. This is in fulfilment of *Subsections (1) and (2) of Section 305* of the Constitution of Zimbabwe, read together with *Section 28 (1)(a)* of the Public Finance Management Act [Chapter 22:19].

INTRODUCTION

3. Mr Speaker Sir, I will present an abridged version of the 2016 National Budget Statement which I dutifully lay on the Table of Parliament.
4. Mr Speaker Sir, in fulfilling the above mandate, allow me to begin by acknowledging the much support I received from various stakeholders, including ordinary Zimbabweans from many walks of life.
5. In this regard, allow me first to appreciate the guidance and support I received from His Excellency, the President, Cde. R. G. Mugabe.
6. I am grateful to His Excellency for allowing me, in the management of the economy and on many occasions, to lead from the front while ensuring from behind that I maintain the correct line.
7. Above all, I am grateful to His Excellency for the lesson he has been hammering into all of us, which is that in matters of style, taste or fashion, we can swim with the current, but in matters of *Principle*, we should stand like a rock.

8. My indebtedness also goes to our two Honourable Vice Presidents and my colleague Honourable Ministers for their valuable contributions.
9. Mr Speaker Sir, the contributions of the various Portfolio Committees of Parliament remain invaluable.
10. In particular, I found informative the submissions from Honourable Members of Parliament at the 2016 Parliament Pre-Budget Seminar in Victoria Falls over 31 October – 3 November 2015.
11. Mr Speaker Sir, allow me to contextualise the framework and policy thrust in 2016 anchored by the ZIMASSET supportive economic reform agenda, the 10-Point Plan and also underpinned by implementation of our Strategy for clearing external debt arrears.

ARREARS CLEARANCE

12. Mr Speaker Sir, allow me also to acknowledge the support that Government received from the International Financial Institutions and Development Partners in support of our debt arrears clearance strategy at a meeting in Lima, Peru on the side lines of the 2015 IMF/WB Annual Meetings.
13. Therefore, the thrust of the 2016 National Budget is to further consolidate the platform to unlock fresh capital flows into the economy.
14. This Budget, Mr Speaker Sir, builds on the gains realised from the re-engagement process.
15. It is envisaged that the settlement of external payment arrears by Government amounting US\$1.8 billion owed to multilateral creditors, would be completed in the first half of 2016.

16. Mr Speaker Sir, the realisation of this strategy is dependent on:
- Successful completion of our current Staff Monitored Programme (SMP) with the IMF; and
 - Engagement of the Paris Club and other Bilateral Creditors for debt resolution, on the strength of our performance under the SMP.
17. Government is on course towards the successful completion of the final review of the SMP covering the period to December 2015 that will be done by February 2016.

Post Arrears Clearance

18. Mr Speaker Sir, the country's recovery process requires funding. The local financial markets currently lack capacity to fund projects given the nature of their deposits that are largely short-term demand deposits. Further, Government is not able to fund Public Sector Investment Programme (PSIP) because of the budget structure that is skewed towards recurrent expenditure.
19. Mr Speaker Sir, the adverse effects of an unsustainable debt situation are there for all of us to see – high risk premium, limited access to offshore lines of credit, liquidity constraints and subdued economic performance.
20. Post Lima, I resuscitated the Quadripartite Committee comprising Treasury, the Reserve Bank, the IMF, World Bank and African Development Bank, and chaired by the Central Bank Governor, Dr J. Mangudya to spearhead the formulation of a Comprehensive Country Financing Programme.

21. The key macroeconomic policies and structural measures for the envisaged Country Financing Programme to further consolidate our implementation of the country's ZIMASSET blueprint are contained in this Budget Statement.
22. Mr Speaker Sir, the financial support for the Country Financing Programme is expected from the IMF, World Bank, AfDB and bilateral development partners. Already, these institutions have started accelerating re-engagement scoping missions to the country in readiness to do business with various private sector players.
23. This roadmap, together with measures taken to strengthen debt management under the new Public Debt Management Act, will safeguard the country from sliding back into debt problems.
24. In this regard, utmost caution is being exercised in contracting debt to avoid non-concessional borrowing that may result in bunching of maturities and unsustainable peaks in debt service payments.

ECONOMIC DEVELOPMENTS

Global developments

25. Mr Speaker Sir, the global economic growth rate is expected to marginally fall to 3.1% in 2015 from 3.4% in 2014, and will rebound in 2016 at 3.6%.
26. The sub-Saharan African region is projected to grow by 3.8% in 2015, down from the initial projection of 4.4%. A growth rate of 4.3% is expected in 2016.

Commodity Prices

27. Prices of hard commodities, particularly gold, nickel, platinum, coal, chrome and crude oil are likely to remain depressed in 2016.
28. Developments on the international commodity markets have important implications for Zimbabwe given the structure of our balance of payments account. Almost 23% of our import bill is on diesel and petrol, and therefore, low oil prices will benefit the country. Depressed hard commodity prices will, however, negatively affect the country's balance of payments account given our reliance on commodity exports.
29. Commodity price volatilities build a compelling case for Zimbabwe to focus more and expedite implementation of the strategy on value addition and diversification.

Domestic economic developments

30. The domestic economy grew by 1.5% in 2015 as a result of favourable performance of the tourism (4.7%), finance & insurance (6%) construction (7%), communication (4.2%) sectors that grew by between 1.3% and 3.9%.
31. However, the underperformance of agriculture (-3.6%), mining (-2.5%) as well as electricity and water (-10.8%) negatively affected the overall economic performance.
32. The economy is projected to grow by 2.7% in 2016 from 1.5% in 2015. Almost all the sectors are expected to register reasonable growth of between 1.3% and 4.5%. In order to catch up for the lost time, we need higher economic growth rates.

33. ***Inflation*** has generally remained low. It reached minus 3.3% in October from minus 1.3% in January 2015. The negative inflation levels are expected in 2016.
34. Inflation deceleration reflects a combination of continuous price correction, weak aggregate demand, tight liquidity conditions and competitive pressures arising from the depreciation of the Rand against the United States dollar.
35. The country has been experiencing a ***trade deficit*** due to subdued exports, undiversified export basket, export market concentration and insatiable appetite for imports (some of which are available locally - grains, foodstuffs, chemicals and pharmaceutical products).
36. Exports are projected at US\$3.4 billion against imports of US\$6.3 billion, giving a trade deficit of US\$2.9 billion in 2015.
37. In 2016, exports are projected to increase to US\$3.7 billion from the US\$3.4 billion in 2015 because of the anticipated favourable performance of minerals (gold, diamonds, nickel, chrome ore and chrome fines), tobacco and horticultural produce.
38. Imports are projected to marginally decline to US\$6.2 billion from US\$6.3 billion largely due to measures that Government introduced to curtail non-essential imports.
39. The current account deficit **indicates that there are unrecorded transactions** which suggest that it [*the deficit*] is being funded through unofficial remittances and proceeds from smuggling of exports.

Public Debt

40. Mr Speaker Sir, the country's public and publicly guaranteed debt including arrears as at 30 September 2015 is estimated at US\$8.368 billion, of which US\$1.290 billion is domestic debt while US\$7.078 billion is external. Of this debt, US\$5.634 billion or 67.3% is in arrears.

Domestic Debt

41. Mr Speaker Sir, the bulk of the public domestic debt relates to market issuance of Treasury Bills following the assumption of the Reserve Bank debt under the Reserve Bank Debt Assumption Act.

