



ZIMBABWE

THE 2012 MID-YEAR FISCAL POLICY REVIEW

“From Crisis to Austerity: Getting Back to Basics”

Presented to the Parliament of Zimbabwe

By

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Development and Empowerment

- 1) *All State and institutions and agencies of Government at every level must endeavour to facilitate rapid and equitable development, and in particular must take measures to:*
 - a. *Promote private initiative and self-reliance;*
 - b. *Foster agricultural, commercial, industrial, technological and scientific development;*
 - c. *Foster the development of industrial and commercial enterprises in order to empower citizens of Zimbabwe;*
 - d. *Bring about balanced development of the different areas of Zimbabwe, in particular a proper balance in the development of rural and urban areas; and*
 - e. *Rectify imbalances resulting from past practices and policies.*
- 2) *Measures referred to in this section must involve the people in the formulation and implementation of development plans and programmes that affect them.*
- 3) *Measures referred to in this section must protect and enhance the right of the people, particularly women, to equal opportunities in development.*
- 4) *The State must ensure that local communities benefit from the resources in their areas.*

Article 2.6 of the COPAC Draft Constitution

INTRODUCTION

1. Mr Speaker Sir, Section 103 of the Constitution of Zimbabwe read together with Section 7 of the Public Finance Management Act [Chapter 22:19], obliges the Minister responsible for Finance to provide full and transparent accounts before Parliament indicating the current and projected state of the economy, the public resources of Zimbabwe and the fiscal policy of the Government.
2. Consistent with this, I humbly present the 2012 Mid-Year Fiscal Policy Review, which seeks to update Parliament and the Nation on the fiscal and economic developments during the first half of the year and the outlook to December 2012, together with the necessary interventions.
3. Mr Speaker Sir, let me once again start by acknowledging the support I continue to receive from this August House. In particular, I have benefited from the observations and critique from the Budget, Finance and Investment Portfolio Committee as well as other Portfolio Committees.
4. This support, coupled with that of all other economic agencies, inclusive of the private sector, labour and civic organisations,

enhances accountability of public resources as well as efficient and effective implementation of Government programmes.

5. In addition, Mr Speaker Sir, I am grateful for the guidance and support I am getting from the Principals of the Inclusive Government – His Excellency, The President, the Honourable Vice Presidents, the Right Honourable Prime Minister and the Honourable Deputy Prime Ministers.
6. Their vision has facilitated implementation of a number of critical policy measures in our endeavour for economic recovery and development.
7. Allow me also to acknowledge the valuable input I continue to receive from my colleagues – the Honourable Ministers.
8. In addition, I would also like to take this opportunity to express my deep appreciation to all Zimbabweans and Cooperating Partners for their relentless efforts, endeavour and commitment to see a prosperous Zimbabwe.
9. These efforts can only be rewarded through entrenching and deepening the principles of a democratic economy underpinned by stability and the promotion of inclusive growth and development.

10. Mr Speaker Sir, let me also from the outset, point out that the first half of 2012, is a sad balance sheet of unmet targets and policy slippages that has left the economy in an unacceptable state of underperformance.
11. In short, Mr Speaker Sir, both endogenous and exogenous factors have led us to a winter of despair, characterised by low business and investor confidence, some disequilibrium in the economy, little growth in employment, declining social indicators and generally a lackadaisical business-as-usual-mentality.
12. All these factors threaten to reverse the nascent shoots of progress made during the last three years.
13. In response, Cabinet convened an urgent Special Session on the 14th of June 2012, wherein fruitful discussions were made on the state of the economy, our omissions and commissions. Accordingly, Cabinet agreed on a number of measures necessary to redirect the economy onto a more sustainable and rapid growth trajectory.
14. This Mid-Year Fiscal Policy Review, therefore, outlines some urgent measures and actions, which will guide the economy during the last half of the year.

15. To move forward, we cannot afford to tolerate failure, wallow in an orgy of self-pity nor be apologetic for failure. Neither can we allow ourselves to be diverted by a small clique of misguided and retrogressive individuals in our midst, who thrive on chaos and perceive development, democracy, growth, harmony, trust and stability as an anathema.
16. Mr Speaker Sir, in order to contextualise the challenges and my proposals during the last half of the year, allow me to recall and give an overview of the main thrust of the 2012 National Budget, which I presented to this August House on 24 November 2011.

THE 2012 BUDGET OVERVIEW

17. Mr Speaker Sir, the key imperators in the first two years of the Inclusive Government were macro-economic stability, creating fiscal discipline, restoring financial intermediation and creating a legacy of predictable and consistent policy frameworks.
18. These objectives were essentially achieved through the medium of the Short Term Emergency Recovery Programme (STERP) I and II.
19. Thereafter, in 2011, we wanted to move beyond stabilisation to the creation of a sustainable economy underpinned by

inclusive growth as articulated in the Medium Term Plan (MTP) that was adopted by this Government on the 7th of July 2011.

20. Pursuant to this, the 2012 National Budget was crafted with the objective of democratising the economy through strengthening and sustaining macro-economic stability, leveraging the country's potential in order to attain efficient, inclusive and pro-poor growth, capable of generating jobs and uplifting the standards of living of our people.
21. The above objectives were anchored under the Budget's theme of ***Sustaining Efficient and Inclusive Growth with Jobs.***
22. Accordingly, a Budget of US\$4 billion was unveiled together with a number of measures and facilities targeted at leveraging the capacity of our productive sectors.
23. Therefore, the 2012 National Budget had the following main objectives:
 - Consolidating macro-economic stability;
 - Promoting inclusive growth with jobs;
 - Capital formation through both domestic and external investment;

- Promoting the stability and role of the financial sector; and
- Increasing investment in the social sectors of health and education.

24. Consistent with the above objectives, the following macro-economic targets and projections were made:

The 2012 National Budget Targets

Indicator	Target
GDP Growth	9.4%
Inflation	5%
Revenues	US\$4.0 billion
o/w <i>Diamond</i>	US\$600 million
Expenditures	US\$4.0 billion
o/w <i>Current</i>	US\$3.2 billion
<i>Capital</i>	US\$800 million
Broad Money	US\$4.2 billion
Domestic Credit (% of Deposits)	Up to 80%
Exports	US\$5.1 billion
Imports	US\$8.3 billion
Current Account Balance	US\$3.1 billion

25. In addition, the following industrial revival facilities were unveiled:

Budget and Private Sector Facilities

Facility	Amount (US\$ m)
ZETREF	70
DiMAF	40
IDBZ SMEs Facility	30
Agriculture Facility	75
Youth Development Fund	4.5
National Indigenisation and Economic Fund	6
Wealth Creation Fund (Jobs Fund)	20
Students Grand and Loan Facility	30
Agribank - IDC South Africa	30
SMEs Facility	15
Total	320.5

26. The assumptions underpinning the above 2012 Macro-Economic and Budget Framework were:

- i. A normal rain season;
- ii. Guaranteed supply of minimum power and water for irrigation, necessary to support agriculture, mining and manufacturing;
- iii. Continued firming of international commodity prices for major exports such as tobacco, gold and platinum;
- iv. Uninterrupted sales of diamonds and the transparent accounting of diamond revenues;
- v. Decent levels of foreign direct investment, on the back of clarity around the policy of Indigenisation and Economic Empowerment;
- vi. Less discord and greater political harmony and stability in the Inclusive Government;
- vii. Greater economic and political integration;
- viii. Maintaining Public Service manning levels consistent with the resource envelope; and
- ix. Financial sector stability.

STATE OF THE ECONOMY AND PROPOSED INTERVENTIONS

GDP Growth Slowdown

27. Regrettably, Mr Speaker Sir, the buoyant expectations and ambitious targets of the 2012 Budget have been systematically devalued by a number of downside risks, which include the following:
- i. A poor rain season;
 - ii. Policy inconsistencies and uncertainties undermining investor confidence;
 - iii. Lack of capital and the absence of alternative financing instruments;
 - iv. Revenue underperformance against a high and unsustainable wage bill, crowding out social and infrastructure spending;
 - v. Limited implementation and monitoring capacity;
 - vi. Slow pace of reforms;
 - vii. Corruption; and
 - viii. Volatile and fragile global financial environment.
28. The impact of the above downside risk factors over the 2012 Budget assumptions is potentially drawing back the recovery

agenda, as indicated by the depressing economic outturn during the first half of 2012.

29. Contrary to our 2012 GDP growth projections of 9.4%, indications are that the economy will shed almost 4 percentage points to grow by only 5.6%, which also falls short of the MTP annual average target of 7.1%.
30. The slowdown in GDP growth is a reflection of the underperformance of some key sectors such as agriculture and tourism.

The 2012 Revised Sector Growth Rates

Sector	2009	2010	2011	2012 Org Prj	2012 Rev Prj
Agriculture	21%	33.9%	7.4%	11.6%	-5.8%
Mining	33.3%	47%	25.8%	15.9%	16.7%
Manufacturing	10.0%	2.7%	3.5%	6.0%	6.0%
Electricity & Water	1.9%	1.5%	12.4%	4.9%	4.5%
Construction	2.1%	1.5%	1.0%	1.5%	1.5%
Finance & Insurance	4.5%	0.5%	24.0%	23.0%	23%
Real Estate	2.0%	0.9%	1.0%	1.5%	1.5%
Distribution, Hotels & restaurants	6.5%	0.5%	10.3%	13.7%	10.4%
Transport & Communication	2.2%	0.1%	5.5%	6.0%	6.0%
GDP at Market Prices	5.4%	8.1%	9.3%	9.4%	5.6%

31. As a result of the growth slowdown, Mr Speaker Sir, we have had to revise our Macro-economic and Budget Framework for 2012, as indicated below:

The 2012 Revised Macro-economic Framework

	2009	2010	2011 Est.	2012 Initial Proj	2012 Revised Prj
Nominal GDP (US\$ Billion)	6.133	7.433	9.433	11.914	11.427
Real GDP Growth (%)	5.4%	9.6%	9.4%	9.4%	5.6%
Inflation Average (%)	-7.7%	-3.1%	3.5%	5%	5.0%
Central Government					
Revenues (US\$ Billion)	0.973	2.339	2.921	4.000	3.640
Expenditures (US\$ Billion)	0.850	2.107	2.895	4.000	3.640
External Sector					
Exports (US\$ Billion)	1.613	3.317	4.496	5.167	5.090
Imports (US\$ Billion)	3.213	5.162	7.562	6.800	8.215
Monetary					
Deposits (US\$ Billion)	1.381	2.328	3.100	4.279	3.877
Domestic Credit (US\$ Billion)	0.723	1.695	2.755	3.940	3.538

Source: MOF, MOEPIP and RBZ

32. As indicated above, most tragic is the revision of our projected Budget from US\$4 billion to US\$3.640 billion, in an environment where expectations and resource demands are high.
33. Therefore, based on the above Revised Framework, it is evident that the business as usual approach will not hold and, hence, decisions adopted by Cabinet on 14 June 2012 during the Special Session have to be consolidated, implemented and complemented in this Mid-Year Fiscal Policy Review.
34. Dealing with the above challenges, will require that we act decisively, with unity of purpose and shared Vision that is underpinned by an unquestionable value system of commitment, dedication, transparency, democracy and living within means.

35. The choices we have are, therefore, simple - **We Act and Serve Ourselves, Or Do Nothing and Drown.**

The 2012 Mid-Year Fiscal Policy Review Thrust

36. Given the above narrated challenges, this Review Statement focuses on the following issues:
- i. Supporting production and enhancing competitiveness in our main sectors of agriculture, mining, manufacturing and tourism, among others;
 - ii. Promoting savings and investment, including foreign direct investment;
 - iii. Mobilising additional revenues;
 - iv. Expenditure management and re-focusing them towards strategic areas;
 - v. Pursuing a number of legislative and administrative reforms in the areas of procurement, public enterprises and public finances;
 - vi. Addressing financial sector vulnerabilities;
 - vii. Implementation of the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDs) and the Zimbabwe Accelerated Re-engagement

Economic Programme (ZAREP) to resolve the debt issue;
and

viii. Managing the current account balance.

37. In simple terms, the thrust of this Mid-Year Fiscal Policy Review is anchored on **turning the long winter of despair into the summer of growth.**

38. This will be guided by our principle of ***eating what we are killing and living within our means***, which will clearly require reinforcement and guidance by our Principals.

39. There is no winner in a losing team. Therefore, standing together will be imperative.

AGRICULTURE

40. Mr Speaker Sir, I have already referred to the underperformance of agriculture as the main source of GDP slippages in 2012.

41. Latest information from the Second Round Crop Assessment and Livestock Report indicates that agriculture shed 13.2% and is, therefore, now projected to decline to -5.8%.

42. Crops which lost output were maize, tobacco, wheat, sorghum, soya beans and ground nuts. The downward revision is

mainly attributed to the poor agricultural season which was characterised by late onset and erratic rainfall, and long dry spells from the end of December 2011 to mid February 2012.

43. The Table below summaries the performance of various crops for the period 2011 – 2012.

Revised Agriculture Projections For 2012 (000 Tons)

	2011	Initial projection 2012	Revised projection 2012	2012 Growth
Tobacco	133	150.0	130.0	-0.6%
Maize	1452	1,350.0	968.0	-4.7%
Wheat	53	53	17	-2.5%
Beef	94	92.0	94.0	0.0%
Cotton	250	286.0	255.0	0.3%
Sugarcane	3264.6	4476.9	4476.9	2.5%
Horticulture	45	51.0	51.0	0.9%
Poultry	65	70.5	70.5	0.4%
Groundnuts	231	240.0	120.0	-1.5%
Dairy (m lt)	63	68.1	64.5	0.1%
Coffee	2.7	2.0	1.9	-0.6%
Soya beans	84	100.0	70.5	-0.3%
Tea	25	15.0	24.5	0.0%
Paprika	4.0	4.0	4.0	0.2%
Pork	13.0	16.0	13.8	0.0%
Wildlife	47.0	48.0	48.0	0.0%
Sorghum	95.0	140.0	64.8	-0.2%
Barley	44.0	44.0	44.0	0.0%
Sheep & goats	4.0	2.0	6.3	0.2%
Sunflower	12.0	15.0	15.0	0.1%
Ostriches	17.0	17.0	17.0	0.0%
Overall growth	11.2	7.4		-5.8%

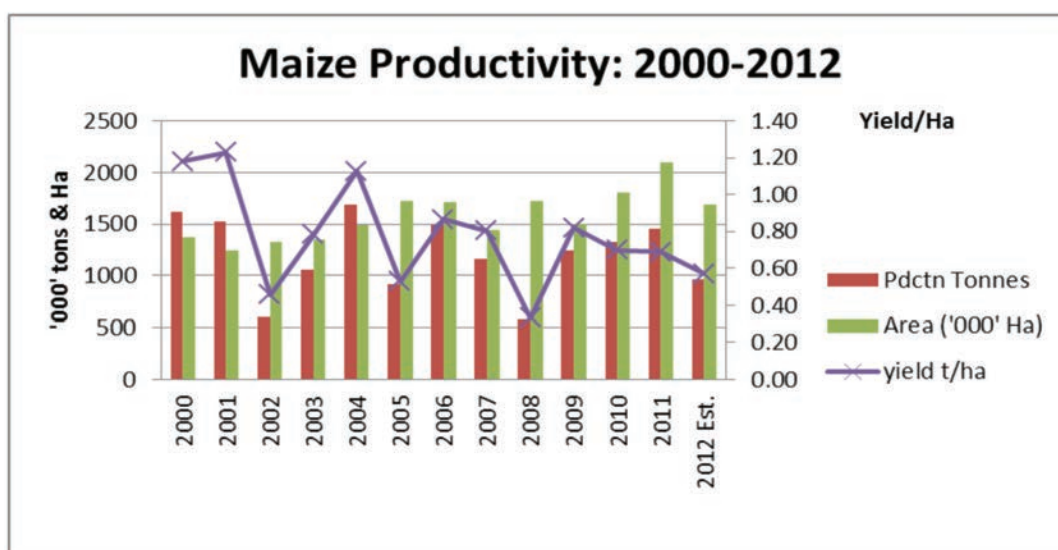
Source: Ministry of Agriculture, ZIMSTATs, TIMB

Productivity

44. As I have alluded in my previous Budgets, agriculture productivity remains a challenge affecting the viability of our farmers, particularly those engaged in the production of maize and wheat.

Maize

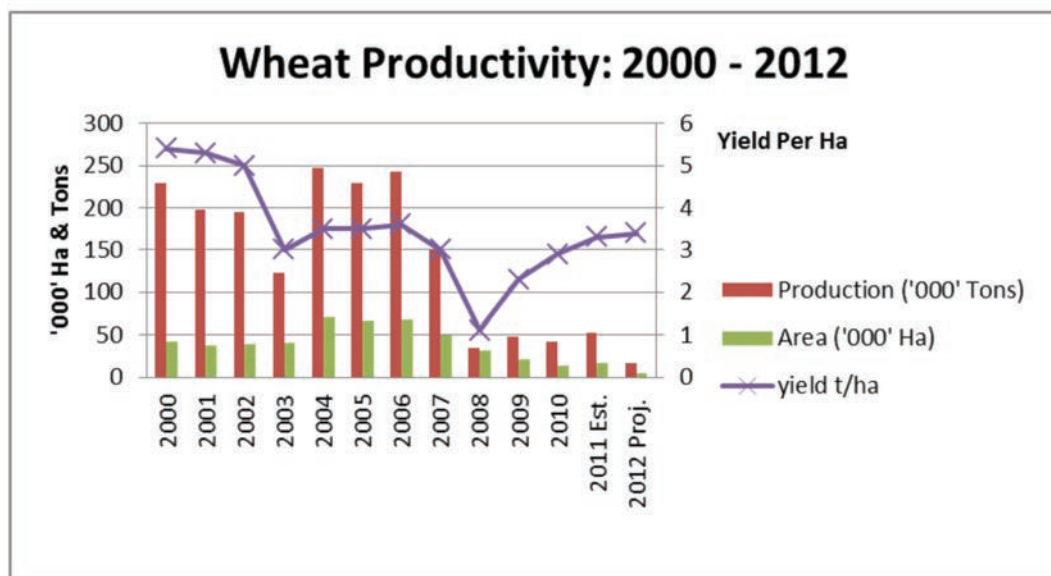
45. Currently, our maize productivity averages 0.6 tons per ha against a world average of above 4.2 tons per ha and high regional performers such as South Africa of 4.0 tons per ha.
46. Moreso, Zimbabwe is also falling behind the yields of countries such as Zambia and Malawi, whose maize productivity levels are at 1.5 - 2 tons per ha and 1 - 1.5 tons per ha, respectively.



Source: Ministry of Agriculture, Mechanisation & Irrigation Development

Wheat

47. With regards to wheat, local productivity is further declining, with a substantial number of wheat farmers switching to other crops, as reflected by about 8 000 ha planted in 2012 from 15 982 ha in 2011.
48. This translates into productivity levels of 3.4 tons per ha compared to the highest of 5.7 tons per ha achieved in 1993.



Source: Ministry of Agriculture, Mechanisation & Irrigation Development

49. In order to overcome these undesirable low yields, there is need for a sustained gradual shift to farming methods which promote productivity through mechanisation, timeous input supply, irrigation development and provision of adequate extension services.

Strategic Grain Reserve

50. At the beginning of 2011/12 marketing season, the GMB had a carryover balance of 306 075 tons in the Strategic Reserve from previous seasons.
51. During the 2011/2012 marketing season, grain deliveries (maize, wheat and small grains) to the GMB for the Strategic Grain Reserve amounted to 223 303 tons and was valued at US\$66.3 million.
52. Of the total value of the grain delivered in 2011/12, US\$61.9 million was paid by Government leaving a balance of US\$4.4 million.

Grain Deliveries: 2011/12

	Deliveries			Payments	Outstanding Payments
	Tons	Price/ Ton	Value (US\$)	Value (US\$)	Value (US\$)
Maize	208 527.5	285	59 430 340	56 095 600	3 334 740
Wheat	14 673.9	466	6 838 042	5 800 000	1 038 042
Small Grains	101.3	285	28 872	28 872	-
Total	223 302.7		66 297 255	61 924 472	4 372 783

Source: Grain Marketing Board

New Deliveries: 2012/13

53. Grain deliveries as at June 30, 2012 under the 2012/13 season amounted to 5 966.52 tons, comprising 5 926.0 tons of maize, 3.79 tons of wheat and 36.73 tons of small grains.

54. The total value of grain delivered amounted to US\$1 760 771, of which maize accounted for US\$1 748 170, wheat (US\$1 766) and small grains (US\$10 835).
55. Payments made amount to US\$800 000 for 2 711.9 tons as illustrated in the Table below.

	Deliveries			Payments	Outstanding Payments
	Tons	Rate/ton	Value (US\$)	Value (US\$)	Value (US\$)
Maize	5 926.0	295	1 748 170	800 000	948 170.0
Wheat	3.79	466	1 766	0	1 766
Small Grains	36.73	295	10 835.35	0	10 835.35
Total	5 966.52		1 760 771.02	800 000	960 771.02

56. Grain currently held by GMB under the Strategic Grain Reserve amounts to 298 032 tons of maize, wheat and small grains.

Strategic Grain Reserve Position

	Tons
Maize	226 153
Wheat	55 243
Small Grains	16 637
Total	36 033

Source: GMB

SADC Food Situation

57. Favourable food security conditions exist across the SADC region, with combined exportable grain surpluses of 407 000 tons. These conditions are expected to prevail through the Outlook period and beyond, especially in areas that had a favourable agricultural production season.

58. This has stabilised staple food supplies resulting in significant price reductions.

SADC Maize Demand/Surplus Projections: 2012/13 Compared to 2011/12 (“000” Tons)

	2012/13	2011/12	% Change
Opening Stock	2 792	3 818	-27
Gross Production	26 228	27 082	-3
Availability	29 020	30 900	-6
Gross Requirements	26 636	26 289	1
Desired stock requirements	1 976	1 749	13
Demand	28 613	28 039	2
Deficit/surplus *	407	2 861	-86
Deficit/Surplus **	2 383	4 611	-48

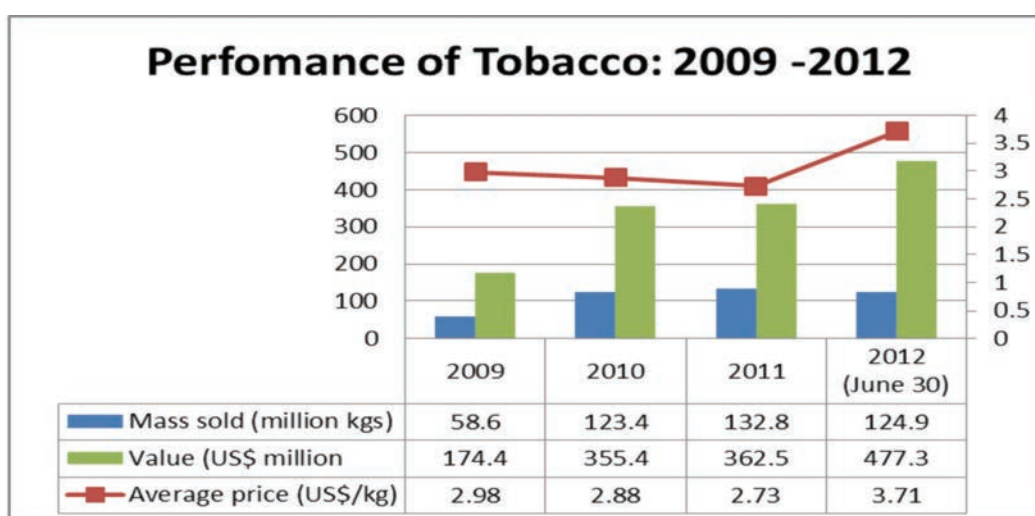
Source: SADC National Early Warning Units & Central Statistics Office

*Deficit/surplus * denotes Deficit/surplus with stock replenishment = available exportable surplus*

*Deficit/surplus ** denotes Deficit/surplus without stock replenishment*

Tobacco Marketing

59. For the 2011/12 tobacco selling season, TIMB licenced four auction floors namely Boka, Tobacco Sales Floors, Zimbabwe Leaf Tobacco and Millenium Auction Floors together with 18 buyers.
60. As at 30 June 2012, a total of 128.6 million kgs were sold at an average price of US\$3.71 per kg, giving a total of US\$477.3 million. This was an improvement from 120.7 million kgs sold at an average price of US\$2.74 per kg during the same period last year.



Source: TIMB

61. Prices for flue cured tobacco at the auction floors were generally higher compared to the previous period due to adverse weather conditions experienced in Brazil and the USA, which reduced the 2012 global output of the golden leaf by about 200 million kgs.
62. The major export destinations were China, UK, South Africa, Indonesia, UAE, Mauritius and Russia among others.
63. Government together with TIMB are exploring alternatives for decentralising the marketing of tobacco to provinces and districts following concerns related to high transportation costs and congestion at the current auction floors.

Cotton Marketing

64. This year's marketing of cotton has met challenges on pricing, resulting in delays in the marketing of the crop. Cotton farmers

were being offered about 33c per kg against last year's average price ranging between 80c to US\$1 per kg.

65. This drastic reduction in cotton price was mainly a result of reduced demand from traditional high consumers such as China. This potentially threatens the viability of both cotton farmers and contractors as they will not be able to break even, hence, requires Government intervention.

Livestock

Beef & Dairy

66. Beef and dairy cattle production has declined over the years with productivity and off take being low. The current drought has affected the production of stock feeds and will adversely affect the production of livestock in the country.
67. Mitigation strategies include supplementary feeding and relocations of cattle from drought stricken areas to areas with enough pastures for grazing.
68. With regards to dairy, production of milk, which was initially projected at 68.1 million litres, has been revised downwards to 64.5 million litres, mainly due to exorbitant cost of stock feeds and depleted dairy head.

