ZIMBABWE

THE 2017 NATIONAL BUDGET STATEMENT

"Pushing Production Frontiers Across All Sectors of the Economy"

Presented to the Parliament of Zimbabwe

on 8 December, 2016

by

Hon. P. A. Chinamasa, MP

Minister of Finance and Economic Development

FOREWORD

The 2017 National Budget policy measures and interventions seek to ensure realisation of the overall objectives of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset) 2013-2018 programmes and projects under implementation by Government.

Pre-Budget Consultations

This was also underscored by stakeholders during the broad based pre-Budget consultative processes undertaken by Treasury and Portfolio Committees of Parliament with business, labour, development partners, civil society, various representatives and individuals, across the political divide.

Individual Members of Parliament also inputed into the formulation of the 2017 National Budget, with the Parliament pre-Budget Seminar whose theme was “Enhancing Transformative Economic Development through Domestic Resource Mobilisation and Utilisation” in Bulawayo over 2-6 November 2016 offering further opportunity for inputing into the Budget process.

Under the forum of the pre-Budget Seminar, Parliament’s various Portfolio Committees were able to amply highlight the outcomes of their nation-wide public consultations, with complementary inputs also coming from the respective sectoral Ministries.

The outcomes from the above consultations were crystalised and consolidated at a re-prioritisation meeting between the Minister of Finance and Economic

Development and Chairpersons of Portfolio Committees held on 22 November 2016 in the Senate Chamber.

Furthermore, the formulation of this Budget benefitted from the Interim Poverty Reduction Strategy Paper (IPRSP) 2016-2018 consultations, held country-wide at Provincial and District levels earlier in the year.

The underlying message from all these consultations was that greater and more urgent attention needs to be given to supply side interventions geared towards enhancing production across all sectors of the economy.

In this regard, the theme for this Budget, *"Pushing Production Frontiers across all Sectors of the Economy",* is seeking to respond to this call.

However, achieving this objective requires a stable macro-economic environment and business confidence, which are currently under threat from existing fiscal imbalances.

Hence, it is imperative that this Budget also focusses on further containment of expenditures, particularly employment costs, in order to re-orient the thrust of fiscal expenditures towards development.

Furthermore, under such a challenging environment, this Budget seeks to strengthen social safety nets in support of vulnerable groups, in line with the objectives of our Interim Poverty Reduction Strategy Paper (IPRSP) for 2016-2018.

Budget Statement Presentation

Stakeholders also raised the need to strengthen the outline of the Budget Statement presentation as an instrument of Budget accountability and fiscal transparency, in the process improving policy engagement and accessibility for a wider range of public and targeted audiences.

It is in this spirit that Treasury, starting with the 2017 National Budget, is introducing a streamlined Budget Statement, which is also consistent with fiscal transparency best practices.

A complementary objective is to produce more analytical material based on economic and fiscal trends, and to include more meaningful Tables and Charts.

Hence, the 2017 National Budget comprises a concise Budget Statement structured as follows:

- Chapter 1: Overview of the Budget
- Chapter 2: Economic Outlook
- Chapter 3: Fiscal Framework
- Chapter 4: Debt & External Payment Arrears
- Chapter 5: Expenditure Proposals
- Chapter 6: Revenue Measures
- Chapter 7: Structural Policy Initiatives
- Conclusion
- Annexures

Budget Documents Package

The entire package of documents for the 2017 National Budget will comprise:

- This *Budget Statement*, with detailed interventions;
- A stand-alone *Budget Speech*;
- The *Blue Book, Budget Estimates of Expenditure,* with breakdown of Allocations;
- *Budget Estimates on Statutory and Retention Funds*; and
- A leaflet on *Budget Highlights*, summarising key policy interventions, Revenue measures and proposed expenditure Allocations.

Extensive economic review material, historically presented as part of the National Budget will from now onwards be shifted from the Budget Statement to a new publication, *Annual Budget Review*.

Annual Budget Review

The publication of the first *Annual Budget Review* will be at the end of March 2017, when data for the full fiscal year 2016 will be available.

This will allow scope for reporting of previous fiscal year expenditure and revenue data outturns, as well as dedicated in-depth analysis of developments during the entire previous fiscal year.

The issuance of the Annual Budget Review at the end of March, therefore, makes the issuance of the Mid-Term Fiscal Policy Review no longer necessary, save for exceptional circumstances requiring Supplementary Budget proposals.

Treasury will, however, continue to provide Quarterly Treasury Bulletins, capturing quarterly macro-economic and fiscal developments, in addition to the Consolidated Monthly Financial Statements published monthly in line with the Public Finance Management Act.

Budget Strategy Paper

As before, Treasury will continue to provide guidance to line Ministries and Departments' Budget submissions for the following year through the Budget Strategy Paper preceding issuance of the Budget Call Circular inviting expenditure bids submissions. This will be at the end of September.

Budget Dissemination

All the above documents, other policy reviews and updates will also be available to the public on the Treasury website: *www.zimtreasury.gov.zw*

Similarly, as we build capacity, dissemination channels will be broadened to provide for Budget Publications available in some of our main languages.

I welcome feedback on the new Budget presentation arrangements, including the simplified, streamlined and policy orientation thrust of the Budget Statement, targeted at strengthening transparency and policy engagement with stakeholders.

Chinamasa

Hon. P. A. Chinamasa, M.P.

Minister of Finance & Economic Development

8 December 2016

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CHAPTER I: OVERVIEW OF THE BUDGET

1. The 2017 National Budget Statement constitutes the fourth Budget for implementing our Zim Asset, whose mission is "*Providing an enabling environment for sustainable economic empowerment and social transformation to the people of Zimbabwe*".

2. The economy is still confronted with a number of headwinds, which continue to restrain sustainable and equitable economic growth.

Domestic Production

3. The fundamental challenge remains that of under-production, entirely across all sectors of the economy.

4. This economic under-performance is notwithstanding vast strengths and opportunities in agriculture, manufacturing, mining and tourism, arising out of our diverse natural resource endowment, conducive climatic conditions, and trained human resources.

5. The 2017 Budget, therefore, proposes interventions targeted at increasing domestic production.

Entrepreneurship

6. We, however, have to maximise returns on our human capital by reversing the prevailing mentality of trained personnel being contented to remain, first and foremost, as employees.

7. Central to this is broadening the culture of entrepreneurship among our people, inclusive of readiness to embark on business risky ventures.

Reform Thrust

8. The major challenge for the 2017 National Budget is, therefore, taking the lead in '*walking the talk'* with regards to implementing critical reforms to:

- re-orient fiscal resources towards Zim Asset developmental programmes;
- strengthen interventions to stimulate production and supply across the various sectors;
- finalise the outstanding components of the re-engagement process with international financial institutions;
- entrench structural reforms to improve the domestic business and investment environment, vital for restoration of confidence, lowering the ease and cost of doing business and product competitiveness; and
- support implementation of poverty reduction programmes and projects highlighted in the IPRSP.

9. Accordingly, consistent with the above objectives, the 2017 National Budget is centred on the theme "*Pushing Production Frontiers to Potential Levels Across all Sectors of the Economy*".

10. Consequently, this Budget, therefore, proposes corrective measures on fiscal and external imbalances to restore fiscal and debt sustainability, which provides a conducive environment for productive activities.

11. Specifically, while as alluded to above, fiscal imbalances will require containment of expenditures, implementation of strong structural reforms will entail:

- shedding off those State Enterprises that would benefit from joint venture partnerships with identified strategic investors;
- improving performance of those State Enterprises that remain;
- reducing policy uncertainty;
- fighting corruption in an effective way;
- enhancing competitiveness;
- enforcing guidelines on good corporate governance in public enterprises and local authorities; and
- building strong systems for ensuring transparency and accountability.

12. In the absence of a robust fiscal adjustment and structural reforms as well as arrears clearance, the persistent deterioration in the macro-economic environment will continue to incapacitate the country's ability to honour its obligations to all its creditors and to move forward.

Safety Nets

13. Furthermore, under the challenging socio-economic environment, Government, under this Budget, will pay attention to alleviating increasing hardships afflicting the vulnerable segments of our population.

14. Central to this, will be interventions to empower vulnerable groups to participate meaningfully in economic and business activities across the various sectors, including in agriculture.

15. Without increasing production, it will remain difficult for the Government to have meaningful capacity to strengthen social safety nets, in line with the objectives of the Interim Poverty Reduction Strategy Paper (IPRSP) for 2016-2018[1].

16. Furthermore, as the 2018 Election year approaches, upholding an atmosphere of tranquillity, tolerance and minimum polarisation, supportive of conduct of economic activity will also be central.

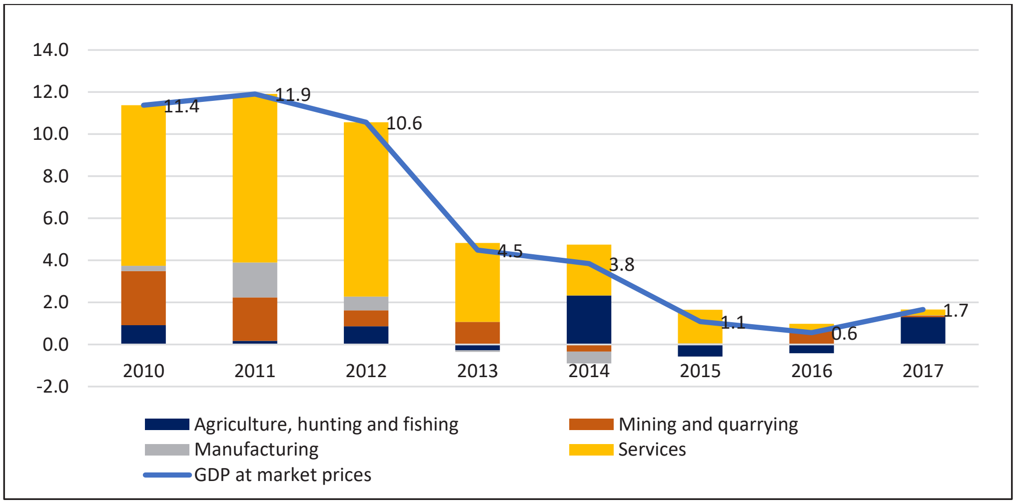
17. In contextualising the key issues of the 2017 National Budget, this Budget Statement gives an outlook for the economy, including the appropriate fiscal framework, and some of the specific fiscal interventions, as well as critical structural policy reforms.

1 See Annexure 1 and the Interim Poverty Reduction Strategy Paper (2016-2018) Document

CHAPTER 2: ECONOMIC OUTLOOK

18. The economy, notwithstanding resilience, remains under stress, principally on account of low domestic production across the various sectors – that is in agriculture, mining, manufacturing, tourism, construction, as well as in the other service sectors.

Sectoral Contribution to GDP Growth



Source: Ministry of Finance, ZIMSTAT

19. While the recent El-Nino induced drought had an effect on farming output, and depressed international commodity prices on mineral exports, reduced output across the other sectors is also reflective of the need for increased investment, both domestic and foreign.

20. This will require a complementary conducive doing business environment, as well as finalising the external payment arrears situation to help improve access to lines of credit.

21. In manufacturing, over-dependence on imports, against the background of the strong US dollar and a weakening South African rand, had undermined companies' competitiveness over both the domestic as well as export markets.

22. The above adverse effects on agriculture, mining and manufacturing, as a result, meant low domestic production underpinning the prevailing low capacity utilisation across sectors, low incomes, high unemployment levels, domestic liquidity and cash challenges.

23. The low domestic savings base, inclusive of the fiscal deficit, also meant continued absence of domestic financial resources which limited local domestic investment.

24. Against this background, the overview for the overall economic outturn in 2016 is for real growth[2] estimates of only 0.6%.

25. In 2017, the economy is set to turn around from the slowdown mode to modest growth led by key sectors of mining and agriculture, benefitting from the anticipated normal to above normal rainfall.

26. Overall GDP growth is, therefore, projected at a moderate 1.7% in 2017, also against the background of anticipated moderate improvements in international commodity prices, fruition of planned mining investments and benefits from the *ease of doing business reforms*.

[2] See Annexure 2: Sectoral Growth Rates

Agriculture

27. A severe drought, for the second consecutive year, had a heavy toll on agriculture production, with some crops such as maize recording merely 511 000 tons, against the average national requirement of 1 800 000 tons, resulting in a huge import bill for the country.