BUDGET OUTTURN

42. Mr. Speaker, Sir, the 2015 Budget remained under pressure due to a **combination of constrained revenues** and a **static cost structure**. This made it difficult for Treasury to make timely payments to trade creditors and pensioners; and financing public investment projects.

Revenue Performance January – September 2015

43. Revenue for the 9 months to September 2015, at US\$2.633 billion underperformed the target of US\$2.795 billion by US\$162 million or 5.8%.
44. VAT contribution fell to 26% from an average of 30% of total revenue during 2012 and 2013 due to a significant increase in refunds, tax avoidance, and a growing list of zero-rated and exempt items. Treasury will intensify audits, review the schedule of VAT zero-rated and exempt items, as well as expedite the implementation of the Tax Management System by the Zimbabwe Revenue Authority (ZIMRA).

Revenue projections to December 2015

45. Mr Speaker, Sir, the slowdown in economic performance during the first half of the year necessitated a downward revision of projected budget revenues from US\$3.99 billion to US\$3.6 billion for the full year ending 31 December 2015.

Expenditures

46. Expenditure to 30 September 2015 was US\$3.29 billion. Of this amount, US\$2.89 billion represented total expenditure and net lending while US\$401 million went towards servicing the country's loans.
47. Recurrent expenditure outlays, at 93% of total expenditure and net lending, continue to account for a disproportionate share of the budget.
48. Capital expenditure for the 9 months was US\$213.1 million or 6% of the budget. This is an unsustainable situation given the importance of investment in setting a robust base for the country's economic recovery.

Deficit Financing

49. The budget deficit as at 30 September 2015 was US\$527 million which was funded through domestic borrowing. This practice crowds out private sector investment.
50. Mr Speaker Sir, allow me now to turn to the 2016 Budget Framework.

2016 BUDGET FRAMEWORK

51. Mr Speaker, Sir, the policy thrust of the 2016 National Budget is to address bottlenecks that continue to frustrate our recovery efforts namely infrastructural gaps, lack of industry competitiveness, reliance on commodity exports, low productivity, inefficient public institutions, low market confidence, low savings and investment ratios as well as rising corruption in both private and public institutions among others.
52. Climate change is also making it difficult to reliably forecast weather conditions. Further, the country has been experiencing droughts that are negatively affecting the agricultural sector productivity.
53. Government has already started implementing strategies to resolve the country's external payment arrears and international re-engagement. **These initiatives, coupled with our membership to the Africa Trade Insurance Company** will help unlock access to fresh capital at affordable interest rates, and also diversify the possible sources of funding for the country.

PROPOSALS FOR THE 2016 BUDGET

54. Mr Speaker Sir, consistent with our macroeconomic framework, I propose a **budget of US\$4 billion in 2016** against **projected revenues of US\$3.85 billion resulting in a deficit of US\$150 million** or minus 1.1% of GDP that will be funded largely through domestic borrowings.
55. The 2016 recurrent expenditure budget is estimated at US\$3.685 billion representing 92.1% of the budget.
56. Mr Speaker, Sir, because of the high levels of recurrent expenditures, tight liquidity conditions and limited access to international capital, the

policy objective to redirect more resources to investments may not be achieved immediately.

57. Therefore, the proposed allocation to capital projects for 2016 is US\$315 million or 7.9% of the total budget.

Recurrent Expenditure

58. Under the proposed allocations, employment costs are US\$3.191 billion while US\$494 million is earmarked for operations. In view of declining revenue and the huge employment costs, there is little scope for increasing vote allocations for 2016.
59. Mr Speaker Sir, let me now relate recurrent expenditure to individual Votes. The recurrent budget, net of Constitutional and Statutory appropriations, has been designed to maintain basic services and programmes, although the indicated amounts do not match the individual Ministries' 2016 Budget bid submissions.
60. The recurrent Budget is dominated by Primary and Secondary Education, Home Affairs, Defence, Health and Child Care, Higher and Tertiary Education, Science and Technology, Office of the President and Cabinet, Public Service, Labour and Social Welfare, Agriculture, Mechanisation and Irrigation Development; and Justice, Legal and Parliamentary Affairs Votes. The nine (9) Votes constitute 82.86% of the total recurrent expenditure excluding Constitutional and Statutory provisions.
61. The Ministry of Primary and Secondary Education with an allocation of US\$810.43 million has the largest share of the votes accounting for 23.85% of recurrent expenditure net of Constitutional and Statutory provisions. When combined with Higher and Tertiary Education,

Science and Technology, the two votes account for 32.8% of recurrent expenditure outside Constitutional and Statutory provisions.

62. I have allocated US\$395.85 million or 11.65% of recurrent expenditure net of Constitutional and Statutory provisions to Home Affairs. This makes the Ministry the second largest.
63. Mr Speaker Sir, Defence, with an allocation of US\$357.67 million is the third largest vote. This is a key Ministry given the need to maintain peace and security.
64. I have allocated US\$330.79 million to Health and Child Care vote for the recurrent expenditure which represents 9.73% of recurrent expenditure net of Constitutional and Statutory provisions. Mr Speaker Sir, I am aware that this allocation falls short of the Abuja Declaration target of 15%.
65. Mr Speaker Sir, Government continues to place great importance on Health and Education as far as the allocation of our scarce resources is concerned.

POLICY MEASURES

66. Mr Speaker Sir, I now turn to some of the major policy measures for 2016.

REVITALISING AGRICULTURE

67. Appropriate policies, efficient institutions and systems are essential to counter the effects of climate change and revitalise agriculture in order to ensure a successful 2015/16 agricultural season.

Financing of Agriculture

68. The agricultural programme for the 2015/16 summer crop targets a total of 2.1 million hectares for grain crops with a budgetary requirement of about US\$1.7 billion.
69. Financing of agriculture will be through the following:
- *Banking Sector Support* - the banking sector, under the coordination of the Reserve Bank, has set aside about US\$1 billion.
 - *Anchor Farmers* - the Reserve Bank has already announced its readiness to facilitate additional financial facilities under which commercial banks will identify productive anchor farmers who will be targeted for enhanced support and recapitalisation at affordable interest rates.
 - *Contract Farming Arrangements* - contract farming has become an important financing model for agriculture in Zimbabwe, particularly in tobacco, cotton, barley, soya and sorghum. Contracts for 2015/16 season valued at US\$392.9 million have since been concluded.
 - *Farmers' Own Financing* – timely payments to farmers for deliveries made to GMB enhance their capacity to finance their own operations. Government paid US\$67.8 million towards the 2014/15 arrears and deliveries for the 2015/16 agricultural marketing season. **Government has cleared all its arrears to farmers for the maize grain deliveries.**

Vulnerable Households

70. Mr Speaker Sir, US\$28 million was allocated for the Presidential Agricultural Support Input Scheme targeting 300,000 vulnerable households for the 2015/16 agricultural season.

Restoration of the Stop Order System

71. Restoring the stop order system is vital to the sustainability of agricultural financing.
72. Government will review Section 11 of the Farmers Stop Order Act in order to promote the participation of all financial institutions; and curb side marketing through orderly marketing of crops.
73. Mr Speaker Sir, let me now turn to efforts by the Government to revive the production of cotton, horticultural products and soya bean.

Cotton

74. The cotton industry has been grappling with numerous challenges resulting in output falling from a peak of 353,000 tonnes in 2000/2001 to 95,000 tonnes in 2015. As a result, private companies exited the cotton industry, while Cottco, a major player in the industry with about 35% market share has been on the verge of collapse.
75. Government, in August 2015, took over Cottco to restore its role in the cotton industry value chain that benefits more than 300,000 smallholder farmers in rural communities around the Gokwe, Sanyati, Rushinga and Chisumbanje areas.
76. Mr Speaker Sir, a total of US\$25.8 million was availed for the cotton Input Financing Scheme targeting 250,000 ha in the current season.