Outlook

69. The decline in agriculture output during the 2011/12 season will have to be reversed in order to meet our objectives on food security and sustaining of agro-processing industries.
70. Therefore, preparations for the 2012/13 agricultural season will focus on timeous supply of inputs, financing, enhancing productivity and clarity on marketing arrangements.
71. Furthermore, resolving outstanding issues on the land tenure will be important to facilitate financing of agriculture and its recovery to a projected growth of 13.7% in 2013.

Way Forward

Financing

72. In preparation of the coming summer season and beyond, the Farming Community, with the support of Government, the banking sector, promoters of contract farming and cooperating development partners will have to work extra hard and be more focussed in mobilising all available resources, to ensure restoration of the sector's pivotal role.

73. This will also be within the context of implementing the Comprehensive Agriculture Policy (2012-2032), which estimates annual financial requirements in excess of US\$2.4 billion.
74. However, given the underperformance of the Budget during the first half of the year and the anticipated lower revenues during the last half of the year, a larger role of other parties – the farmers themselves, the banking sector and development partners will be required.
75. Government on its part, will commit to the following:
- i. Payment of outstanding arrears to farmers for grain deliveries;
 - ii. Enforce recoveries from inputs beneficiaries to facilitate payment of outstanding arrears to input suppliers under Government facilities;
 - iii. Mobilise funding, in conjunction with cooperating partners, to support vulnerable farmers for the coming season;
 - iv. Avail the budgeted funding for livestock development; and
 - v. Speedily work with the banking sector and other private sector players to put in place various market based instruments and schemes to meet the balance of the total required resources.

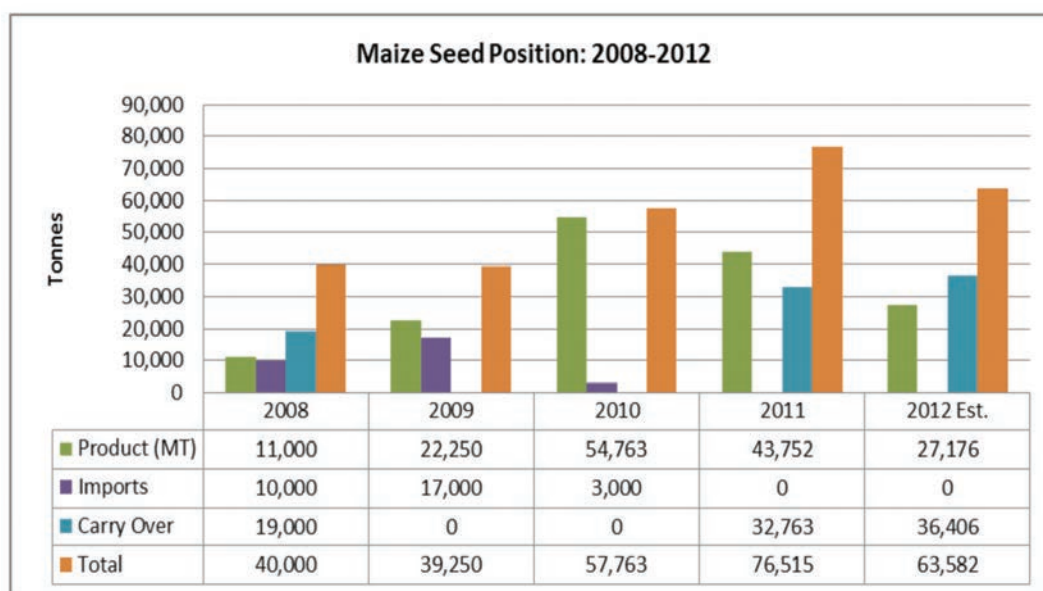
Leases and Surveying

- 76. Issuance of bankable leases has previously been emphasised in order to give value to land, that way facilitating the participation of private players in the much needed financing for agriculture.
- 77. The Attorney General's Office has already completed work on a securitised Lease which addresses concerns from the banking sector.
- 78. However, issuance of these Leases is being hindered by delays on surveying and the Land Audit exercise.
- 79. In recognition of the importance of the above exercise, the 2012 Budget made an allocation of US\$2 million towards speeding up the undertaking of Surveys of A2 farm Subdivisions. This allocation will be prioritised for financing during the remainder of the year.
- 80. This will, however, require to be complemented by contributions from individual farmers themselves and the involvement of private surveyors as well as use of modern technology such as Topographical Surveys using Real Time Kinetic Technology.

Access to Inputs

Maize Seed

81. The country has adequate stocks of seed in preparation for the 2012/13 agriculture season. About 63 582 tons of seed are available for the 2012/2013 season against total requirements of about 35 780 tons.
82. The current stocks comprise of 36 406 tons carried over from the previous season and this year's production of 27 176 tons. The graphs below indicate the production and sales trend of seed on the local market.



Source: Zimbabwe Seed Traders Association

Fertiliser

83. In terms of fertilizer supply, total requirements for the upcoming season comprise of 370 000 tons of both compounds and top dressing.

Fertiliser Requirements

	2009/10	2010/11	2011/12	2012/13 Est.
Compound D	128 000	178 000	175 000	227 000
Top Dressing	72000	137 000	140 000	143 000
Total	200 000	315 000	315 000	370 000

Source: Chemplex Corporation Limited

84. Fertilizer companies have indicated capacity to supply 350 000 tons of fertilizer comprising of 29 000 tons current stocks, estimated production of 250 050 tons and imports of 70 950 tons.

Fertiliser Supply

	2009/10	2010/11	2011/12	2012/13 Est.
Compound D	164 800	180 000	175 000	227 000
<i>Stock and estimated Production</i>	140 080	153 000	148 750	192 950
<i>Imports</i>	24 720	27 000	26 250	34 050
Top Dressing	149 760	140 000	125 000	123 000
<i>Stock and estimated Production</i>	115 200	98 000	87 500	86 100
<i>Imports</i>	34 560	42 000	37 500	36 900
Total Supply	314 560	320 000	300 000	350 000

Source: Chemplex Corporation Limited

85. The indicated supply capacity, therefore, leaves a balance of 20 000 tons against the requirements.

Irrigation

86. Irrigation has immense potential to change the rural population's socio-economic status by allowing consistent and efficient production in agriculture, that way guaranteeing food security and generating incomes.
87. The importance of irrigation also draws from the unpredictable variability in the rainfall pattern, which adversely affects agricultural output. Therefore, irrigation under-development in our circumstances can only promote subsistence farming and, hence, poverty.
88. Already, the country has ample evidence of irrigation benefits, where irrigation schemes are thriving and these include, improved agriculture productivity, introduction of crop varieties and nutrition, increased levels of households' food security, improved incomes for funding of other household necessities such as education, health, agricultural inputs and other requirements as well as the development of other related income generating activities.
89. However, a number of irrigation schemes still require rehabilitation, while some have scope for expansion to benefit more families.

90. In addition, producers at some of these schemes face marketing access challenges related to poor road network, unviable prices and the recent late payments by the GMB.
91. Accordingly, the way we prioritise our National Budget expenditures should allow us to devote more resources for allocation towards irrigation development and the related infrastructure and marketing issues.
92. During the remainder of the year and in pursuance of the 2012 Budget objective of supporting the targeted 56 schemes, resources will be ring-fenced as part of the capital budget programme in order to sustain the programme.

Agricultural Commodity Exchange

93. In view of Government's capacity limitations in the purchase of grain, its focus will be limited to strategic grain reserve of about 500 000 tons. This means that all other grain will be marketed commercially through the approved Agricultural Commodity Exchange.
94. Unfortunately, the operationalisation of this Exchange remains outstanding. It will, therefore, be critical that Government speeds up implementation of this important project.

95. In order to facilitate GMB participation in the marketing of grain, issuance of GMB Bonds will be undertaken to raise resources for mopping up some of the grain from farmers.

Drought Preparedness

96. In mitigation of the grain deficit experienced this year, Government unveiled two schemes - the grain loan scheme and support for vulnerable households.
97. A total of 560 000 households are expected to be supported with 308 000 tons under the grain loan scheme, while 250 000 vulnerable households will get about 137 500 tons.
98. This gives a total of 445 500 tons, of which 200 000 tons will be met from the Strategic Grain Reserve and 250 000 tons will be imported by the private players.

LEVERAGING MINING

99. Mining contribution to our economy has almost trebled from 4% between 1999 and 2008 to current levels of close to 11% of GDP.
100. Key minerals, which underpin the sector and their respective projected outputs in 2012 are Gold (15 tons), Platinum (12 tons),

Nickel (8 800 tons), Coal (2 million tons), Chrome (750 000 tons), Palladium (9 600 tons), and Black Granite (170 800 tons).

Main Minerals Output: 2011-2012

Mineral	2011 Actual	First Half 2012	Initial 2012 Budget Projection	2012 Revised Projection	2012 Growth (%).
Gold(kg)	12 993	7100.65	15 000	15 000	15.8
Platinum (kg)	10 827	5 650.9	11 000	12 000	10.8
Palladium (kg)	8 442	4 367.5	8 800	9 600	13.7
Nickel (tons)	7 992	4 243.06	8 300	8 800	10.1
Chrome (tons)	599 079	322 774	620 000	750 000	25.2
Coal (tons)	2 562 054	972 546	3 500 000	2 000 000	-21.9
Diamond (crts)	8 718 570	5 913 762.9	9 000 000	12 000 000	37.6

Source: Min of Mines, Chamber of Mines, Fidelity Printers
* Excluding Diamond output for Anjin for March 2012.

Monthly Production: 2011 – 2012

	2010	2011	Jan	Feb	Mar	Apr	May	June 2012	2012 Total Proj.
Gold/kg	9 620	12993	1 150.8	1 081.8	1 262.3	1224.2	1 190.8	1190.75	15 000
Nickel/t	6 133	7992	720.4	655.6	676.2	772.3	711.4	707.16	8 800
Coal/t	2 668 183	2562054	192 243	169 901	164 398	146 024	143 889	156 091	2 000 000
Asbestos/t	2 030	0	0	0	0	0	0	0	0
Chrome/t	516 776	599079	37 092.0	43 632	37.092.0	117 816	45 233.0	41 909.0	750 000
Platinum/kg	8 639	10827	952.0	866.2	907.5	1 019.5	963.9	941.8	12 000
Paladium/kg	6 916	8442	742.5	670.6	698.8	794.9	732.8	727.9	9 600
Diamonds/ carat	8 435 584	8718570	1 176 413.5	1 017 449.8	933 313.62	915 995.7	884 963.1	985 627.1	12 000 000

Ministry of Mines

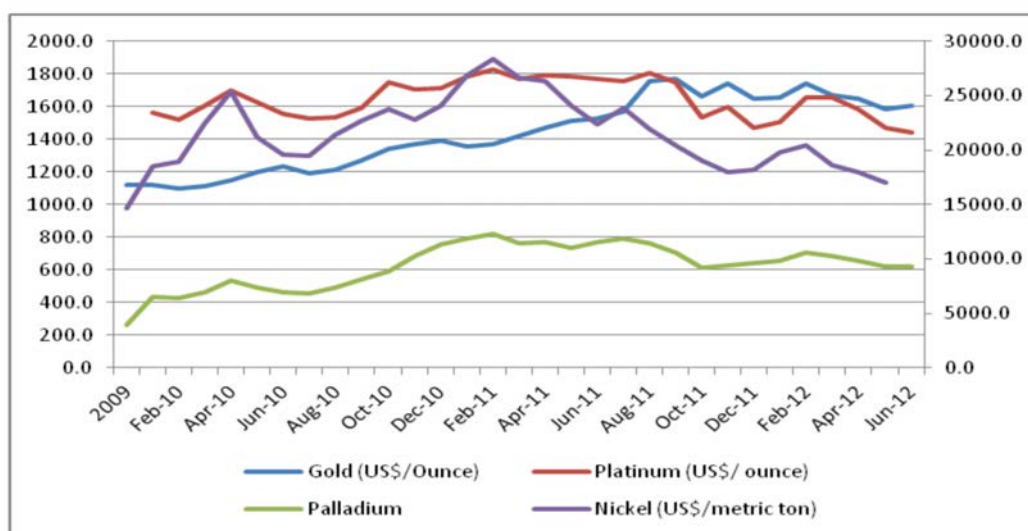
101. The sector also contributes over 50% of total export earnings, 45 000 formal jobs, with informal small scale mining also contributing substantial numbers.

International Mineral Prices

102. Although minerals international prices have been fluctuating since January 2012, there is a general trend of softening, which

could be a result of the slowdown in demand caused by the Euro Zone crisis.

103. Gold prices for example, ended 2011 at around US\$ 1 662 per ounce, before rising to US\$1742.6/ounce in February 2012. During the rest of the period they averaged US\$1 650 per ounce.
104. Similarly, platinum prices were hovering between US\$1 506 – US\$1 655 per ounce during the first quarter, before gradually softening to US\$1 458 and US\$1 443 per ounce by May and June 2012, respectively.



Way Forward

105. Mr Speaker Sir, given the immense endowment of resources in the mining sector, there is potential for generating substantial benefits and revenues to the economy.

106. Deriving such benefits, however, largely depends on applied investment and other support for the sector. Such potential is in respect of minerals such as platinum, gold and other metals.
107. Government has already adopted a number of essential measures in response to the challenges in the sector, and these are:

Mines and Minerals Act Amendment

108. The long overdue amendment of the Mines and Minerals Act continues to obstruct new exploration and the release of Mining Claims being held for speculative purposes.
109. Government, through the Ministry of Mines is committed to conclude the amendments of the Act by the end of the year.

Distressed & Closed Mines

110. The country stands to benefit a lot in terms of employment, incomes, fiscal revenues, among others by resuscitating a number of closed and distressed mines located in various parts of the country. These mines were mainly affected by the decade long crisis of 2000 to 2008 and also the global financial crisis which dampened global demand and in some instances, prices.

111. Examples include Mashava and Zvishavane Asbestos Mines, Bindura Nickel Mine, Kamative Tin Mine, Buchwa Mine, Zimbabwe Alloys and about seven more gold mines under care and maintenance.
112. Resuscitation of such mining companies requires huge investment and complementary support from Government.
113. In the case of Bindura Nickel Mine, Government has accorded the company National Project Status and accordingly extended fiscal incentives, which will allow duty free importation of equipment, thereby facilitating the resumption of operations before the end of year.
114. Similar and other appropriate approaches will also be considered in respect of other closed and distressed mining companies in order to facilitate the resumption of operations, that way ensuring that the country benefits fully from its natural resources.

Minerals Value Addition

115. The 2012 National Budget emphasised the significance of value adding to our mineral resources to enhance benefits to the economy in the form of higher export earnings and employment opportunities.

116. Already, Government has stopped the exports of unprocessed chrome in order to promote its value addition.
117. Accordingly, the targeting of the following minerals for beneficiation and value addition will be time-framed and implemented under a Comprehensive Strategy and Programme:
- Diamonds polishing and cutting;
 - Gold refining;
 - Platinum refining;
 - Ferro-Chrome production;
 - Black Granite cutting and polishing, and
 - Steel making.

Gold Refining

118. With the continued macro-economic stability, firm gold prices and strong investors' interest, there is scope for sustaining gold output within high levels necessary for refining.
119. The minimum annual gold output required to start refining is 10 tons and the country's output since 2010 has been in excess of this threshold and, hence, Fidelity should embark on gold refining and also seek for reaccreditation with the London Bullion Market Association.

Benefits from Refining

120. Gold refining will enable Fidelity to capitalise on the existing infrastructure built over the years and also add value to the gold which is currently being exported in raw form.
121. Refining of gold would, therefore, ensure that local companies involved in value addition, such as jewellers would purchase the gold locally for their operations, as opposed to importation of gold, which, increases significantly the production costs of jewellery and other value added products.
122. Refining will also enable Government to have direct access to gold for the purpose of building national strategic gold reserves.

Financial Requirements

123. However, resumption of gold refining will require mobilisation of certain requisite gold quantities to be viable. Hence, the current fragmented export arrangements of unrefined gold will have to be replaced by coordinated buying and refining arrangements, through adequate funding of Fidelity Printers and Refinery.

124. With the current production at 1 100 kg per month, a facility of US\$50 million is required to start local refining and Government is looking for the requisite resources or potential investors in this area.

Extractive Industry Transparency Initiative

125. The world over, Governments are realising the importance of strengthening of accountability, good governance and transparency in mining taxation in order to fully benefit from their mineral resources.
126. Zimbabwe is also working with other countries in this direction in order to realise the benefits of the Extractive Industry Transparency Initiative.
127. This entails reviewing and accordingly renegotiating some of the agreements with mining companies to address the gap between income accruing to mining houses and that benefiting the State.

Minerals Valuation

128. Securitisation of mineral resources as collateral for unlocking

present investment financing has proved to be a viable option in a number of countries including Angola.

129. However, securitisation has challenges in that it requires contracts to be negotiated based on adequate information, particularly, regarding the value of those mineral resources to be securitised.
130. Government will, therefore, speed up the establishment and operationalisation of an exploration company – the Zimbabwe Exploration Company, which will also undertake the valuation of mineral reserves in the country.

Monitoring Operations of SMEs in the Mining Sector

131. In addition, although there has been increased involvement of SMEs in the mining sector, particularly in gold production, their revenue contribution to the fiscus remains insignificant.
132. SMEs have also benefited from fiscal incentives, which include rebate of customs duty on imported equipment for use in their mining operations.

- 133. Furthermore, Government has noted that some SMEs are not selling their gold through licenced gold buyers thereby evading payment of presumptive tax.
- 134. Therefore, in order to improve transparency and accountability in the SMEs sector, the above monitoring arrangements on minerals production and marketing will also target SMEs in the sector.
- 135. In addition, the issuance of gold permits will be aligned to gold deliveries to Fidelity Printers.

MANUFACTURING

- 136. Increased industrial production remained evident in high performing sectors, with some companies increasing their work shifts to cater for rising demand of their products.
- 137. This is being supported largely through reinvestments of profits, concessionary shareholder loans and issuance of rights issues, among others and has assisted in the refurbishment and replacement of plant, equipment and machinery, in the absence of meaningful external investment inflows.

138. As a result, the manufacturing sector growth is estimated to remain positive at 6% in 2012.
139. The strong growth in the subsectors of drinks, tobacco & beverages, food stuffs, wood & furniture, non-metallic mineral products, metal & metal products, will offset slippages in the sub sectors of paper & printing, clothing and foot wear, textile and ginning.

Capacity Utilisation

140. The overall capacity utilisation for 2012 is projected at over 60% and this as indicated by the volume of manufacturing indices below:

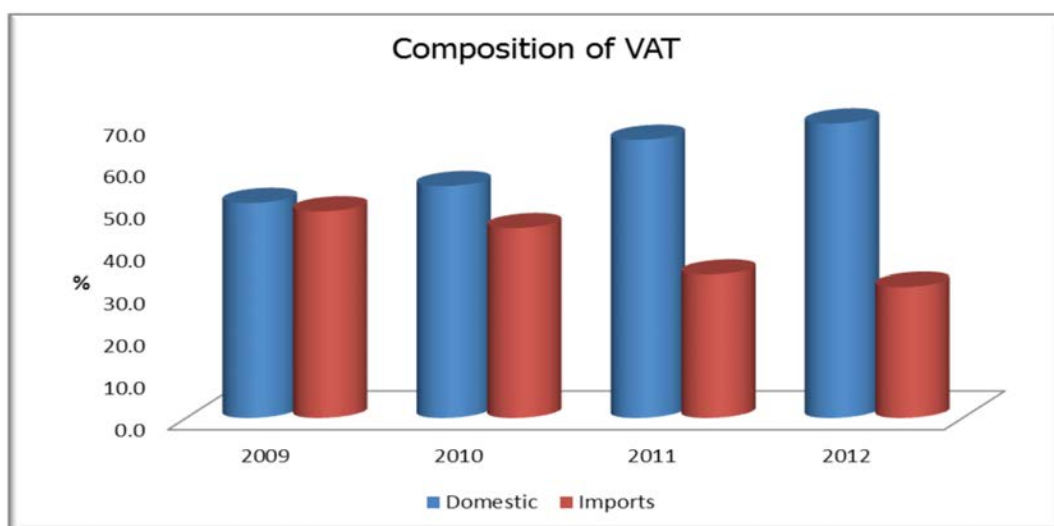
Volume Of Manufacturing Indices

	2009	2010	2011	2012 Prj
Food Stuffs	38.9	43.2	48.6	53.8
Drinks, Tobacco and Beverages	53.7	69.1	72.3	73.2
Textiles and Ginning	12.4	19.9	26.7	26.5
Clothing and Footwear	18.2	15.6	9.7	9.9
Wood and Furniture	85.2	85.3	89.5	96.2
Paper, Printing and Publishing	17.3	16.3	18.6	18.6
Chemical and Petroleum Products	23.2	25.7	32.6	34.8
Non-metallic Mineral Products	71.4	76.7	69.4	86.8
Metals and Metal Products	31.9	41.2	64.2	72.3
Transport Equipment	41.3	35.2	32.5	37.7
Other Manufactured Goods	31.4	44.8	57.7	69.2

Source:ZimStat, MOF

Value Added Tax on Domestic Products (VAT)

141. The increase in the VAT on domestic production is an indicator of improvement in domestic capacity utilisation. Since 2009, VAT collected on domestic products has been on a gradual increase from 50.1% in 2009 to 69.8% in the first half of 2012.



Productivity and Competitiveness

142. According to the Census of Industrial Production, during the period 1981 to 1995, Total Factor Productivity (TFP) change in the manufacturing sector ranged between 0 - 16.5% per annum. The improvement of TFP was driven by good agricultural seasons, macro-economic stability, and market reforms including liberalisation, and investment inflows.

143. The Table below shows TFP for different sectors.

Total Factor Productivity Change 1981-1995

Sector	TFP
Confectionary	3.3
Alcoholic Beverages	-4.7
Soft Drinks	2.9
Tobacco	16.5
Textiles	7.9
Footwear	-3.6
Furniture	12
Chemicals	8.4
Non Metallic	15.6

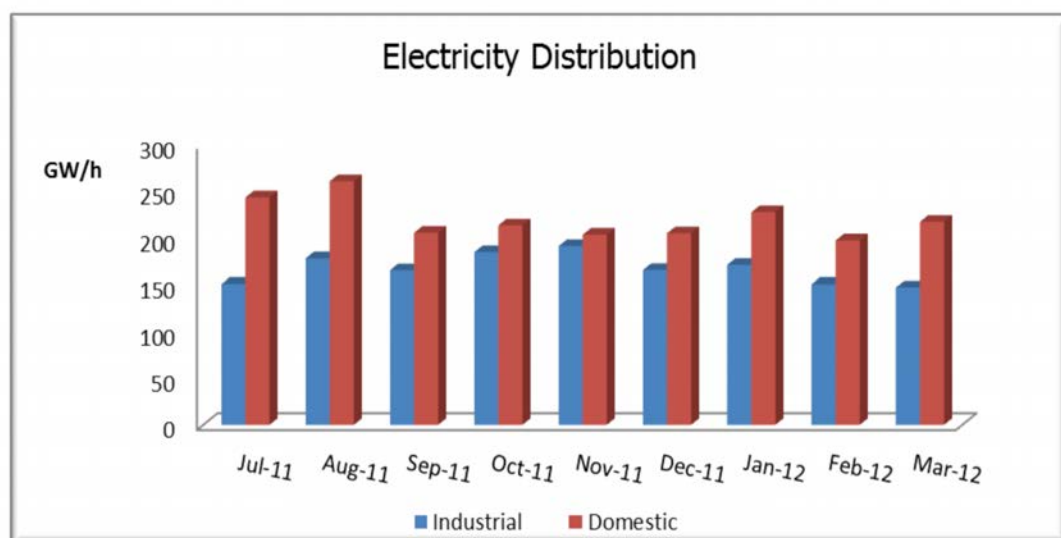
144. However, since 2000, productivity in the manufacturing sector has been undermined by lack of new investments, macro-economic instability, leaving companies to operate with old and obsolete equipment, some of which was commissioned as far back as 1950s. Such a situation could only promote un-competitiveness on both the domestic and export markets.
145. With the liberalisation and dollarisation of the economy since 2009, growing capacity utilisation has been riding on the quantum of production factors as opposed to efficiency and, hence, translating into slower growth in productivity. This was moreso on account of little investment from both domestic and external sources.
146. Inefficiencies in the manufacturing sector are evidenced by unsustainable wage demands, inflexible labour laws, use of obsolete equipment, high rentals, unreliable supply of utilities

such as electricity and water, lagging ICT, input shortages and poor quality as well as loss of skills.

147. These issues require further attention in order to enhance productivity and, hence, competitiveness of our industries.

Industry Electricity Consumption

148. Industrial production is also being undermined by erratic supply of electricity. Electricity supply, during the period under review was on a decline and skewed towards domestic consumption, resulting in shorter working hours.



Capitalisation

149. Since 2009, overall investment in the manufacturing sector has remained low, with only about 17% of the companies having

managed to secure investments on new plant and machinery, leaving 83% with no major or new investments save for only refurbishment and maintenances.

150. Government on its part has also made efforts in assisting the sector through various industrial facilities such as DiMAF and ZETREF.

ZETREF Approvals and Disbursements: June 2012

Bank	Amount US\$	Approvals US\$	Disbursements US\$
Trust Bank	3 000 000	1 000 000	1 000 000
Kingdom Bank	4 000 000	-	-
Agribank	5 000 000	4 970 000	3 889 996
BancABC	5 000 000	4,000,000	-
NMB	5 000 000	4 965 000	4 633 400
POSB	5 000 000	250 000	-
TN Bank	5 000 000	2 140 000	20 000
ZB Bank	5 000 000	4 230 000	2 250 000
Metropolitan Bank	8 000 000	6 150 000	5 000 000
IDBZ	10 000 000	9 504 219	600 000
FBC Bank	15 000 000	10 363 538	9 047 281
Total	70 000 000	47 572 757	26 840 677

Distressed an Marginalised Areas Fund (DiMAF)

151. As at 30 June 2012, applications received under DiMAF amounted to US\$40.1 million. Projects worth US\$10.1 million

were approved and US\$3.8 million has been disbursed to the qualifying companies located in various provinces of the country.