28. Consequently, agriculture recorded a growth decline of -3.7% in 2016.

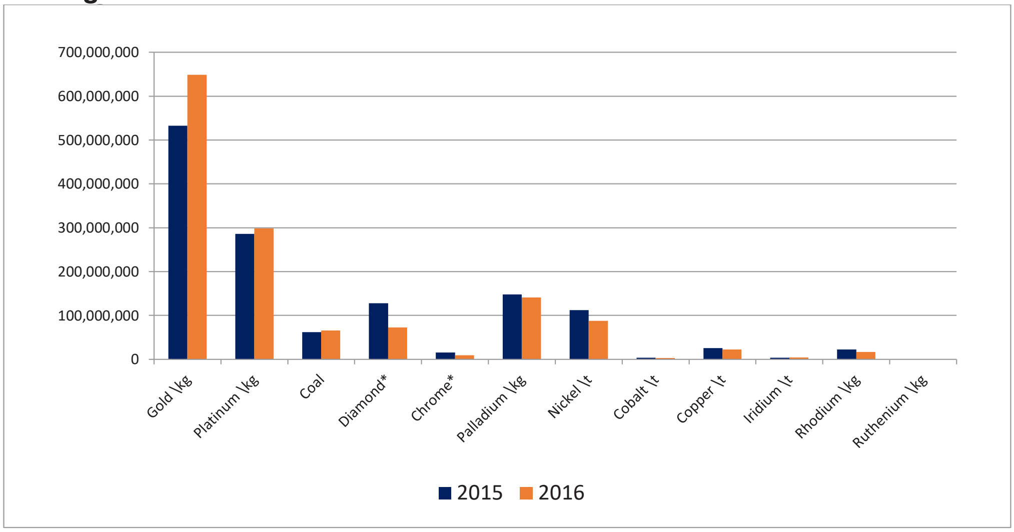
29. However, in 2017, agriculture is projected to grow by 12% driven by higher output from major crops such as maize, cotton and tobacco, as well as milk production. Projected crop and livestock production are as indicated in Annexure 3.

30. The distribution of the rainfall pattern will influence the outcome of the agricultural performance, and any weakening of the La-Nina effect on the anticipated normal to above normal rainfall would compromise the season.

Mining

31. With the exception of gold, whose price averaged US$1 257.1, mineral prices remained depressed during the period to end October 2016.

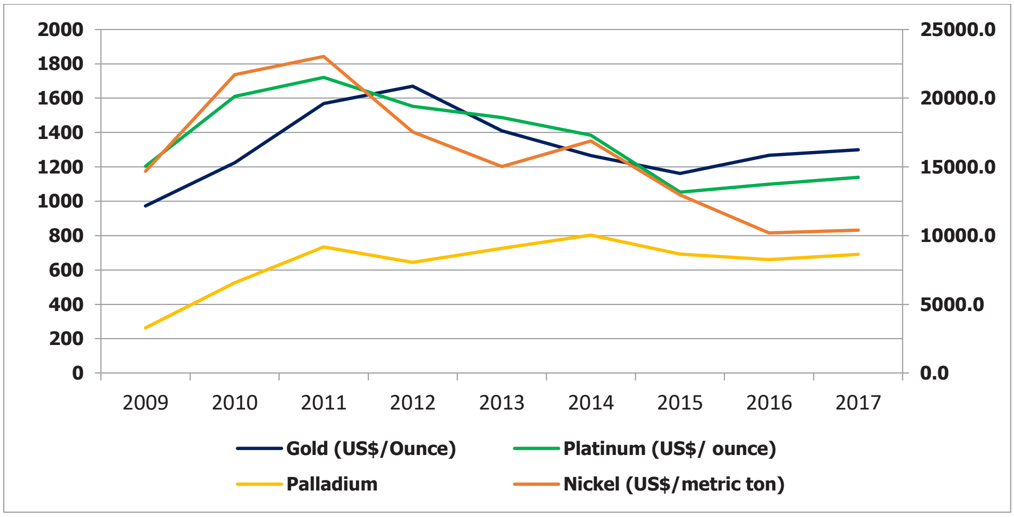
Earnings for Selected Minerals: 2015 vs 2016



Source: Ministry of Finance

32. This notwithstanding, significant output growth was experienced for such minerals as gold, platinum and nickel, underpinning this year's estimated overall growth of 6.9%.

International Mineral Prices



Source: KITCO

33. Against the background of depressed commodity earnings, coupled with marginal output gains from minerals such as gold and chrome, the Budget projects a modest mining growth of 0.9% in 2017.

34. Government remains engaged with the mining industry with regards to consideration and adoption of supportive interventions to ensure viability.

35. These include review and standardisation of Rural District Council fees and charges and further review of Environmental Management Agency charges.

36. With regards to value addition, Government has noted progress made by platinum producers and accordingly, extends the reprieve to December 2017, failure of which the imposition of the 15% export tax will be re-introduced.

Manufacturing

37. Manufacturing, which continues to face such constraints as antiquated equipment, capital, low aggregate demand, liquidity, high costs of utilities, and unfair competition from imports, is projected to register modest growth of 0.3% in 2017.

38. The thrust of the 2017 Budget interventions, in line with the Zim Asset, will centre on sustaining the evening of the playing field, re-kindling

business confidence, and enhancing competitiveness through lowering the cost of doing business and improving the business and investment environment.

39. With regards to evening the playing field, initial results from an evaluation of the impact of SI 64 indicate gains in capacity utilisation across such sub-sectors as milling and baking; food, fruits and vegetables processing; iron and steel making; battery manufacturing; packaging; pharmaceuticals; and furniture manufacturing, among others.

40. Government continues to monitor impact of this instrument on investment into re-equipping, increased production and creation of employment.

41. This should also benefit from Government initiatives in support of the promotion of value chains, especially those linkages between agriculture and the manufacturing sector.

42. Already, notable linkages are accruing under the recently promoted cotton to clothing, beef to leather and agro-processing value chains.

43. The introduction of the 5% bond note export incentive through the Reserve Bank also proffers benefits for improved domestic production over the coming year.

Tourism

44. In tourism, where a 0.8% growth is projected for 2017, the thrust will be on promoting and improving the *Zimbabwe Brand* as a competitive tourist destination under the theme *International Year of Sustainable Tourism for Development.*

45. This will be supported by measures to remove barriers to free movement of tourists into and within the country, including the prevailing unconducive number of non-security/crime roadblocks on our roads.

46. In this regard, the relevant Government agencies, including the Zimbabwe Republic Police, ZIMRA, ZBC, ZINARA and EMA are being engaged to implement the necessary supportive reviews.

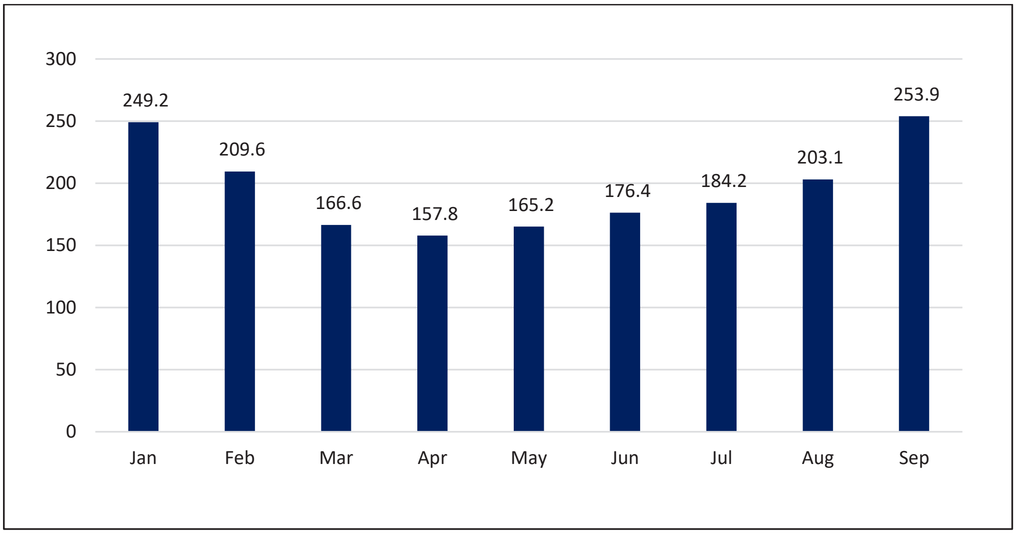
Other Sectors

47. The rest of the other sectors have not been spared by the current economic environment and on average have estimated growth of between 0.3% and 3% on the back of low investment levels compounded by low investor confidence.

Export Performance

48. A downturn in overall export performance is estimated for 2016, with exports falling by 6.9% to US$3.365 billion, from US$3.614 billion last year.

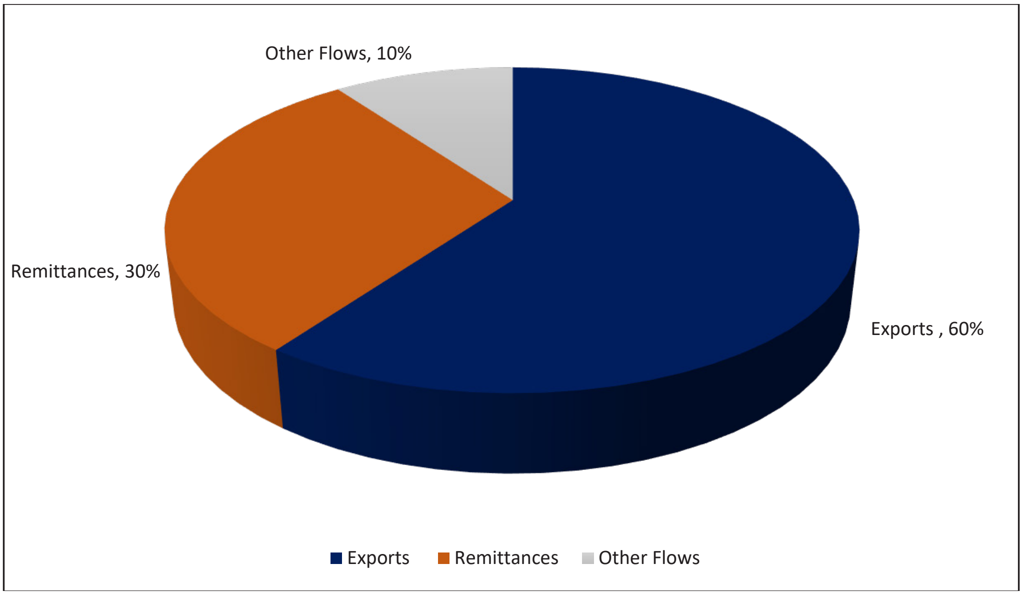
Exports (US$m)



Source: ZIMSTAT

49. Under the prevailing multi-currency arrangement, export receipts represent the economy's anchor source of the economy and banking sector cash and liquidity.

Sources of Liquidity



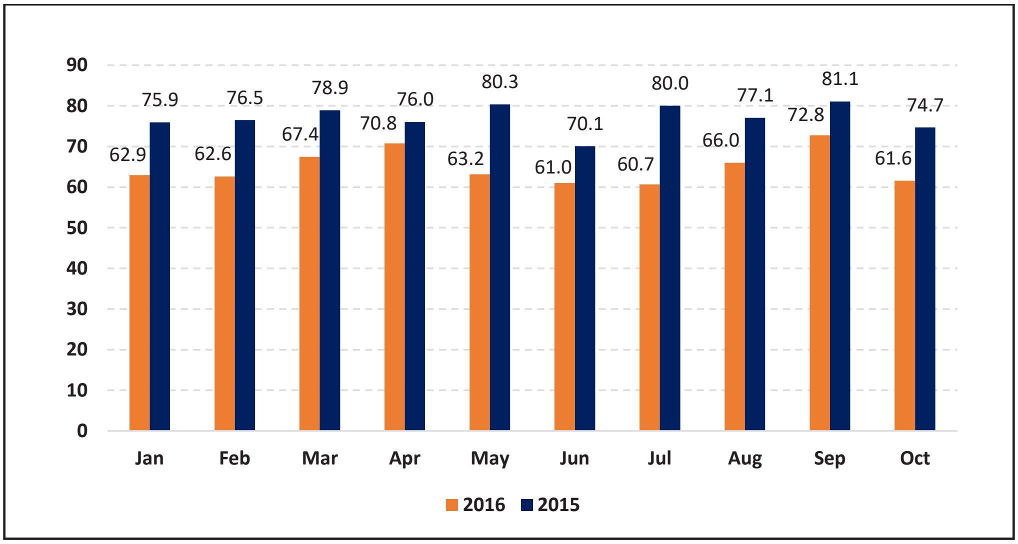
Source: Reserve Bank

50. The reversal of the worrisome decline in exports requires intervention measures to restore competitiveness and diversification of the economy's export base across all sectors, including remittances of non-residents.

Remittances of Non-Residents

51. Remittances of non-residents have become the second largest source of the country's liquidity, constituting about 30% of total external inflows.