Mechanisms to ensure efficient management of the Input Scheme Programme, introduction of a Stop Order System, registration of farmers, and marketing of cotton through designated buying points are some of the initiatives taken by the Government to promote the resuscitation of the sector.

77. Mr Speaker Sir, Government will also be giving free cotton inputs to cotton farmers for the next three seasons in order to encourage farmers to return to cotton production.
78. Further to Government support, there are also Contract Farming arrangements targeting 255,000 ha that will benefit 157,500 growers.

Horticulture

79. At its peak, the horticulture sector was the second largest foreign currency earner after tobacco, and contributed 2.6% to GDP in 2005. However, the sector has been declining due to challenges relating to capacity and access to markets.
80. Government applauds the initiative by the industry players to establish a Horticulture Development Board to coordinate implementation of the country's horticulture strategy.
81. Mr Speaker Sir, in this Budget, fiscal incentives for incremental exports of horticultural products will be given.

Soya Bean

82. Mr Speaker, Sir, Government seeks to increase soya bean production from the current levels of below 60,000 tonnes to about 240,000 tonnes.
83. Banks have so far availed US\$25 million towards soya bean production during the 2015/16 agricultural season.

Mechanisation Programme

84. Mr Speaker, Sir, in May 2015, His Excellency the President successfully launched the US\$98.6 million More Food International Programme financed by a loan facility from the Brazilian Government which caters for agriculture machinery and equipment, targeting 21,136 small holder A1 and communal farmers on 178 irrigation schemes across the country's various Provinces.
85. As at end of October, equipment worth US\$32.8 million had been received; and distributed to all provinces on a full cost recovery basis. **In this regard, the necessary recovery arrangements have been put in place through Agribank.**
86. The second Phase, with equipment valued at US\$30 million, depends on the successful implementation of the first tranche. **Therefore, honouring the obligations by the beneficiaries is essential to the sustainability of the More Food International Programme from Brazil.**

Utilisation of Water Bodies

87. Under-utilisation of the country's water bodies remains a major cause of concern. There is, therefore, need to utilise these bodies particularly in view of the risks associated with climate change. To this end,

developing an integrated value chain system as well as rehabilitating and developing the irrigation infrastructure is imperative.

Irrigation

88. The country has a total of 220,000 hectares of installed irrigation capacity out of which 155,000 hectares is functional.
89. A total of US\$2.6 million was availed in 2015 towards completion of 13 irrigation schemes covering about 635 hectares which are ready for commissioning.
90. Irrigation development will be given priority under the 2016 National Budget targeting 11,290 ha of irrigable land that will benefit 3,890 households throughout the country. This development will be funded from the Budget to the tune of US\$7 million and US\$8.6 million from Development Partners.
91. Mr Speaker Sir, allow me to acknowledge the support we continue to receive from Development Partners towards irrigation development.

European Union (EU) Support for Irrigation

92. The EU availed US\$2.6 million out of a budget of US\$7.8 million through the Food and Agriculture Organisation (FAO) towards technical support for 20 irrigation schemes covering 1,206 hectares in Beitbridge, Chimanimani, Chipinge, Gwanda, Makoni and Mangwe districts.

Swiss Supported Projects

93. The Swiss Development Cooperation availed US\$1.3 million for rehabilitating 14 schemes, covering 656 hectares for the benefit of over 1,425 households in Bikita, Gutu, Masvingo and Zaka districts.

Japanese Supported Projects

94. Mr Speaker Sir, Government signed a US\$15 million Grant Agreement with the Japanese International Cooperation Agency (JICA) for the rehabilitation and development of the 674ha Nyakomba Irrigation Scheme; starting in 2016 with a disbursement of US\$6 million.

IFAD Supported Projects

95. Negotiations with the International Fund for Agricultural Development for a US\$60 million concessionary loan facility, under the Smallholder Irrigation Revitalisation Programme are underway. Discussions on this facility are to be concluded on 7 December 2015, and the project rollout is expected to start in 2017.

Kuwait and Abu Dhabi Funds Supported Projects

96. The Kuwait Fund and the Abu Dhabi Fund for Development have expressed interest to co-finance the Zhove Irrigation Scheme with contributions of US\$20 million and US\$8.7 million respectively. Under the Protocol Agreement, Government will contribute US\$7 million.

Research and Extension Services

97. Research and Development is vital to the development of a sustainable agricultural sector. I, therefore, propose an allocation of US\$3 million towards Research and Extension Services in order for them to resume research work.

Development of Property Rights among A1 and A2 Farmers

98. Mr Speaker Sir, Government has been working on measures to improve the security of tenure of both the A1 and A2 farmers with the support of the European Union and United Nations Development Programme (UNDP) that have availed €4.74 million and €500,000 respectively.
99. The exercise involves remapping the land in order to establish the new farm boundaries that should inform key decisions such as valuations, compensation, dispute resolution and capacitating the future Zimbabwe Land Commission.
100. Furthermore, the programme will facilitate issuance of permits and tradable lease agreements, thereby giving economic value to land under both the A1 and A2 resettlement model.
101. The exercise while ensuring that A1 and A2 farmers will undertake their farming operations under secure boundaries is the first step towards eventual granting of property rights to A1 and A2 farmers.

Livestock Development

Milk Production - Dairy Herd

102. Government will facilitate the importation of some dairy heifers in order to increase the herd from the current level of 28,000. **Government will also provide incentives for companies participating in dairy outgrower schemes.**

BENEFICIATION AND/OR VALUE ADDITION

103. The Government remains committed to implementing the beneficiation and value addition strategies in the mining and manufacturing sectors.

Mining Sector

Gold

104. Designating Fidelity Printers and Refiners as the sole buyer and exporter of gold in December 2013, the subsequent ban on the export of unrefined gold; and fiscal measures in 2014 and 2015 have yielded positive results.
105. Mr Speaker Sir, production of gold is projected to reach 24 tonnes in 2016 compared with an expected 18.7 tonnes in 2015.

Consolidation of Diamond Mining Companies

106. Mr Speaker Sir, the consolidation of the diamond sector, whose objective is to plug leakages through close monitoring, enhancing oversight, transparency and accountability in the sector, is underway. However, the process will no doubt take a bit of time.
107. Government has, as part of the consolidation framework, established and registered a company, the Zimbabwe Diamond Mining Corporation which will run the affairs of all diamond mines in the country, with the various diamond mining firms acquiring shares in the consolidated mining company.
108. Meanwhile, the Ministry of Mines and Mineral Development will proceed to work with the three concessions belonging to Marange Resources, Kusena and Gyname under the consolidated Diamond

Mining Company. In this regard, Government has already sourced equipment to undertake expanded diamond mine activities from Belarus.

Diamond cutting and polishing

109. Aurex, a subsidiary of the Reserve Bank has already started cutting and polishing diamonds, benefiting from state of the art cutting and polishing machinery acquired from India.

Chrome

110. Pursuant to the lifting of the ban on the export of raw chrome and chrome fines, Government established a Special Purpose Vehicle (SPV) to buy chrome ore from small scale miners, and grow exports that are vital to enhancing the level of liquidity in the country.
111. Government also licensed 12 smelting companies to export chrome ore which is excess of their smelting capacity. The first shipments of chrome fines started about three weeks ago.