152. Moving forward, Government will honour its commitment of an additional US\$10 million as revenue cash flows improve.
153. Similarly, failure by Interfin Bank to honour its obligations as the ZETREF Local Administrative Agent to the extent of US\$17.4 million, coupled with its failure to meet obligations under Afreximbank and PTA Bank Facilities in excess of US\$30 million, clearly undermined efforts of Government to support improvements in capacity utilisation across industries.
154. Government will be working with the RBZ and the Curator to ensure recovery of ZETREF funds as well as all other funds targeted at on-lending to industry and currently held up at Interfin Bank.

Additional Facilities

155. The above facilities, however, even when fully capitalised, remain far inadequate to provide for the huge resources required for the revival of industry, estimated at over US\$2 billion annually.
156. It is, therefore, imperative that we intensify efforts in pursuing other offers such as the bilateral facilities under the SADC Framework.

Private External Loans

157. In addition to Government facilities, companies in total secured US\$1.14 billion as loans from external partners. Of this amount, the manufacturing sector's share was US\$29 million, of which US\$8.6 million had been disbursed by June 2012.

ELCC Loans: Jan- June 2012

Sector	No. of Companies 2012	Amount approved (US\$ m)	Utilised Amount (US\$ m)
Agriculture	26	479.3	47
Financial	16	233.5	8.6
Mining	5	72.7	17.6
Tourism	2	8.5	2.6
Manufacturing	16	29	8.6
Telecommunication	3	266.4	91.2
Distribution	37	95.9	9.1
Total	105	1 145.3	184.7

Way Forward

158. In support of the manufacturing sector to attaining the projected growth of 6% in 2012, focus will be on mobilising both domestic savings and external investment, enhancing the competitiveness of the local industry and significantly improving the business environment.

Domestic Savings Mobilisation

159. Interest rates on deposits since inception of dollarisation have remained low, with savings rates averaging 0–5%, against lending rates of between 18–30%.

- 160. This undermines efforts at mobilising domestic savings and, hence, constrains the volume of medium to long term resources available for lending to the industries.
- 161. Efforts on moral suasion are beginning to yield positive results as some banks are beginning to offer instruments at competitive interest rates and if supported should start attracting larger deposits.
- 162. It is Government's expectation that many more of our financial institutions will follow suit.
- 163. Where such initiatives lack, Government may have to institute direct interventionist guidelines to such institutions.

Mobilising External Investment

- 164. The country needs to re-strategise and redesign the current framework for luring FDI, paying particular attention to policy consistency, macro-economic stability, security of investment and building a competitive investment environment.

Indigenisation Regulations

- 165. The various concerns regarding some aspects of the current Indigenisation and Empowerment Regulations are receiving attention by Government.

166. The objective is to rationalise and align the Zimbabwe Investment Authority Act with the Indigenisation and Empowerment Regulations, in order to address investors' concerns and, hence, attract meaningful investment into the country without undermining the empowerment initiatives.
167. In this regard, consultations on this issue are already underway within Government, with a view of harmonising issues.

Doing Business Environment

168. Addressing deficiencies on the Doing Business Environment on indicators such as time to starting a business, getting electricity and other utilities, registering property, protecting investors, paying taxes and trading across borders, will have to be pursued together with finalisation of some BIPPAs in order to create a competitive investment environment.

Labour Market Reforms

169. Current labour laws are negatively affecting the competitiveness of our industry and investment environment.
170. The discourse between the labour unions and employers over wage determination, retrenchments and remuneration has been littered with deadlocks, ending up in compulsory arbitrations.

171. In the case of wage determination, the review process is being guided by industrial productivity, as well as the capacity to meet workers' demands.
172. In addition, a key component of the review process will be the need to continuously provide education to all stakeholders, involving workers, employers and arbitrators on critical issues such as the industry trends and the state of the economy. This will provide opportunity for all concerned parties to evaluate the implications of their actions.
173. In this regard, and taking into account the above observations, the review of the labour laws should be finalised in the remaining half of the year and I am urging all stakeholders, that includes the Ministry responsible for Labour as well as Workers' and Employers' Unions to come open with their views and facilitate the conclusion of this process.

Industry Clusters

174. The practice of unfair trade through highly subsidised and substandard imported goods into the country as well the acute shortage of inputs, which used to be locally produced prior to economic slowdown, is also reflecting on collapse of industrial clustering.

175. This is a strategy focused on industrial development, attainment of economies of scale, enhanced value addition, global competitiveness and development of comparative advantages.
176. The industrial cluster concept has several advantages which include:
- Promoting cooperation, regular consultations and networking among local enterprises, buyers, input providers, local policy makers, academia, research institutions, transport and hauling providers and other business actors;
 - Capitalising on proximity to production, procurement and marketing synergies;
 - Promoting value addition and, hence, increased export earnings; and
 - Strengthening sectoral linkages, conducive for industrial and economic growth.
177. Successful cases of cluster initiatives are in Pakistan, Brazil, Malaysia, South Korea, USA and China, among many other countries.
178. Already Zimbabwe has identified the following subsectors for re-adoption of this strategy in view of their contribution to GDP and employment creation:

- Financial hub;
 - Agro-processing;
 - Wood and furniture;
 - Clothing, textiles, leather and footwear;
 - Minerals, metals and metal products; and
 - Chemicals, fertilizer and pharmaceuticals.
179. Accordingly, Government, through the Ministry of Industry and International Trade, in cooperation with business through CZI, ZNCC and the NECF, will resuscitate industrial clusters as part of implementing the Industry Development and National Trade Policies.

Dumping Practices

180. The domestic market is flooded with highly subsidised and cheap imports, particularly from the Far East, and those accommodated under SADC and COMESA trade regimes. These imports are imposing unfair competition over some of our domestic products.
181. Examples are in the sectors of clothing, footwear, pharmaceutical and the motor industry.

182. These, coupled with the perennial power outages, rigidity in the country's labour laws, limited and poor quality local raw materials, all reinforce each other to constrain production and competitiveness of our industry.
183. The above situation, therefore, calls for adoption of firm strategies to promote fair competition between local industry and imports and also support the local industry to boost production, improve on quality and standards.
184. Government will, accordingly, work closely with the affected sectors, with a view of instituting appropriate corrective interventions.
185. However, industries requiring such support will also be expected to demonstrate capacity through performance based incremental and measureable parameters.
186. Furthermore, in order to ensure that imported goods meet quality standards, Government will speed up the finalisation of the Quality and Standards Enforcement Bill, which will curb importation of substandard products currently being dumped into the country.

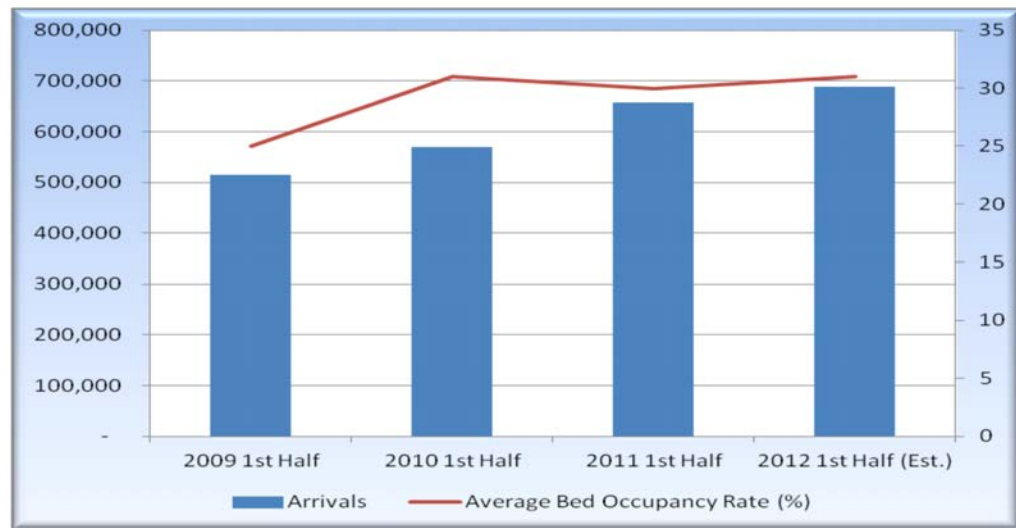
TOURISM

187. Zimbabwe is back on the international tourism map and ascending to positions of influence on the regional and global tourism landscapes. This is a result of the relentless and combined efforts of Government and the private sector in removing some negative perceptions on the country and improved marketing in the tourism markets.
188. Zimbabwe's recent ascendancy to the Presidency of the Africa Travel Association and its pending co-hosting of the 20th Session of the UNWTO General Assembly in 2013, leading to its Presidency-in-Session of that United Nations Specialised Agency for the following two years, give the country a grand vantage point from which to address key regional and global tourism issues.
189. The derived dividends to those efforts are in the form of moderate improvements in investment, arrivals, revenues and employment.

Arrivals

190. During the first half of 2012, tourist arrivals are expected to have improved by 7.5% from 657 302 in 2011 to 688 288.

First Half Tourist Arrivals & Average Bed Occupancy Rate: 2009-2012



191. The majority of visitors were from the African region comprising of 89%, followed by high spending European markets.
192. In terms of bed occupancy rate, there was slight improvement from 30% in 2011 to 31% in 2012.

Tourist Bed and Room Occupancy: 2009-2012

	2009	2010	2011 Est	2012 Proj.
Average Bed Occupancy	24%	31%	30%	31%
Room Occupancy	46%	52%	52%	52%

Receipts

193. Tourism receipts ended the year 2011 at \$662 million, up from US\$634 million in 2010.
194. In 2012, receipts are expected to increase by 11.2%, reaching US\$736 million, with the bulk coming from high spenders of European and American markets.

Tourist Receipts (US\$ million): 2009- 2012

	2009	2010	2011	2012 Proj.
Tourist Receipts	523	634	662	736

195. Given the inadequate capacity to correctly capture tourism value chain receipts, Government, in conjunction with the UNWTO, is already working on the establishment of a Tourism Satellite Accounting System.

Way Forward

196. Given the country's vast natural advantages, there is potential to improve tourism arrivals and receipts proportionate to global arrivals and receipts of one billion tourists and US\$1.3 trillion, respectively.
197. This will benefit from tourism promotion, underpinned by both enduring political and economic stability and the gradual removal of infrastructure bottlenecks.
198. In 2012, the sector is projected to grow by 10.4% up from 4% in 2011. However, areas which require further attention during the last half of the year include:
- Preparations for the 20th Session of the UNWTO in 2013;
 - Fiscal incentives for the tourism sector;
 - Resuscitation of reliable domestic flights;

- Removal of congestion and other inconveniencing systems to tourists at the border posts; and
- Upgrading of the road network and other tourism infrastructure facilities as well as marketing.

The 20th Session of the UNWTO

199. The country's winning the bid to co-host the 20th Session of the UNWTO in 2013 together with Zambia also bears testimony to the aggressive marketing campaigns being conducted by the Zimbabwe Tourism Authority (ZTA).
200. We should, therefore, take advantage of this and improve Zimbabwe's image as a safe tourist destination.
201. In preparation for the hosting of the 20th Session of the UNWTO, Government is prioritising support for implementation of a number of projects such as the upgrading of the Victoria Falls District hospital, Victoria Falls airport, roads and sewer projects.
202. The above projects will define our overall state of preparedness for August 2013.

Duty Exemptions for Capital Goods

- 203. Government provided the tourism sector with an investment window in the form of Statutory Instruments 124 and 125, which provided for exemptions for duty payments for tourism capital goods.
- 204. Treasury is currently considering a request to extend the above Statutory Instruments, which expired on 28 April 2012, taking into account their performance, effectiveness and compliance.

Domestic and Regional Tourism

- 205. Government will also put more effort in promoting domestic and regional tourism, which has potential to earn up to 50% of total receipts.
- 206. In preparation for the necessary strategic thrust to achieve this objective, Government, in consultation with all relevant local partners is formulating the National Tourism Policy and the fifteen year Zimbabwe Tourism Master Plan.

SMALL AND MEDIUM ENTERPRISES

- 207. Our dynamic Small and Medium Enterprises (SMEs) sector has proved capable of significantly contributing towards the recovery, growth and development of our economy.

208. This potential has to be nurtured and supported to get most of our SMEs from informal activities to become a formidable force for economic growth, employment generation and a major source of livelihood for the majority of our people, that way alleviating poverty.
209. The sector also provides an opportunity for the participation of women and youth in the mainstream economy in both urban and rural communities.
210. The sector, however, faces a number of challenges ranging from limited access to capital, skills shortage, a hostile regulatory environment and lack of proper infrastructure.
211. In this regard, Government is committed to the following supportive measures:
- Improving the regulatory environment through enactment of the SME Act and mainstreaming SMEs activities in local authorities' strategic plans.
 - Access to finance – most SMEs are perceived to be high risk, lack collateral or credit history and are costly customers (ratio between amount of finance and the administrative work). In addition to capitalising SEDCO through the Budget, Government, in partnership with the private sector,

is also mobilising domestic and international lines of credit specific to the sector.

- Capacity building initiatives through skills training, promote linkages with established entities, value addition and technology diffusion. Through the Indo-Zim Project, the Indian Government supplied state of the art equipment for metal fabrication and carpentry that has been established at Chitungwiza, Harare Institute of Technology, Bulawayo Polytechnic as well as in 12 vocational training institutions.
- Provision of infrastructure through construction of factory shells and vendor mats at Bindura, Chitungwiza, Gwanda, Mutoko among others. Local authorities are also providing land for SMEs.
- Market development and access through participation in trade fairs locally and abroad. Government has assisted SMEs to attend trade fairs in countries such as Namibia, Zambia, Mozambique and the Commodity Fair in China among others.

WOMEN AND YOUTH EMPOWERMENT

212. Women and youths constitute a greater percentage of the general population (women–52 %, Youths–53%) and as such

cannot be ignored in contributing towards the development of the economy.

213. Cognisant of the above, Government has instituted policies that enable women and youths participation in mainstream economic activities. These policies include National Youth Policy, National Gender Policy, Mining policy, Land Policy and Small- Medium Enterprises Policy.
214. In support of the above policies, empowerment funding facilities such as the Indigenization and Economic Empowerment Fund, Youth Development Fund, Mining Industry Loan Fund, Women Development Fund and SME Fund were established in each sector to facilitate indigenous, youth and women's access to skills training and affordable credit as well as expand employment opportunities.
215. However, despite the achievements made so far, the economic empowerment issues remain an unfinished agenda in view of challenges related to levels of capitalisation, planning and management of the funding facilities.
216. Mr Speaker Sir, consistent with the 2012 Budget, women and youth capacitating and empowering programmes will be prioritised and this will be anchored on:

- improving access to credit through establishing micro-finance programmes; and
 - providing adequate training and education on the importance of saving.
217. The objective is to enable women and youths to engage in income-generating activities so as to increase their incomes and invest in their families and communities.

INFRASTRUCTURE

ENERGY

Generation

218. During the first half of 2012, electricity generation was below target for all the thermal power stations. Overall generation capacity averaged about 960MW, for the period under review. This was despite efforts by the utility to rehabilitate all the power stations.
219. The low generation capacity was attributed to breakdowns at Hwange Power Station resulting in loss of Generator 1 and 2, intermittent generation at all the three small thermal power stations due to costly transportation of coal and aged equipment,

and temporary loss of Kariba Generator 2 owing to modernisation work.

Monthly Electricity Generation Capacity Trends: 2012

	Jan-12		Feb-12		Mar-12		Apr-12		May-12		June 2012	
	Actual (MW)	Target (MW)	Actual (MW)	Target (MW)	Actual (MW)	Target (MW)	Actual (MW)	Target (MW)	Actual (MW)	Target (MW)	Actual (MW)	Target (MW)
Hwange	256	350	245	374	291	350	342.2	361.7	354.2	450	421	465
Kariba	664	660	663	660	645	540	535.0	550	574.2	550	622	660
Harare	0	25	6	27	6	25	8.7	25.8	8.0	25	8	26
Munyati	25	25	22	27	26	25	24.4	25.8	24.8	25	27	26
Bulawayo	23	0	20	0	21	0	22.9	10.3	26.4	10	25	10
Total	967	1060	956	1088	988	940	933.2	973.7	987.6	1060	1104	1187

Imports

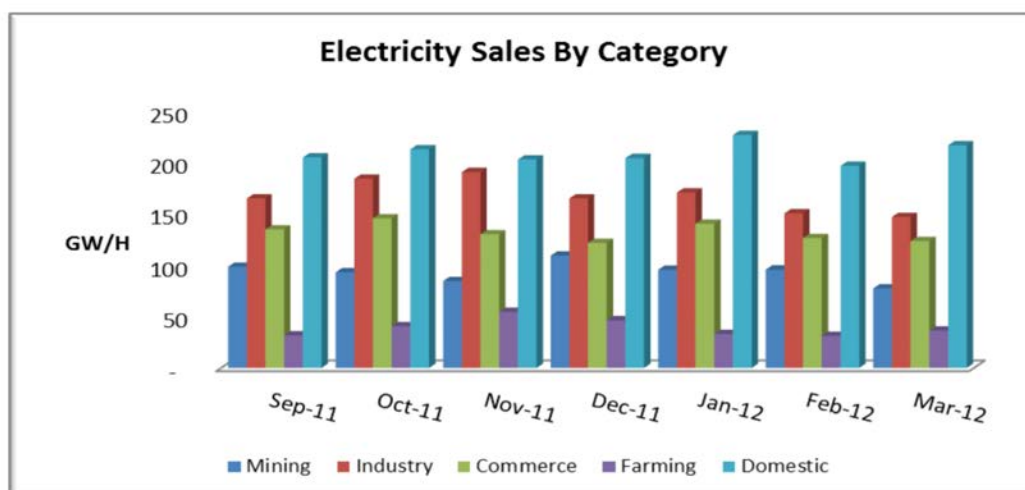
220. Similarly, electricity imports were constrained during the first half of the year due to the huge external debt, lack of adequate financial resources and also declining surpluses in the region.

Electricity Imports: January-May 2012

	HCB GWh	ESKOM GWh	ZESCO GWh	SNEL GWh	EDM GWh	TOTAL GWh
Jan-12	108.246	3.562	0.980	-	0.030	112,818
Feb-12	60.773	2.697	13.710	-	-	77.180
Mar -12	43.829	4,642	4.725	-	-	53.197
Apr-12	35.898	3.707	29.425	-	5.106	74.136
May-12	58.140	4.044	22,125	-	0.125	84.524
YTD						401.855

Electricity Consumption

221. Of the total electricity sales during the period under review, households accounted for the highest, followed by industry while farming recorded the least.



Progress on Electricity Projects

222. In an endeavour to improve electricity generation, transmission and distribution, the following projects are being implemented:

Hwange Thermal Power Station (HPS)

223. The rehabilitation of Hwange Thermal Power Station is underway following delivery of most of the equipment. Works relate to the refurbishment of boiler feed pump and motor sets, fire system, replacement of high lift pumps, ash discharge lines and turban and generator overhauls, among others.

Kariba South Hydro Power Station

224. Refurbishment works are focusing on the upgrading of turbines' governors. All the units were delivered at Kariba South Power

Station with the first having been installed and dynamic commissioning in progress.

Small Thermals

225. Rehabilitation of Boilers 5 and 6 at Munyati Power Station were done following the delivery of all the necessary components required. Three Front End loaders were also procured with each being delivered to each of the Small Thermal Power Stations.

Electricity Expansion Projects

226. Government is currently undertaking procurement activities for the expansion of projects at Hwange (7 & 8) and Kariba South. Eleven companies were prequalified by the State Procurement Board in September 2011 and Request for Proposals were called for from the prequalified companies.
227. ZPC is currently evaluating the bids received and is expected to complete the exercise by end of September 2012. This will be followed by negotiations with the winning bidders culminating in the attainment of financial closure for the two projects.

Rural Electrification

228. An amount of US\$1.5 million has been disbursed towards grid extension projects targeting electrification of schools, clinics and chief's homesteads.
229. To date, seven schools and a clinic have been completed and are awaiting inspection and energisation. Work is progressing at 17 schools and a clinic, whilst procurement of materials is in progress for 12 schools, 2 clinics and 1 chief's homestead.
230. Below is an outline of the institutions that benefited from the US\$1.5 million disbursement.

Province	District	Project Name	Budgeted Cost (USD)	Funds Allocated (USD)	Expenditure (USD)	Status
Manicaland	Chimanimani	Nemaramba primary School	51 000	51 000	51 980	Work in Progress
	Chipinge	Tafara Primary School	16 000	16 000		Procurement in progress
Mashonaland Central	Mt Darwin	Manetsera Primary School	54 036	20 115	20 115	Completed
	Rushinga	Nyamarodza Primary School	51 688	51 688	60 301	Completed
Mashonaland East	Mutoko	Nyamatawa Clinic	23 218	23 218	19 355	Work in Progress
		Nyamatawa Secondary School	20 295	20 295	15 073	
		Nyamatawa Primary School	19 510	19 510	15 415	
Mashonaland West	Chegutu	Chipashu Primary School	19 490	19 490	280	Work in Progress
	Zvimba	St Banabas Primary School	60 824	60 824	310	Work in Progress
Masvingo	Bikita	Makotore primary School	26 716	26 716	70	Work in Progress
	Chiredzi	Chipinda Primary School	12 561	12 561		Procurement in progress
	Zaka	Muchechetere Primary & Secondary	23 899	23 899	6 390	Completed

Matebeleland South	Matobo	Shashane Primary School	52 732	52 732	48 117	Work in Progress
	Gwanda	Kafusi Primary School	28 722	18 268	13 980	Work in Progress
Midlands	Gokwe North	Mponda Primary School	39 573	39 573		Procurement in Progress
		Copper Queen Clinic	13 487	13 487	11 192	Completed
	Gokwe South	Mkoka Primary and Secondary Schools & Clinic	30 623	30 623		Procurement of equipment in progress
Manicaland	Mutasa	Mwoyoweshumba Secondary School	97 844	97 844	-	Procurement of equipment in progress
Mashonaland Central	Rushinga	Manetsera Primary School	33 921	33 921	14 115	Completed
	Mt Darwin	Chitse Clinic	12 828	12 828	15 915	Completed
	Mbire	Nyatsengwa Primary School	93 007	45 669	63 514	Completed
Mashonaland East	Chikomba	Dombo Primary and Secondary Schools	48 225	48 225	14 871	Work in Progress
	Wedza	St Mathias Ruswa Primary and Secondary School	51 290	51 290	43 774	Work in Progress
Mashonaland West	Hurungwe	Chiva Primary and Secondary Schools	91 065	91 065	-	Procurement in progress
Masvingo	Bikita	Mandindi Primary School	36 153	36 153	84	In Progress
	Chivi	Utsindi Primary School	70 610	70 610		Procurement in progress
Matebeleland North	Lupane	Chief Menyezwa	500 000	300 000	-	Procurement in progress
Matebeleland South	Gwanda	Kafusi Primary School	10 454	10 454	-	Work in Progress
	Mangwe	Mhlotswana Primary School	39 238	39 238	15 500	Work in Progress
		Mabuledi Primary School	45 350	45 350		Work in Progress
Midlands	Kwekwe	Fafi Secondary School	25 037	25 037	-	Procurement in progress
	Mvuma	Nyautongwe Primary, Secondary Schools and Clinic.	28 579	28 579	-	Procurement in progress
	Shurugwi	Mhondongoni Clinic	63 738	63 738	-	Procurement in progress
Grand Total			1 791 713	1 500 000	430 351	

231. The strategy is to target growth points to enhance economic activities.

TRANSPORT

Road Network

232. The road network still requires rehabilitation and constant maintenance in order to facilitate efficient movement of traffic. This will also strengthen linkages with other regional trading countries.

233. Some notable progress has been registered in the dualisation and maintenance of roads. The dualisation of the 5.7 kilometre along the Harare–Skyline section along Masvingo road has been completed including the Mukuvisi Bridge and opened to traffic.
234. With regards to the 8.3 kilometre dualisation of the Harare–Norton section along Gweru Road, all works have been completed save for the construction of the Manyame Bridge.
235. Works on the Harare–Mutare road dualisation started in May this year and so far 5.5 kilometres of road formation has been completed, with two kilometres now at final base level.
236. With regards to roads rehabilitation, the resealing programme for Harare–Masvingo (10.7 km), Harare–Chirundu (11.5 km), Bubi–Rutenga (7.5 km), Chivu–Nyazura (4 km) and Golden Valley–Sanyati (50 km) was completed.
237. Additionally, rehabilitation and construction of Nyahodi, Chipangayi, Nyautsa, Changadzi, Little Sebakwe and Munyati bridges are at various stages of completion.

Airports Rehabilitation Programme

Harare Airport Runway

238. There has been commendable progress on the rehabilitation of the Harare International Airport runway. Works include milling, asphalt laying and paving. Out of the 2.7 km targeted, 0.8 km has been covered and the remaining works are expected to be completed before year end.
239. Works are also underway to connect the sewer system to the municipal sewer mainline.

JM Nkomo Airport

240. Honourable Members will be aware that work at the JM Nkomo Airport stopped in June last year following concerns over the rapid cost escalations emanating from variations to the works as well as the huge financial demands by the contractors to complete the current works.
241. Following resolution of the contentious issues around the implementation of the project, I am happy to announce that work will resume this month. This will enable operationalisation of the airport by year end.

Victoria Falls Airport

242. In preparation for the 20th Session of the UNWTO General Assembly to be held in Victoria Falls, Government is upgrading the airport to cater for wide bodied aircraft and increased traffic. Financing arrangements for the project have been concluded and the site was handed over to the contractor on 6 June 2012 paving way for commencement of the works.