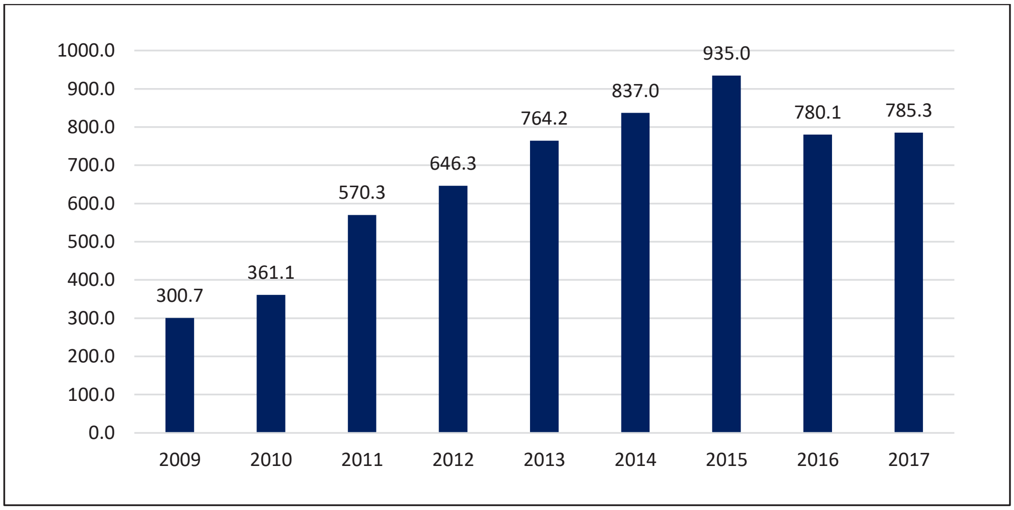
Remittances



Source: Reserve Bank

52. In 2016, the financial system anticipates formal remittance receipts of US$780 million, a 17% decline from US$935 million recorded in 2015, in part reflecting the impact of the appreciation of the US dollar against the other source currencies, particularly the South African rand.

Remittances Trends



Source: Reserve Bank

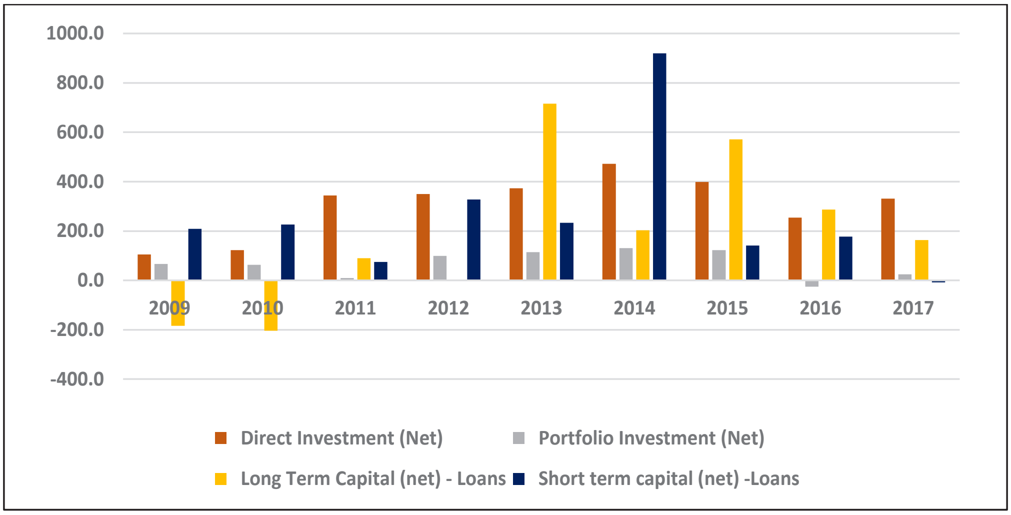
53. This necessitates further easing of transactions to allow for faster and less costly transfers by non-residents, also to allow for accessible opportunities for our non-residents to undertake domestic investments and participate in business ventures of their choice.

Foreign Capital Inflows

54. The current huge savings-investment gap requires that the country establish a highly competitive environment to attract external savings through external capital inflows comprising of FDI, portfolio and other offshore loans.

55. Capital inflows are expected to reach US$692.4 million in 2016, against US$1.2 billion recorded in 2015.

Foreign Capital Flows



Source: Reserve Bank

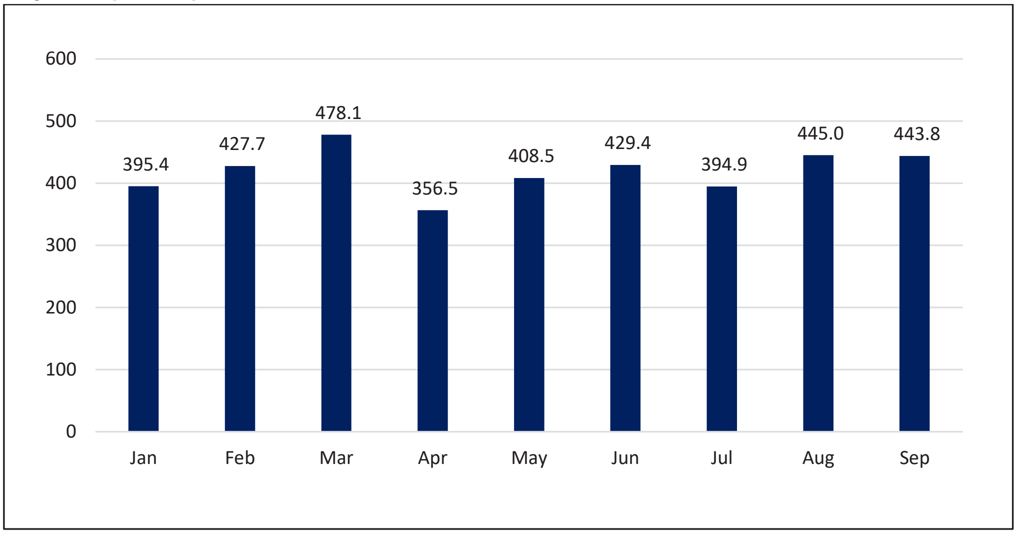
56. Given the declining trends and the low levels of foreign capital inflows, it is imperative that the country continues to expedite the re-engagement process with the international financial institutions.

57. Furthermore, it is critical to increase the impetus on the implementation of the on-going ease of doing business reforms as well as ensuring policy clarity, in order to boost investor confidence.

Imports

58. The economy's relatively high import bill remains unsustainable at US$5.35 billion in 2016, against exports of US$3.365 billion.

Imports (US$m)



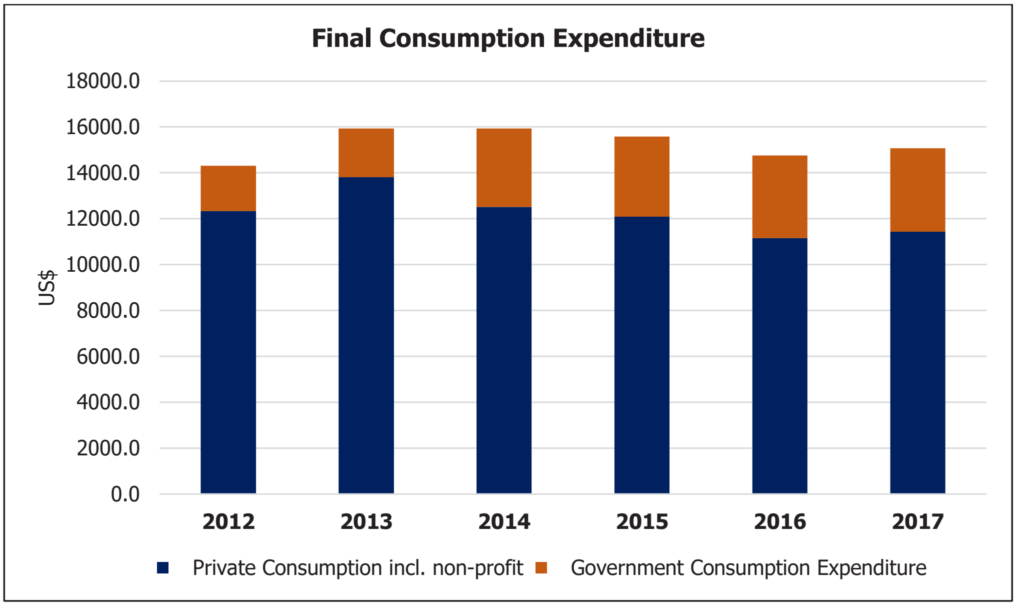
Source: ZIMSTAT

59. The prioritisation of essential imports through implementation of such temporary imports prioritisation instruments as SI 64 in favour of promoting the importation of such critical imports as raw materials and replacement equipment is, therefore, central to the Zimbabwean economy contributing positively to regional economic performance.

Aggregate Demand

60. With the slowdown in economic activity, aggregate demand remained suppressed.

61. Final consumption succumbed to low disposable incomes with private non-capital spending, declining by 4%. As a result, overall consumption is expected to decline by 2% in 2016 against a drop of 1% in 2015.



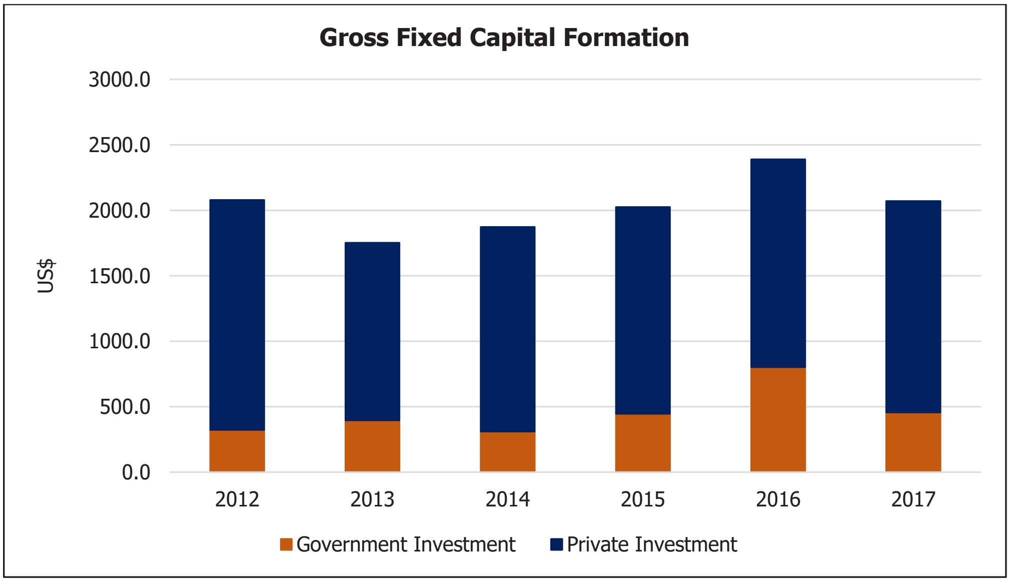
Source: Ministry of Finance, ZIMSTAT

62. Government consumption, however, increased by 5% in 2016, as reflected through high recurrent expenditures.

63. The broadening of the range of multi-currencies through the addition of the $1 bond coin and the $2 and $5 bond notes as an incentive to increased production for exports should spur private spending on the back of cash and liquidity improvements, that way boosting aggregate demand.

Gross Fixed Capital Formation

64. On the other hand, gross fixed capital formation declined by 8%, reflecting high consumption and dissaving behaviour in the economy.



Source: Ministry of Finance, ZIMSTAT

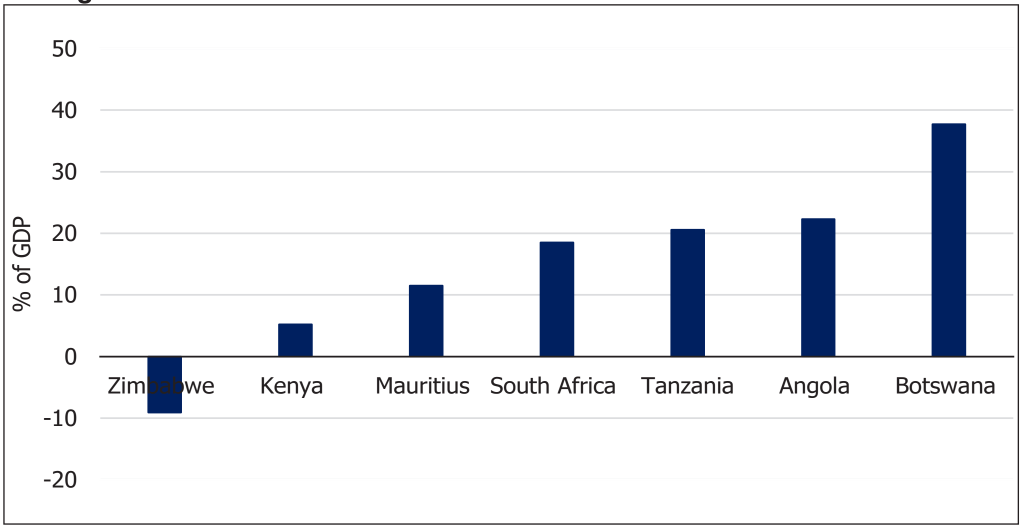
Savings

65. Domestic savings, estimated at -11% of GDP, imply a huge savings investment gap.

66. Such negative savings behaviour clearly is not in sync with growth and development tenets, hence, the necessity for promoting a savings culture together with restoration of confidence in the financial sector as well as fiscal discipline.