Coal bed methane gas

112. Plans to invest over \$2.1 billion towards setting up gas mines, power stations and dams in the Gwayi - Lupane areas are underway. Progress has been made and an investor has completed exploration in Dandanda area in Lupane and Binga. The project has the capacity to produce 300MW of electricity.

Coal

113. Mr Speaker Sir, in December 2014, Hwange Colliery Company Limited got a Government guaranteed Line of Credit Facility amounting to US\$13.03 million from the Export Import Bank of India for the purchase of mining equipment and spare parts.
114. Further, the Company will benefit from a PTA Bank facility of US\$18 million, also guaranteed by Government, for the procurement of dump trucks from Belarus.
115. Mr Speaker Sir, during the course of the year Government underwrote the Company's Rights Issue and also converted the Company's debt into equity.
116. All these initiatives were expected to increase coal production and revenue inflows, guarantee coal supplies to local industries and to improve Hwange's productive efficiency. **Unfortunately, there has not been any noticeable change of the Company's performance. Management should urgently address this situation.**

Resuscitation of Dormant Mines

117. The country is losing revenue from closed mines and those under care and maintenance such as Kamativi and Shabanie-Mashaba mines. Government will, therefore, take advantage of the recovery in mineral prices to resuscitate these mines with potential to create over 3,000 jobs.
118. With regard to tin mining, ZMDC signed a Joint Venture Arrangement with a Chinese company, Beijing Ping Chang Investments, in September 2015 with a view of investing \$102 million into the tin mine which is estimated to have reserves of around 100 million tons.

Geological Survey

119. I propose to capacitate the Geological Survey Department in the Ministry of Mines and Mining Development with funding for the purchase of equipment and technology that will enable it to carry out enhanced exploration activities.

Cadastre Mining Titles Management Information System

120. Government will through E-Government and Cadastre Mining Titles Management Information System, computerise the country's register of all minerals data including geographical location, mineral rights and titles, claims and mineral quantum.
121. The envisaged system will enhance efficiency in managing claims and dispute resolution.

Mining Legislation

122. Mr Speaker Sir, amendments to the Mines and Minerals Act already approved by Cabinet but not yet gazetted, primarily provide mining title for a specified period, and require holders of mining titles/rights to work their claims within a specified period. Mining firms will also be compelled to establish funds or make other provisions to meet the cost of addressing environmental degradation arising from their mining activities.
123. Mr Speaker, Sir, let me now turn to the manufacturing sector.

Manufacturing

124. Mr Speaker Sir, level of capacity utilisation in the manufacturing remains extremely low. Government has, therefore, initiated some measures to help the manufacturing sector through fiscal and import tariff reviews on some selected products, access to resources (Distressed Industry Marginalisation Assistance Facility (DiMAF)) and Zimbabwe Economic and Trade Revival Facility (ZETREF)) and investment approvals.

ENCOURAGING PRIVATE SECTOR INVESTMENT

National Competitiveness

125. Constraints to the country's competitiveness are reflected in inefficiencies in the goods, labour and financial markets, slow uptake of new technology, high tax rates, infrastructure deficiency and multiplicity of business licences and levies.
126. Government has already transformed the National Incomes and Pricing Commission (NIPC) to the National Competitiveness Commission (NCC) in order to address competitiveness challenges. Therefore, operationalising the NCC will be expedited in 2016.

Ease of Doing Business Reforms

127. Focused commitment on implementation of reforms pays dividends. Zimbabwe's rank, in the recently published 2016 World Bank Ease of Doing Business improved from 171 in 2015 to 155 out of 189 countries.
128. Also, the country's rate under the Country Policy and Institutional Assessment (CPIA) improved from 2.3 in 2013 to 2.7 in 2014.

129. Government will intensify efforts to address the cost and ease of doing business in 2016. This area is under the purview of the Office of the President and Cabinet under the Rapid Results Approach.

Indigenisation and Empowerment Framework

130. Mr Speaker Sir, the position of the indigenisation in the resources sector has been clarified on several occasions by His Excellency the President, to reflect that the contribution of our designated entities towards 51% shareholding will be effected through the resource being exploited, and at no monetary cost to the Government or designated entities.
131. Consultations towards strengthening and clarifying the processes of implementing the indigenisation policies in the sectors of the economy outside the resources sector have been completed.
132. To this end, the Minister of Youth, Indigenisation and Economic Empowerment, will be announcing and gazetting before Christmas the frameworks, templates and procedures for implementing the indigenisation policies in a manner that both promotes investment and eliminates discretionary application of the Law.

Efficiency at Border Posts

133. Efficiency at border posts is important to both exporters and importers through avoiding unnecessary costly delays and other administrative costs. **Government will expedite the process of transforming border posts into a one-stop centre.**

Special Economic Zone

134. The Special Economic Zones Bill was approved by Cabinet, and was gazetted on 23rd of November 2015. This will pave way for the implementation of the SEZs.

Tourism

135. Tourism, one of ZIMASSET's quick wins, is recognised as one of the pillars anchoring Zimbabwe's economic recovery and growth.
136. Mr Speaker Sir, the Tourism Enhancement supported by the African Development Bank is progressing well. A total of US\$0.6 million against an allocation of US\$1.3 million was disbursed as at 30 September 2015, with an additional US\$200,000 expected by end of year. In 2016, US\$500,000 will be disbursed towards the tourism enhancement project.

Victoria Falls Tourism Special Economic Zone

137. Mr Speaker Sir, the designation of the corridor stretching from Victoria Falls to Gwayi to Binga and Kariba as a Tourism Special Economic Zone International Financial Centre should be followed up with the necessary investments for the economy to realise the tourism potential arising out of this.
138. Already, Government has availed 274 hectares of land to a Special Purpose Vehicle, the Mosi-Oa-Tunya Development Company incorporated in March 2012 through the Ministry of Tourism and Hospitality to facilitate the implementation of this concept.

139. This project should leverage on the various tourism products already in existence, which include, among others, leisure, business; conferences, financial, medical, sports, religious, cultural; and education.

Official Diaspora Remittances

140. Diaspora remittances are an important source of capital. Government will finalise the National Diaspora Policy in order to harness official remittances.

UNLOCKING THE POTENTIAL OF SMES

141. Despite the role that the SME sector plays in sustaining the livelihoods of many people, the sector continues to face many challenges.

142. Mr Speaker Sir, Government will introduce the following measures to address these challenges:

- SMEs industrial parks;
- Completion of Indo-Zim Common Facility Centres;
- SME bank (SMEDCO capitalisation);
- Entrepreneurial skills upgrading;
- Market access through business to business linkages and trade promotion;
- Cooperatives development;
- Promotion of value chains through SMEs; and
- Development of the SMEs formalisation strategy.

Women Empowerment

143. Notwithstanding resource constraints, the 2016 Budget prioritises women empowerment projects and programmes.
144. In considering various bids from line Ministries, Treasury was guided by the policy requirement for line Ministries to reflect gender mainstreaming in their Budgets, through gender specific Budget lines.
145. Hence, the Budget thrust is on carrying forward the various women empowerment projects and programmes in line with the above requirement as well as the ZIMASSET objectives on value addition and poverty eradication.

Youth Empowerment

146. Youth empowerment is being pursued through a combination of skills training and facilitating access to finance. Supporting Vocational Training Centres is crucial for the development of technical skills required to support our development agenda. During the period January to September 2015, Government supported Kaguvi, Magamba and Chaminuka training centres, among others.
147. The International Labour Organisation is also supporting youth sponsored centres. The support targets equipping youth training on business projects and marketing. Government will complement this effort by allocating US\$75,000 per Administrative District.
148. On the 16th of October 2015, Government launched a US\$10 million Localised Empowerment Accelerated Fund (LEAF) that will be administered through Banks for the benefit of the Youths.