Rail

243. The poor state of our rail system and network remains a constraint to the competitiveness of the locally produced commodities both on the domestic and global markets. Business continues to resort to road transport which is more expensive for bulk carriages and this also further damages the road network.
244. The extension of US\$2 million to the NRZ for rehabilitation and upgrading of track infrastructure marginally improved rail tonnage movement to 3.79 million tons in 2011 from 3.54 million tons in 2010. Rail tonnage movements is estimated to increase to 6.08 million tons by the end of 2012.

Rail Tonnage Movements: 2009- 2012

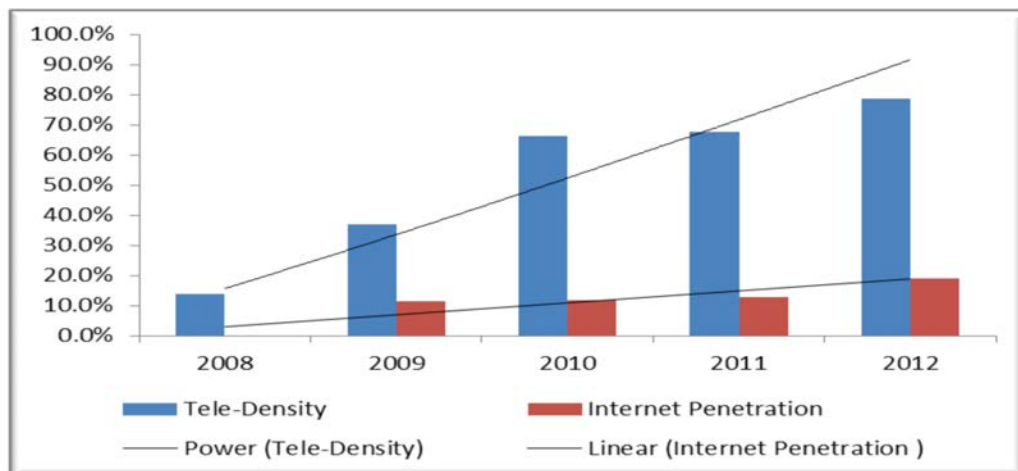
Year	Q1	Q11	Q111	Q1V	Total
2009	457,117	558,435	824,044	896,489	2,736,085
2010	582,646	904,666	1,100,660	956,710	3,544,682
2011	725,397	994,283	1,071,628	998,654	3,789,962
2012					6,076,649**

245. Moving forward, it is necessary that Government expedite NRZ reforms, which include the unbundling of the NRZ into strategic business units and creation of a regulatory authority in order to provide a conducive environment that facilitate the participation of private capital through PPPs.

INFORMATION COMMUNICATION TECHNOLOGY

246. The Information Communication Technology (ICT) sector continues to grow at a faster rate. However, despite the investments being made by both the government and the private sector in ICT infrastructure, the country still faces ICT challenges in both data and voice arenas, which are manifested by congestions and slow connectivity.
247. The tele-density or voice penetration rate continues to improve and is estimated to reach 79% by December 2012 from 68% in 2011. The internet penetration rate, though still below the international levels of 26.6% but above the regional average of 11%, continue to steadily improve and is estimated to reach 19% by end of 2012 from 13% in 2011.

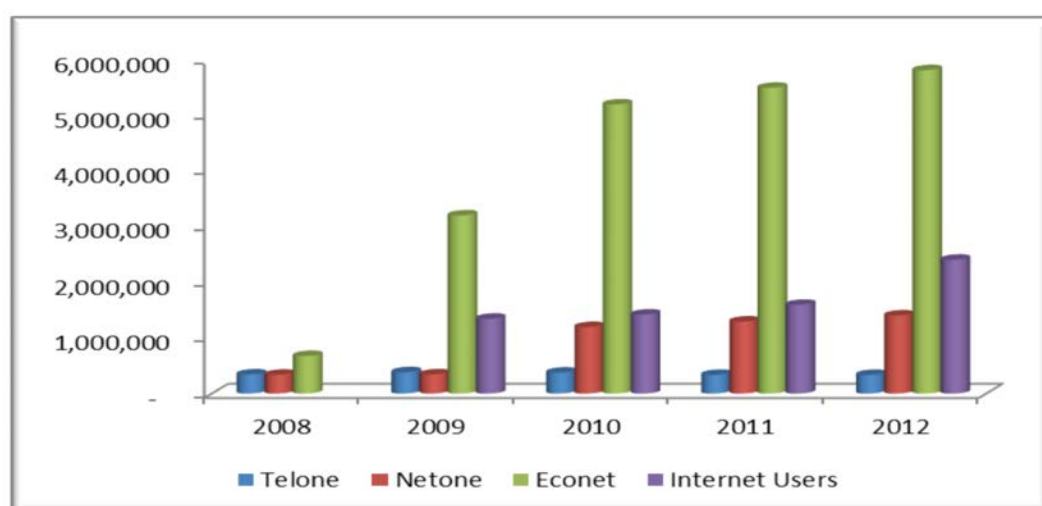
Zimbabwe Voice and Internet Penetration Rate: 2008-2012



Source: POTRAZ

248. The total number of subscribers for the three mobile services continues to increase and is estimated to reach 9.7 million by end of 2012 from around 8.1 million in 2011

Mobile Subscribers: 2008-2012.



249. The transmission backbone is a vital component of the telecommunications network that interlinks a country-wide

network of voice exchanges and data nodes for the purposes of routing voice and data traffic.

250. In addition, the transmission backbone provides connectivity to the rest of the world via international gateways. The Harare–Bulawayo project was the second phase of the National Fibre Optic Broadband Network rollout after the Harare–Mutare link. The project has brought about affordable and reliable high-speed internet access and enhanced voice and data services.
251. Following the completion of the Harare–Mutare and Harare - Bulawayo fibre optic transmission backbone that links the country to the undersea cable in the Indian Ocean, Tel-One is now extending the infrastructure to cover Bulawayo–Beitbridge and Bulawayo–Victoria Falls.

WATER AND SANITATION

252. Key projects under implementation include construction of Tokwe Mukorsi and Mutange Dams, rehabilitation and upgrading of water and sewer infrastructure in urban settlements and the rural water and sanitation programme with disbursements amounting to US\$21.6 million as at 31 May 2012.

Tokwe Mukorsi

- 253. Work on the dam remains largely on course with excavations on the dam foundations currently underway. Due to poor geology of the rocks, additional masonry support works have been carried out on the banks' spillway as well as the audits.
- 254. The final level of the coffer dam has been completed as well as hard and soft excavations on saddle dams 2 and 3.
- 255. The relocation of families, which is currently underway, should enable excavations works on saddle dams to continue. The dam is expected to be completed in December 2013 revised from the original date of February 2013.

Mutange Dam

- 256. About US\$2,956 million has so far been spent on Mutange Dam. Excavation of dam foundation and cut off trench has been done and placement of concrete plinth is in progress. Delivery of cement remains a challenge as only 2 400 bags out of the 6 000 bags ordered has been delivered.
- 257. The Dam is still expected to be completed by December 2012.

Wenimbi Pipeline

- 258. Trench excavation for the 20 140km long pumping main and reinforced concrete sump at the booster pump station has been completed whilst the laying of pipes and backfilling is almost complete. Current works include brickwork for the booster pump station which is at window level.
- 259. Tendering for the supply of electricity to the pump station is still to be concluded since its closure on 21 February 2012. The project is expected to be complete by August 2012.

Beitbridge Water Supply

- 260. A new water treatment plant is under construction to increase treatment capacity from 450 to 4 000 cubic meters per hour. So far, all excavations have been completed.
- 261. Current works include construction of a distribution chamber, four sedimentation tanks, four filter beds, four sump pump station and offices.
- 262. Work on the 3 kilometre pipeline to take the water to the existing reservoirs is underway with 2.5 kilometre pipes having been laid.
- 263. The project is expected to be complete by December 2012.

Mtshabezi Pipeline

- 264. The laying of the pipeline has been completed and construction of tanks 1 and 2 completed. Also completed were the three reservoirs, the 2 300 cubic metre sump and superstructure for five staff houses.
- 265. Works in progress include steel fittings, installation of pumps and motors, finishes for the houses as well as the dedicated electricity line.
- 266. The State Procurement Board has now awarded the tender for the supply of electricity to the pump station and the project is expected to be complete by September 2012.

Victoria Falls

- 267. Government is upgrading the water supply to the resort town in preparation for the United Nations World Tourism General Assembly Congress to be held in August 2013.
- 268. To date, US\$1.9 million has been disbursed to both ZINWA and the Council to execute the works. ZINWA has already trenched 4.3 km and detailed designs for the treatment plant are in progress.

Water & Sewer Upgrading in Urban Settlements

269. In the past, I have bemoaned the bureaucracy prevalent in Councils that is delaying smooth implementation of projects. Despite the support from Government since 2010, most of the Councils are still to complete projects under their purview within the agreed timelines.
270. The following table is indicative of Government intervention in Local Authorities in support of infrastructure rehabilitation and the progress thereof.

Local Authority	Disbursement (US\$)	Purpose	Progress
Harare	17 100 000	Rehabilitation of Morton Jaffrey, Crowborough and Firle treatment plants as well as replacement of conveyance system	Targeted works have been completed.
Bulawayo	6 470 000	Rehabilitation of water and sewer infrastructure.	Targeted works nearing completion.
Gweru	3 092 450	Rehabilitation and refurbishment of water and sewer infrastructure.	Replacement of pump sets at Gwenoro and Whitewaters dams completed. Repairs of sand filters complete. Outfall and Cambridgeshire treatment plants rehabilitated.
Mutare	3 000 000	Construction of water pipeline from Magamba to Dangamvura (7 km), Hobhouse pipeline (3.5 km) and high level reservoir pipeline (4.9 km).	Magamba-Dangamvura pipeline trenched for 3.7 km. Pipes have been laid for 3.2km. Pipe laying for Hobhouse done for 2.9 km, high level reservoir piping done for 2.2km.
Chitungwiza	650 000	Upgrading of sewer lines-St Marys, Zengeza 3 Extension, Seke South Unit L and Seke North Unit O.	1.5km pipe laying complete for Zengeza 3 extension. Excavations have been done for 800m out of 1km for St Mary's. All pipes and fittings have been procured for Seke North and South projects.
Marondera	2 900 000	Rehabilitation of four sewage stations and Longmans Water Treatment Plant.	Electrical and mechanical works completed other works at standstill on account of challenges with the contractor.
Victoria Falls	1 000 000	Rehabilitation and upgrading of water and sewage treatment works as well as construction of a solid waste site.	The project is yet to commence
Chegutu	550 000	Construct a dedicated power line from Clifton Dam to Chegutu main water purification plant, pipe replacement and procurement of water meters.	Targeted works have been completed
Chiredzi	150 000	Procurement and installation of main high lift pumps, chemical dosing pumps and installation of electrical switch gears.	Pumps and transformers as well as accessories for Chigarapasi and Chitsanga reservoirs procured.
Rusape	600 000	9.6km dedicated line to Jack Needham Water Plant, trenching and laying of a 6km AC pipeline from Mabvazuwa Reservoirs to Hwedza flyover, installation of a transformer and valves	Targeted works have been completed.
Bindura	1 100 000	Construction of new 1,5km trunk sewer, collector sewers and house connections for Chipadze Township.	No meaningful progress on the project on account of challenges with the contractor.
Chinhoyi	1 500 000	Procure and install of pumping equipment for Mupata, Fernlea, Chaedza, Alaska and Hunyani sewer Pumping Stations	Works have just commenced.
Gwanda	720 000	Sewer rehabilitation and construction of a 5ML water reservoir at Spitzkop Hill.	Electric motors and pumps were repaired and installed. Construction of the water reservoir is on-going with excavations complete.

Local Authority	Disbursement (US\$)	Purpose	Progress
Ruwa	3 120 000	Construction of 12,6km pipeline from Norah Valley Dam to water treatment plants in Damafalls, construction of water quality laboratory and installation of booster pumps.	Supply and installation of pump sets completed. Materials procured and pipe laying in progress.
Chipinge	580 000	Construction of sedimentation tanks for Bangazaani Treatment Plant, excavate, laying of AC pipe line, backfilling, construct man holes and desludging of blocked septic tanks for Gaza Township sewer	Construction of sedimentation tanks and water pipe works underway.
Gokwe Town	375 000	Construction of sewer reticulation network for Mapfungautsi Suburbs.	Procured pipes and manholes for the project.
Redcliff	550 000	Rehabilitation of communal toilets, water and sewer reticulation for high density residential areas.	Materials procured for 850 housing units with 270 housing units have been connected to water and 14 communal toilets rehabilitated.
Beitbridge	800 000	Upgrading of outfall sewer and council sewer ponds.	The project is still to commence.
Hwange Local Board	1 000 000	Rehabilitation of Empumalanga and Baobab Sewerage Treatment Plants.	The project is still to commence.
Masvingo Municipality	1 300 000	Refurbishment of the BNR plant, upgrading of the main water line from the treatment plant to the reservoir, replacement of steel pipes across three river crossings and upgrading of Rhodene sewer.	Refurbishment of BNR in progress, mainline completed, steel pipes procured and delivered to site.
Murehwa RDC	450 000	Construction of water reticulation for Mutamba (3km), Macheke Township (6,5km) as well as Murehwa low Density (3,1km).	Pipe laying and back filling has been completed. The project is ready for commissioning.
Mutasa RDC	200 000	Construction of water reservoirs, water and sewer reticulation for Penhalonga residential stands.	Building materials have been procured and tenders have been awarded for the repair of 4 reservoirs.
Mutoko RDC	1 060 000	Construction of water and sewer pipelines to service a population of 1 500 households.	Water and sewer reticulation has been done for 180 housing units and all materials have been procured for outstanding works which are in progress.
Runde RDC	280 000	Rehabilitation of Chengwe and Chomunyaka dams and drilling and installation of boreholes.	The rehabilitation of Chomunyaka and Chengwe dams is complete. Nineteen boreholes were drilled and equipped.
Chivi RDC	450 000	Procurement and laying of water and sewer pipes for 9.5km for Chivi Growth Point.	Procured pipes and fittings. Laying of pipes is in progress.
Tongogara RDC	245 000	Drilling and electrifying boreholes, replace damaged water tank and rehabilitate reticulation piping.	Materials for 3 boreholes and pipes for reticulation have been procured.
Nkayi RDC	100 000	Servicing of stands and construction of sewer treatment plants.	The project is still to commence.
Chaminuka RDC	450 000	Construction of water and sewer reticulation networks, water storage tanks, sewer reticulation network and septic tanks for Chakonda Rural Service Centre.	The project is still to commence.
Zibagwe RDC	190 000	Rehabilitation of boreholes.	42 water points have been rehabilitated and 8 new boreholes have been sunk.
Buhera RDC	1 000 000	Construction of a 1,9km trunk sewer pipeline and construction of a sewer ponds.	Trenching in progress.
Chikomba RDC	500 000	Upgrade and rehabilitate the existing reticulation network and replace worn out pipes.	The project is still to commence.
Masvingo RDC	480 000	Servicing of land at Nemanwa Growth Point to provide 83 medium to low density stands and connect the houses to water and sewer reticulation systems.	The project is still to commence.
Shurugwi RDC	245 000	Water reticulation for 300 residential stands in Donga suburb.	5,5km of piping has been laid. Three boreholes have been drilled and construction of the 500m3 ground reservoir in progress.

Rural Water and Sanitation Programme

Local Authority	Disbursement (US\$)	Purpose	Progress
UMP Zvataida RDC	450 000	Procurement of sewer pipes for 1.2km and connecting to 100 households to the sewer system.	The project is still to commence.
Nyanga RDC	350 000	Construction of 2.3km outfall trans-sewer line from Rochdale, Bepe and Nyangani Parks and Government offices and houses to new 7 sewage ponds.	The project is still to commence.
Gutu RDC	400 000	Water reticulation for 1100 stands in Chomfuli and Munhende residential area.	The project is still to commence.
Mutoko RDC	450 000	Water and sewer rehabilitation	The project is still to commence.
Total	53 857 450		

271. An amount of US\$ 1 million was disbursed to DDF for the drilling and rehabilitation of boreholes.
272. DDF has to date managed to drill 33 new boreholes as well as rehabilitate 290 boreholes and three piped water schemes as indicated in the Table below:—

DDF Borehole Programme

Province	Drilling	Maintenance	Rehabilitation	Piped Water Schemes
Manicaland	4	403	112	-
Mash East	2	423	38	2
Mash Central	2	235	19	1
Mash West	5	272	5	-
Midlands	3	376	16	-
Masvingo	6	254	39	-
Mat North	4	526	16	-
Mat South	7	229	45	-
Total	33	2,718	290	3

Source: DDF

EDUCATION

273. Zimbabwe's education system remains one of the best in Africa, with a sizable number of schools, colleges, universities and other educational institutions capable of vigorously promoting quality education.
274. Despite the challenges of the last decade, the revival of the education system since 2009 has seen literacy rates increasing to above 92%.
275. The gains achieved so far need to be protected, strengthened and modernised through further investments. Accordingly, funding of educational programmes will have to be ring-fenced, targeting educational infrastructure, modernising curriculum, staffing levels, monitoring and supervision, capacity building, provision of equipment and learning materials.
276. Cumulative disbursements to date for the construction and rehabilitation at institutions of higher learning amount to US\$9.94 million.

Lupane Faculty of Agriculture Block

277. The academic wing has been roofed, whilst ceilings, flooring, roofing, air conditioning and internal finishings' are in progress.

278. The intended completion date for the building is August 2012.

Bindura University Faculty of Science Blocks

279. Disbursements towards the project to date amount to US\$2.4 million. The super structure, as well as placement of trusses was completed. Rhino set plastering is currently underway.
280. Expected date of completion is August 2012.

National University of Science and Technology

281. Two student residence units with a total capacity of 56 students are under construction.
282. Roofing, plumbing, brick work, fitting of doors and window frames have all been completed. Works in progress include glazing, painting of rooms, electrical cabling and wall tilling.
283. With regards to the Central Library, the contractor has moved to site and work has resumed.

Halls of Residences

284. Government availed US\$30 million for the construction of one hall of residence at four institutions of higher learning in 2010.

To date US\$7.1 million has been disbursed towards three halls of residences.

- 285. Works are proceeding in earnest, with Bindura University of Science Education on track with its programme of works and expecting to complete by September 2012.
- 286. Progress at Midlands and Lupane State Universities has been slow with indications of 4 and 6 months delays from original completion dates.

E-Learning in Schools

- 287. Government recognises the importance of e-learning in transforming the learning environment and equipping our children with the appropriate skills in information technology needed for the modern jobs market.
- 288. Following the launch of the E-Learning Programme at Chogugudza Primary School in Mashonaland East Province on 28 March 2012, the project is now being rolled out to other schools countrywide through provision of training for teachers, computers, internet connectivity equipment, printers, projectors and other accessories.

289. The Table below shows some of the schools that have already benefitted from the programme.

Name of School	Province	District
Chogugudza Primary School	Mashonaland East	Goromonzi
Nketa High School	Bulawayo	Bulawayo
Domboramwari High School	Harare	Harare
Seke 5 High School	Harare	Chitungwiza
Dangare High School	Manicaland	Mutare
Sakubva 2 High School	Manicaland	Mutare
Mhakwe Sec School	Manicaland	Chimanimani
St Josephs Sec School	Manicaland	Mutare
Chipindura Sec School	Mashonaland Central	Bindura
Beatrice High School	Mashonaland East	Seke
Kwenda Secondary	Mashonaland East	Hwedza
Goromonzi High School	Mashonaland East	Goromonzi
Rimuka High 2 School	Mashonaland West	Kadoma
Chiwara Sec School	Masvingo	Gutu
Mwenezi High School	Masvingo	Mwenezi
Mange Secondary	Matebeland North	Tsholosho
Tongwe Sec School	Matebeland South	Beitbridge
Machingami Sec School	Masvingo	Gutu
Njelele Sec School	Midlands	Gokwe

HEALTHCARE

290. Government, in the 2012 Budget committed itself to continue with the Targeted Approach in the health sector, in view of the benefits realised from previous interventions.
291. The objective was to roll out the model to district hospitals, targeting rehabilitation and construction of health infrastructure, medical equipment as well as procurement of drugs and surgical equipment at both Government institutions and mission hospitals.
292. In line with the above, a total of US\$21.6 million was disbursed during the first half of the year to four Central, six Provincial

and nine District Hospitals as well as eleven Mission Hospitals as indicated below.

Institution	Cummulative Disbursements US\$
Revitalisation of Government Hospitals	
Parirenyatwa Group of Hospitals	11 530 000
Bindura Provincial Hospital	772 400
Chinhoyi Provincial Hospital	261 000
Chiredzi District Hospital	14 600
Chitungwiza Central Hospital	1 513 387
Chivhu General Hospital	536 683
Harare Central Hospital	106 319
Ingutsheni Central Hospital	508 816
Karoi District Hospital	495 403
Marondera Provincial Hospital	760 681
Masvingo, Gwanda, Mutare and Ngomahuru	799 131
Mpilo Central Hospital	82 831
Mvuma District Hospital	16 500
United Bulawayo Hospitals	134 246
Victoria Falls District Hospital	20 871
Hatfiel Dotor's Flats	93 859
Gokwe North District Hospital	77 966
Mahusekwa District Hospital	400 000
Concession District Hospital	36 159
Other Provincial and District Hospitals	1 445 552
Revitalisation of Mission Hospitals	
<i>Mutambara</i>	200 000
<i>Gandachibvuwa</i>	250 000
<i>Mary Mount</i>	230 000
<i>Sanyati</i>	200 000
<i>Gutu</i>	150 000
<i>St Alberts</i>	300 000
<i>Chireya</i>	120 000
<i>Bonda</i>	200 000
<i>Father O-Hea</i>	150 000
<i>Manama</i>	150 000
Total	21 556 405

Mission Hospitals

293. Mission hospitals continue complementing Government efforts of providing quality health services to the rural population. An amount of US\$1.65 million was availed to Mutambara, Gandachibvuwa, Mary Mount, Sanyati, Gutu, St Alberts, Chireya and Bonda mission Hospitals for procurement of medical equipment as well as rehabilitation of infrastructure.
294. Execution of projects continues to be hampered by absence of coordination between the Ministry and Public Works, delays in procurement as well as capacity constraints. A case in point is Mahusekwa Hospital where despite availing resources in February 2012, work only commenced in June 2012.

Procurement of Radiotherapy Equipment

295. In an effort to revitalise Radiotherapy Treatment Centers at Parirenyatwa Group of Hospitals and Mpilo Central Hospital, Government availed US\$10 million for procurement of equipment, of which, US\$8.9 million has already been utilised in procuring Brachytherapy (Gyne Source HDR after Loader) machines.

296. The Table below shows the type of equipment and its distribution:—

Description of Equipment/Systems	Cost	PAID	
	US\$	US\$	EUROS
Parirenyatwa Group of Hospitals			
Linear Accelerator Dual Energy (Varian Clinac DMX with 120 MLC)	1 589 700	1 589 701	
Linear Accelerator Single Energy (Varian Unique with Accessories)	1 540 100	1 540 093	
Simulators	750 500	750 460	
Brachytherapy (Gyne Source HDR after Loader)	534 000		534 002
Dedicated Oncology CT Scanner	531 000		
Oncology information System	428 000		
Sub Total	5 373 300	3 880 254	534 002
Mpilo Central Hospital			
Linear Accelerator Dual Energy (Varian Clinac DMX with 120 MLC)	1 589 700	1 589 701	
Linear Accelerator Single Energy (Varian Unique with Accessories)	1 540 100	1 540 093	
Simulators	750 500	750 460	
Brachytherapy (HDR after Loader Multisource)	571 000		570 269
Dedicated Oncology CT Scanner	531 000		
Oncology Information System	428 000		
3D Treatment Planning System	469 000		
Sub Total	5 879 300	3 880 254	570 269
Grand Total	11 252 600	7 760 508	1 104 271

Way Forward

297. Mr Speaker Sir, in view of the importance of a number of planned infrastructure and social services programmes and projects in the 2012 National Budget, it will be necessary to ring fence the limited cash inflows to finance such critical programmes and projects.

298. This will enable the economy to break out of the current low equilibrium trap characterised by low productivity and

uncompetitiveness due to lack of infrastructure and key enablers.

299. Such projects are in power, transport, water and telecommunication, health, education and social protection sectors.

STATE PROCUREMENT

300. Procurement in the public sector continues to be a major source of leakages and, hence, a big loss of public resources through under-hand dealings as well as incompetence related to low capacity of a number of contractors.
301. For example, under the construction of the Manyame Bridge, the contractor has failed to perform timely despite Treasury availing the required resources thereby delaying beneficiation of the project by the motoring public. Similar cases of under-performance by contractors are related to installation and maintenance of lifts at a number of Government Buildings.
302. Therefore, in order strengthen the Tendering and Procurement System, Government is reviewing and amending the State Procurement Act.

PUBLIC ENTERPRISE REFORMS

303. Mr Speaker Sir, Government in March 2010 identified ten public enterprises for restructuring. However, since then, little progress has been made in this area owing to lack of urgency, commitment and action on the part of the respective line Ministries.
304. As a result, the parastatals' financial position continues to worsen, compromising their performance and service delivery.
305. I will, therefore, be approaching the respective line Ministries with the support of the Office of the President and Cabinet on this issue.

FINANCIAL SECTOR

306. The financial sector, although resilient and projected to grow by 23%, faces a number of challenges related to capitalisation, liquidity and credit risks.
307. A number of banks remain weak, with high credit risks, deteriorating asset quality and high non-performing loans. The uneven distribution of deposits also compound the liquidity challenges in the banking sector.

308. Current vulnerabilities in the sector have eroded confidence, particularly in smaller banks, resulting in a flow of deposits to bigger banks, which are perceived to be stable.
309. The recent bank failures also call for the consolidation of the banking sector and the strengthening of governance in the sector.