67. This is against savings rates of 38% in our neighbour Botswana and over 20% in Tanzania and Angola.

Savings Rates in 2015



Source: World Bank

68. Other countries relying on positive savings to underpin domestic investment and growth include our SADC partners, South Africa, 19%, and Mauritius, 11%.

Stock Market

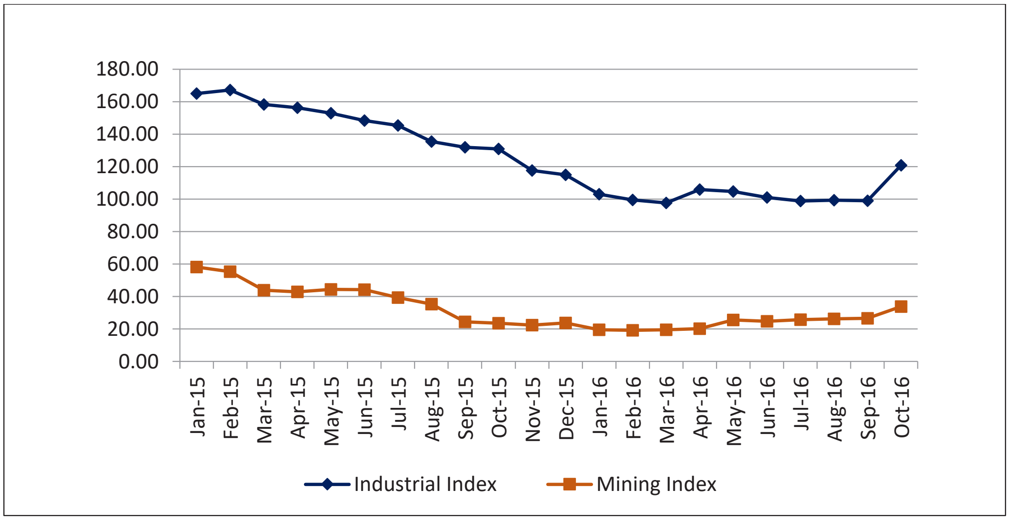
69. The Zimbabwe Stock Exchange (ZSE) continued to experience challenges during 2016, as investors exited the bourse against the background of cash and liquidity challenges, weak aggregate demand and reduced business confidence.

70. The slump in stock market activity saw turnover for the 10 months to 31 October down to US$144.46 million, 29% lower compared to the same period in 2015.

71. This was on account of a 51% slump in foreign purchases from US$111.25 million for the 10 months in 2015 to US$55.01 million in 2016.

72. Reflecting this, industrial and mining indices remained on a downward trend for most of the year before experiencing substantial gains in October 2016 which pulled up both indices for the 10 months to October 2016.

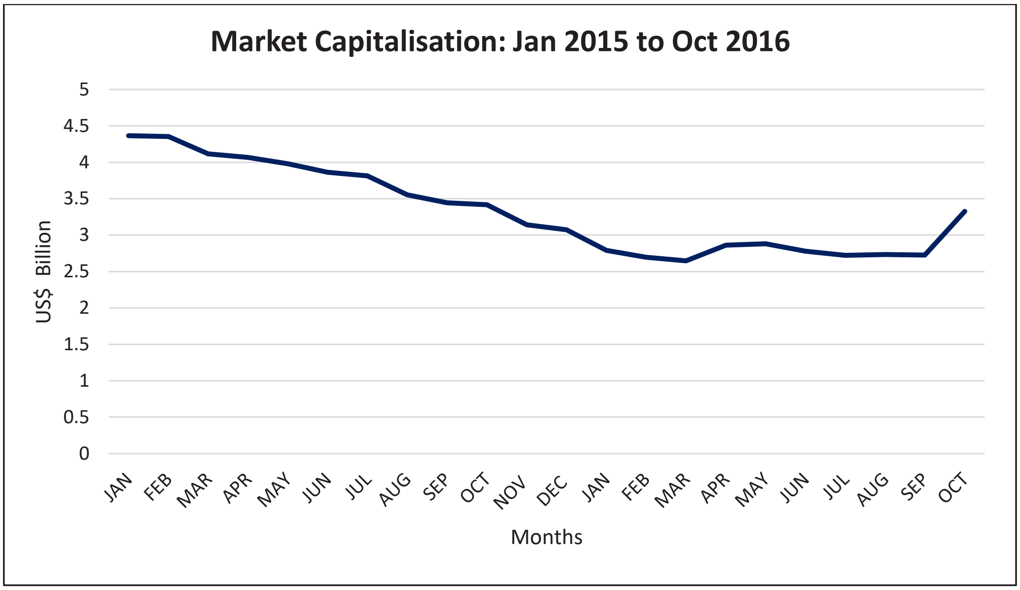
Market Indices



Source: ZSE

73. The Industrial Index was up 22%, whilst the Mining Index was up 27% in October 2016, as investors switched portfolios from the money market.

74. The gains in both industrial and mining indices during the month of October 2016 saw a strong 22.1% surge in market capitalisation to US$3.33 billion as at 31 October 2016 from US$2.73 billion in September 2016.



Source: ZSE

75. Going forward, the thrust will also be on improving the competitiveness of the ZSE to attract foreign investments, particularly in the face of stiff competition from other African Exchanges. Central to this will be reduction of the relatively higher transaction fees charged by the Zimbabwe market, currently the highest levied by any other market in the SADC region.

76. This will leverage on the automation of the ZSE platform, roll out of new products, and improved information dissemination to the investing public.

77. Furthermore, the introduction of the bond market and the Zimbabwe Emerging Enterprise Market will provide platforms for Government, quasi-government institutions, corporates and the small to medium enterprises to raise long term debt capital.

Alternative Trading Platform

78. The development of the regulatory framework for the Alternative Trading Platform (ATP) has since been gazetted, paving way for the launch of the ATP by Financial Securities Exchange on 1 December 2016.

79. The ATP is a lower securities exchange, developed to facilitate the trading of securities not listed on the Zimbabwe Stock Exchange main bourse for example, Employee Empowerment Schemes and Community Share Ownership Trusts allotted under the Indigenisation and Economic Empowerment Policy.

80. The launch of the ATP presents an opportunity for the listing of shares currently being traded Over the Counter. It is encouraging to note that Old Mutual Zimbabwe has become the first company to embrace Government policy, through listing its empowerment shares on the ATP.

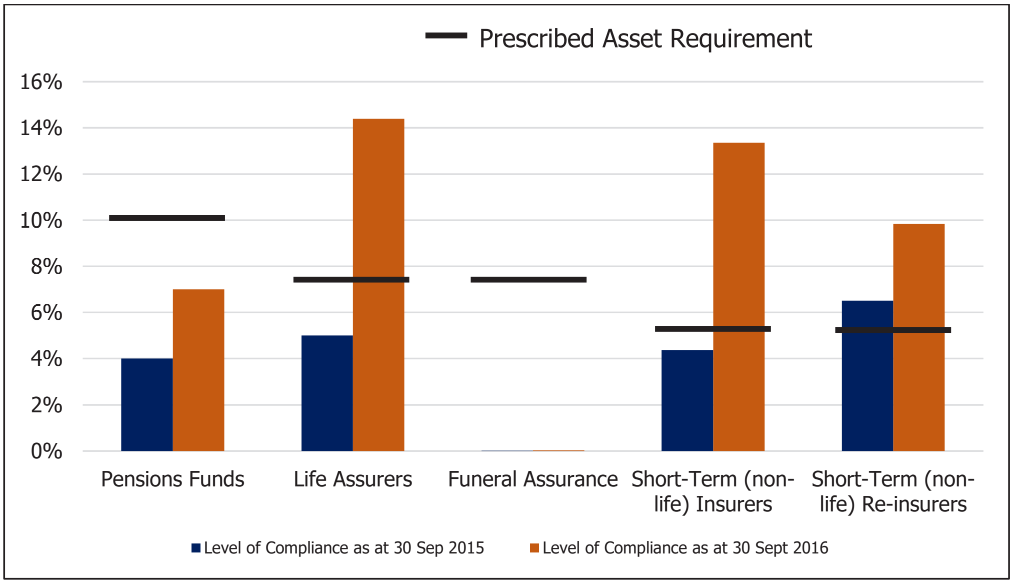
81. As Government efforts in empowerment programmes begin to bear fruit, Government is challenging other companies to emulate Old Mutual Zimbabwe.

Insurance and Pension Industry

82. The insurance and pension industry has also remained subdued during 2016 owing to viability and liquidity challenges obtaining in the economy.

83. The 2016 National Budget Statement highlighted low levels of compliance to prescribed asset requirements by the insurance and pensions industry, which has since improved.

Compliance Levels



Source: IPEC

84. However, funeral assurers remain defiant despite repeated calls and, hence, the Insurance and Pension Commission (IPEC) will be enforcing compliance measures, including penalties from 2017.

Corporate Governance

85. The insurance and pensions industry continues to operate under poor corporate governance structures with owner managed insurance entities, which promote conflict of interest and related party transactions.

86. Corporate Governance Guidelines on maximum shareholding thresholds have, therefore, been put in place on:

- individuals and close relatives;
- executives of insurers; and
- composition of Board and Board Committees.

Micro Insurance Legislative Framework

87. The growing informalisation of some business activities has necessitated development of new insurance products targeting this market to access health, funeral, travel and agricultural cover, among others.

88. In order to ensure transparency, accountability and protection of consumers from predatory practices, Government is introducing the appropriate Legislative Framework for micro insurance as part of this Budget.

Conversion of Insurance and Pensions Values

89. The Commission of Inquiry into the Conversion of Insurance and Pension Values from Zimbabwe dollars to United States dollars was expected to finish its work by end of August 2016.

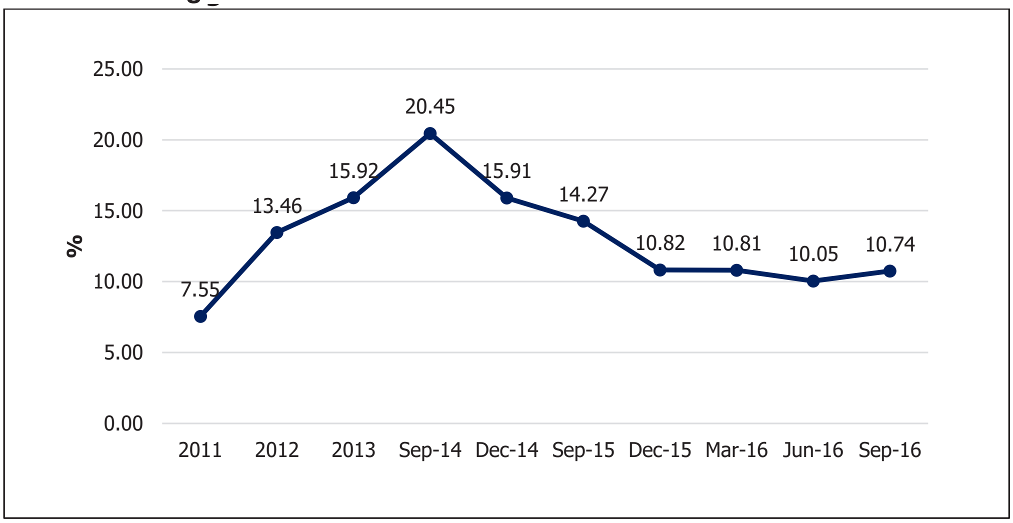
90. However, due to challenges initially faced with respect to data availability, the tenure of the Commission has been extended to end of December 2016.

Banking Sector

91. The banking sector continues to show signs of recovery and stability following the hiving off of non-performing loans to ZAMCO, and remains adequately capitalised with average capital adequacy and tier 1 ratios of 23.7% and 20.6% as at end of September 2016, respectively.

92. Banking sector aggregate core capital increased from US$0.9 billion as at end of September last year to US$1.1 billion in September 2016.

