PARLIAMENT OF ZIMBABWE

FIRST REPORT OF THE PORTFOLIO COMMITTEE ON TRANSPORT AND COMMUNICATIONS

ON THE EFFECTS OF THE MID-TERM MONETATRY POLICY ON THE SUPPLEMENTARY BUDGET ALLOCATIONS FOR THE DEPARTMENTS IN THE MINISTRY OF TRANSPORT AND COMMUNICATIONS: PRESENTED ON THE 31st OCTOBER 2006

[SC 25, 2006]

Committees' Terms of reference

PORTFOLIO COMMITEES

Ordered in terms of Standing Order No. 153	1) At the commencement of every session, there shall be as many select committees to be designed according to government portfolios to examine expenditure, administration and policy of government departments and other matters falling under their jurisdictions as the House may by resolution determine and whose members shall be nominated by the Standing Rules and Orders Committee.
Order No. 153	Such nominations shall take into account the expressed interests, experience or expertise of the members and the political and gender composition of the House.
	(2) Each select committee shall be known by the portfolio determined for it by the House.

Terms of Reference of Portfolio Committees

Order No. 154

Subject to these Standing Orders, a portfolio committee shall-

a) Consider and deal with all bills and statutory instruments or other matters which are referred to it by or under a resolution of the House or the Speaker;
b) consider or deal with an appropriation or money bill or any aspect of an appropriation or money bill referred to it by these Stranding Order or by or under a resolution of this House; and
c) monitor, investigate, enquire into and make recommendation relating to any aspect of the legislative programme, budget, rationalization, policy formulation or any other matter it may consider relevant of the government department falling within the category of affairs assigned to it, and may for that purpose consult and liaise with such department;

Tuesday, 2nd August 2006

ANNOUNCED: That the Committee consists of the following members:

Mr. L. Mugabe, Mr. L. Chikomba, Mr. G. Chimbaira, Mr. E. Mdlongwa,
Mr. N. Chamisa, Prof. J. Moyo, Mr. D. .M. Ncube, Mrs. C. Pote, Mr. E. Porusingazi, Mr. J. Sikhala, Mr. Z. Ziyambi and Mr. M. Zwizwai.

Senators:
Senator E. Jacob, Senator F. R. E. Magadu, Senator J. Moyo, Senator R. Ndlovu and Senator S. Sai

Mr. L. Mugabe to be Chairman

1. Introduction

The Committee on Transport and Communications considered the half-year budget performance and the implications of the Supplementary Budget for 2006 presented by Hon H. Murerwa on 27th July 2006, the Minister of Finance and the Mid-Term Monetary Policy Review Statement, presented by Dr. G. Gono on 31st July 2006, on the departments that fall within the Ministries of Transport and Communications.

2. Methodology

a) **Oral Evidence**: The Ministry of Transport and Communications officials and heads of parastatals - [Civil Aviation Authority of Zimbabwe, Central Mechanical Equipment Department, the Roads Department, Central Vehicle Registry, Vehicle Inspection Department and the Meteorological Department] presented oral evidence to the Committee.
b) Examination of the Ministry's 2006 Supplementary Budget allocation
c) Departmental half year budget performance reports

MINISTRY OF TRANSPORT AND COMMUNICATIONS

Mission Statement of the Ministry Transport and Communications

To ensure the provision of affordable, safe, reliable, adequate and efficient transportation and communication services through the formulation and implementation of appropriate policies, strategies, action plans and provision of reliable and timely meteorological, climatological and seismological data and information in order to facilitate effective planning and response.

3. Findings

3.1. The Committee received considerable written and oral evidence from officials from the Ministry of Transport and Communications and its parastatals on the half-year budget performance and the effects of the monetary policy on the supplementary budget allocations.