Bank Capitalisation

310. As at end of June 2012, most financial institutions comprising of commercial banks, merchant banks and building societies had met the minimum capital requirements. The only exceptions were Royal Bank, which is concluding investment agreements with a foreign partner, Interfin Bank, with a negative position of US\$47.7 million was placed under curatorship, whilst Genesis Investment Bank surrendered its bank licence to the Reserve Bank.
311. The status of the financial sector's position with regards to core and net capital base is indicated below:

Core Capital Positions As At 31 March 2012

COMMERCIAL BANKS	Core Capital (US\$ mil)	Net Capital Base(US\$ mil)
CBZ Bank	69.83	91.15
Stanchart	57.89	62.33
Barclays Bank	34.26	33.16
Stanbic Bank	31.34	34.77
BancABC	33.72	36.76
ZB Bank	22.39	31.49
FBC Bank	19.05	19.49
NMB Bank	18.91	20.38
Interfin Bank	-47.75	-25.2
Metropolitan Bank	18.7	22.87
MBCA Bank	20.7	21.7
TN Bank	13.28	13.43
AgriBank	14.79	21.68
Trust Bank	23	24.06
Kingdom Bank	10.98	18.33
Royal Bank	4.34	4.35
ZABG Bank	13.16	13.16
MERCHANT BANKS		
Tetrad Investment	12.82	13.41
Eco Bank	12.37	13.48
Genesis Investment	-3.2	-2.14
Renaissance	15.45	15.87
BUILDING SOCIETIES		
CBZ Building Society	25.11	36.49
CABS	17.38	32.39
FBC Building Society	14.03	15.23
ZB Building Society	14.01	14.82
SAVINGS BANK		
POSB	11.5	11.87

312. While several weak banks have met the capital requirement, credit risks remain high, particularly for small banks that have low capital buffers.

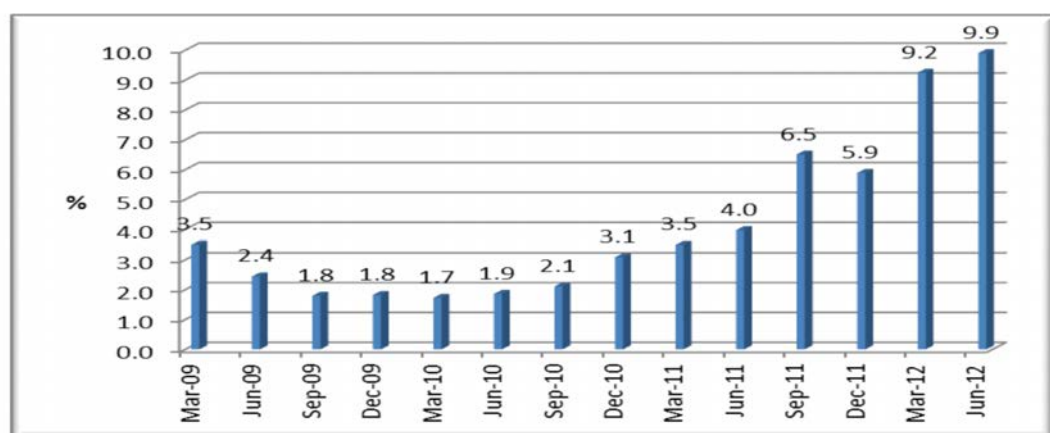
313. Asset quality also has deteriorated reflecting unsound lending practises and poor risk management. Loan origination from

weak banks remains strong, funded by unstable short term deposits.

314. Consequently, non-performing loans increased from 7.55% in 2011 to 9.9% in June 2012 against the internationally accepted Basel 11 threshold of 5%.

315. This, therefore, raises concerns over quality of corporate governance and effectiveness of supervision within the financial sector.

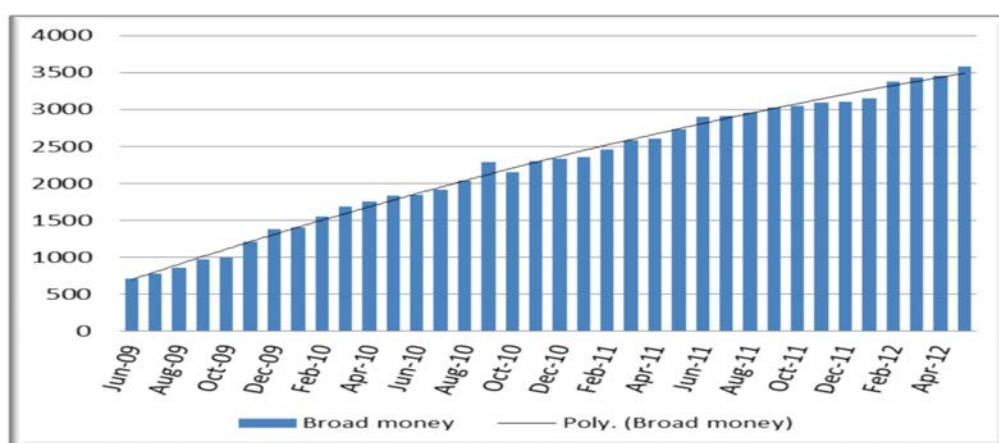
Non-Performing Loans: 2009–2012



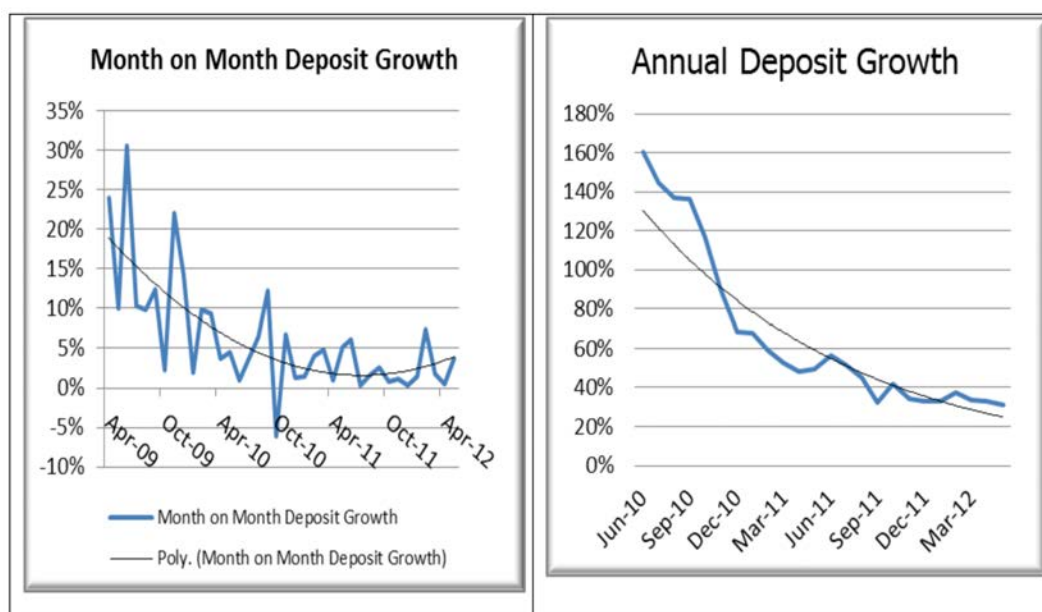
Bank Deposits

316. Although nominal bank deposits continued to improve, during the first half of the year, the growth in these deposits has softened, reflecting overall slowdown in economic growth.

Bank Deposits: 2009–2012



317. On a month on month basis, deposits were growing by an average of about 3%, reaching US\$3.58 billion by 30 May 2012 from US\$3.1 billion in December 2011.



318. The growth in deposits for the period under review was spurred mainly by receipts of resources from sales of SDRs, proceeds from the tobacco sales and the repatriation of excess balances

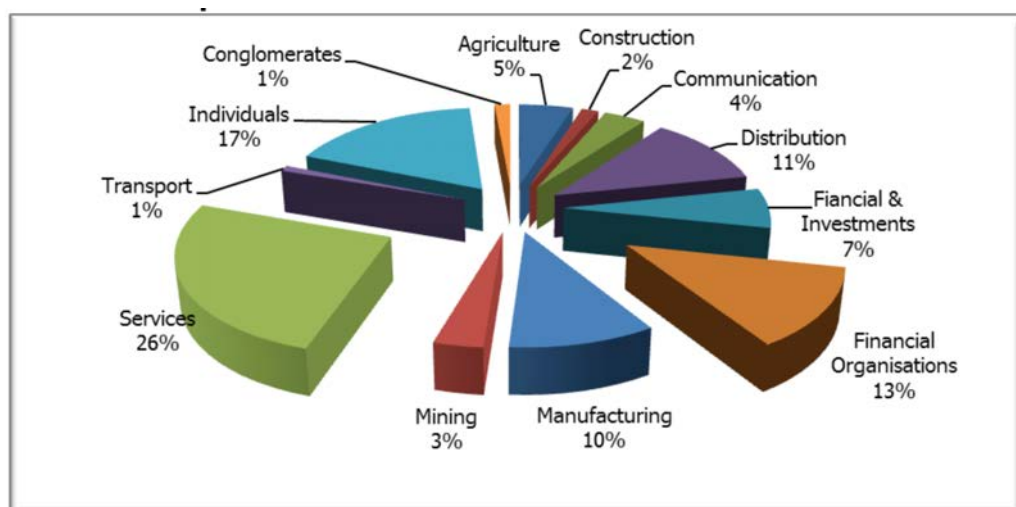
from Nostro Accounts as required by the Reserve Bank of Zimbabwe.

319. However, these deposits remained unevenly distributed and skewed in favour of four banks (out of 25) holding more than 60%.

Sources of Bank Deposits

320. The major sources of bank deposits are Services (26%), Financial Organisations and Investments (13%), Households (17%), and Distribution (11%).
321. The Mining sector, despite being the major export earner, continues to be among the least sources, contributing only 3%.

Source of Deposits

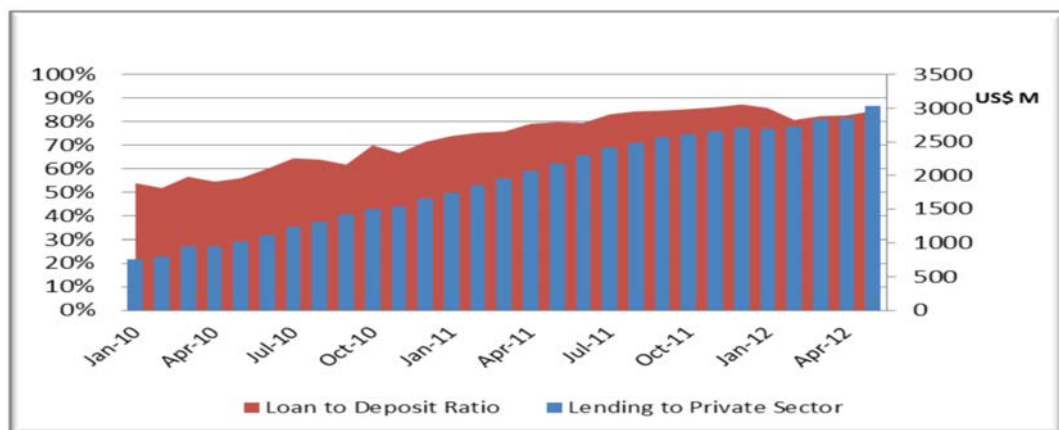


322. These main sources of deposits are, however, highly transacting sectors, a situation resulting in deposits remaining short term and transitory.

Loan & Advances

323. During the period under review, loans and advances increased by 39% from US\$2.74 billion in January to US\$3.029 billion by May 2012.
324. This translates to a loan to deposit ratio of 84% compared to 87% by end of 2011, reflecting over exposures of some banks, a situation that has resulted in high non-performing loans.

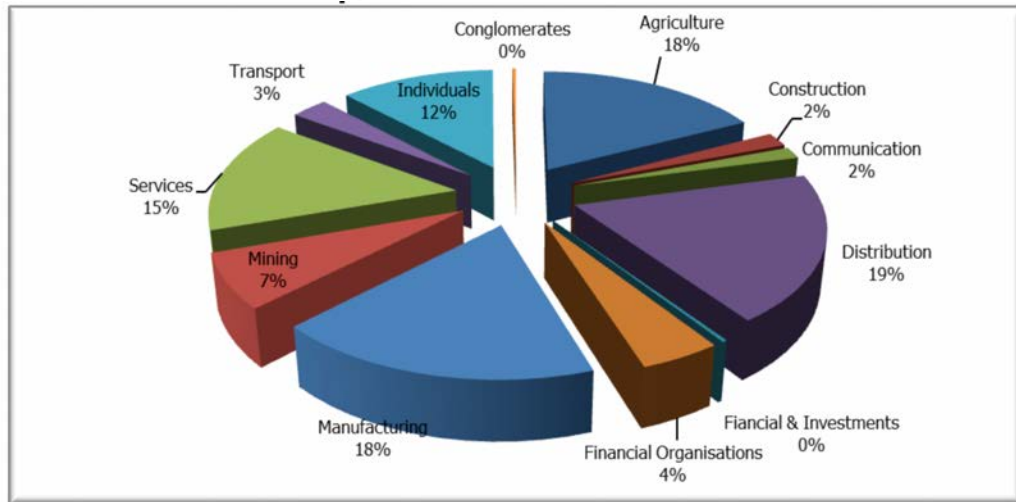
Loans and Advances: 2012



Distribution of Loans and Advances

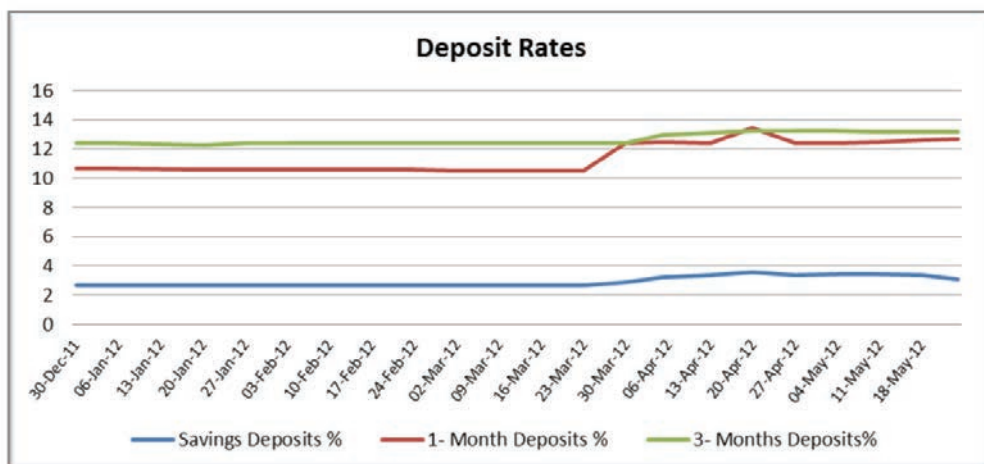
325. Due to its short cash cycle, the Distribution Sector at 19%, continues to attract the biggest chunk of loans, followed by Agriculture and Manufacturing, both at 18%.

Loan Distribution: 30 April 2012



Deposits Rates

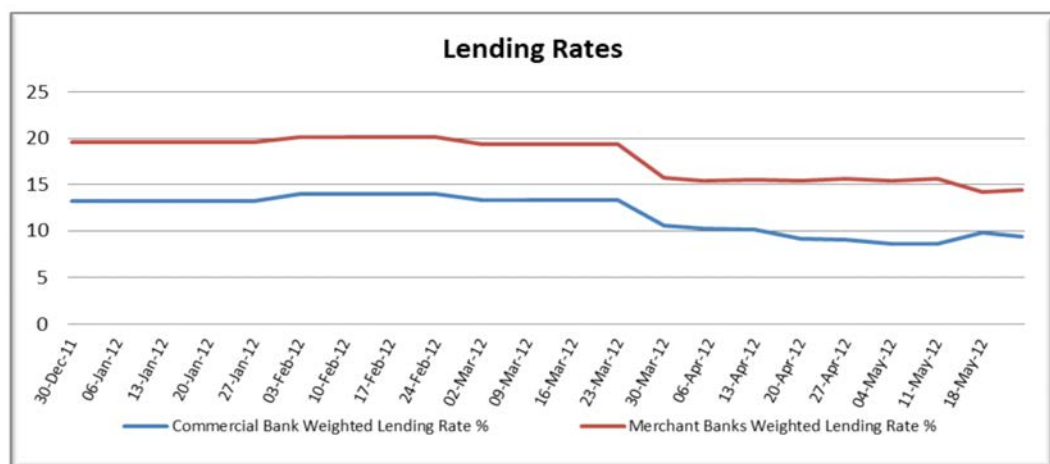
326. Interest rates on deposits during the first three months were low, with savings rates averaging about 2.65%, 10.7% for one month deposits and 12.4% for three month deposits.
327. However, following the intensification of competition to attract deposits in April, interest on deposits marginally increased to a monthly average of 3.4%, 12.6% and 13.2% for savings deposits, one month deposits and three months deposits, respectively.



328. Although some slight improvements were recorded, the real savings rates remain negative, raising the opportunity cost of holding deposits outside the banking system, hence, complicating efforts to mobilise savings for investment and economic growth.

Lending Rates

329. Lending rates, which opened the year relatively high, slightly softened from an average of 13.6% to 9.5% and 19.7% to 15.2% for commercial and merchant banks, respectively.



Zimbabwe Stock Exchange

330. During the first half of 2012, the stock market maintained a bearish trend. There were no major improvements in the indices as the market fundamentals still remained subdued. Both indices remained largely unchanged on the back of flat trading as the cautious approach continues to prevail in the market.

331. The industrial index opened in January at 144.7 and was on the decline to 129.5 April, before slightly improving to 132.03 in May and then weakened to 131 in June.
332. The mining index remains in the deep, failing to breach the 100.0 mark for the whole of the first half. The index in January opened low at 79.09 and slightly improved to 97.15 in April but then went on a slide to 75.7 in June.
333. Consequently, market capitalisation lost about 4.25% between January and June 2012 to close at US\$3.3billion.

Date	Industrial Index	Mining Index	Market Capitalisation (US\$)
Jan-12	138.52	79.09	3 489 841 345.00
Feb-12	146.03	95.39	3 696 613 989.00
Mar-12	136.76	85.01	3 458 055 450.00
Apri-12	129.55	97.15	3 303 408 283.00
May -12	132.03	83.73	3 351 215 680.00
June-12	131.0	75.7	3 341 457 429.00

Way Forward

Enhancing the Intermediation Role

334. In view of the flow of substantial deposits from smaller to bigger banks, the expectations are that these receiving banks should also enhance their lending, without negating the prudential lending principles.

Bank Regulation and Supervision

- 335. Consistent monitoring of the banking sector is a prerequisite for maintaining relative soundness of the sector.
- 336. Government, through the Ministry of Finance is, therefore, finalising amendments to the Banking Act that will focus on improving oversight and surveillance over the financial sector by the Reserve Bank.
- 337. The Reserve Bank on its part will strengthen its financial regulatory and supervisory framework of the banking sector as a prerequisite for maintaining relative soundness of the sector. The completion of the restructuring of the Reserve Bank will be key to the process of strengthening the banking sector.
- 338. In this regard, the Reserve Bank supervision will continue to draw from international best banking practices, including a gradual implementation of the Basel II Framework standards.

Lender of Last Resort

- 339. Government has already approved the establishment of a US\$150 million Lender of Last Resort Fund, under which private investors are expected to contribute about US\$120 million.

340. The challenge is now on identifying the private investors and also establishing strong safeguards on accountability and governance of the Fund. The Fund's objective is to deal with emergency liquidity requirements of fundamentally solvent entities.
341. In addition to the Fund, other complementary measures such as the amendment of the Banking Act to strengthen the Troubled and Insolvent Bank Resolution Framework are being pursued.
342. The Framework will incorporate provisions for prompt corrective measures and dealing with issues of corporate governance.

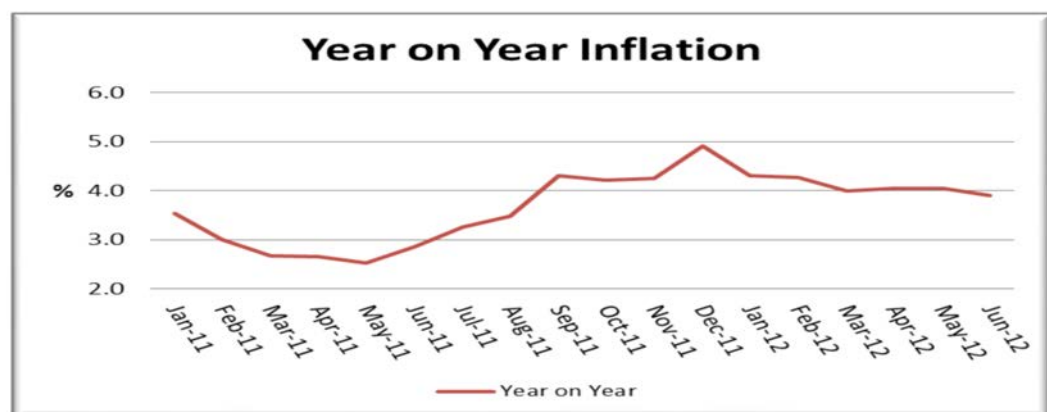
Cashless Market/Use of Plastic Money

343. The economy continues to over-rely on use of cash even for high value transactions of as much as US\$5 000. Further, the availability of Points of Sales (POS) and their utilisation remains low, giving rise to high value transactions in cash.
344. This practice perpetuates the liquidity challenge and draws back the country from modern global transactions initiatives on use of plastic money as well as e-banking.

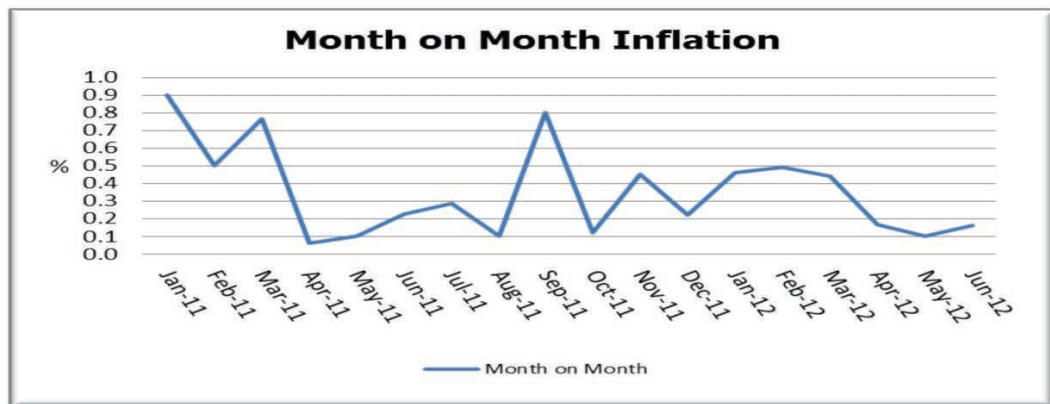
345. Government is, therefore, once again calling on the financial sector and the business community to cooperate in promoting the use of plastic money, in line with global developments.

PRICES

346. One area which has remained stable is inflation, which still remains within the 2012 target of below 5%.
347. During the first half of 2012, annual inflation opened the year at 4.3% in January and maintained the same level in February before slowing down to 4.0% in March, April and May. By end of June 2012, inflation had further decelerated to 3.9%.



348. Similarly, month on month inflation was on the decline, decelerating from 5% in January and February to 0.4% in March 0.2% in April and 0.1% in May. However, by June, there was a marginal increase of 0.2%.



Food Inflation

349. During the period under review, food prices were characterised by volatilities mainly in meat and vegetables prices, reflecting changes in seasonal supplies.
350. As a result of the above transitory shocks, overall food inflation, which recorded 4.05% in January rose to 5.01% in February and 5.2% in March, before receding to 4.8% in April and 4.6% in May 2012.

Non Food Inflation

351. Non Food Inflation, compared to the same period in 2011 also remained stable despite surmountable pressures from rentals reflecting structural and regulatory deficiencies in the economy.

352. Resultantly, annual non-food inflation slowed down from 4.1% in January to 4.0% in February and further to 3.4% in March, before marginally rising to 3.7% and 3.8% in April and May 2012, respectively.

Regional and International Inflation Trends

353. Zimbabwe's inflation compares relatively low to that of SADC countries, China and Europe, which are our major trading partners.

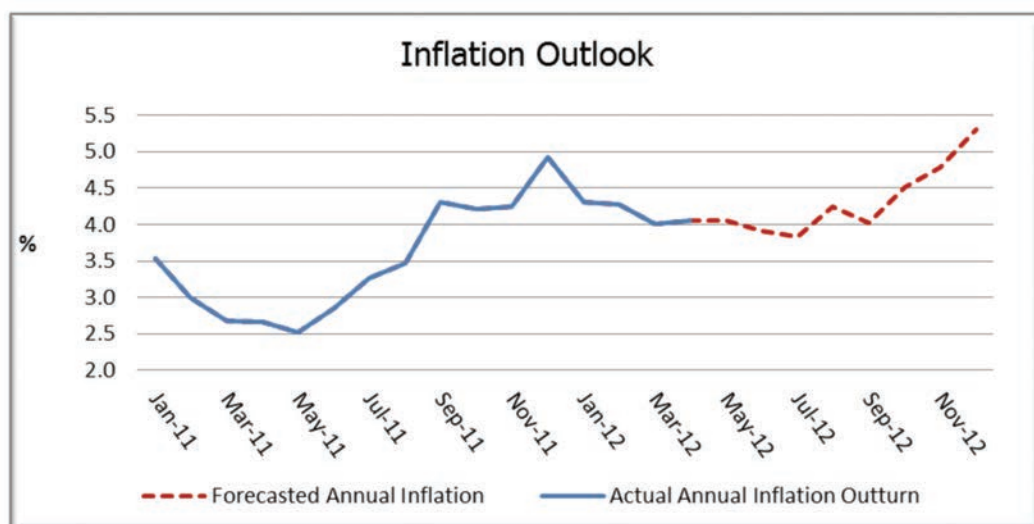
	Zimbabwe (%)	South Africa (%)	Zambia (%)	Malawi (%)	Botswana (%)	Mauritius (%)	Namibia (%)	Swaziland (%)	Europe (%)	China (%)
Jan-12	4.3	6.44	6.4	10.3	8.8	4.8	6.6	9.28	2.65	4.5
Feb-12	4.3	6.31	6	10.9	8.2	4.9	7.5	9.43	2.73	3.2
Mar-12	4.0	6.15	6.4	11.4	8	3.85	6.9	8.76	2.67	3.6
Apr-12	4.0	6.21	6.5	12.4	7.5	5.6	6.4	9.6	2.57	3.4
May-12	4.0	5.7	6.6	17.3	7.7	5.3	6.0	9.07	2.42	3.0
June-12	3.9		6.7		7.3	3.9			2.4	2.2

354. However, given that over 58% of Zimbabwe's total imports originate from South Africa, the exchange rate and inflation developments in that country have implications on our economy and, therefore, have to be monitored and managed appropriately.