Non-Performing Loans

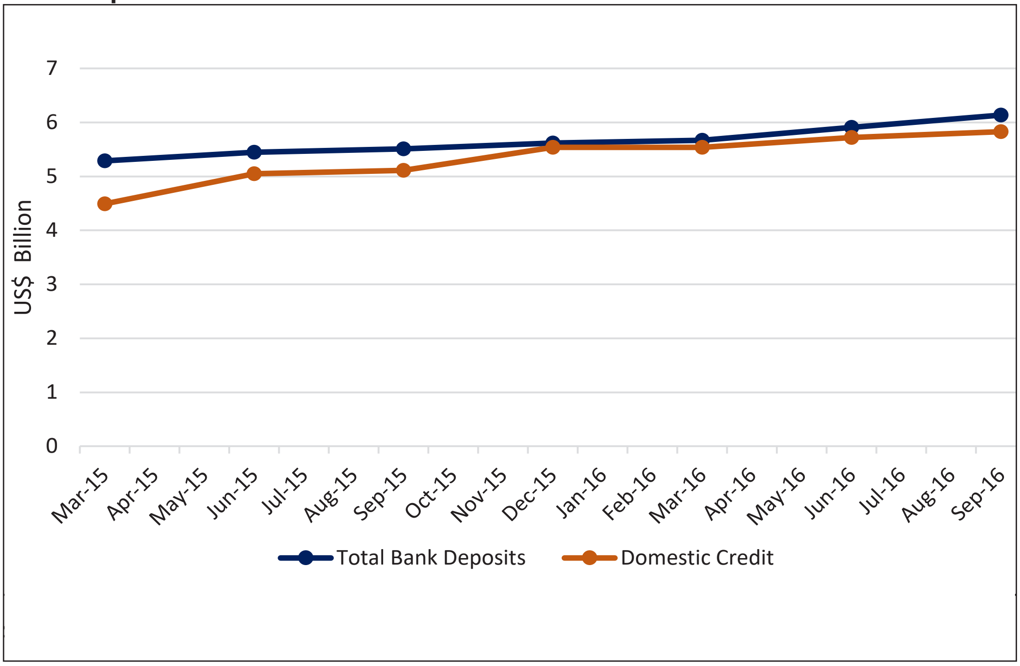


Source: Reserve Bank

93. Non-performing loans had presented vulnerabilities related to quality of capitalisation, particularly against the background of the adverse effects of challenges posed by liquidity and cash shortages.

94. Developments in the banking sector show a continued upward trend in both deposits and domestic credit.

Bank Deposits and Domestic Credit

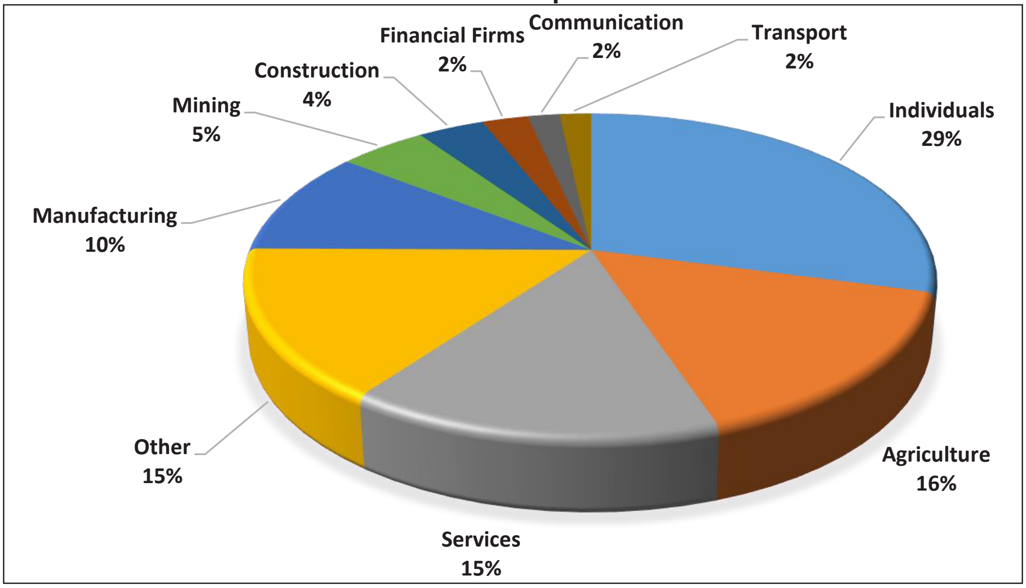


Source: Reserve Bank

95. Total banking sector deposits went up by 11.4% to US$6.1 billion by 30 September 2016.

96. Similar growth was also experienced in domestic credit which grew by 16% to US$5.8 billion over the same period.

Sectoral Distribution of Credit as at end September 2016



Source: Reserve Bank

Cost of Credit

97. The issue of 15% lending rates from banks, coupled with shorter lending periods, also continues to negatively impact on the competitiveness of borrower businesses.

98. Hence, the Reserve Bank will continue to monitor the levels of lending rates being charged by banking institutions through their on-going supervisory activities in liaison with the Bankers Association of Zimbabwe.

Financial Inclusion

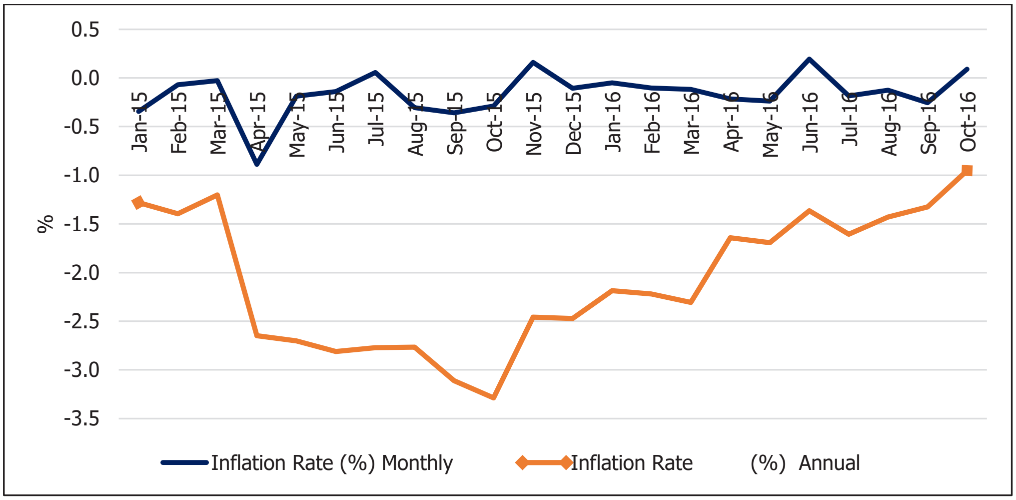
99. Financial literacy is one of the pillars of the National Financial Inclusion Strategy, which is key in ensuring that financial inclusion initiatives result in the desired positive impact on economic growth and development.

100. A National Financial Literacy Strategy will be unveiled in 2017, which will pave way for the implementation of tailored financial literacy programmes aimed at increasing financial capability levels among the various population groups in the country. There will be need to embed financial literacy in the country's entire education system.

Inflation

101. Deflationary conditions persisted throughout 2016, with inflation registering -2% for the year to October 2016.

Inflation



Source: ZIMSTAT

102. The decline in domestic prices during 2016 was driven by a combination of continued weakening in domestic demand, depreciation of the South African rand against the US dollar, and subdued international oil prices.

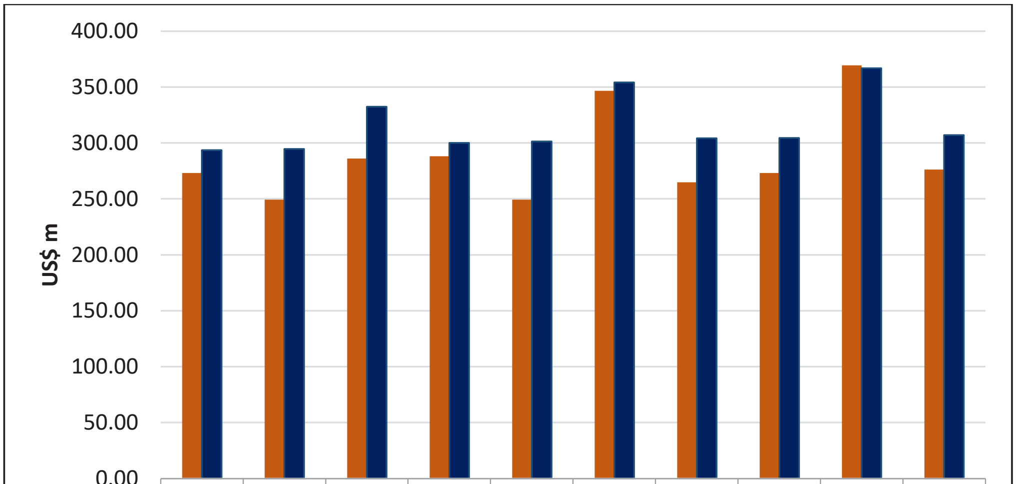
103. On balance, marginal deflation is expected in 2017, with prices responding to the anticipated improved level of domestic production and, hence, the prevailing liquidity situation in the country.

CHAPTER 3: FISCAL FRAMEWORK

Revenue Outlook

104. Slower growth undermined overall performance of the public finances, with cumulative revenues from January to October 2016 performing 1.5% below previous year levels, but 9.8% lower than budgeted estimates.

Revenue Performance



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Actual	273.13	249.22	286.01	288.15	249.37	346.53	264.93	273.08	369.34	276.13
Target	293.62	294.59	332.48	299.95	301.37	354.11	304.07	304.37	366.86	306.97

Source: Ministry of Finance

105. The 9.8% under-performance in revenue for the period January–October 2016 left collections at US$2.876 billion, against a target of US$3.158 billion.

106. Resultantly, a budget revenue shortfall of US$282.5 million was experienced.

107. The detailed breakdown of revenue collections by revenue head for January-October 2016 are contained in Annexure 5.

108. The spill-over of some of the prevailing challenges in the economy into the first part of 2017 will constrain the outlook for Budget revenue collections during the coming year, with only moderate growth to US$3.7 billion anticipated.

109. Projections for the 2017 Fiscal Framework, including anticipated revenues and grants, are contained in Annexure 6.

Overall Expenditures

110. Budget expenditure performance during 2016 has, however, been inconsistent with the revenue collection shortfalls being experienced.

111. Cumulative expenditures for January-October 2016 amounted to US$3.84 billion, against a target of US$3.32 billion, giving a variance of US$520 million.

112. This was on the back of unbudgeted expenditures related to:

- Drought related grain importation for vulnerable communities, US$253.5 million;
- December 2015 salary payment arrears, US$119.4 million; and
- Debt servicing, US$100.9 million.

113. The above expenditures on salary arrears, coupled with bonus payments for 2015 of US$177.8 million, further exerted pressure on employment costs and continue to pose challenges on the National Budget.

114. This left employment costs of US$2.63 billion for January-October 2016 consuming 91% of total revenues, at the cost of shelving implementation of a large number of Zim Asset programmed development projects.

115. The negative effects of this on the economy's growth trajectory require that this not be repeated into 2017.

116. To guard against this, the Fiscal Framework for the coming year proposes to restrict Budget Expenditures to US$4.1 billion, which represents 28.2% of GDP.

117. Of the total 2017 Budget of US$4.1 billion, employment costs will take up US$3 billion, leaving only US$400 million for current operations, and US$180 million for debt service, out of the overall proposal for recurrent expenditures of US$3.58 billion.

Employment Costs

118. The 2017 Budget provision of US$3 billion for employment costs represents decline from the estimated outturn of US$3.14 billion to year end 2016.

119. The anticipated lower provision on employment costs by an estimated US$140 million is reflective of financial savings arising from the implementation of the Public Service Wage Bill rationalisation measures.

120. Chapter 5 on proposed Budget allocations reflects the cluster breakdown of the expenditures on employment costs, including those towards health and education delivery under the *Social Services and Poverty Reduction Cluster*.

Development Budget

121. The above expenditure level on employment costs, however, still leaves only US$520 million (14% of total revenues) for capital development programmes.

122. The desired levels of annual expenditure on the capital budget, supportive of effective implementation of Zim Asset projects, are US$5.4 billion.

Fiscal Deficit

123. The Fiscal Framework of revenue collections of US$3.7 billion and projected expenditures of US$4.1 billion presents a financing gap of about US$400 million, which is 2.7% of GDP, for the proposed 2017 Budget.

124. This would be an improvement on the anticipated 2016 unsustainable financing gap of US$1.18 billion outturn, given projected total revenues of US$3.53 billion, against anticipated expenditures of US$4.59 billion.

125. The original 2016 National Budget target was a more manageable deficit of US$150 million, representing 1% of GDP.

126. A financing gap of US$1.18 billion represents growth from 3% of GDP for 2015 to an unsustainable 8% of GDP.

Financing

127. Increased recourse to the domestic financial system for financing of the Budget deficit would become destabilising, as cash and cash equivalents available to Government force larger reliance on financing modalities that contribute to significant financial sector risks.

128. This is with regard to both financial sector capacity to finance productive sector business activities, as well as the financial health of domestic banking institutions. This is more so, in view of the quantum of Treasury bills already issued.

129. In this regard, the Fiscal Framework for the 2017 Budget discourages the expectation and perceptions that Treasury bill issuances are now a form of surrogate currency to settle Government expenditure, as doing so would only pose challenges of capacity for Government to repay on such obligations.

130. Hence, the mismatch between revenues and expenditures requires that the thrust of Government for the 2017 Budget rationalises expenditures in line with sustainable financing capacity.

131. The target would be to create scope for the Budget to also adequately finance Zim Asset development programmes and social services, while at the same time implementing structural measures to enhance production across the economy's various sectors in order to grow revenues.

Fiscal Policy Thrust

132. Accordingly, the 2017 National Budget proposes the following measures on this matter:

- Gradually reverting back to the cash budgeting framework tenets, through ensuring that all line Ministries adhere to allocations and spend as and when resources are available.
- A moratorium on Treasury bill issuances and confining borrowing at concessional rates from external sources for development programmes.
- Gradually limiting recourse to the Reserve Bank to US$400 million.