3.2. **Civil Aviation Authority of Zimbabwe (CAAZ)**

3.2.1. CAAZ had three projects that included the rehabilitation of the runway at Victoria Falls airport, finishing the work in progress at Joshua Mqabuko Nkomo and Harare International airports. Harare International airport was scheduled to be completed by December 2006 but due changes in the exchange rate announced in the Mid-term Monetary policy, the project would now have to be completed by August 2007. The project had been allocated $630 million but outstanding invoices would consume $344 million and the rest would be used for labour costs. Six hundred million dollars had been availed for the Victoria Falls project but 21 weeks were needed to go to tender. The only progress that would be made by December 2006 would be by way of Central Mechanical Equipment Department (CMED) clearing and levelling the ground The Ministry of Finance had made an undertaking to provide funds in January 2007. CAAZ had been given a time frame of July 2007 to complete the project; but the realistic date was September 2007.

Allocated funds for J. M. Nkomo airport amounted to $700 million, but because the funds were not released in July 2006. The building had been subdivided into grid 1 to 33, with grid 1 to 22 being the passenger processing area and grids 23 to 33 being the administrative area. The allocated $700 million was only enough to complete the passenger movement area which would be opened by December 2006. The November 2006 deadline could not be met. An additional $300 million would be required to complete Grid 23 to 33 (administrative area) and the sewer upgrading.

3.2.2. The Buffalo Range airport requires $492 million with $242 million being required before going to tender. This was a new project that was not allocated any funds either in the original budget or the supplementary budget for 2006 and would only start after the other projects had been completed. CAAZ recognised its importance in the trinations Trans Frontier Park project.

3.2.3. Following the announcement of the Mid-term Monetary Policy prices of key materials like cement and diesel escalated by up to 500%. The price of cement went up from $720 (revalued) to $4 200 (revalued) and at the same time the National Employment Council was continuously reviewing labour upwards. Another separate problem was the late disbursement of funds from the Treasury, which meant that most of the allocated funds could no longer meet their intended purpose, resulting in inflation eroding the value of the allocated money.

3.3. **Central Mechanical Equipment Department (CMED)**

3.3.1. The Committee was informed that CMED had problems with the procurement of fuel and that most Ministries owed the organization money up to $1,3 billion (revalued).

3.3.2. In the annual budget a total of $200 billion was allocated for the purposes of purchasing vehicles under the Directors' scheme, that is –conditions of service vehicles. A further $124 billion was allocated in the Supplementary budget. However, expenditure to date had exceeded budget allocation by $29 billion before the release of the funds from the supplementary budget. The total number of vehicles purchased to date on condition of service is 53 and 150 were still outstanding under the Directors' scheme. The new exchange rate announced by the Reserve Bank Governor of Z$250: US$1 will erode the value of the $95 billion left from the Supplementary budget allocation for the purchase of vehicles under the Directors' scheme.

3.3.3. In the supplementary budget, CMED was allocated $90 million for the provision of bus services for civil servants on Public Service Commission's (PSC) behalf. Under this arrangement CMED would be the managing, servicing and procurement agent but there were no profits to be realised from the exercise. The amount would only be able to buy 10 buses with the new exchange rate, whereas it could have purchased 26 buses at the old exchange rate.

3.4. **The Roads Department**

3.4.1. Initially, the Department had totals of $1, 9 billion (revalued) but it was increased to $10,6 billion after receiving an additional budget of $8.7 billion from the Supplementary budget.

3.4.2. The Committee was informed that the Roads Department had received $150 million (revalued) for the purchase of Chinese equipment but could not secure the required foreign currency at the stipulated official government rate. To date nothing had been secured. The additional $550, 5 million (revalued) allocated for the purchase of Earthmoving equipment from China to boost construction activities and reduce costs of hire would be used to purchase foreign currency.