Inflation Outlook

355. In the last half of the year, the anticipated weakening of the Rand against the US dollar and softening in international fuel

prices are expected to stabilise inflation prospects, containing it around 5%.



EXTERNAL SECTOR

Exports

356. Total exports shipments as recorded by RBZ for the period January to June 2012 rose by 45% to US\$1.6 billion from US\$1.1 billion realised during the corresponding period in 2011.
357. Mineral exports accounted for the bulk at 73%. Other exports are tobacco (10.7%), manufactured (9.2%), agriculture (6.5%), horticulture (0.4%) and hunting (0.2%).
358. The monthly breakdown of exports for the period under review is given below:

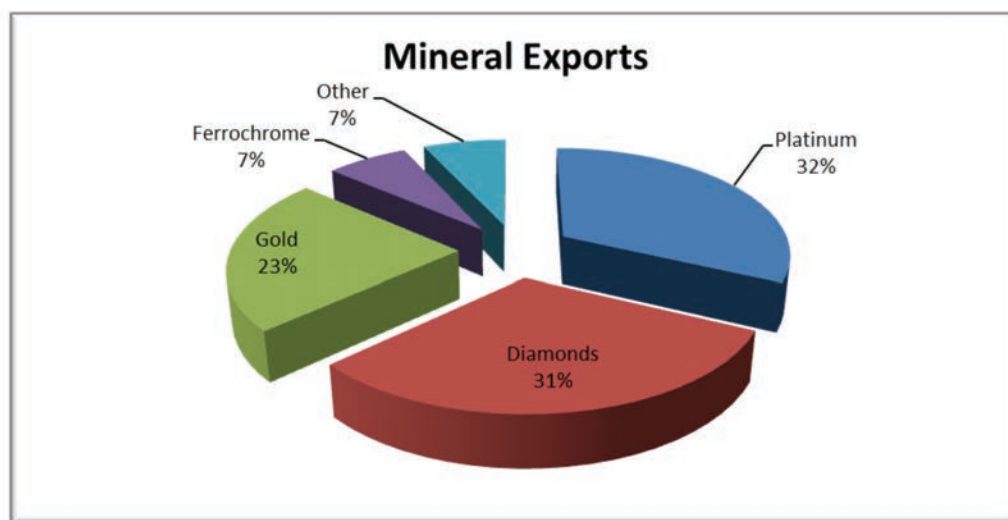
Exports by Sector: Jan—June 2012

	Agriculture	Horticulture	Hunting	Manufacturing	Mining	Tobacco	Monthly Total
Jan	14 045 143	572 853	334 690	10 195 374	160 053 634	64 407 531	249 609 225
Feb	20 046 700	728 454	441 842	30 345 237	189 745 797	18 286 103	259 594 133
Mar	21 112 159	1 610 321	918 846	42 002 768	310 292 632	14 828 300	390 765 026
Apr	17 807 548	1 132 174	631 730	27 841 599	167 082 434	7 320 020	221 815 505
May	19 586 143	1 116 723	689,302	24 220 277	173 983 164	19 567 283	239 162 892
Jun	12 025 682	545 447	524 933	12 868 522	165 918 353	46 959 003	238 841 940
Total	104 623 375	5 705 972	3 541 343	147 473 777	1 167 076 014	171 368 240	1 599 788 721

Source: Computerised Export Payments Exchange Control System (CEPECS)

Mineral Exports

359. Mr Speaker Sir, of the total mineral exports valued at US\$1.16 billion for the period January to June 2012, platinum accounted for the highest contribution, with US\$379 million, while diamonds and gold recorded US\$364 million and US\$269 million, respectively, as indicated below.



Comparison of Mineral Exports: 2011 and 2012

Mineral	Jan – June 2012	Jan –June 2011	Variance	% Variance
Platinum	373 979 460	527 077 082	(153 097 622)	(29.05)
Diamonds	363 517 542	76 692 571	286 824 971	373.99
Gold	269 509 395	218 407 158	51 102 237	23.40
Ferrochrome	79 598 379	127 279 906	(47 681 527)	(37.46)
Other	80 471 237	60 565 652	19 905 585	32.87
Total	1 167 076 013	1 010 022 368	157 053 645	15.55

Source: RBZ

360. The Table below shows diamond exports by mine.

Diamond Exports: January—June 2012

Mining Company	Value (US\$)	Contribution %
Mbada Diamonds	145 112 837	39.9
Marange Resources	26 593 478	7.3
Murowa Diamonds	15 482 334	4.3
Canadile Miners	0	0
River Ranch	2 447 657	0.7
Mavlon Trading	0	0
Lesley Fay Marsh	0	0
Anjin Investments	120 329 658	33.1
Diamond Angel	113 111	0.03
Diamond Mining Corporation	52 236 477	14.4
DTZ-OZGEO	1 201 990	0.3
Total	363 517 542	100

Source: RBZ

Composition of Exports

361. Mr Speaker Sir, the country's exports continue to be predominantly unprocessed raw products, indicating that our thrust on value addition is being inadequately mainstreamed by both Government and the private sector.

362. An example is that of raw tobacco, which currently is fetching an average of US\$4.00 per kg at the auction floors, but when processed into cigarettes translates into over US\$500 per kg.

Imports

363. Imports have continued to grow much faster, reflecting increased demand for equipment and raw materials for resuscitating industries as well as finished products against domestic capacity constraints.
364. As a result, for the period January to May 2012, merchandise imports amounted to US\$2.6 billion and are projected to end the year at US\$8.2 billion.
365. Under the review period, imports were dominated by machinery and equipment (41%), fuel and gas (24%), and food and beverages (20%) as indicated below:

2012 First Half Imports

Sector	January	February	March	April	May	Total	% Cont
Food and Beverages	101 061 152	91 072 188	97 855 815	103 877 984	121 791 381	515 658 520	20
Fuel and Gas	166 731 348	99 658 553	123 165 254	117 382 556	131 199 846	638 137 557	24
Drugs	45 917 664	10 019 032	23 527 387	9 270 809	8 925 868	97 660 760	4
Machinery and Equipment	238 446 404	216 265 184	209 853 404	197 165 613	207 078 376	1 068 808 981	41
Fertilizers and Chemicals	6 467 420	11 455 505	8 517 618	9 083 310	8 875 490	44 399 343	2
Electricity	4 483 264	3 128 263	2 016 616	16 441 987	5 390 947	31 461 077	1
Vehicles and spare parts	46 905 518	39 222 353	47 429 441	36 686 956	42 329 043	212 573 311	8
Total	610 012 770	470 821 078	512 365 535	489 909 215	525 590 951	2 608 699 549	100

Source: ZIMSTAT

Sources of Imports

366. South Africa tops the list of import source for the country with 43% of total imports, as indicated in the Table below:

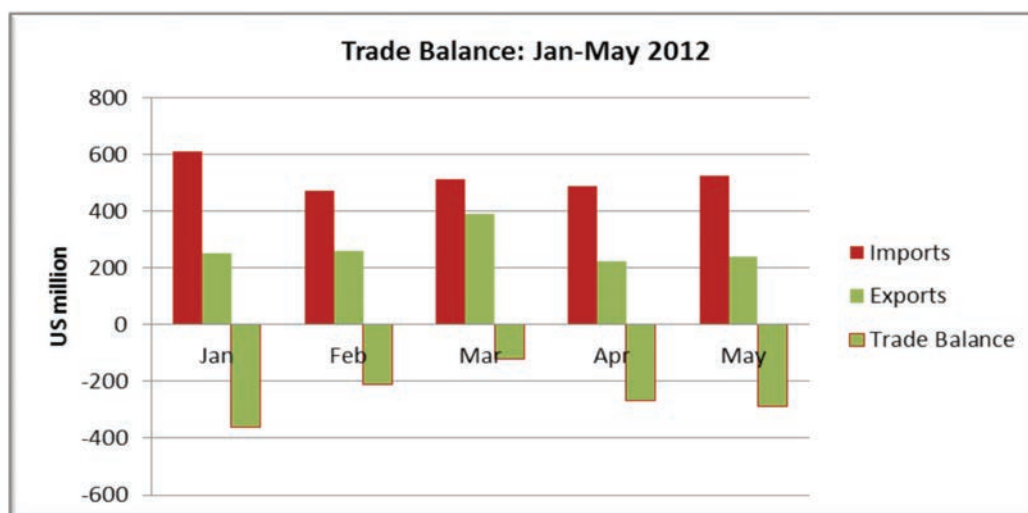
Zimbabwe's Main Sources of Imports

Country	Imports (US\$)	Contribution %
South Africa	1 113 049 247	43
United Kingdom	422 576 072	16
Kuwait	150 941 617	6
China	146 270 280	6
Zambia	143 640 200	6
India	77 322 419	3
Mozambique	66 249 101	3
Sweden	50 662 033	2
Botswana	50 467 252	2
United Arab Emirates	37 267 937	1
Other Countries	350 288 271	13
Total	2 608 734 429	100

Source: ZIMSTAT

Trade Balance

367. Mr Speaker Sir, as alluded above, the faster growth of imports against slowing export growth is resulting in the widening of the trade deficit.
368. The actual monthly imports and exports are depicted by the graph below:



369. The trade deficit is projected to reach –US\$2.8 billion, from the total exports of US\$5.1 billion against imports of US\$8.2 billion.

Capital Account

370. Capital inflows, which ordinarily finance the current account deficit, continue to underperform as reflected through insignificant foreign direct and portfolio investment as well as overseas development assistance.
371. A comparison of FDI inflows into the region reflects Zimbabwe as the least recipient country whilst Angola and South Africa dominate, as indicated in the Table below.

Volume of FDI inflows per country in the SADC Region, 2000–2010 (US\$ million)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Angola	879	2 145	3 133	5 685	5 606	6 794	9 064	9 796	16 581	13 101	9 941.6
Botswana	57	31	403	418	391	279	486	495	521	234	-
DRC	72	80	141	391	409	-	256	1 808	1 727	951	2 932.1
Lesotho	32	28	27	42	53	57	89	97	56	48	-
Madagascar	83	93	61	95	95	86	294	777	1 180	543	54.6
Malawi	40	60	17	66	108	52	72	92	170	60	55.8
Mauritius	277	-26	32	62	11	42	105	339	383	257	430
Mozambique	139	255	347	337	245	108	154	427	592	881	788.9
Namibia	186	365	181	149	226	348	387	733	720	516	864
Seychelles	448	554	683	685	723	808	906	856	557	1 114	156.8
South Africa	887	6784	1 569	734	798	6 647	-527	5 695	9 006	5 696	1553
Swaziland	106	29	92	-61	71	-46	121	37	106	66	130.7
Tanzania	282	467	388	308	331	494	592	647	679	645	433.4
Zambia	122	72	303	347	364	357	616	1 324	939	959	1 041.4
Zimbabwe	23	4	26	4	9	103	40	69	52	60	165.9
Total	3 633	10 941	7 403	9 262	8 717	9 440	12 660	23 192	33 278	25 131	391.4

Source: United Nations Conference on Trade and Development. 2010, SADC Central Banks 2011

Source: RBZ, MoF

372. The low foreign direct investment inflows indicate the high risk premium on the country which is also reflected through the Doing Business Index, which ranks Zimbabwe 171 out of 183 countries.

Zimbabwe Doing Business Index: 2011–2012

Topic Rankings	2012	2011	Change in Rank
Starting a Business	144	142	-2
Dealing with Construction Permits	166	163	-3
Getting Electricity	167	167	No change
Registering Property	85	81	-4
Getting Credit	126	116	-10
Protecting Investors	122	120	-2
Paying Taxes	127	132	+5
Trading Across Borders	172	172	No change
Enforcing Contracts	112	112	No change
Resolving Solvency	153	166	+13
Overall Rating	171	168	-3

Source: World Bank, 2012

External Sector Imbalances

373. The external position remains unsustainable with almost 10 days of import cover and a widening current account deficit now estimated at about 20% of GDP, which is also way off the SADC recommended threshold of 9% of GDP.
374. The mounting current account deficit is directly aggravating the liquidity crunch in the economy and if not arrested, will threaten the stability of the financial sector, as experienced in most developed economies.
375. This current account deficit is largely financed through short term capital inflows, accumulation of arrears and depletion of domestic assets, which under dollarisation are in foreign currency. This affects the liquidity position in the economy and, hence, has severe consequences on other sectors.

Way Forward

376. In managing the current account balance, exports enhancing measures, including value addition to our exports as well as their diversification, are essential. Where scope exists, options will be considered on the side of non-essential imports.

377. Therefore, industry is being called upon to be innovative by effectively exploiting the cluster development concept to enhance local production and competitiveness.

PUBLIC FINANCES

REVENUES

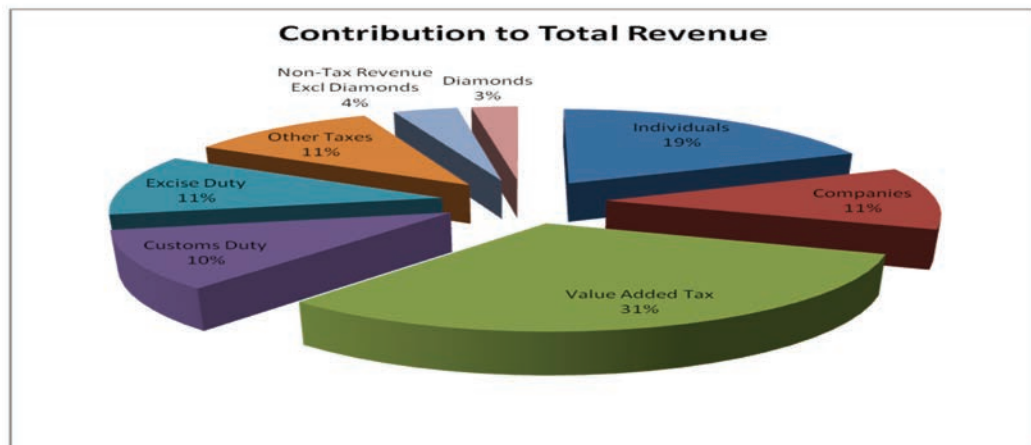
378. Mr Speaker Sir, the state of public finances is further deteriorating, with overall monthly revenue collections persistently remaining below target throughout the first half of the year.

Monthly Cash Inflows (US\$ million)

	Jan	Feb	Mar	Apr	May	Jun	Cumulative Total
Tax Revenue							
Actual	229.7	214.1	265.9	234.8	241.8	307.8	1 494.1
Target	233	217.9	264.4	234.6	245.3	305	1 500.2
Variance	-3.3	-3.9	1.5	0.3	-3.4	2.9	-5.9
Non Tax Revenues Including Diamond Dividends							
Actual	26.3	13.2	22	12.9	14.6	10.5	99.5
Target	46.6	52	55.8	58.5	61.6	63.2	337.7
Variance	-20.2	-38.8	-33.9	-45.6	-47	-52.7	-238.2
Cumulative Total							
Actual	256.0	227.3	287.9	247.7	256.4	318.4	1 593.6
Target	279.6	269.9	320.2	293.1	306.8	368.2	1 837.8
Variance	-23.6	-42.2	-32.4	-45.3	-50.4	-49.9	-244.2

379. Major revenue sources during the period under review included Value Added Tax (31%), Pay As You Earn (19%), Excise duty

(11%), Corporate Income Tax (11%), and Customs Duty (10%), as indicated below.



380. The Cumulative revenue shortfall, therefore, stood at US\$244.2 million by end of June 2012, with a large portion being on account of diamond dividends shortfalls amounting to US\$229.3 million.

381. The revenue under-performance, as I indicated in the Special Cabinet Session, will further curtail funding of Government operations and also limit our scope in implementation of various projects and programmes if additional revenues are not raised.

EXPENDITURES

382. Cumulative expenditures, inclusive of the wage bill, for the period January to June 2012 amounted to US\$1.565 billion against planned expenditures of US\$1.838 billion.

383. Therefore, overall expenditures for the period underperformed by an overall amount of US\$273 million.

Expenditures: January–June 2012

	Targeted Expenditure US\$ m	Actual Expenditure US\$ m	Variance US\$ m
January	279.6	170.1	-109.5
February	269.9	274.2	4.3
March	320.3	263.1	-57.2
April	293.0	299.9	6.9
May	306.8	235.3	-71.5
June	368.2	322.5	-45.7
Total	1 837.8	1 565.1	-272.9

Summary of Expenditures: Jan–June 2012

	Original Estimates US\$ m	Jan US\$ m	Feb US\$ m	Mar US\$ m	Apr US\$ m	May US\$ m	Jun US\$ m	Total Budget Support US\$ m
Employment costs	2 281.0	155.2	219.7	200.1	194.2	196.1	201.4	1 166.7
*Recurrent Operations	919.0	14.9	31.3	39.9	48.3	27.6	55.9	217.9
*Capital Expenditure	800.0	0.0	23.2	23.1	57.5	11.6	65.2	180.6
Total	4 000.0	170.1	274.2	263.1	300.0	235.3	322.5	1 565.2

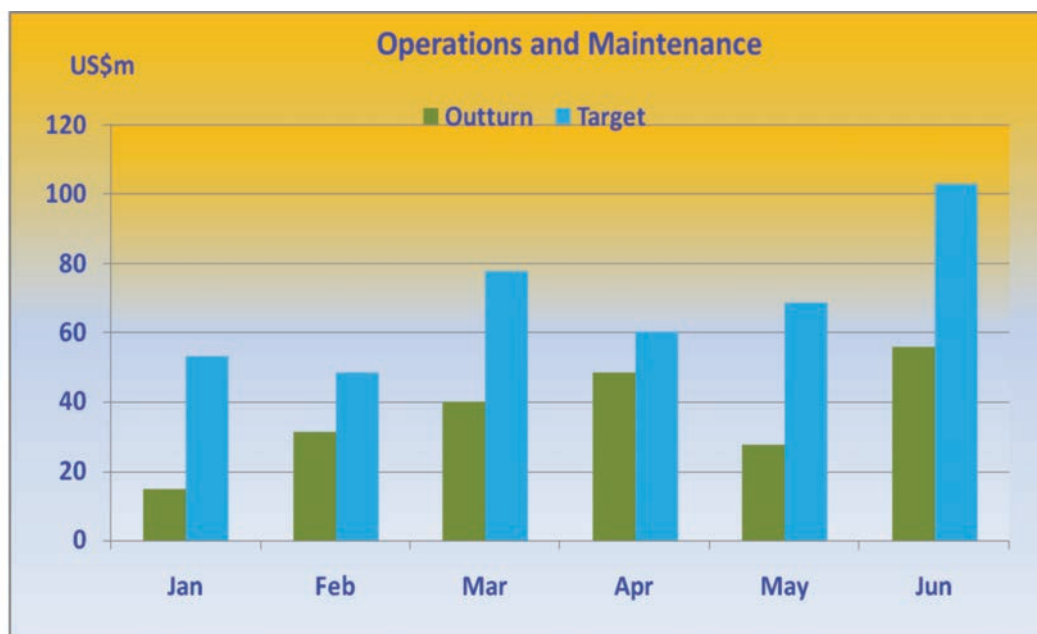
*Inclusive of ZIMRA retention and Interest on External Debt

384. However, in reality, while some items such as operations and maintenance, and the capital budget reflect expenditure underperformance, employment costs and foreign travel incurred expenditure overruns.

Operations and Maintenance

385. Non-Wage Recurrent Expenditures comprising of operational costs and maintenance, which had an original budget of US\$919 million

only managed to spend US\$217.9 million against a target of US\$410.9 million, representing a 47% under-performance.



386. Performance across key sectors such as health, education, social services and agriculture was subdued as a result.

Selected Sectoral Disbursements: January to June 2012

	Targeted Expenditure US\$m	Disbursements US\$m
Health	42.3	13.5
Education	38.3	6.6
Social Services	17.2	7.3
Agriculture	11.8	4.7
Maintenance of Infrastructure	5.7	1.5
Empowerment	7.4	2.4
Total	122.7	36.0

387. Keynote Budget programmes that have failed to take off on account of limited funding include:

- Maternal and child health care programme, which is meant to increase access to health services through the gradual elimination of user fees;
- Apprenticeship and internship scheme, a window for assisting school leavers and job seekers acquire practical experience;
- Student Grant and Loan Scheme, critical for re-building the country's human resource base; and
- Provision of teaching and learning materials, critical for the revitalisation of our education system.

Non-Wage Budget Support

388. Non-wage Budget support to Line Ministries over the first half of the year constituted about 24% of the total non-wage Budget provision of about US\$1.614 billion as indicated below.

Non-wage Budget Support to line Ministries Jan-June 2012

Vote Appropriations	Budget Estimate US\$	Disbursed Amount US\$	Budget Utilisation	Share of Total Disbursed	Rank
Agriculture, Mechanisation and Irrigation Development	159 568 000	60 725 000	38.1%	15.4%	1
Defence	101 482 000	40 982 800	40.4%	10.4%	2
Office of the President and Cabinet	114 130 000	38 833 612	34.0%	9.8%	3
Health and Child Welfare	171 355 000	37 340 600	21.8%	9.4%	4
Transport	102 655 000	26 002 400	25.3%	6.6%	5
Finance	129,090,000	24 415 100	18.9%	6.2%	6
Water Resources, Management and Development	70 481 000	20 638 100	29.3%	5.2%	7
Home Affairs	77 980 000	18 422 400	23.6%	4.7%	8
Higher & Tertiary Education	104 590 000	16 720 815	16.0%	4.2%	9
Justice	55 750 000	12 849 500	23.0%	3.2%	10
Local Government, Urban and Rural Development	84 661 000	10 349 500	12.2%	2.6%	11
Public Works	41 347 000	10 327 000	25.0%	2.6%	12
Energy and Power Development	52 360 000	9 871 000	18.9%	2.5%	13
Labour and Social Services	40 830 000	9 071 700	22.2%	2.3%	14
Foreign Affairs	40 290 000	7 694 000	19.1%	1.9%	15
National Housing and Social Amenities	30 655 000	6 270 000	20.5%	1.6%	16
Education, Sport and Culture	77 350 000	6 168 000	8.0%	1.6%	17
Office of the Prime Minister	18 260 000	5 206 757	28.5%	1.3%	18
Parliament of Zimbabwe	11 830 000	3 719 500	31.4%	0.9%	19
Constitutional and Parliamentary Affairs	9 689 000	3 369 000	34.8%	0.9%	20
Public Service	13 087 000	3 009 000	23.0%	0.8%	21
Lands and Rural Resettlement	11 230 000	2 976 000	26.5%	0.8%	22
Youth, Indigenisation & Empowerment	18 620 000	2 869 101	15.4%	0.7%	23
Tourism & Hospitality Industry	5 520 000	2 842 400	51.5%	0.7%	24
Industry and Commerce	7 341 000	2 077 000	28.3%	0.5%	25
Media, Information & Publicity	8 978 000	1 984 000	22.1%	0.5%	26
Judicial Services Commission	13 530 000	1 911 857	14.1%	0.5%	27
Information Communication Technology	8 669 000	1 807 946	20.9%	0.5%	28
Science & Technology Development	6 122 000	1 326 000	21.7%	0.3%	29
Small and Medium Enterprises Development	7 810 000	887 500	11.4%	0.2%	30
Women Affairs, Gender & Community Development	5 050 000	852 500	16.9%	0.2%	31
Audit	3 598 000	835 000	23.2%	0.2%	32
Mines & Mining Development	4 866 000	717 200	14.7%	0.2%	33
Economic Planning & Investment Promotion	2 075 000	695 200	33.5%	0.2%	34
Environment & Natural Resources Management	4 630 000	650 000	14.0%	0.2%	35
Regional Integration and International Cooperation	1 925 000	645 000	33.5%	0.2%	36
State Enterprises and Parastatals	1 350 000	527 600	39.1%	0.1%	37
TOTAL	1 618 754 000	395 590 088	24.4%	100.0%	

Capital Expenditure

389. Capital disbursements to end of June 2012 amounted to US\$204 million against a target of US\$386.9 million as indicated below.

Capital Disbursements to June 2012

Sector	Budget	Disbursement Targets to June	Actual Disbursements to June	Variance (Under-performance)	Disbursement as % of Budget
	US\$	US\$	US\$	US\$	%
Energy	47 500 000	23 750 000	6 170 000	17 580 000	0.13
Transport & Communication	113 400 000	53 700 000	22 500 000	3 1200 000	0.20
Water & Sanitation	113 245 000	49 622 000	24 245 000	25 377 000	0.21
Housing	118 610 000	54 305 000	19 459 972	34 845 028	0.16
ICT	40 200 000	22 100 000	12 316 418	9 783 582	0.31
Education	85 200 000	47 600 000	14 153 815	33 446 185	0.17
Health	63 425 000	40 712 500	21 497 604	19 214 896	0.34
Agriculture				0	
<i>Irrigation & Rehabilitation of Research Institutions</i>	<i>25 850 000</i>	<i>11 925 000</i>	<i>2 950 000</i>	<i>8 975 000</i>	<i>0.11</i>
<i>Strategic Grain Reserve</i>	<i>50 200 000</i>	<i>16 100 000</i>	<i>32 400 000</i>	<i>-16 300 000</i>	<i>0.65</i>
<i>Crop Input Support</i>	<i>37 000 000</i>	<i>20 500 000</i>	<i>19 623 200</i>	<i>876 800</i>	<i>0.53</i>
Constituency Development Fund	8 000 000	4 000 000	0	4 000 000	0.00
Other	97 370 000	42 685 000	28 767 018	13 917 982	0.30
Total	800 000 000	386 999 500	204 083 027	182 916 473	0.26

390. The shortfall in budgeted expenditures was mainly a result of limited revenue inflows, particularly for those projects that had been earmarked for financing through diamond revenues as well as the compounding crowding out effect of the wage bill.
391. Major projects affected include the rehabilitation of Hwange Thermal Power Station, construction of the Central Registry building, rehabilitation and construction of roads, rail and aviation infrastructure, construction of Tokwe-Mukorsi dam, as well as revitalisation of targeted health institutions, among other critical projects.