133. In tandem with the above, Government will also start addressing the fiscal gap through a number of expenditure management measures backed by revenue increasing interventions anchored on stimulation of production.

134. Further to this, the restrictions on hiring, continuous monitoring and audits for flushing out ghost workers, as well as the restructuring of the Public Service are essential measures which will be maintained in order to manage the wage bill as a key component pushing up expenditures.

135. The Reserve Bank will also be announcing, as part of the new year Monetary Policy Statement, further measures to complement the Fiscal Policy, also cognisant of managing the ZAMCO financial position.

CHAPTER 4: DEBT & EXTERNAL PAYMENT ARREARS

Total Debt

136. Debt sustainability measures to overcome Zimbabwe's external indebtedness, as well as contain growth in public domestic debt, including contingent liabilities of quasi Government institutions, are part of the 2017 Budget.

137. As at 31 October 2016, Zimbabwe's public debt stood at US$11.2 billion or 79% of GDP, of which US$7.5 billion, 53% of GDP, is external debt.

138. Of the US$7.5 billion external debt, US$5.2 billion is in arrears, and this has resulted in deterioration of relations with major creditors, thereby inhibiting access to finance.

139. Resolution to Zimbabwe's external payment arrears should overcome further growth, particularly on account of penalties on accumulated arrears and open up access to new financing.

Arrears Clearance

140. The Budget proposals for a robust fiscal adjustment, supported by complementary structural reforms, require finalisation to the remaining aspects to addressing the country's external indebtedness, which is limiting access to critical development finance.

141. Consistent with the Arrears Clearance Strategy agreed with creditors in Lima in October 2015 towards accelerating re-engagement with the international community, Zimbabwe settled its overdue obligations to the International Monetary Fund (IMF) amounting to US$107.9 million on 20 October 2016.

142. This has seen the IMF Board remove sanctions on Zimbabwe related to remedial measures applied on account of overdue financial obligations to the Poverty Reduction and Growth Trust (PRGT).

143. The remedial measures removed related to:

- Declaration of non-cooperation with the IMF;
- Suspension of technical assistance; and
- Removal of Zimbabwe on the list of PRGT-eligible countries.

144. The next step is resolving early in 2017 arrears to the other multilateral creditors, i.e. the African Development Bank, US$610 million; the World Bank, US$1.16 billion; the European Investment Bank, US$212 million; and other multilateral institutions, as well as bilateral official creditors.

145. Clearance of arrears that allows for access to concessional development finance, as well as investment flows, will also assist in the implementation of the Interim Poverty Reduction Strategy Paper for 2016-2018.

146. Hence, any delays would serve to only accelerate deterioration in Zimbabwe's macro-economic environment, that way further incapacitating the country's ability to honour its obligations to all its other creditors.

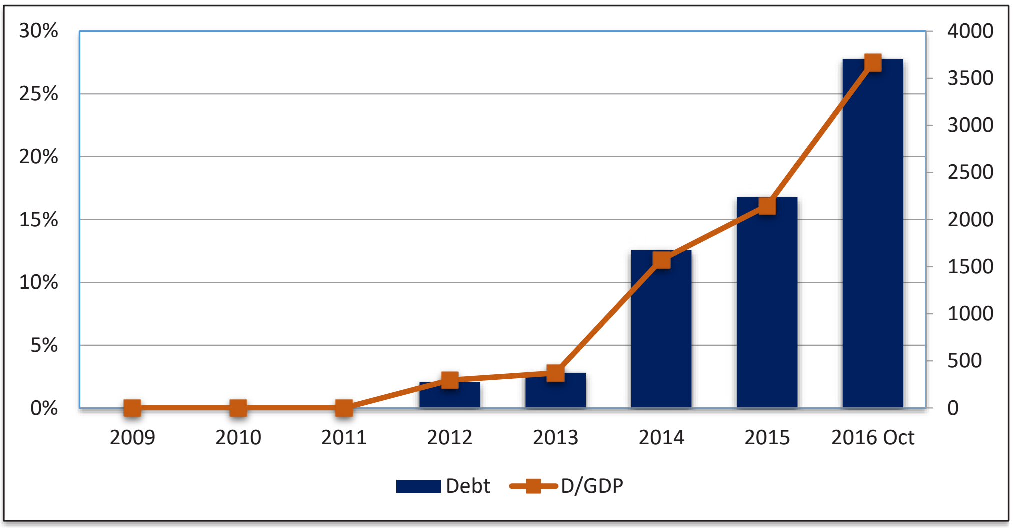
Domestic Debt

147. Domestic resource mobilisation remains the major source of budgetary financing in the absence of access to external funding.

148. This has seen increased reliance on the domestic market to finance some of the challenges related to fiscal imbalances.

149. As at 31 October 2016, domestic debt stood at US$3.7 billion, representing 26% of GDP.

Domestic Debt

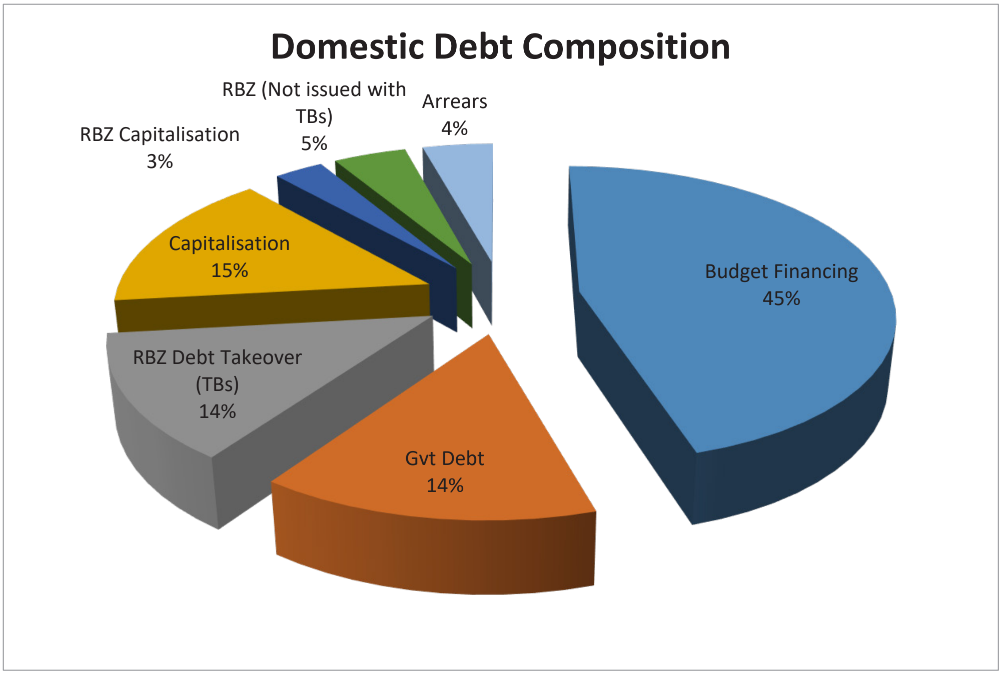


Source: Public Debt Management Office

150. The increase in domestic debt, post 2013, reflects Government's assumption of Reserve Bank debt, securitisation of suppliers' arrears and, recapitalisation of the Reserve Bank, IDBZ, POSB, Agribank and other public institutions.

151. The breakdown of domestic debt as at end October 2016 is reflected in the Chart below:

Domestic Debt Breakdown



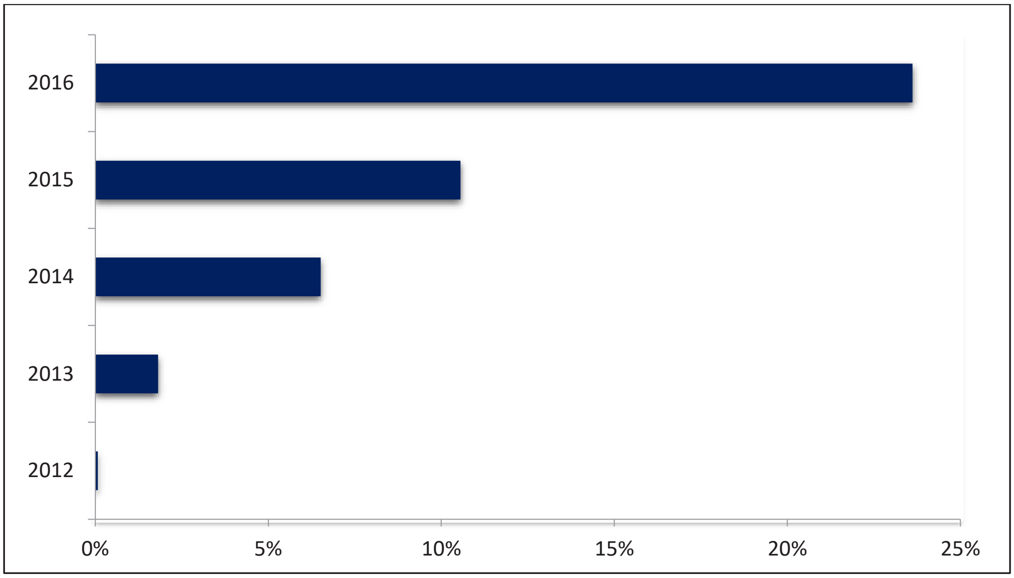
Source: Public Debt Management Office

Domestic Debt Service Implications to the Budget

152. Government will focus on containing the growth in domestic debt in order to ensure fiscal sustainability, as well as providing fiscal space for capital expenditure.

153. The Chart below shows the debt service ratio to Government revenue dynamics between 2012 and 2016.

Debt Service of Domestic Securities to Revenue



Source: Public Debt Management Office

154. Future issuances of domestic securities will take into account current maturity profiles, as well as Government's capacity to repay, whilst not compromising the provision of the country's critical needs.

Contingent Liabilities

155. Most public enterprises are failing to service their debt resulting in Government guarantees being called up.

156. As at end of October 2016, called up guarantees represented 15.8% of total external debt stock.

157. Hence, strengthening public debt management by increasing oversight on contingent liabilities, both explicit and implicit, becomes imperative.

158. Credit risk analysis of public enterprises before issuing a guarantee or providing on-lent resources will become critical going forward to reduce default by these institutions.

Commitments Outside the Budget

159. There are also payment arrears arising out of Ministries' incurring commitments outside the Budget, increasing the obligations of Government in violation of the Public Finance Management Act.

160. In this regard, penalties will be imposed on those individuals responsible for creating such obligations outside the ambit of Treasury Budget processes, in accordance with Public Finance Management Regulations developed by the Accountant General.

161. Furthermore, private sector entities that entice Ministries and Departments to incur liabilities on the Budget outside Treasury guidelines will also be held accountable for consequences of such practices.

162. Any commitments made outside the system will not be honoured, and a Public Statement will be made to alert service providers of this arrangement.

163. Furthermore, in order to address continued and uncontrolled accumulation of arrears, all budget commitments for 2017 will be made through the Public Finance Management System.

CHAPTER 5: EXPENDITURE PROPOSALS

164. The 2017 Budget proposes Vote Appropriations of US$3.4 billion, inclusive of Employment Costs[3] of US$2.52 billion, Operations and Maintenance of US$400 million and Capital Expenditures of US$520 million.

165. Constitutional and Statutory Appropriations have been allocated US$673.7 million, resulting in overall Budget Expenditures of US$4.1 billion.

166. Allocations under the 2017 Budget are primarily directed at priority areas, drawing from Zim Asset clusters namely:

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

167. Line Ministries and Departments will, therefore, be required to design implementation of their projects and programmes in line with Zim Asset clusters, to create synergies, necessary for optimising on the little resources available, for the achievement of Zim Asset.

168. Prioritised Zim Asset cluster based projects and programmes include those identified under the Interim Poverty Reduction Strategy Paper

[3] Excludes Pension benefits of US$477.6 million allocated under Constitutional and Statutory Appropriations.

(IPRSP) for 2016-2018, which was formulated with support from development partners, including the World Bank and the European Union.

Overall Allocations

169. The 2017 National Budget proposes an allocation of US$1.35 billion towards health, social welfare and education Ministries under the Social Services and Poverty Eradication cluster.

170. Social safety nets have been allocated US$78 million in order to cushion the vulnerable groups of our population in terms of health, education and social welfare programmes.

171. Given the centrality of agriculture in terms of food security and support to other sectors, an allocation of US$303.2 million is being proposed under this Budget.

172. With regards to the Infrastructure and Utility cluster, the 2017 Budget sets aside US$188 million, which will be complemented by resources from statutory funds, respective state owned enterprises, development partners and loan financing.

173. Estimates of Expenditure and the proposed Vote Appropriations for the 2017 Budget are highlighted in Annexure 7.

Development Partners Support

174. Budgetary resources are being complemented by development partners, who continue to play a significant role in the financing of various IPRSP projects and programmes under the Zim Asset.