3.4.3. The changes in the exchange rate meant that fuel coupons worth twenty litres of fuel were reduced in value to one litre. The organization uses 500 000 litres of fuel in a month, therefore, an additional $74,5 million on top of the $50,5 million per month that was required just for purchasing fuel. Therefore, $124 million was required in a month to meet the fuel requirements of the department. The situation was being exacerbated by the fact that currently they were using equipment hired from CMED that had deteriorated and was consuming more fuel than usual when compared with new machinery

3.4.4. The Roads Department could not access the road access fee that should be used to speed up the construction of tollgates. Treasury could not release the money as it was waiting for a Statutory Instrument that would enable such a transaction.

3.4.5. There was $800 million (revalued) allocated for tollgate construction in the Supplementary budget but the priority areas would be the dualisation of major roads and $1, 07 million (revalued) was required for the project. The department was now concentrating on constructing four tollgates. In Harare priority is being given to the tollgates at Snake Park towards Norton and other one at the 19,5 km peg towards Manyame Bridge on the Harare – Masvingo road. The two tollgates have been allocated $175 million (revalued) and would be used as models and should be operational by December 2006. The two priority border posts were the Chirundu in Mashonaland West and Beitbridge in Matabeleland South. Both have been allocated $175 million (revalued). Three other selected Border Posts were Victoria Falls in Matabeleland North, Nyamapanda in Mashonaland East and Forbes in Manicaland. These have been allocated 25 million (revalued) to start the construction work. However, progress on the construction sites would be limited by the changes in the exchange rate as most of the materials used are imported.

3.4.6. The Road Department officials complained that no funds had been availed for the maintenance of the road network. It could collapse at any time especially with the pending rain season. Road maintenance was allocated a paltry $490 million (revalued) inclusive of the Supplementary budget. Thus the department was unable to patch holes, cut grass and grade roads in time. The department requested an expedient approval of the Road Revenue Fund to access the foreign currency for the procurement of the much-needed bitumen.

3.5. <u>**Vehicle Inspection Department (VID)**</u>

3.5.1. VID had five approved projects that included; the construction of– an administration block at the Chitungwiza depot ($17 billion - revalued), an administration block and workshop in Bindura ($15 billion - revalued), civil works in Zvishavane ($4 billion - revalued) and Beitbridge (nil) and the networking of 14 depots (nil). The funds that had been made available were only enough to construct the administration hall in Chitungwiza and Bindura. The inspection hall for Chitungwiza and the workshop for Bindura would be covered in next year’s budget. The civil works in Zvishavane were on course to be completed by December 2006. The continued escalation of costs of building materials, steel, electricals and plumbing components have eroded the allocated budget by almost 70%. These changes have thrown VID’s initial plan off track.

4. Oral evidence from the Reserve Bank Governor, Dr. G. Gono

4.1. Dr. Gono made a request that he might appear before all Committees at once, maybe in a seminar that would include all stakeholders including chairs of parastatal boards and their parent Ministries to provide for transparency. Dr Gono stated that he had a busy schedule and could not send the Deputy Governor to appear before Parliamentary Portfolio Committees. He also stated that he saw the Zimbabwean economy from a holistic perspective and therefore, what the Committees were requesting was only a tip of what he summated from his analysis. A joint meeting of all Committees would help so that no Ministries could claim that he was biased against them.

5. RECOMMENDATIONS FOR THE SUPPLEMENTARY BUDGET

5.1. There is a need for stabilization of the economy through synchronization of the Monetary and fiscal policies. The Monetary policy should be announced first and the fiscal policy statement should announced second.

5.2. There is need for the Roads Department to be given adequate attention in terms of resource allocation given the role that it plays in the provision and maintenance of the country's road infrastructure, both between and within cities. There is a need for a Statutory Instrument that will result in the transference of the road access fee from the Zimbabwe Revenue Authority (ZIMRA) to the Zimbabwe National Roads Administration (ZINARA)

5.3. The Reserve Bank Governor, Dr. Gono should have audience with all Committees and stakeholders with the assistance from the Liaison and Coordination Committee. Each Committee should prepare questions about departments and parastals that fall under the purview of the Ministries that they shadow.