Employment Costs

392. On the contrary, the wage bill had consumed 70% of its original budget allocation and incurred an overrun of US\$94 million. The employment cost bill for the period January to June 2012 amounted to US\$1.167 billion against planned expenditure of US\$1.073 billion, as depicted below.

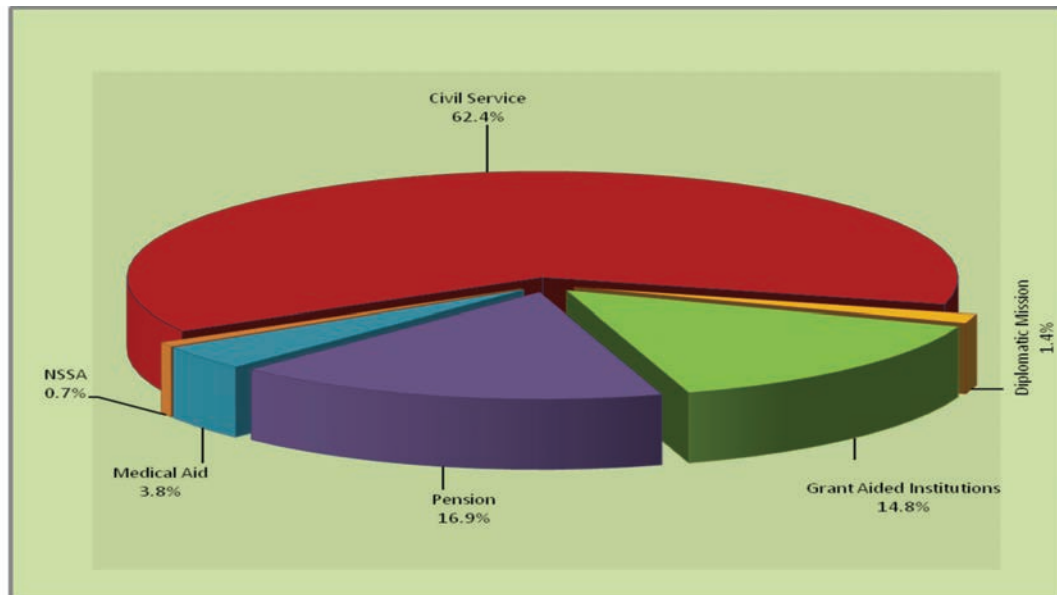
Summary of Disbursements: Jan-June 2012

	Original Estimates US\$ m	Jan US\$ m	Feb US\$ m	Mar US\$ m	Apr US\$ m	May US\$ m	Jun US\$ m	Total Budget Support
Employment Costs	2 281.0	155.2	219.7	200.1	194.2	196.1	201.4	1 166.7
*Recurrent Operations	919.0	20.3	41.1	51.9	47.4	29.6	54.3	244.7
*Capital Expenditure	800.0	5.0	26.1	32.0	57.2	21.2	39.0	180.6
Total	4 000.0	180.6	286.9	283.9	298.8	246.9	294.8	1 591.9

*Inclusive of ZIMRA retention and Interest on External Debt

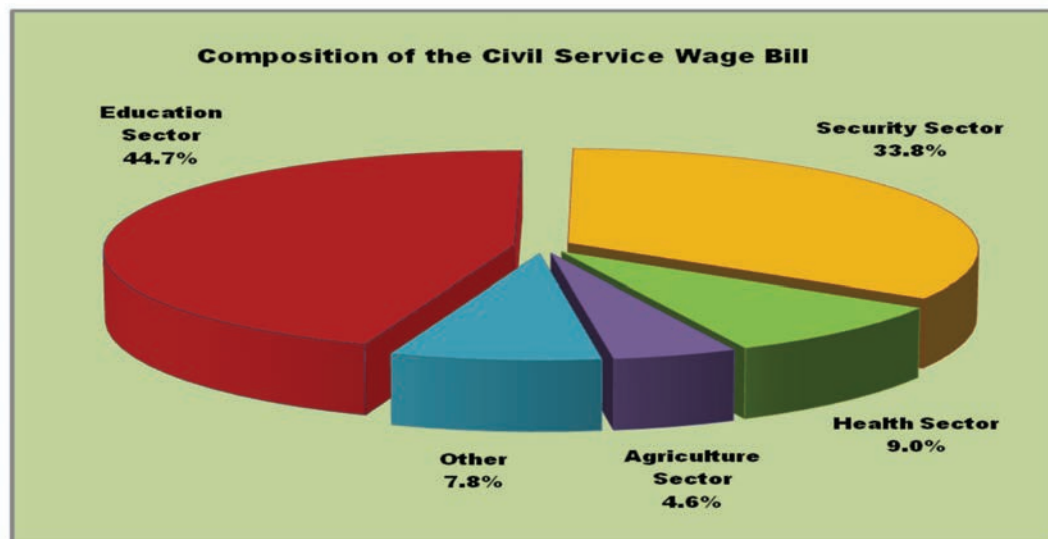
393. The employment costs have, therefore, become an “***elephant in the living room***”, when viewed against overall expenditures.
394. The wage bill, which was originally targeted at 57% of the total budget, will inevitably end the year at 73%, while other expenditures relating to the capital development budget and Government operations will be forced to reduce from 20% to 11% and 23% to 15.4% of total expenditures, respectively.

Composition of the Employment Cost Bill: January to June 2012



395. Notwithstanding the general freeze on recruitment of staff into the Public Service, the Education Sector, besides the re-engagement of around 10 000 temporary teachers in the months of January and May 2012, benefitted from the entry of around 2 800 qualified teaching staff into the service of recruitment in lieu of non-qualified staff.
396. The health sector, however, registered a net decline in employment levels of around 658 over the same period.
397. Employment levels in the Civil Service, excluding the Education Sector, grew by an overall net figure of 7 783.

398. Reflecting the composition of our Civil Service, the wage bill for staff in the education, health and security sectors accounted for 44.7%, 9% and 33.8% of the overall wage bill, respectively.



Way Forward

REVENUE MEASURES

399. Mr Speaker Sir, I now give progress made in the implementation of some of the tax policy measures together with other tax proposals for enhancing revenue, consolidating support to industry and plugging loopholes existing in the tax system.

Redrafting of the Income Tax Act

400. The conclusion of the redrafting of the Income Tax legislation remains a Government priority, hence, concerted effort has been channelled towards completion of this exercise. The Income Tax Bill has already been approved by the Cabinet Committee on Legislation and is awaiting gazetting before presentation to this August House.

VAT Fiscalised Recording of Taxable Transactions

401. Mr Speaker Sir, registered operators in category C, whose annual turnover exceed US\$240 000 are required to use VAT fiscalised electronic tax registers or a non fiscalised electronic register together with a fiscal memory device, with effect from 1 January 2011.
402. This policy was adopted with a view to plug loopholes in the VAT system and also to improve transparency in the remittance of VAT to the fiscus.
403. To date, 66% of the registered operators in category C have fully fiscalised their operations, 6% are at various stages of fiscalisation, whilst 28% are yet to commence the fiscalisation process.

404. The Table below shows the implementation status:

Region	Fully Fiscalised	Partially Fiscalised	Not Yet Fiscalised	Total Registered Operators
1	1,595	133	585	2,313
2	253	35	196	484
3	269	17	105	391
Total	2,117 (66%)	185 (6%)	886 (28%)	3,188

Suppliers of Fiscal Devices

405. Government licensed ten suppliers of fiscal devices, with a view to ensure competitive pricing of fiscal devices and also improve service delivery. Although registered operators in category C have been given more than two years to fiscalise, non-compliant operators have cited challenges such as lengthy delivery time whereby some approved suppliers take as long as two months to deliver the devices.

406. I, therefore, propose that where an approved supplier fails to deliver the devices within a period of six weeks, penalty provisions that are applicable to registered operators will apply on the supplier.

407. This measure will take effect from 1 August 2012.

Platform for Receiving Fiscal Data

408. Furthermore, in order to fully realise the benefits of the fiscalisation project, ZIMRA will set up a platform to receive information from fiscalised devices by 1 October 2012. Significant progress in the acquisition and installation of equipment and software to upgrade ZIMRA systems and develop direct interface with clients has already been registered.

Extension of Fiscalisation to Cover Registered Operators in Categories A, B and D

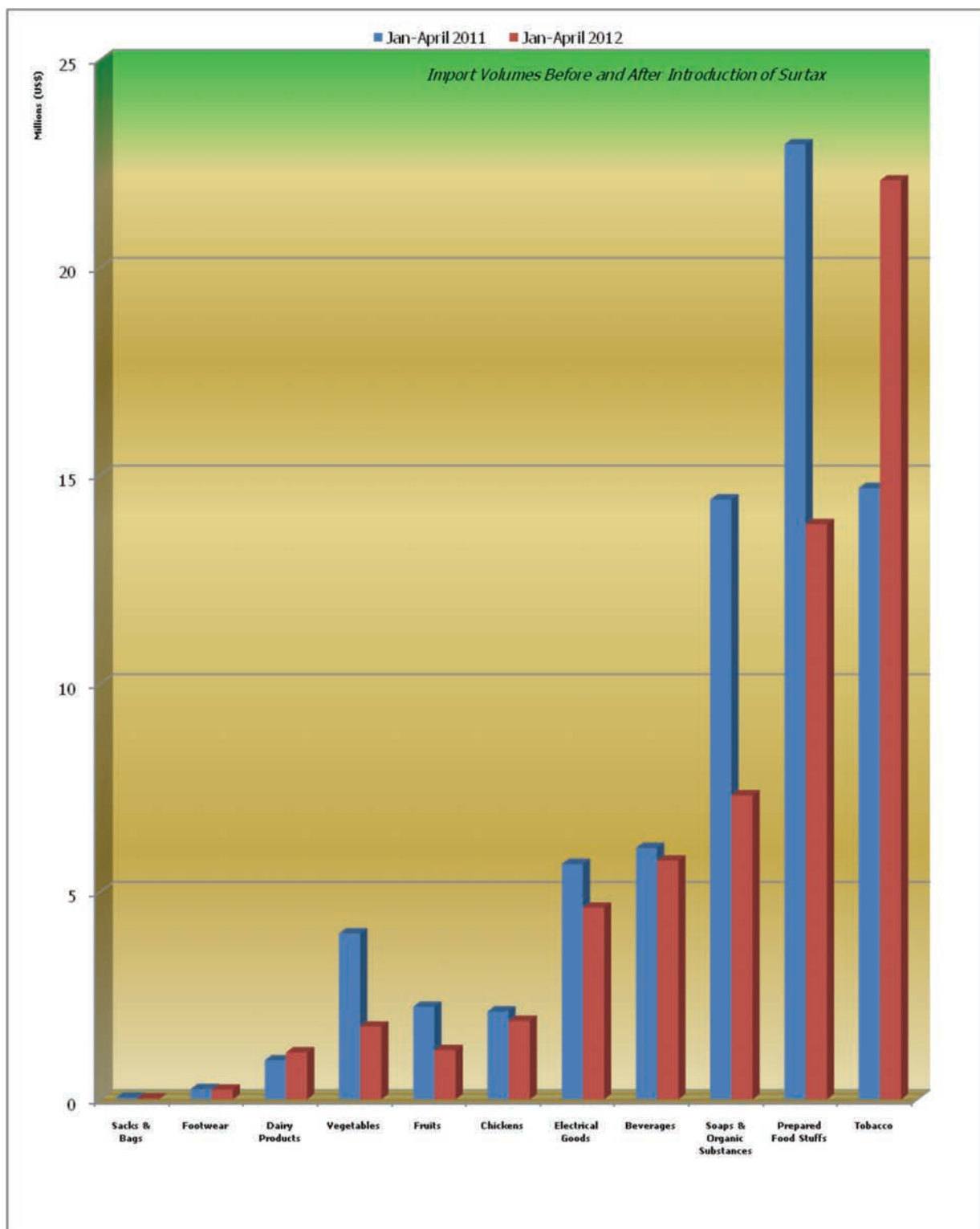
409. Mr Speaker Sir, whereas the legislation obliges only registered operators in category C to use VAT fiscalised electronic tax registers, there are, however, other operators in categories A, B and D, whose turnover exceeds US\$240 000 per annum.
410. I, therefore, propose that all registered operators whose annual turnover exceeds US\$240 000, be obliged to use VAT fiscalised electronic tax registers.
411. Registered operators in categories A, B and D, whose annual turnover exceeds US\$240 000, should thus fiscalise within a period of ninety days, beginning 1 August 2012.

Fiscal Tax Invoice

412. The current VAT Act provides for the production of a tax invoice containing specified particulars. However, the VAT legislation does not recognise fiscal tax invoices which are produced by fiscalised devices.
413. I, therefore, propose that fiscal tax invoices be incorporated in the VAT legislation.

Redirecting Resources to Production

414. Mr Speaker Sir, in order to redirect resources from the consumption of less essential goods towards production, Government introduced a surtax of 25% on selected imported finished goods, with effect from 1 January 2012. Subsequently, imports of selected finished goods declined by 23% during the period January to April 2012, compared to the same period in 2011.
415. The graph below shows the import volumes before and after introduction of surtax.



416. Notwithstanding the general reduction in the volume of imports of finished goods, importation of dairy produce, tomatoes, processed food stuffs, refrigerators and freezers has continued to increase.
417. These products continue to occupy large retail shelf space, despite high rates of duty, indicating incidences of rent seeking behaviour by agents at ports of entry, smuggling, undervaluation and abuse of the SADC Rules of Origin certificates.
418. The Zimbabwe Revenue Authority should thus intensify risk-based post clearance audits and automation, in order to enhance compliance and revenue inflows to the fiscus.

Promotion of the Industry Value Chain

419. As already advised, the continued importation of basic products, such as cooking oil, fruits, vegetables and potato chips, despite the existence of capacity to produce locally, undermines growth of the agricultural sector and recovery of the local industry. This also has negative consequences on the balance of payments.
420. The Table below shows the level of imports of selected products during the period January to April 2012:

Product	Value for Duty Purposes (US\$)	Surtax Revenue (US\$)
Cooking oil	46 434 408	-
Fruits	1 185 411	296 352
Vegetables (onions, potatoes, carrots, peas and beans)	1 753 759	438 439
Potato Chips	3 784 963	933 508
Dairy Products	1 131 905	282 976
Prepared Foodstuffs	10 088 326	2 522 081
Soaps and other organic substances	7 313 429	1 828 357

421. In order to encourage local production, thereby saving foreign currency and creating employment, I propose to ring fence surtax generated from the above products in order to redirect support towards local producers.

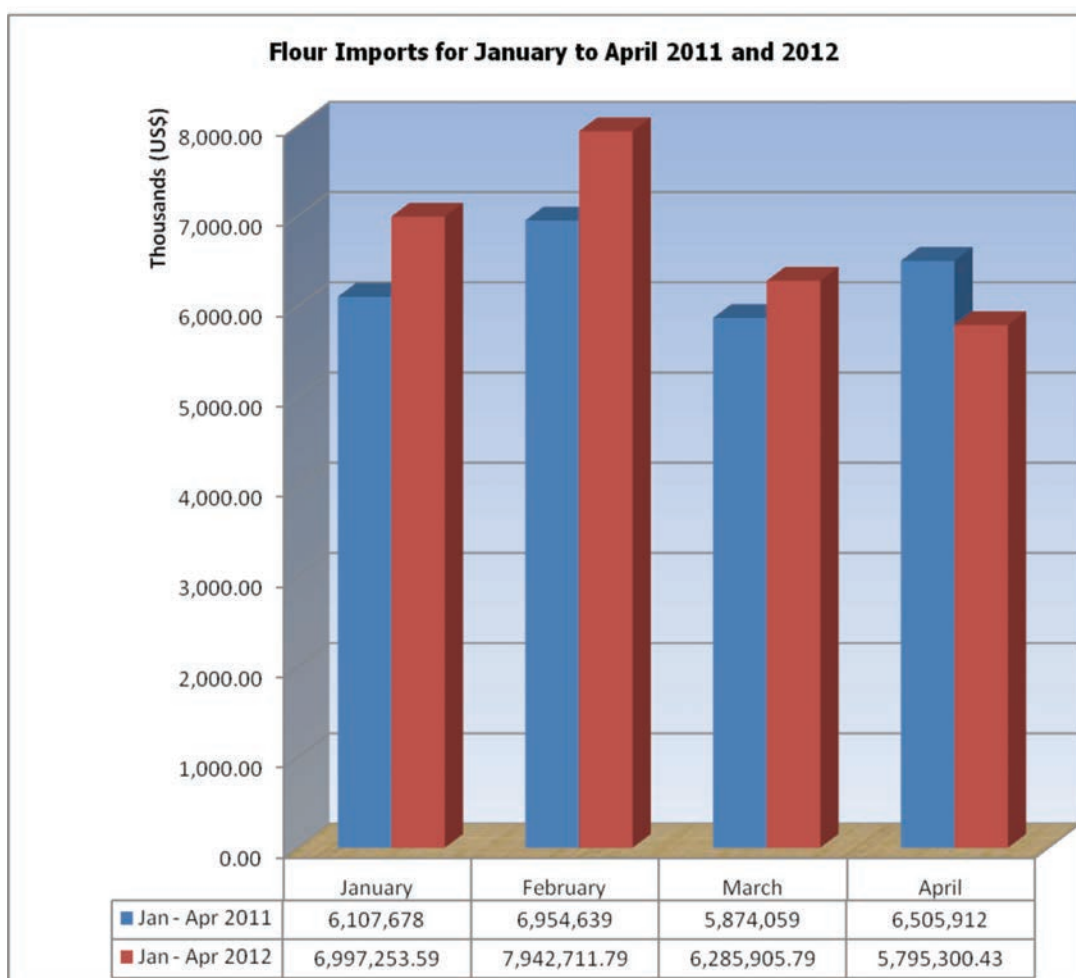
422. This measure takes effect from 1 August 2012.

Customs Duty on Wheat Flour

423. Mr Speaker Sir, in order to enhance the viability of the milling industry, as well as encourage the production of local wheat, Government introduced customs duty on wheat flour at a modest rate of 5%, with effect from 1 January 2012.

424. Despite the introduction of modest customs duty, imports of wheat flour during the period January to April 2012 amounted to US\$27 million, resulting in a 6% increase compared to the same period in 2011.

425. The graph below shows the growth of flour imports during the periods January to April 2011 and 2012:



426. Whilst the local milling industry has capacity to meet national demand, the installed plants are not optimally utilised, due to the continued surge in wheat flour imports.
427. The continued importation of flour inhibits growth of the local milling, agro-processing, packaging and transport industries, as well as revival of the national herd, since the by-products of wheat milling are currently inadequate to meet requirements for stock feed.
428. In order to encourage the local beneficiation of wheat, thereby promoting the local milling industry and manufacture of stock feeds, I propose to increase customs duty on wheat flour from 5% to 20% with effect from 1 August 2012.
429. As agreed during the consultation process, the baking industry will, however, continue to import 25% of their wheat flour requirements or 3 000 metric tons per month, which is necessary for blending, at the current rate of duty of 5%.
430. Flour imports at reduced rates will be linked to licences issued by the Ministry of Agriculture, Mechanisation and Irrigation Development.
431. The above measure will not translate into a higher price of bread, since local millers will abide by the agreed price of wheat flour. Government will also continue to monitor the price and capacity of

local millers to supply wheat flour, in order to ensure stable price of bread.

Rebate of Duty on Capital Equipment and Motor Vehicles Imported by Tourism Operators

Capital Equipment Imported by Approved Tourism Operators

432. Honourable Members will recall that Government re-introduced duty free importation of capital equipment to support the expansion and modernisation of hotels and restaurants, with effect from 28 October 2011. The facility has assisted in the renovation and modernisation of hotels and restaurants.
433. Notwithstanding that Government has foregone revenue amounting to US\$2 million, through implementation of this facility, new business opportunities have been created for both existing and new tourism operators. The economy has thus benefited from employment creation and increased tax contribution from VAT and PAYE.

Removal of Surtax on Commercial Carbon-dioxide Compliant Refrigerators

434. Mr Speaker Sir, I have already alluded in the 2012 Budget that our quest for rapid growth should be extended to embrace

environmental sustainability, in order to achieve a 'green economy'. I further advised that our fiscal interventions should also complement programmes and activities supportive of improved environmental management.

435. A number of companies in the beverage industry have taken a lead in addressing energy efficiency across manufacturing, transport and bottling operations. They have thus, deployed a new generation of coolers that are more energy efficient, and free of hydro-flourocarbons (HFCs), a potent greenhouse gas, hence, are environment friendly.
436. In order to support initiatives by the beverage industry, I propose to remove surtax on carbon-dioxide compliant commercial refrigeration and coolers with effect from 1 August 2012.

Suspension of Duty on Raw Materials used in the Production of Sanitary Wear

437. Honourable Members will recall that import duty on sanitary wear was temporarily suspended following cessation of local production, after the major producer relocated outside Zimbabwe. This policy measure was intended to enable the less privileged to access affordable sanitary wear whilst allowing local companies ample time to invest in the production of sanitary wear products.

438. The suspension of duty was subsequently lifted and substituted by modest duty rates of 15-20%, following satisfactory production of sanitary wear products by local companies. Whereas local companies are supplying sanitary wear products at competitive prices, they however, face competition from imported products.
439. I, therefore, propose to grant a suspension of duty on imported raw materials used by approved manufacturers in the production of sanitary wear, provided that such raw materials are not locally produced.
440. This measure will enhance affordability of sanitary wear by the less privileged women and girls, who in some instances have resorted to use of unconventional materials which are a health hazard.
441. Furthermore, in view of the plight of the disadvantaged, I propose to ring fence duty collections on imported sanitary wear for purposes of procuring sanitary wear products for distribution to the identified less privileged.
442. The above measures will take effect from 1 August 2012.

Advance Passenger and Cargo Manifest

443. Honourable Members will recall that legislation that compels pilots of aircrafts arriving in Zimbabwe to submit an advance passenger manifest to the Commissioner was put in place in the 2012 National Budget. This measure was intended to allow the Commissioner ample time to risk profile passenger baggage.
444. Whereas ZIMRA categorises oversized baggage as cargo which requires an advance manifest, airlines define cargo as unaccompanied baggage.
445. Furthermore, the bulk of passengers arriving at local airports connect through other airlines, hence, would have interlined their baggage to their final destination.
446. It is also impractical for airlines to require passengers to submit a detailed list of contents of their baggage, hence, airlines face difficulties in submitting advance passenger manifests as required in the legislation.
447. In view of challenges faced in the implementation of the advance passenger and cargo manifest system, which resulted in inconveniences to both airlines and passengers, I propose to amend legislation in order to require airlines to submit a passenger and cargo manifest within three hours after landing or such further time as the Commissioner may allow, with effect from 1 August 2012.

Transit Cargo Monitoring

448. Honourable Members will recall that Government announced the intention to implement an electronic cargo tracking system, in order to minimise high risk to revenue security, since transit cargo constitute a significant volume of customs transactions and the bulk of such cargo remain un-acquitted.

449. The transit monitoring system will thus be implemented through a Public Private Partnership arrangement, in order to minimise costs to the fiscus. Government is already in the process of engaging potential companies.

Waiver of interest on late payment of Provision Quarterly Payments

450. Mr Speaker Sir, provisional corporate income tax is currently payable in quarterly instalments during the course of the year in which the income is earned. The quarterly instalments are based on a company's projected annual profit.

451. The current legislation provides that where the taxpayer fails to forecast profits within a ten per cent margin of error, the Commissioner shall waive interest on the outstanding amount.

This provision has the unintended consequence of penalising taxpayers who would have forecasted profits within a ten percent margin of error.

452. I, therefore, propose to amend the Income Tax Act in order to provide relief to taxpayers who forecast profits within the ten percent margin of error.

453. This measure takes effect from 1 August 2012.

VALUE ADDED TAX

Electricity for Domestic Consumption

454. I have already advised in previous budget statements that a long list of zero rated and exempt products undermines the tax base and also increases the cost of administration. It is against this background that zero rated and exempt products were initially limited to a narrow list.

455. However, in order to cushion consumers against the escalating cost of basic products and services, the current list of zero rated and exempt products and services has increased.

456. In the same vein, domestic supply of electricity is exempt. However, the principle of VAT is such that input tax cannot be claimed on products that are exempt from VAT, hence, the supplier of electricity is not able to claim input tax from sale of electricity for domestic consumption.
457. Domestic consumption of electricity is thus subsidised by the supplier who absorbs the input tax cost, thereby reducing funds that should be availed for capital projects.
458. In order to mitigate the cost outlay on input VAT, I propose to zero rate supply of domestic electricity with effect from 1 August 2012.

VAT on Zero Rated Basic Products

459. Regardless of the fact that some goods and services are zero rated, inputs used in the manufacture of such goods and services attract VAT at a standard rate. Due to liquidity constraints, manufacturers may end up borrowing to finance input VAT, which will be refunded after filing of a VAT return.
460. On the other hand, imported basic products are zero rated at the point of importation, hence, results in unfair competition between imported and locally manufactured products.

461. In order to level the playing field between imported and locally manufactured basic products, I propose to VAT zero rate soya beans, seed cotton and white sugar with effect from 1 August 2012.