175. Total development partner support for 2017 is projected at US$450.4 million, against US$493.7 million availed in 2016. Of this amount, US$233.7 million is from bilateral, whilst US$216.7 million is from multilateral partners as indicated in Annexure 8.

176. Targeted sectors from this support include health, education and other basic social services, agriculture, water and sanitation, governance, capacity building across sectors, as well as transport and energy as indicated in Annexure 9.

Agriculture & Food Security Cluster

177. The 2017 National Budget prioritises agriculture with a total allocation of US$291.6 million proposed, covering key activities related to the following:

- strategic grain reserve, US$112.5 million;
- input schemes, US$102 million;
- supportive personnel/employment costs, US$47.3 million;
- operations, US$8 million;

- irrigation development, US$6.1 million;
- extension services, US$3.385 million; and
- veterinary services, US$2.68 million, among others.

178. The above allocation together with other agriculture related expenditures incurred during 2016 amounting to US$148.8 million, translates into total agricultural support towards the 2016/17 season of US$440.4 million.

179. The level of support is in line with the 2003 Maputo Declaration by African Heads and Governments on committing at least 10% of national budgetary resources to the sector.

Special Maize Production Programme

180. Prioritisation of maize production has been scaled up following two successive droughts which drained the fiscus through grain importation to provide for the national grain requirement shortfall.

181. Consequently, starting with the 2016/2017 agricultural season, Government has taken a deliberate stance to increase grain production to levels sufficient to meet national requirements. This is being implemented through the Special Maize Production Programme.

182. The Programme is progressing well, with 33 931 farmers contracted having received 76% of their maize seed supply, 38% of compound D, 3% of lime and 20% of fuel as at 6 December 2016.

183. With regards to tillage, as of 6 December 2016, 135 260 ha had been tilled, with 33 932 ha planted.

184. In terms of financing, a total of US$160 million has already been mobilised for the programme, with US$85.5 million going towards irrigable land and US$75 million for dry land. In 2017, US$87.5 million is provided for both irrigable and dry land activities.

185. In order to sustain the implementation of this programme on a revolving basis, beneficiaries under this Programme will be monitored to produce in line with their contract obligations.

Cotton

186. Cotton production sustains livelihoods for a significant number of small scale commercial and communal farmers in the drier regions of the country, in addition to its contribution to export earnings and economic growth.

187. However, of late, cotton farmers have been shunning production of cotton, citing high costs of production, against cotton prices of as low as US30 cents a kg. This led to collapse in production, with decline in cotton output to 30 000 tons in 2016, from 84 000 tons in 2015 and 143 000 tons in 2014.

188. The drop in cotton output by over 79% over the last three years has also forced the clothing sector to rely more on cotton imports for over 50% of their fabric requirements.

189. Government, through the Vulnerable Households Inputs Scheme has, therefore, availed US$42 million worth of cotton inputs in support of 400 000 communal cotton farmers, to boost cotton production during the 2016/17 season.

190. The support comprises of 20 kgs of seed, 2 bags of basal and a bag of top dressing fertilizer, pesticides and herbicides.

191. As at of end of November 2016, 4 000 tons of seed, enough to cover over 200 000 ha, had been distributed to farmers, while an additional 2 000 tons is being procured, and the required fertilizer also being sourced.

192. This initiative has potential to recover cotton production to over 100 000 tons for the coming 2017 season. In the medium term, the objective is to attain the 353 000 tons which was achieved in the year 2000.

193. Increased cotton production will consolidate the Zim Asset programme to strengthen the *Cotton to Clothing* value chain linkage.

Capacity and Resilience Building Programme

194. Development partners, including the European Union, Food and Agriculture Organisation, and the United Nations Development Programme, are

also supporting agriculture production through increasing the absorptive, adaptive and transformative capacities of households and communities in the face of climate related shocks.

195. In support of this programme, development partners have allocated US$6.1 million.

Livestock Production

196. Livestock production remains an integral part of agricultural development.

197. Government, in conjunction with development partners, is working to support rebuilding of the national herd, comprising beef cattle and other smaller domestic animals.

198. The programme seeks to grow the national cattle herd from the current 5.5 million to 5.8 million by end of 2017.

199. In this regard, support will target the following areas:

- Hay cutting, to ensure food availability in dry periods;
- Increased water points, to reduce livestock deaths during drought and dry times;
- Cross breeding support through artificial insemination to improve quality of breeds;
- Irrigation of pastures, especially for A2 and commercial farmers; and
- Market access linkages, also targeting external markets.

200. To this end, the Budget is setting aside US$3.385 million for extension services, and US$2.684 million for the Veterinary Department for purposes of enhancing monitoring of livestock movement for disease control.

Horticulture

201. Horticulture remains one of the quick wins in terms of foreign currency generation, employment creation and revenue generation, especially in view of the prevailing under-production.

202. As a result, Government will continue to engage players in the industry to find ways of reviving the once vibrant sector.

Anchor Farms

203. Cooperation between anchor farms and new farmers through sharing of best practices, and transfer of expertise stands to benefit both parties in terms of supporting linkages in agricultural production.

204. A number of anchor farms are supporting small scale farmers through sub-contracting production, among other supportive measures.

205. Government is supportive of these arrangements which empower new farmers through diffusion of farming knowledge and is, therefore, working to develop proposals of incentives for anchor farms who sub-contract small scale farmers.

Certainty of Landholding

206. Agriculture production requires long term investment, which is compensated for by long pay-back periods.

207. Success is, therefore, a function of an environment conducive to attraction of meaningful investment to anchor increased agriculture productivity and production.

208. With the Fast Track Land Reform Programme having been concluded, there is need to cease further farm invasions to allow existing farmers to focus on production.

209. Continuous land invasions threaten existing farmers and scare away potential on-farm investment, that way undermining the restoration of the country's *Bread Basket* status.

210. The 2017 Budget, therefore, calls for farmer certainty with respect to access to and security of tenure over farming land.

Compensation for Acquired Land

211. Government remains committed to honouring its obligations with regards to farms acquired under the Land Reform Programme.

212. In this regard, since the adoption of the multi-currency system, Government has paid a total of US$56.8 million.

Utilisation of Idle Institutional Land

213. There is disappointment on non-utilisation of the vast tracts of land under most Government institutions, which requires urgent attention, given food security concerns.

214. In this regard, responsible Ministries and such respective institutions as CSC are now required to institute measures towards full utilisation of the available land, through joint venture partnerships.

215. Already, the requirement for increased utilisation of idle agriculture land has seen ARDA targeting to increase utilisation from 15 832 ha to 43 547 ha for both crop and livestock production during 2017, through joint venture partnerships.

216. Similarly, with regards to other institutional farms belonging to Prisons, the Defence Forces and the Police, a total of 5 410 hectares have been contracted to produce maize under the Special Maize Production Programme. This is over and above other initiatives being implemented in conjunction with selected partners.

Irrigation

217. A key component of our agrarian reform strategy is the need for investments in irrigation infrastructure which reduce the uncertainties farmers face from dependence on rain fed agriculture, assuring them of uninterrupted production of crops throughout the year.

218. To take advantage of existing water bodies, the 2017 Budget proposes to mobilise US$24.8 million for irrigation, prioritising rehabilitation and construction at smallholder irrigation schemes.

219. The irrigation schemes where works are targeted from year 2017 are the following:

- 800 irrigable hectares at 11 irrigation schemes, allocated US$4.9 million from the fiscus;
- 20 smallholder irrigation schemes in Manicaland and Matabeleland South Provinces, supported by US$1.7 million funding under the EU Smallholder Irrigation Support Programme;
- 545 hectares for rehabilitation of smallholder schemes in Bikita, Gutu, Masvingo, and Zaka districts at a cost of US$1.5 million with funding from the Swiss Agency for Development Cooperation;
- irrigable land for 15 000 households, as well as adjacent rain-fed land for 12 500 households in Manicaland, Masvingo, Midlands and Matabeleland South Provinces, funded by the International Fund for Agricultural Development (IFAD) to the tune of US$4 million;
- 674 hectares at Nyakomba Irrigation Scheme, funded by the Japanese International Cooperation Agency (JICA) at a cost of US$5 million;
- irrigation schemes in Manicaland, Midlands and Mashonaland Central, funded by the United Kingdom's Department for International Development (DFID) to the tune of US$6.5 million;

- The Kuwait Fund for Arab and Economic Development has committed US$35.7 million to support 2 520 ha of land at Zhove irrigation project in Beitbridge for intensive citrus production, to benefit 5 000 households.

220. The 2017 Budget also has a provision of US$1.2 million for operations and maintenance for existing irrigation schemes around the country.

Mechanisation

221. Government continues to promote agricultural mechanisation as an essential strategy for modernising agriculture and increasing productivity.

222. Already, the distribution of equipment under Phase I of the More Food Africa International Programme, valued at US$38.7 million has been completed and is benefiting A1 and communal irrigation schemes throughout the country.

223. Further disbursements under the facility are conditional upon utilisation and repayments by benefiting farmers. Currently, benefiting farmers are making loan repayments according to schedule, and this is facilitating negotiations for Phase II of the programme, valued at US$30 million.

224. Equipment under Phase II is earmarked for delivery in 2017 and will further benefit A1 and communal irrigation farmers.

Environment and Climate Change

Climate Change

225. Climate change continues to pose uncertainties to the weather patterns, necessitating adequate mitigatory measures in order to sustain agricultural and other economic activities.

226. The 2016 El-Nino induced drought directly impacted negatively on our agriculture and energy sectors as has been indicated in the respective sections above.

227. However, the impact of climate change effectively cuts across all sectors.

228. Government will, therefore, be scaling up allocations on mitigation of climate change impact.

229. In view of the magnitude of this task in terms of resource requirement, Government is forging strategic partnerships with the private sector and civil society in implementing climate change adaptation and mitigation strategies.

230. On its part, Government, through the 2017 National Budget, is appropriating US$5 million for the procurement and installation of two weather radars at the Meteorological stations in Harare and Bulawayo.

Environment

231. Furthermore, the country continues to face multiple environmental management challenges that include:

- pollution;
- poor waste management in urban and mining centres;
- deforestation and land degradation, exacerbated by artisanal mining and sand extraction;
- cultivation in wetlands and stream bank cultivation;
- veld fires, against the background of poor land management practices;
- poaching, also threatening endangerment of species; and
- loss of bio-diversity.

232. This is against the increasing level of over-reliance on the environment as a source of livelihood.

233. A capacitated Environmental Management Agency (EMA), therefore, remains a priority to ensure proper management practices of forests and pasture lands, particularly in the dry livestock regions, as well as encouraging the use of alternative sources of energy, given the increase in the use of firewood for curing tobacco and cooking.

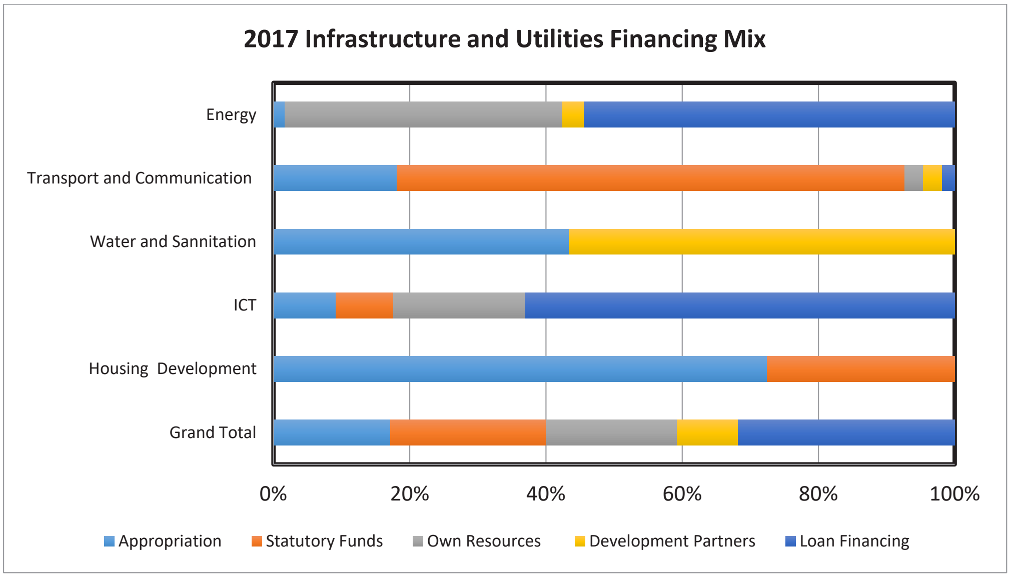
Infrastructure and Utilities Cluster

234. In line with the Zim Asset development thrust, the 2017 Budget has an allocation of US$188.5 million, inclusive of employment costs and operations, under the Infrastructure and Utilities Cluster.

235. The above allocation will be complemented by resources from the following sources:

- Loans and Public Private Partnership arrangements, US$251.3 million;
- Statutory funds, US$179 million;
- Public entities, US$150.7 million; and
- Development partners, US$69.8 million.