INFRASTRUCTURE DEVELOPMENT AND UTILITIES

Energy

149. Government has prioritised the following projects:

- Hwange 7 & 8 Expansion Project;
- Kariba South Extension Power Project;
- Deka Pump Station; and
- Bulawayo, Harare, and Munyati Small Thermal Power Stations

Other Generation Plants

150. In addition, Zimbabwe Power Company (ZPC) signed EPC contracts for the construction of Insukamini and Gwanda solar plants with potential generation capacity of 100MW each.
151. Resource mobilisation for the construction of a 30MW hydro plant at Gairezi is currently underway.

Emergency Power Station

152. Government is looking at options of procuring rented diesel power, with potential to generate 200MW at short notice.

Independent Power Producers

153. Government liberalised the energy sector by encouraging the participation of Independent Power Producers (IPPs). To date 20 IPPs have been licensed, and Government stands ready to support such projects by providing Non-Financial Guarantees, incentives and regulatory support for the projects. As of now projects by Per Lusulu,

Makomo Resources and China Africa Sunlight Energy (Private) Limited are promising.

Rural Electrification

154. The Rural Electrification programme is key to promoting inclusive development. Mr Speaker Sir, I propose a Fund of US\$27.1 million to be supplemented by US\$1.2 million in fiscal resources towards the Rural Electrification Programme.

Electricity Bill Arrears

155. ZETDC's debtors stood at US\$1 billion as at 30 September 2015. This has had a negative impact of the Company's operations. ZETDC should, therefore, expedite the installation of the prepaid metres.

Dam Construction Projects

Tokwe Murkosi Dam

156. Mr. Speaker Sir, implementation of the Tokwe Murkosi Dam project had been affected by the limited capacity of the Budget to finance the remaining works and the outstanding amounts due to the contractor.
157. I am happy to report that following consultations between Government and the contractor, we have been able to pay US\$40 million to the contractor over August - November this year.
158. This has enabled us to liquidate some of the outstanding certificates as well as capacitate the contractor to mobilise and undertake the outstanding works estimated at US\$27 million.

159. Government, working together with the Infrastructure Development Bank of Zimbabwe is looking at options of mobilising additional private sector funding to complete the remaining works, leveraging of investments already made on the project.

Marovanyati Dam

160. Mr Speaker Sir, you will be aware that works on the Marovanyati Dam Project, meant to provide water to Murambinda Growth Point and surrounding communal irrigation schemes, had stalled due to financial constraints. Remaining works require US\$33 million over 30 months.
161. I am proposing to allocate US\$8 million of fiscal resources to enable the resumption of works on the project.

Causeway Dam

162. I propose to allocate US\$4 million for the construction of Causeway Dam on the Macheke River about 64km from Marondera.
163. The dam will supply water to the new Marondera University, irrigate 1,800ha of land and neighbouring communities such as Svosve, Zviyambe, Dorowa and Chiduku communal areas.

Water and Sanitation for Local Authorities

164. I propose to channel a total of US\$2 million from tax revenues to the following local authorities: Chinhoyi Municipality (US\$900,000), Hwange Local Board (US\$300,000), Mvurwi Town Council (US\$200,000), Chipinge Town Council (US\$300,000); and Gwanda Municipality (US\$300,000).

165. Further, I propose to allocate US\$0.6 million through DDF for the rehabilitation of 240 boreholes and drilling of 56 new boreholes countrywide.

Zim-Fund Phase II Water and Sewer Projects

166. A total of US\$18 million is expected in 2016 to facilitate project implementation.
167. This Project will be financed to the tune of US\$35.99 million, and targets water and sewerage infrastructure rehabilitation in Harare, Chitungwiza, Ruwa and Redcliff.

UNICEF Wash Programme

168. The programme targets rehabilitation of water and sewage systems, hygiene promotion, institutional capacity development to facilitate sustainability, and stakeholder coordination to ensure optimal and cost effective use of resources. The programme is expected to avail US\$6.6 million in 2016.
169. With regards to the Rural Wash Programme, UNICEF is also drilling new boreholes and rehabilitating broken-down boreholes in 33 districts in Mashonaland West, Midlands, Masvingo, Matabeleland North and Matabeleland South Provinces. An amount of US\$13.5 million will be availed through UNICEF in 2016, targeting construction and repair of 200 and 2,000 boreholes respectively; 3,000 latrines and sanitation facilities for 240 schools.

Zimbabwe Reconstruction Fund

170. Support under the programme in 2016 amounts to US\$7.6 million targeting the following local authorities: Lupane, Guruve, Nembudziya, Gutu, Zimunya, Mataga and Madziva.

Transport

171. Mr Speaker, Sir, the Victoria Falls Airport project, built at an estimated cost of US\$150 million, will be commissioned by the end of this year. The new airport has the capacity to handle around 1.2 million passengers per annum compared to the existing capacity of 400,000.
172. Government has also completed Phase I of the Harare Airport Road Project; the Save, Mbembesi, Little Sebakwe and Musavezi bridge approaches which have all improved the flow of traffic on these sections of the road network. Phase I of the Harare Airport Road was in effect commissioned by His Excellency the President only yesterday.
173. For the 2016 financial year, I propose to channel US\$135.8 million to the transport sector, financed from tax revenues, US\$20.7 million; retained funds, US\$77.1 million; own resources, US\$10 million, as well as US\$28 million in loan financing

Beitbridge-Harare-Chirundu Highway Dualisation Project

174. Honourable Members will be aware that Government, in August 2015, amicably resolved the long standing legal dispute that had undermined the implementation of the Beitbridge-Harare-Chirundu Highway Dualisation Project.

175. The resolution of the dispute has allowed Government to plan and seek investors interested in the dualisation of the 971 km highway, to be implemented through the *Public Private Partnership* arrangement.

Rail Projects

176. Mr Speaker Sir, efforts to mobilise US\$1.9 billion for the capacitation of the National Railways of Zimbabwe (NRZ), including rehabilitation of the rail network, are still to bear fruit.
177. Meanwhile, I propose to allocate US\$3 million from tax revenues to be complemented by NRZ's own resources of US\$10 million.

Housing Construction

178. Government applauds efforts by the Honorable Minister of Local Government, Public Works and National Housing to restore order in the national housing delivery sector by ending the malpractices of the self-anointed "Land Barons". This intervention facilitated restoration of Rule of Law thereby allowing sanity to prevail in the sector.
179. Mr Speaker, Sir, Government is exploring the formulation of a policy to transfer all undeveloped urban State land onto the balance sheet of the Urban Development Corporation (UDCORP) in order for it to leverage its balance sheet for the mobilisation of resources required for servicing land for housing and industrial infrastructure development.

Solar for Housing

180. Solar geysers can reduce the average household's cost of heating water by up to 40 percent.
181. Accordingly, future new housing construction schemes will be required to install solar geysers. The Finance Act already provides tax incentives for importation of solar equipment.

Role of the Private Sector

182. Mr Speaker Sir, we would want to applaud the private sector for complementing Government efforts in mobilising resources for housing projects.