Excise Duty on Diesel and Petrol

462. Mr Speaker Sir, excise duty on diesel and petrol, which is currently levied at 16 and 20 cents per litre, respectively, was last reviewed in July 2009.
463. In order to raise additional revenue to finance inescapable expenditures, I propose to increase excise duty on diesel and petrol from 16 and 20 cents per litre to 20 and 25 cents per litre, respectively, with effect from 1 August 2012.
464. This measure is expected to raise additional revenue of about US\$20 million. The increase in the excise duty rate should, however, not translate into higher prices of diesel and petrol, in view of the decline in the price of crude oil from US\$124 per barrel in April 2012 to US\$101 per barrel as at 13 July 2012.
465. Mr Speaker Sir, given the magnitude in the decline of prices of crude oil, Government does not expect an adjustment in the price of petrol and diesel, notwithstanding the increase of

excise duty on the same products, and will accordingly put in place strict monitoring arrangements.

Role of ZIMRA in the Transparency and Accountability of Minerals Resources

466. Mr Speaker Sir, in order to ensure transparency in the production, valuation and marketing of mineral resources, thereby realising maximum benefit from these resources, there is need to involve the Zimbabwe Revenue Authority from mining to marketing.
467. Although Government undertook to station ZIMRA officials at selected mining locations, in order to ensure transparency and accountability in the extraction of mineral resources, this has only been possible through negotiation with mining companies, since it is not legally provided for.
468. The Zimbabwe Revenue Authority has been building capacity, especially in the grading and valuation of diamonds. Furthermore, ZIMRA is engaging other institutions in order to share practical experience in the value chain of mineral resources.
469. These efforts need to be strengthened through a legal provision that sanctions the physical presence of ZIMRA personnel from the production up to the marketing of minerals.

470. I, therefore, propose to amend the relevant legislation, in order to provide for the physical presence of ZIMRA personnel at mining locations. This will facilitate monitoring of the following processes, particularly for diamond mining:

- Extracting, sorting, weighing, sealing and recording.
- Receipting and storage.
- Evaluation, grading and polishing.
- Auctioning and processing of export customs documents.

471. This measure will take effect from 1 September 2012.

Mining Fees and Charges

472. Government owns finite and non-renewable mineral resources, hence, these resources should be prudently exploited to optimum value addition, in order to maximise benefits to the nation.

473. Government, through Ministry of Mines and Mining Development, thus introduced new fees and charges which are in line with the policy thrust of the 'use-it or lose-it' principle, with effect from January 2012.

474. The level of fees and charges that existed prior to implementation of the higher level of fees and charges incentivised claim holders to hold onto unexploited ground. The Table below is an extract of fees and charges that were in force prior to January 2012.

Mineral	Subject	Fees & Charges Prior to January 2012	Fees and charges after January 2012
Diamonds	Application Fee (once - off and non-refundable)	US\$1 million	US\$1 million
	Registration (once -off and non-Refundable)	Nil	US\$5 million
Black Granite (Unprocessed)	Export Permit	US\$3 000	US\$10 000
Copper Concentrate	Export Permit	US\$500	US\$15 000
Special Prospecting License	License	US\$150 for whole country	US\$1 000 per Mining district
			US\$3 000 per for the whole country.
Platinum	Application Fee (once -off and non-refundable)	US\$150 (Ordinary Prospectors Licence – max 25 ha)	US\$500 000
		US\$200 (Special Prospectors Licence – max 150 ha)	

475. The new mining fee structure has so far registered a positive impact, to the extent that holders of un-worked claims have since surrendered some of their claims. This is an important milestone, which offers new entrants the opportunity to access unutilised claims, considering that large areas of prospective ground are already occupied.
476. However, it is clear to us that the new mining structure is hurting productive mining operations. It is, therefore, important to review the current fee structure in consultation with the Ministry of

Mines and Mining Development, taking into account deliberate efforts to encourage turnover of mineral rights and improved share of revenue to the fiscus.

477. Announcement of the new mining fee structure will be made shortly.

Review of Revenue Retention Policy

478. Treasury, on a case by case basis, authorises Ministries and Departments to retain a percentage of revenue collected on various fees and charges, as an incentive to collect revenue due to the fiscus on a timely basis. The retained revenue is also intended to augment resources that support specialised service delivery functions that would not have been adequately funded through the annual Budget Appropriations.
479. Inspections by Treasury to review operations of revenue retention funds revealed a number of concerns which include lack of transparency in the utilisation of retained funds, non-remittance of revenue due to the fiscus and non-production of financial statements for audit.
480. In order to address these concerns, Treasury directed that with effect from 1 June 2010, Departments and Funds whose constitutions entitle them a share of revenue receipts, remit the full amounts collected to the Consolidated Revenue Fund (CRF). Thereafter, each Fund's share of the amount collected would then be disbursed in line with agreed entitlements.

481. However, to date, Ministries and Departments have not adhered to Treasury instructions, thereby making it difficult for Treasury to keep track of revenue collections.
482. Furthermore, retained funds are generally not being utilised for the intended purposes. In the majority of cases, funds are utilised mainly to meet Ministries' recurrent expenditure, such as fuel purchases and travel and subsistence.
483. Below is a summary of the revenue and expenditure of the major revenue retention funds for the period January to April 2012:

Name of Fund	Cumulative Revenue Collected	Retention Level	Retained Revenue	Major Expenditure Items	Expenditure According to the Constitution
Deeds & Companies Office Fund	6,570,992.53	5%	328,549.63	Administration expenses, Travel & subsistence and fuel.	Expenditure incurred in the pursuance of the objectives of the fund, e.g salaries for contract workers.
Courts Administration Fund	2,577,924.67	50%	1,288,962.34	Administration expenses, Travel & subsistence and fuel.	Expenditure incurred in enhancing effective and efficient administration of Chief Magistrate, Administrative, High and Supreme Courts.
Immigration Services Fund	3,187,072.43	\$100,000 per month	400,000.00	Administration expenses, Travel & subsistence and fuel.	Purchase of stationery & security equipment, Maintenance of equipment, Human resources development and other incidental cost.
Mines & Mining Development Fund	9,371,477.57	25%	2,342,869.39	Renovations, Administration expenses, Motor vehicle repairs, Travel & subsistence and fuel.	Expenditure incurred in the pursuance of the objectives of the fund, e.g. computerised mining titles system and mining industry development.
Trade Measures Fund	71,416.00	30%	21,424.80	Fuel, Travel & subsistence.	Expenditure incurred on purchase and maintenance of measuring standards, equipment and tools, human resource development and other incidental costs.
Traffic and Legislation Fund	6,351,999.56	5%	317,599.98	Administration expenses, Travel & subsistence, fuel for the whole Ministry, Motor vehicles repairs for the whole Ministry	Expenditure incurred in pursuance of the objectives of the funds. Expenditure should be incurred with Treasury concurrence.

484. In order to improve accountability and transparency of retained funds, Treasury will review all revenue retentions, in consultation with Ministries and Departments, taking consideration of the following issues:

- utilisation history;
- compliance with statutory and other financial reporting requirements;
- remittance of revenue due to the CRF;
- adherence to provisions of the Constitutions that regulate Fund management operations; and
- the need to balance retentions vis-à-vis provision of resources for other inescapable expenditures.

485. Revenue Retention Funds that fall short of Treasury requirements will be terminated forthwith. Furthermore, Treasury, through the Public Finance Management Regulations, will enforce timeous remittance of unutilised funds due to the CRF.

Corporate Governance Issues for the Zimbabwe Revenue Authority

ZIMRA Board

486. The ZIMRA Act provides that the Board shall consist of the Secretary of the Ministry responsible for finance, the Commissioner General and not more than five other Members.

487. In order to efficiently discharge its mandate, the Board has established three committees which manage Human Resources, Operations and Finance, and Audit & Risk Management. The current Board composition of five non-executive members does not, however, allow for balance and flexibility to manage all board committees.

488. In order to enhance the effectiveness of the ZIMRA Board, the Revenue Authority Act will be amended to incorporate three additional members with effect from 1 September 2012.

Under-utilised Statutory Funds

489. Mr Speaker Sir, a number of our parastatals and statutory bodies are holding huge amounts of money, which are rightfully State Funds. The Funds and parastatals involved include POTRAZ, MMCZ and ZMDC, among others.

490. I am, in consultation with the relevant line Ministers, with a view to redirect these resources towards national projects.

491. I, therefore, propose that the Public Finance Management Act be amended to allow the Minister of Finance, after consultation with the responsible Minister, that all or some of the Funds be remitted to the Consolidated Revenue Fund.

Strengthening ZIMRA Systems

492. Although the volume of imports continues to rise, recording US\$2 billion by April 2012, customs duty collection remained low at about US\$112.8 million during the same period.
493. This translates to an average actual customs duty collection rate of 5% compared to legislated duty rates which range from 5-40% and, hence, is not commensurate with the actual trade volumes.
494. Accordingly, ZIMRA systems at Ports of Entry will be strengthened, especially the Beitbridge Border Post through automation, Post Clearance Audit, Risk Management and Anti-smuggling, curbing abuse of the SADC Rules of Origin Certificate and implementation of the Standard Valuation Method of Second Hand Motor Vehicles in order to minimise rent-seeking behaviour, that way enhancing revenue inflows from import duties.
495. Efforts are also underway to get the much awaited construction of the new Beitbridge Border Entry Port on a Build-Operate-Transfer (BOT) basis off the ground expeditiously.
496. Estimates by the AfDB indicate that delays at Beitbridge due to inadequate Border infrastructure are costing this economy some US\$35 million annually.

Disposal of the Country's Silverware

497. Given the acute shortage of revenues, Government will also consider disposing some of its assets, especially in the telecommunications sector and a comprehensive proposal is being developed for consideration.

EXPENDITURE RATIONALISATION

498. Mr Speaker Sir, efforts on mobilising additional revenues alone will not be able to move the Budget on the originally planned course.
499. Realignment and reprioritisation of both current and capital expenditures in line with anticipated revenues will be necessary, without compromising essential programmes, projects and services.
500. I have, therefore, already identified target areas for rationalisation during the remainder of the year and accordingly prepared Amended Estimates of Expenditure, which I am tabling to this August House.
501. Overall, all votes are affected and adjusted, consistent with the Revised Budget of US\$3.64 billion.
502. However, it will be necessary to ring fence the limited cash inflows to finance critical capital projects.

503. Given the limited fiscal space on the budget, innovative ways of addressing project implementation have to be put in place. In this regard, public entities with capacity to generate own revenues such as Local Authorities, ZESA, Telone, ZINWA, CAAZ, etc will have to redirect such resources towards critical infrastructure rehabilitation and development.
504. Line Ministries and implementing agencies should ensure that the remaining projects are implemented within the stipulated timeframes in order to avoid cost overruns and obtain value for money.

Public Private Partnerships (PPP)

505. The infrastructure deficit arising from the proposed cutbacks can be offset by increased engagement of the private sector, taking advantage of the various PPP financing models, in order to ensure delivery of key economic enablers, critical for sustaining operations of the productive sectors.
506. In this regard, public entities such as ZESA, Telone and Netone among others, are being encouraged to take advantage of Government efforts to consummate current Public Private Partnership initiatives to mobilise additional finance from the market to finance their capital requirements.

MANAGING EXPENDITURES

General Freeze on Recruitment

507. In view of the expenditure overrun on the wage bill, which besides salary adjustments, is partly attributable to an overall growth in employment levels of 7 783 during the period January to June 2012, the following measures are imperative:

- Government will maintain the general freeze on the recruitment of staff into the Public Service.
- Any dispensations on critical areas which may warrant new recruitments will be subject to Treasury concurrence in consultation with the respective Public Services Commissions.

508. Effectively implementing and concluding work on the Public Service Audit will be essential.

Managing Expectations

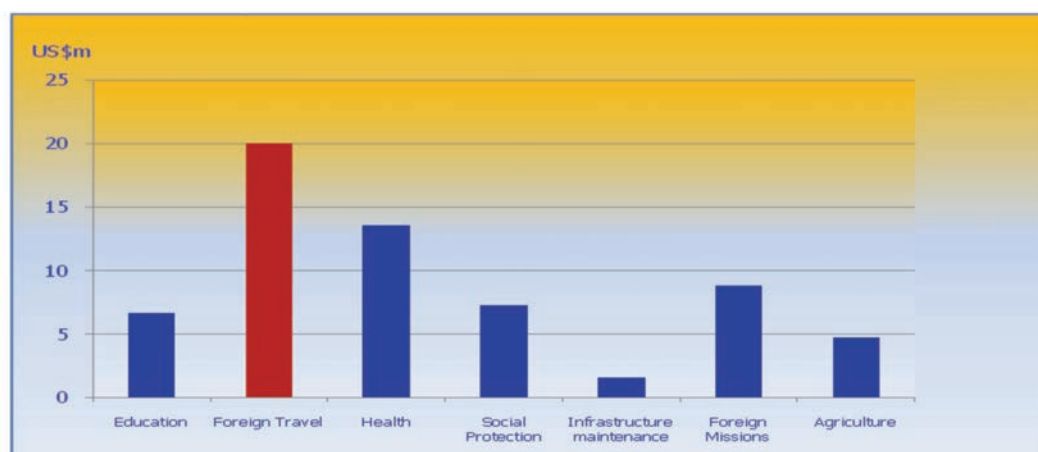
509. It will also be unavoidable that Government aligns any wage bill reviews to economic improvements.

510. Indeed, even in the absence of such reviews, Government faces the real danger of defaulting on salary payments. Hence, we need not take the current monthly payments for granted, but seriously appreciate the limited fiscal space for wage adjustments.

Foreign Travel

511. Expenditures on foreign travel remain disproportionate to expenditures on more essential services such as health, education, social protection, infrastructure development and support to agriculture.

Selected Non-Wage Recurrent Expenditures: January to June 2012



512. Hence, while it is necessary that Zimbabwe is represented at regional and international events, essential services will have to take priority, while foreign trips will need to be further managed downwards.

513. I, therefore, re-emphasise the importance of containing the foreign travel expenditures within allocations in line with measures announced in the 2012 National Budget, which include managing foreign trips, limiting the size of delegations and adhering to Treasury per diem rates.
514. On this, Mr Speaker Sir, allow me to once again acknowledge the support from the Principals and further count on their assistance in this area.
515. Measures are also being considered towards containment of costs of airfares, including forward purchase of air tickets.

PFMS Regulations

516. Complementary to the above, would be the gazetting of the PFMS Regulations and rolling out of the PFMS to all centres for purposes of enhancing the control and management of expenditures.

Domestic Arrears

517. Domestic debt and arrears by Government Ministries to service providers continue to rise, compromising service delivery. These debts and arrears reached US\$179 million by end of June 2012, which is well above the budgeted US\$51.4 million.

Domestic Areas as at 30 June 2012

	Budgeted Amount US\$m	Arrears US\$m
CMED	13.9	10.9
Net One	5.2	4.1
Telone	12.6	86.3
ZESA	8.4	25.4
Water and Rates	11.3	52.1
Total	51.4	178.8

Diplomatic Missions

518. The 2012 Budget was able to appropriate US\$10 million towards the settlement of arrears to our Foreign Service personnel which stood at around US\$24 million at the end of 2011.
519. Owing to limited revenues, we have not been able to reduce these arrears as disbursements over the period January to May 2012 have only catered for current monthly requirements for Missions.
520. Cognisant of the limited payments made to service providers in the first half of the year, Treasury will endeavour to prioritise settlement of arrears including those for foreign missions in the second half, up to the level of budgeted resources. This effort is critical for arresting the unsustainable growth of domestic arrears.
521. Furthermore, as part of the strategy to deal with arrears to Diplomatic Missions, Treasury will be making direct monthly disbursements to foreign missions.

522. This strategy will also allow the Budget to address prior year arrears on a staggered basis.
523. Treasury is, therefore, making the necessary arrangements and consultations with the Ministry of Foreign Affairs and other relevant Ministries in this regard.

Directive on Use of Budgeted Resources

524. Treasury will also be issuing a Directive to line Ministries to use budgeted resources for intended purpose and avoiding further accumulation of arrears. Commitments outside the Budgeted amounts shall be deemed as unauthorised in line with provisions of the Public Finance Management Act.

Expenditure Control Guidelines to Service Providers

525. Further to that, Treasury is issuing an Expenditure Control Note to Service Providers, advising them on Ministerial budget allocations that were appropriated for the above services. Accordingly, Service Providers are, therefore, expected to strategically use this information in the provision of their services as they will need to align demand for their services to appropriated resources.

526. The interpretation of the Advice Note by Service Providers is to the effect that provision of services that is not supported by payments, especially to those departments already in arrears, should be discontinued.
527. Treasury is also reviewing existing administrative circulars with a view to restraining demand and inefficient use of services.

Inter-Parastatal Debt

528. In order to assist in reducing local authorities and inter-parastatal net indebtedness, clearance of arrears to these entities will be directed to the respective Parastatal/local authority creditors.
529. Hence, where Government owes a parastatal, which in turn also owes another, clearance of such indebtedness will be directed to the net creditor parastatal.

OVERSEAS DEVELOPMENT ASSISTANCE (ODA)

530. In the 2012 Budget, ODA was projected at US\$500 million and with most of it to be channelled outside the Budget, through NGOs and other private sector players.

531. Inflows during the first quarter of 2012 amounted to US\$184.9 million, with bilateral partners contributing US\$179.2 million and multilateral partners US\$5.7 million, as indicated below.

ODA: Projected and Actual Disbursements: 2009-2012

Donor	Total Program Cost US\$ m	Projected Expenditure			Actual Disbursement			
		2011 US\$ m	2012 US\$ m	2013 US\$ m	2009 US\$ m	2010 US\$ m	2011 US\$ m	2012 US\$ m
Australia	144.8	50.0	50.0	50.0	40.8	41.0	54.2	3.4
Canada (CIDA)	20.8	15.0	2.4	0.4	27.8	6.2	11.3	-
Denmark	0.5	18.1	22.8	TBA	-	-	19.8	1.3
European Commission	328.8	85.9	77.8	95.2	137.2	141.3	85.9	11.6
Finland	13.2	8.2	5.4	5.3	0.2	9.1	1.7	-
France	1.3	TBA	TBA	TBA	2.9	1.3	1.6	-
Germany	116.6	38.9	18.0	19.7	4.6	18.1	33.5	5.2
Ireland	8.9	6.0	TBA	-	-	4.3	8.2	-
Japan	30.7	15.8	TBA	TBA	10.7	30.7	6.0	-
Netherlands	47.0	22.2	18.2	TBA	28.6	20.2	22.9	3.4
Norway	25.6	13.6	18.5	TBA	26.0	29.4	16.5	-
Sweden	107.0	32.3	34.5	34.0	25.9	30.2	32.9	3.5
Switzerland (SDC)	23.3	11.8	5.1	4.2	4.4	1.6	11.7	3.3
DFID	655.8	85.9	134.4	150.4	102.5	100.0	68.7	99.1

Donor's Consolidated Financial Report

Agency	2009	2010		2011		2012	
	Actual Expenditure US\$	Projected Expenditure US\$	Actual Expenditure US\$	Projected Expenditure US\$	Actual Expenditure US\$	Projected Expenditure US\$	Actual Expenditure to March US\$
Bilateral Partners	650 748 630		587 436 642.		179 170 524	518 747 685	179 170 524
Multilateral Partners			30 083 718.		26 577 463	34 366 955	5 736 589
Grand Total	650 748 630	600 000 000	617 520 361	500 000 000	205 747 987	553 114 640	184 907 113

532. Benefiting projects are in health, humanitarian assistance, agriculture, education, capacity building, water and sanitation, as well as governance issues.

ZIM-Fund Projects

533. Mr Speaker Sir, Honourable Members will recall that Zim-Fund was established on 31 May 2010 following approval by the AfDB Boards of Directors. Negotiations between the Bank and Donors on the modalities of the Fund were concluded in July 2010.
534. The purpose of the Zim-Fund is to contribute to early recovery and development efforts in Zimbabwe by mobilising donor resources, initially focusing on infrastructure investments in water and sanitation, and energy.
535. While the size of the Zim-Fund is determined by the development partners' contributions over time, cumulative donors' commitments to the Zim-Fund as of 29 March 2012, in various currencies, added up to an equivalent of US\$101.06 million as shown in the Table below:

Zim-Fund Contributions by Donors

Contributing Donors	Total Pledged in Currency of Pledge	Disbursements US\$ (actual)
Australia	AU\$ 20 000 000	19 864 040.00
Denmark	DKK 75 000 000	13 120 243.56
Germany	EUR 20 000 000	13 769 937.00
Norway	NOK 41 000 000	7 073 818.03
Sweden	SEK 90 000 000	10 116 409.91
Switzerland	CHF 4 900 000	5 699 810.00
United Kingdom	GBP 20 000,000	31 411 000.00
Total (US\$)	US\$ 123 614 464	101 055 258.50

536. Implementation of projects under the Zim-Fund are summarised below:

Components	US\$ (million)
Power Projects	
Rehabilitation of Ash Dam at Hwange Power Station	14.87
Sub transmission Works	4.96
Distribution Reinforcement	10.00
Consultancy for Environmental Audit	1.2
Project Management and Eng. Services and Project Audit	1.57
Environmental Monitoring and Capacity Building	2.4
Water and Sanitation Project	
Harare	9.525
Chitungwiza	1.43
Mutare	5.56
Kwekwe	3.6
Masvingo	2.792
Chegutu	1.95
Promotion of Improved Sanitation and Hygiene Education	0.3
Institutional Support	1.561
Project Management and Eng. Services	2.933
Grand Total	64.651

Way Forward

537. In view of the importance of ODA for the country, Government will continue to accelerate the reengagement efforts with a view of normalising relations with various development partners and creditors.
538. Complementary to this would be the implementation of institutional and regulatory reforms to improve governance, transparency and accountability over those resources.

EXTERNAL PUBLIC DEBT

539. Government is already making strides in implementing the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDs), through accelerated re-engagement with creditors including multilateral financial institutions – the IMF, World Bank and the AfDB.
540. The strategy aims at achieving debt relief, that way creating opportunities for new financing and normalisation of relations with creditors.

541. Mr Speaker Sir, allow me to once again register my appreciation of the support I have received from His Excellency, The President, the Right Hon Prime Minister, and Hon Deputy Prime Minister Mutambara with regards to their approval of the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy.
542. This was a clear demonstration of Government's commitment to resolving our external debt challenge, critical for unlocking new financing for some of our infrastructure projects and social programmes.
543. This enabled Government to launch the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy, followed by a High Level Debt Forum hosted by the African Development Bank in Tunis on 23 March 2012. The Forum culminated in building of consensus among our creditors and other stakeholders, including the People's Republic of China, over the process of resolving our external debt and arrears.
544. This was followed up through a Forum with Development Partners held on the side-lines of the April 2012 IMF/World Bank Spring meetings in Washington DC, which further confirmed support for the resolution of Zimbabwe's external indebtedness.

545. Government will, therefore, be engaging the Multilateral Institutions, including the IMF and the World Bank, on the necessary measures to implement the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy.
546. A World Bank/IMF Mission was already in the country over the period 13-27 June 2012 focusing on the development of a macro-economic policy framework in support of inclusive economic growth and the sustainable implementation of the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy.
547. I am happy to announce the positive outcome of this Mission. This will anchor the Arrears Clearance process and Debt Relief initiatives, through the implementation of sound macro-economic policies in support of sustained and inclusive economic growth under the Zimbabwe Accelerated Re-engagement Economic Programme (ZAREP): 2012 – 2015.
548. Honourable Members, Mr Speaker Sir, will therefore, allow me to once again thank our Principals for the re-confirmation of their strong support for Government efforts towards the resolution of Zimbabwe's external debt overhang.
549. I will be further calling on their continued support, including with regards to enhancing a cohesive and consistent approach

over the implementation of the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy across the entirety of our Government.

550. I will also be updating this August House and the Nation on progress being made on this area.

CONSTITUTION MAKING PROCESS

551. Mr Speaker Sir, I am pleased to advise that at long last the Constitutional Draft is now available after years of intense processes. I have no doubt in my mind that it is a critical document that is founded on solid, modern jurisprudential principles.

552. It is clear that Treasury, together with international partners, must now fund the remaining components of the process which include the Second Stakeholder Conference and the Referendum.

553. Mr Speaker Sir, I hope this Nation will find it within its conscience the obligation to express gratitude to COPAC, this Parliament, ordinary Zimbabweans, the COPAC Co-Chairs and the parties' negotiators constituted as the management committee.

554. History has been written in the last few weeks.

THE 2012 POPULATION CENSUS

555. Preparations for the 2012 Population Census scheduled for 18-28 August are at an advanced stage. This is an important exercise for collecting, compiling, evaluating, analysing and disseminating demographic and socio-economic data for purposes of enhancing research, planning and monitoring of socio-economic indicators, among other objectives.
556. The success of this national programme hinges on support from stakeholders from all walks of life, and most importantly the political leadership.
557. Government acknowledges the support it is receiving from cooperating development partners on this important programme and will on its part ring fence resources to ensure the success of the census.
558. I am, therefore, calling upon Honourable Members to take up your role and mobilise your constituencies to be counted, thereby guaranteeing the success of this important event.
559. To our many Zimbabweans out there, I Say: “2012 - The Year to Shape My Future. The Year Everyone In Zimbabwe Will

Be Counted. I Will Be Counted this Year and So Should You between 18-27 August 2012. Be Sure To Be Counted.”

CONCLUSION

560. Mr Speaker Sir, we hope that this Review Statement provides decisive leadership and craftsmanship in the challenges facing our country.

561. Implementation of the above measures must be a collective effort on our part. We must move from this **crisis to austerity and from austerity to inclusive growth with jobs.**

562. Mr Speaker Sir, as I table this 2012 Mid Year Fiscal Policy Review Statement, I concurrently lay the 2012 Amended Estimates of Expenditure and commend both for the House’s consideration.

I Thank You.