PUBLIC ENTERPRISES REFORM

183. State Owned Enterprises which have long been identified as a source of fiscal leakages due to their continuous loss making and over-reliance on Government grants and subsidies are being restructured.
184. Government has since prioritised the following ten major public entities for initial reform.
185. Currently, auditors have been engaged to conduct forensic audits into the operations of the Grain Marketing Board and the Cold Storage Company. These audits, Mr Speaker Sir, will enable Government to make informed restructuring policy decisions.
186. Government is also finalising work on a Corporate Governance Bill which will establish corporate governance and performance principles for state owned enterprises. This will be ready by the first half of 2016.

ZISCOSTEEL

187. Mr Speaker, Sir, the country cannot enjoy a meaningful recovery without a robust steel industry. It is imperative that efforts to resuscitate ZISCOSTEEL be expedited.
188. Central to this will be the need to free the Zisco balance sheet of historical “*baggage liabilities*”, including an accumulation of new obligations with regards to wages that arise on account of workers that are not producing anything, and are actually sitting at home or pursuing other engagements.
189. Accordingly, all contracts for Zisco employees will be terminated on a 3 month notice with effect from 1 December 2015. Government will, therefore, through the Ministry of Industry and Commerce, be updating Honourable Members on the progress in engaging a new investor.

Performance Audits

190. In addition to the support by the World Bank, I propose to commit US\$2 million to the Office of Auditor General to facilitate performance audits.
191. I am also creating a dedicated Public Enterprises Reform and Monitoring Unit in the Accountant General’s Department under my Ministry to:
 - Vigorously monitor public entities’ performance;
 - Proactively coordinate the implementation of restructuring reforms; and
 - Analyse budgets and financial statements of public entities.

Auditor General's Observations

192. In my 2015 Mid-Year Review, I highlighted that Government was instituting measures to address concerns raised in the Auditor General's Narrative Reports.
193. I propose to establish another Unit within the Accountant General's Department that will analyse the audit reports and enforce compliance.

SOCIAL SERVICES

Education

Junior and Secondary Education Infrastructure Bonds

194. Mr Speaker Sir, the infrastructure at most primary and secondary schools remains inadequate resulting in students travelling long distances to school or shortening of learning periods.
195. In complimenting Budget financing, Government will in 2016 vigorously pursue floating an infrastructure bond to be underwritten by School Development Association levies.
196. Furthermore, in 2016, Government will focus on completion of the various education infrastructure currently under construction, with more emphasis on newly resettlement farming areas.

Higher and Tertiary Education Infrastructure Bonds

197. Mr Speaker Sir, our State Universities, Polytechnics, Teachers Colleges and other Tertiary State Institutions require investment in physical infrastructure that includes staff and student accommodation, lecture

theatres, laboratories, workshops, sporting facilities, administration blocks and student service centres.

198. Government will, therefore, in 2016 vigorously pursue arrangements for the financing of infrastructure through issuance of an infrastructure bond, to be underwritten by rentals paid by students and staff.
199. To enhance market acceptance, the following features will be provided:
- Government guarantee;
 - Prescribed asset status; and
 - Liquid asset status.
200. As part of the security of the bond, a sinking fund will be created, ceded and escrowed to ring fence receivables.

Health Care

201. Mr Speaker Sir, our investment in the public health care system is yielding positive returns.

Public Health

202. Mr Speaker Sir, malaria still remains a preventable public health challenge. I propose to allocate US\$1 million in support of the Malaria Indoor Residual Spraying programme, as well as Pre-elimination of Malaria programme, covering the malaria prone zone of Matabeleland North, Matabeleland South, Midlands, Masvingo and Mashonaland West.
203. Mr Speaker Sir, Non-Communicable diseases and conditions continue to pose a growing public health challenge. Diabetes, hypertension, cardio-vascular conditions, cancer and mental health conditions

continue to afflict a growing number of Zimbabweans. Mr Speaker Sir, I propose to allocate US\$1.5 million towards improving the capacity of our public health facilities.

Primary Health care

204. Mr Speaker Sir, we shall continue investing in low cost high impact primary care interventions which focus on community health and preventive care. Mr Speaker Sir, I propose to allocate US\$7 million for this purpose in the 2016 Budget.
205. An additional US\$575 000 will be allocated towards the construction of five rural health centres, namely Chibila, Siyabuwa, Munemo, Dhongamuzi and Mbuya Maswa.

Hospital Care

206. Mr Speaker Sir, Government is progressively strengthening the capacity of our district, provincial and central hospitals which respond to referrals as well as offer specialised care.
207. Mr Speaker Sir, I propose to allocate US\$13.7 million in 2016 as support towards the provision of medical services, and also set aside US\$23.2 million towards on-going works at various hospitals.

Kuwait Fund

208. Mr Speaker Sir, the Kuwait Fund for Arab Economic Development has since availed a grant amounting to US\$1 million earmarked for the preparation of technical, economic feasibility study and detailed designs for the construction of two 140 bedded district hospitals in Harare with full supporting services.

Health Development Fund

209. In 2016, a total of US\$75.8 million will be made available under the Health Development Fund, of which the EU will contribute US\$59.2 million with the balance to be availed by other above mentioned development partners.

DEVELOPMENT PARTNER SUPPORT

210. Mr Speaker, Sir, allow me to acknowledge and commend the support from Development Partners.
211. The estimated support from the Development Partners in 2016 is US\$171.2 million.

FINANCIAL SECTOR STABILITY

212. A number of initiatives have so far been implemented in order to restore financial sector stability. It should be recognised that the financial sector is central to resource mobilisation and financing of investment. The Governor of the Central Bank will give a detailed account on the State of the Banking Sector in his forthcoming Monetary Policy Statement. I will, however, focus on non-deposit taking financial institutions.

Pensions and Insurance Industry

Compliance with the Insurance Act

213. Mr Speaker, Sir, the current insurance legislation restricts placing of insurance business offshore in respect of risks arising in the country, unless authorised by the Regulator. However, a significant number of foreign businesses are placing local insurance business offshore without exhausting local capacity and without obtaining the approval of IPEC.

214. I, therefore, propose to review the fine from Level 6 to 14 on the standard scale of fines or a penalty equivalent to the sum assured, whichever is higher.

Compliance with Prescribed Asset Requirement

215. Non-compliance with the Prescribed Asset Requirements has been rampant in the insurance industry.

216. I propose to introduce measures that **include review of qualifying assets for calculation of prescribed assets, an agreed roadmap on compliance between Insurance and Pensions Commission (IPEC) and industry players as well as deterrent penalties which include cancellation of operating licences.**

Review of Minimum Capital Requirements

217. Given the dynamic nature of the financial services sector and the need for adequate capital that is commensurate with risks involved as well as assumed in the insurance business, I propose an upward review of minimum capital requirements for short term and life insurers as follows:

Table 1: Minimum Capital Requirements

Class of Business	Current (US\$)	Proposed (US\$)	By
Short Term Insurers	1,500,000	2,500,000	31 December 2016
Life Assurance	2,000,000	5,000,000	31 December 2016
Funeral Assurance	1,500,000	2,500,000	31 December 2016

218. IPEC will soon be reviewing the qualifying assets for minimum capital requirements to improve asset quality.

Conversion of Insurance and Pensions Values

219. Government established a Commission of Inquiry into the conversion of insurance and pension values from the Zimbabwe dollar to the United States dollar. The primary task of the Commission is to assess fairness in the conversion process. Information gathered from the public will be used to determine an appropriate compensation and value entitlement for former and current insurance and pension subscribers. The hearings and other submissions started on 30 October, and this is expected to be closed by 3 December 2015.

PUBLIC ADMINISTRATION

Rationalisation of the Public Service

220. Mr Speaker Sir, Cabinet noted with concern during its Third Meeting of 10th February 2015 that wage expenditures of over 80% of the Budget are leaving little room for development expenditures.
221. Pursuant to redressing this, Cabinet resolved “that consideration be given to some rationalisation of the country’s Public Service Establishment in order to cut down the size of the wage bill”.
222. In this regard, Cabinet directed the Minister of Public Service, Labour and Social Service to proceed with the rationalisation of the country’s Public Service Establishment in conjunction with the Minister of Finance and Economic Development, and the various line Ministers.
223. Mr Speaker Sir, Cabinet recently considered the recommendations of this Inter-Ministerial consultative process, which drew input from the Civil Service Human Resource and Payroll Systems Audit Report undertaken by the Civil Service Commission, and has accordingly, approved implementation of various rationalisation measures which will

unlock savings of around US\$14.2 million per month from the 2016 Budget.

Public Service Pension Fund

224. Cabinet has adopted the principle of migrating from a Pay-As-You-Go to Defined Benefit pension arrangement to ensure long term financial sustainability.
225. Furthermore, a decision to re-introduce employee pension contributions at the rate of 7.5% of pensionable emoluments from 1st December 2015 was made. This is an important step towards implementing a funded Defined Benefit Pension Scheme arrangement under which both the Government and employees jointly contribute towards pensionable emoluments in respect of members' pensionable service in the future.

Local Authorities Service Delivery

226. Government, through the Minister of Local Government, Public Works and National Housing is challenging local authorities to realign their cost structures in line with their revenue streams.
227. Going forward, our State owned enterprises need to observe the golden rule that a maximum of 30% of revenues should be set aside for remuneration, whilst 70% goes towards service delivery.

Treasury Oversight on Statutory Funds

228. In order to enhance transparency and accountability over Statutory Funds and other Retentions authorised by Treasury, Government is directing all entities authorised to retain revenue collected to open bank accounts with the Reserve Bank and transfer all balances to the said bank accounts by 31 January 2016.

229. Failure by such entities to comply with this directive will result in the retention authority being revoked.

GOVERNANCE AND PERFORMANCE MANAGEMENT

Public Procurement

230. Honourable Members will be aware that Government undertook to review the role of the State Procurement Board (SPB) as part of the ZIMASSET measures for a more efficient and transparent public procurement system, supportive of improved service delivery.
231. Mr Speaker Sir, the main goal of the reform process is to decentralise the procurement of goods and services to Ministries, parastatals and state enterprises including local authorities, and allow the SPB to perform a regulatory function, supervision, monitoring and evaluation.

ANTI-CORRUPTION THRUST

232. Mr Speaker Sir, Government reiterates zero tolerance for corruption in all sectors of the economy in order to foster good governance. Accordingly, Government's anti-corruption thrust in 2016 will target wide spread corruption through inflated and unrealistic pricing of goods and services sourced through the public procurement system, and leakages at our country's borders.

Leakages at Borders

233. Mr Speaker Sir, there are challenges with revenue leakages at border posts due to smuggling and corruption, with such activities depriving the fiscus of resources that should be deployed towards national infrastructure development and service delivery.

234. Government is putting in place various measures to deal with the scourge. Implementation of some of these will be immediate, while others will require investment and time. The immediate measures involve:

- Establishment of transparent systems for handling goods, vehicular and human traffic passing through our borders, including adherence to the principle of “First Come, First Served”;
- Installation of Closed Circuit Cameras at all critical points across the country’s points of entry;
- Introduction of Client Timeline Service Registers;
- Automation of systems at all border posts, parallel to CCTV coverage; and
- Visible Clients Public Notices of processes and timelines for delivery of various border posts services.

235. Mr Speaker Sir, harnessing Information Communication Technology not only speeds up service delivery processes, but also optimises use of online platforms which minimise physical interface between service providers and their clients, which ordinarily creates opportunities for corrupt practices.

236. These measures should be in place by the first half of 2016.

Procurement and Inflated Pricing

237. Mr Speaker Sir, with respect to public procurement, rent seeking activities and behavior increase the cost of implementing projects and service delivery.

238. As already alluded to, the conduct of procurement transactions will be devolved to the procuring entity level. This will be complemented by provisions for:

- Review mechanisms to facilitate verification of bidders' capacity;
- Publication of all contract awards and prices;
- Publication of mandatory progress and contract completion reports; and
- Reconciliation of above reports to budgets and timelines, to foster transparency and accountability.

239. Government will also embrace the e-procurement platform to minimise opportunities for corrupt practices, while getting access to a wider selection of potential suppliers.

REVENUE MEASURES

240. Mr. Speaker Sir, the revenue measures that I am proposing seek to enhance revenue collection, provide relief to taxpayers as well as improve efficiency in tax administration.

241. The measures also seek to enhance the competitiveness of local industry by lowering the cost of production, thereby enabling local companies to increase capacity utilisation.

242. This will be further complemented by measures aimed at curtailing importation of non essential goods.

REVENUE ENHANCING MEASURES

VAT Fiscalised Recording of Taxable Transactions

243. Honourable Members will recall that, during the 2015 Mid Term Fiscal Policy Review, I advised that in order to realise the full benefits from the VAT Fiscalised Recording of Taxable Transactions project, ZIMRA was going to set up a platform to receive data from fiscal devices to enable monitoring of transactions in real time.

244. ZIMRA has made progress in setting up a platform to receive data from the devices. However, installed fiscalised devices to the platform have not yet been connected to the platform.
245. In order to finalise this important project, a Project Monitoring Committee chaired by the Chairperson of the Zimbabwe Revenue Authority Board will be set up by 31 December 2015.
246. The Committee will be comprised of the Ministry of Finance and Economic Development, ZIMRA and co-opt suppliers of fiscalised devices on a need basis.

TAX RELIEF MEASURES

Rebate of Duty on Capital Equipment

247. Mr. Speaker Sir, in support of industry retooling, Government removed customs duty and also provided a VAT deferment facility on importation of industrial and capital equipment.
248. Despite the above measures, the VAT obligation remains payable. It is, thus, necessary that Government reduces the cost of importing capital equipment for plant upgrade, refurbishment and new projects.
249. I, therefore, propose to extend a rebate of duty on capital equipment imported by the mining, agriculture, manufacturing and energy sectors, for equipment valued at US\$1 million and above, with effect from 1 January 2016.
250. Capital equipment imported under the facility will not be liable to Customs Duty and VAT.

Royalty on Gold

251. Mr. Speaker Sir, in order to ensure the viability of gold producers following the decline in international prices of precious metals, Government, reviewed downwards the royalty rate on gold produced by primary producers from 7% to 5%, with effect from 1 October 2014.
252. I propose to introduce a reduced royalty rate of 3% on incremental output of gold using the previous year's production as a base year, with effect from 1 January 2016.
253. Since incremental production will only be accounted for by the end of the following year, mining houses that qualify will benefit from the scheme through a tax credit which will be used to pay future tax obligations.

Tax Exemption on Long Term Deposits

254. Mr. Speaker Sir, the ability of financial institutions to support productive sectors through provision of long term funding is being undermined by the short term nature of deposits.
255. In order to encourage long term savings, I propose to exempt from tax, interest earned on deposits with a tenure of more than 12 months.
256. This measure takes effect from 1 January 2016.

Pension Commutation

257. The current legislation provides for exemption from income tax on a third of the total value of the pension or annuity commuted by an individual who has attained the prescribed age of 55 years.
258. In terms of Pension Fund rules, a member who is retrenched before attaining the prescribed age of 55 years is deemed to be a pensioner and is allowed to commute a third of the total value of the pension or annuity. However, the commutation is subject to tax.
259. Due to the current economic challenges, a number of employees are being retrenched before attaining the prescribed retirement age of 55 years. Most of these employees, however, have minimal opportunities to be re-employed.
260. In order to provide relief to retrenched employees who have not yet attained the prescribed retirement age, I propose to exempt a minimum value of US\$10,000 or one third of the total value of the pension or annuity up to a maximum of US\$60,000.
261. Future pension payouts accruing to these retrenched employees will, however, not benefit from the income tax exemption.
262. This measure takes effect from 1 January 2016.

Stamp Duty on Policies of Insurance

263. Stamp duty is levied on any policy or certificate of insurance or any other document which is in the form of a guarantee, fidelity, security or surety bond, at a rate of US\$0.05 for every dollar worth of premiums paid up to a maximum of US\$100,000. This measure was effected from 1 February 2009.
264. However, due to oversight by insurance companies and brokers and laxity on the part of the tax administration authority, insurance companies continued to collect stamp duty at the rate of US\$0.01 for every dollar worth of premiums instead of US\$0.05. As a result, these companies incurred a tax liability of over US\$45 million over the period 2009 to July 2015, when the anomaly was corrected.
265. Although Government does not condone non-compliance, retrospective application of the Stamp Duty will render most insurance firms insolvent, since the industry is already experiencing liquidity challenges due to non-payment of premiums by clients, thus, posing a systemic risk within the sector.
266. I, therefore, propose to reduce Stamp duty on policies of insurance in retrospect to US\$0.01, with effect from 1 February 2009 to 30 July 2015.
267. As a quid pro quo, insurance companies have pledged to subscribe to bonds amounting to US\$30 million in support of infrastructure development.

EFFICIENCY IN TAX ADMINISTRATION

Transit Fraud

268. Mr. Speaker Sir, transit fraud which involves the evasion of customs duty and taxes or avoidance of existing import restrictions or prohibitions through the abuse of the transit procedures under which goods passing through the country, has become rampant.
269. Transit fraud is mainly perpetrated by a syndicate of transporters and officials operating at ports of entry.
270. Under schemes of transit fraud, goods which include cooking oil, fuel, clothing and fresh produce, among others, purported to be in transit for destinations outside the country, end up being offloaded onto the local market.
271. In order to mitigate the adverse effects of transit fraud, Government announced the intention to implement an electronic cargo tracking system that uses electronic seals and transmitters to monitor transit cargo.
272. Government, in collaboration with the African Development Bank will implement the first phase of the electronic cargo tracking system during the first half of 2016.

Clearance of Goods Transported by Hired Carriers

273. Mr. Speaker Sir, there has been an increase in informal transport carriers mainly at Beitbridge Border Post, transporting and clearing imported goods on behalf of cross border traders.
274. These transporters unlawfully clear commercial consignments duty free through remission or rebate of duty facilities, in collaboration with local residents or other travellers.
275. This has grossly undermined growth of the local industry, health and safety standards, revenue to the fiscus as well as crowding out bona fide transporters.
276. I, therefore, propose that consignments transported on behalf of third parties be cleared under commercial importations as opposed to private importations, with effect from 1 January 2016.

Travellers' Rebate

277. The Travellers' rebate is a duty free allowance granted on goods imported into the country by a traveller once per calendar month.
278. The rebate is granted, provided that goods are properly declared, not for resale or of a commercial nature and the value of goods does not exceed US\$300. Notwithstanding the noble intention behind the travellers' rebate to grant relief on travellers' personal effects, it is, however, being abused by informal traders to import commercial consignments duty free.
279. I, therefore, propose to review downwards the duty free allowance to US\$200 per calendar month, in order to complement efforts to resuscitate local industry, with effect from 1 January 2016.

Efficiency at Beitbridge Border Post

280. Mr. Speaker Sir, the Beitbridge Border Post is one of the busiest inland ports in Sub-Saharan Africa, which links the Northern and Southern Corridors.
281. The Border Post, however, lacks capacity in both soft and hard infrastructure that includes information technology and inspection bays, among others, to deal with high volumes of traffic.
282. Bona fide travellers are, thus, experiencing serious inconveniences taking an average of 6 to 18 hours to complete immigration and customs formalities. It also takes about 3 days for commercial traffic to be cleared.
283. Whereas the Border Post should facilitate trade, the delays in clearance of cargo and travellers have, however, resulted in increased cost of doing business and ultimately the cost of goods and services.
284. Furthermore, this has created opportunities for rent seeking activities, whereby travellers end up paying bribes in order to speed up clearance procedures or avoid paying duty.
285. Whilst Government is in the process of upgrading Beitbridge Border Post to international standards, it is necessary to put in place interim measures to alleviate the current challenges and also take advantage of the strategic position of the Border Post.
286. In this regard, Treasury will identify a company to install a Closed Circuit Television System that will be used to monitor adherence to border procedures by ZIMRA and other agencies.

287. The company will report to the Chairperson of the ZIMRA Board and the Minister.
288. Furthermore, Government will engage an independent Border Post expert to reorganise Beitbridge Border Post. The Expert will work in collaboration with ZIMRA customs officials and report to the Chairperson of the ZIMRA Board.
289. This measure will be implemented during the first quarter of 2016.

MEASURES IN SUPPORT OF THE PRODUCTIVE SECTORS

Agricultural Implements Manufacturers

290. Traders are taking advantage of the lower duty on spare parts to import ploughs in kit form. The kits include a plough beam, which constitutes a major component of the plough.
291. In order to level the playing field between locally produced and imported finished products, I propose to introduce a specific duty of US\$5 per kg on plough beam, with effect from 1 January 2016.

Suspension of Duty on Wheat Flour

292. Government increased customs duty on wheat flour from 5% to 20% and also ring-fenced 5,000 metric tons per month of wheat flour imported by approved bakers for blending purposes at a lower rate of duty of 5% with effect from 1 August 2012.
293. Consequently, capacity utilisation of the milling industry has increased and imports of wheat flour have also declined.

294. Notwithstanding the improved wheat flour production, there is, however, need to import flour for blending purposes, in order to enhance the quality of bread as well as maintain the price of bread at competitive levels.
295. I, therefore, propose to extend the facility for a further period of twelve months and reduce the wheat flour quota from 5,000 to 4,000 metric tonnes per month, in line with the utilisation capacity of approved importers, with effect from 1 January 2016.
296. In order to improve local milling capacity, the facility will cease to apply after 31 December 2016.

CONCLUSION

297. Mr Speaker Sir, recent developments have shown that our concerted and focused attention in addressing impediments to the country's development, are yielding positive results, fostering confidence in our people, investors and global stakeholders.
298. The progress made, thus far, with the ease of doing business reforms, Staff Monitored Programme and strengthening fiscal management, among others, has contributed to improvement in our international rankings and enhanced prospects for debt and arrears clearance.
299. This country has enormous potential, a rich diversified resources sector, good weather, nice, warm, friendly and hospitable people with high literacy rate. Vast opportunities abound but as Thomas A. Edison once said "*most people miss opportunities because opportunities are dressed in overalls and look like work*".
300. Let me also conclude by quoting from Leonard Sweet that "**the future is not something we enter. The future is something we create**".

301. Mr Speaker Sir, I commend the 2016 National Budget to the House, and I lay the Estimates of Expenditure on the Table.

I thank you for your kind attention

Hon. P. A. Chinamasa

Minister of Finance and Economic Development

26 November 2015