236. This gives a total of US$839.9 million directed at funding of infrastructure projects.



Source: Ministry of Finance

237. Earmarked projects are in energy, transport, water and sanitation, ICT, as well as housing development, among others, as indicated in the Chart above.

Energy

238. The energy sector accounts for US$291.55 million of the above overall resources mobilised towards infrastructure, to be channelled towards electricity generation and transmission infrastructure.

Electricity Generation

239. The Zimbabwe Power Company will channel US$35.5 million of own resources, complemented by US$91 million from China EximBank, towards ongoing works at Kariba South Extension Project.

240. The project remains on schedule, with the first unit expected to be commissioned by end December 2017, and consequently, contribute an additional 150 MW to the national grid.

241. Upgrading of the Bulawayo Thermal Power Plant will also commence in 2017 with funding of US$30 million from India Exim Bank. These resources will meet mobilisation costs, as well as design and procurement of equipment.

242. An additional US$4 million from the Budget will cover project development costs.

Transmission and Distribution

243. The Zimbabwe Electricity Transmission and Distribution Company (ZETDC) will invest US$45.6 million of own resources towards procurement of transformers and other accessories.

244. Extension of the electricity grid to new settlements will be funded at a cost of US$29.5 million, while US$13.4 million will be for development costs for the Alaska–Karoi transmission line.

245. In addition, the Zim-Fund Phase II of the Emergency Power Rehabilitation Project will avail US$9.1 million towards:

- procurement and installation of grid transformers for the Marvel and Chatsey transmission line, US$5.6 million.
- rehabilitation of the Prince Edward sub-Station, US$2.6 million; and
- the Orange Groove – Sherwood transmission line, US$0.9 million.

246. Other projects prioritised for implementation in 2017 include:

- US$36.9 million for procurement of prepaid meters for 44 000 large consumers and 50 331 ordinary customers under the prepayment system.
- US$36.8 million towards extending the grid to 450 institutions under the Rural Electrification Agency programme, with a further US$0.3 million for construction of 41 stand-alone solar micro-grid plants for identified public institutions.

- US$1 million budgetary resources targeting construction of 48 biogas digesters at public institutions.

247. The sustainability of the above projects, however, hinges on cost recovery tariffs and ensuring that every consumer pays for electricity consumed.

Water Supply & Sanitation

248. The drought conditions experienced during the past two years have seen most urban and rural households' water supply sources drying up, making it imperative for Government to invest in water infrastructure.

249. In this regard, a total of US$100.3 million, comprising of US$45.3 million from the Budget and US$55 million from development partners will be mobilised towards investment in water supply and sanitation projects in 2017.

Dams

250. Of the total water sector planned investments, an appropriation of US$25.8 million is earmarked for the following construction and maintenance works:

- Causeway Dam, US$5 million;
- resumption of works at Marovanyati Dam, US$8.6 million;
- upgrading of the access road to Tokwe Mukorsi Dam, US$4.5 million; and
- site running costs for Gwayi Shangani Dam, US$3.7 million.

251. Furthermore, the US$2 million allocated for Mutange Dam will enable construction of a pump house, upstream and downstream gauging weirs, which will facilitate use of the water for irrigation of 105 hectares at Mutange Irrigation Scheme.

252. In addition, US$2 million has been set aside to enable ZINWA repair and maintain some of the 2 000 small dams in communal areas and 680 dams in resettled areas, as part of drought mitigation measures.

253. Efforts are also underway to mobilise resources for construction of other critical dams, particularly Gwayi-Shangani and Kunzwi Dams, which provide long term water supply security for Bulawayo and Harare, respectively.

Water Supply and Sanitation Projects

254. The Budget proposes US$16.4 million towards water and sanitation programmes, of which US$10.4 million will target urban and rural local authorities, and U$6 million for procurement of drilling rigs for ZINWA and the District Development Fund.

255. Development partners are also complementing Government efforts through the following interventions:

- US$27 million under the Zim-Fund Phase II Urgent Water Supply and Sanitation Rehabilitation Project, in support of water and sanitation projects for Harare, Chitungwiza, Ruwa and Redcliff.

- US$2.1 million under the 13th African Development Fund (ADF), for construction and rehabilitation of outflow sewers and refurbishment of water treatment plants for Bulawayo.
- US$0.3 million under the ADF to Marondera for the rehabilitation of waste stabilisation ponds, replacement of pipes and rehabilitation of water tanks.
- US$4.1 million under the World Bank administered Zimbabwe National Water Project for commencement of sewer and water upgrading works for Guruve, Lupane, and Zimunya.

256. In addition, the Water and Sanitation Programme (WASH), administered by UNICEF, will inject US$8.4 million towards the rehabilitation and renovation of water and sewer systems in Bindura, Chipinge, Chiredzi, Karoi, Plumtree, Rusape and Shurugwi, whilst an additional US$13.1 million will be channelled towards the rehabilitation of boreholes and construction of latrines in rural areas.

Transport

257. Government is mobilising US$215.9 million in support of the transport sector, mainly road works during 2017.

258. Resources to the roads sector amount to US$188.1 million, with US$145.2 million being mobilised through the Road Fund, fiscal resources of US$29.4 million and development partner support of US$5.7 million.

Roads Fund

259. While resources amounting to US$54.7 million have been earmarked for repayment of the Plumtree-Mutare loan facility from DBSA, the balance of resources set aside by the Road Fund in 2017 is for the following roads related expenditures:

- Road Authorities for road rehabilitation and maintenance, US$64.4 million;
- Outstanding certificates on road projects; US$9.7 million;
- Emergency road projects; US$6 million;
- Road construction equipment US$5.8 million;
- Weigh-bridge installation and maintenance, US$1.5 million;
- Construction of toll gates; US$1 million; and
- VID yard maintenance, US$0.9 million.

260. The detailed breakdown of the Road Fund allocations have been included in the Estimates of Expenditure Book.

Other Upgrade Works

261. Of the Budget resources of US$29.4 million, the following road upgrade works have been prioritised for 2017:

- Harare-Mutare road section between the Goromonzi turnoff/28.5 km peg to the Jamaica Inn Toll Plaza/34 km peg, US$6.3 million towards dualisation works for the in-between 5.5 km;

- Harare-Bulawayo road section between the Norton Service Centre/38 km peg to the Norton Toll Plaza/47 km peg, US$8.6 million for the dualisation of the in-between 9 km; and
- Other road works, with an allocation of US$14.5 million spread across the country, including Mvurwi-Kanyemba road, Kapota-Zimuto road, targeting 2km of the remaining 5.5km, Bindura-Matepatepa road, among others.

262. The Government of Japan is also supporting road improvements in the country through a grant amounting to ¥600 million (approximately US$5.7 million), for the procurement of bitumen, to be delivered in 2017.

263. Furthermore, discussions are also underway with JICA, who have shown interest in financing the upgrading of 13 road sections between Karoi and Chirundu, through construction of climbing lanes and renovating sharp curves in order to improve traffic flow.

Beitbridge-Chirundu Road Dualisation

264. With regards to the Beitbridge-Chirundu Road Dualisation Project, Government and Geiger International signed the Engineering and Procurement Contract and Concession Agreements on the Beitbridge–Harare Road section on 30 November 2016.

265. This project, estimated to cost US$984 million, is being implemented under the BOT arrangement and work is now underway to conclude on

the conditions precedent, critical for achievement of financial close and commencement of works on the project.

Rail

266. A comprehensive capitalisation programme for the National Railways of Zimbabwe (NRZ) has remained elusive. Government will, however, continue to scout for a strategic partner for this project.

267. The NRZ has since appointed a financial advisor to assist in this process, including developing a well packaged and bankable project proposal for engagement with potential financiers.

268. Meanwhile, an allocation of US$3 million has been set aside for the rehabilitation of locomotives and wagons, track infrastructure as well as procurement of workshop equipment.

Airports

269. The upgrading of international airports will be further pursued in 2017. The Budget has allocated US$4.9 million for the construction of the Air Traffic Control Tower at J. M. Nkomo International Airport, with an additional US$1 million of Civil Aviation Authority of Zimbabwe (CAAZ's) internal resources being channelled towards upgrading the sewer system at the airport.

270. The CAAZ will further invest US$4.6 million towards upgrading of equipment at Harare International Airport.

Weather Equipment

271. The Meteorological Department has also been allocated US$5.5 million for procurement of weather equipment to be installed at Harare, J. M. Nkomo and Victoria Falls international airports in order to improve safety in aviation operations.

272. Information gathered using this equipment will also be availed to other users, especially in agriculture.

Housing

273. The ongoing various Government and private sector residential housing programmes being spearheaded by such institutions as CABS, Old Mutual, IDBZ, Fidelity Life Assurance, CFI Holdings, NICOZ Diamond, ZIMRE Property Investments, as well as individual churches, among others, are expected to reduce the housing backlog, which currently stands at 1.2 million housing units.

274. Government will provide State land to Local Authorities to enable them to offer schemes that are affordable to the generality of the population in order to reduce the national housing backlog.

275. An amount of US$88.3 million will be earmarked for the sector with US$71.8 million in fiscal resources and US$14.6 million in statutory funds.

Housing Programme for Civil Servants

276. On account of the difficulties civil servants are facing in accessing decent accommodation, Government has come up with a non-monetary benefit for its workers, with the State offering stands to public servants for development of own houses. This is a benefit being availed to every Government employee, irrespective of status.

277. Under the Scheme, beneficiaries identify the location and residential area of preference.

278. Using the information collated from workers, the Ministry of Lands and Rural Resettlement will identify suitable State land in and around settlements that responds to densities required. Where necessary, consideration will also be given to densification by promoting construction of flats which will reduce the cost of servicing.

279. The identified land will be allocated to the Ministries of Local Government, Public Works and National Housing and Rural Development, Preservation and Promotion of National Culture and Heritage for allocation under their respective jurisdictions.

280. The Ministry of Local Government, Public Works and National Housing will coordinate provision of critical services such as electricity, roads, water and sewer services as well as development of lay out plans and servicing of the land.

281. Furthermore, Treasury and the Reserve Bank will facilitate mobilisation of resources from the domestic financial market, including resuscitation of issuance of Municipal bonds through local authorities and UDCORP in order to deepen and broaden the existing housing finance options.

282. The Urban Development Corporation (UDCORP), will be central in coordinating all implementing partners such as surveyors, design engineers and contractors who will undertake the servicing of the stands.

283. The Service Commissions, comprising of the Public Service Commission, Health Service Board and the Judicial Service Commission will evaluate the suitability of every beneficiary under the programme.

Financing of the Programme

284. This is a self-financing scheme where beneficiaries are expected to contribute towards the cost of land and servicing, with deductions being made through the Salary Services Bureau.

285. The contributions to the Fund could comprise of the following:

- A minimal monthly deduction of say US$50 that will be dedicated towards servicing costs of the land;

- Payment for the intrinsic value of the land of US$4 per square meter and US$1 for administration costs through the 13th cheque whose modalities of implementation are to be negotiated, discussed and agreed among the Ministries of Local Government, Public Works and National Housing; Finance and Economic Development; Public Service, Labour and Social Welfare; Ministry of Lands and Rural Resettlement as well as the Apex Council, UDCORP, the National Building Society and Homelink.

286. The Fund, including the monthly remittances, will then be leveraged to mobilise additional funding from the private sector such as the building societies, pension funds and the banking sector.

287. Once the land has been serviced and fully paid for, the beneficiary will get title deeds as per area.

288. The Ministry of Local Government, Public Works and National Housing; representing Government, Apex Council and UDCORP signed a Memorandum of Understanding (MoU), reflecting commitment by the parties to the implementation of the non-monetary benefit scheme.

Information Communication Technology

289. The rapid spread of digital devices and greater internet access in both urban and rural areas is enabling dissemination of critical information and knowledge that empowers households and other institutions in various activities.

290. The Budget allocation of US$17.1 million targets interventions in the sector, with US$12.8 million targeting e-Government programmes, whilst US$4.3 has been set aside for employment costs and operations.

291. The above allocations will be complemented by resources mobilised from statutory funds, US$11.7 million; parastatal's own resources of US$26.9 million and US$87.4 million from loan financing.

E-Government Services

292. Taking advantage of developments in the ICT sector, Government will establish an E-Government platform that will enhance access to Government information and services, that way promoting transparency and efficiency in public services delivery.

293. In this regard, fiscal resources amounting to US$6.9 million will be used to set up the National Data Centre to support the rollout and use of E-Government services by citizens, which should contribute towards the easing the cost of doing business in the country.

294. Furthermore, the Universal Services Fund will earmark US$11.7 million towards the setting up of 70 Community Information centres in rural service centres, roll out of computerisation and E-learning facilities to 1 300 schools, and introduction of tele-medicine facilities in 20 rural health centres.

Network Expansion & Upgrading Projects

295. Under the US$98 million National Backbone and Broadband Access Project, already underway, TelOne will expend US$47.4 million in 2017 on extending the fibre optic network to unserved areas, including upgrading the data centre and Centralised National Operations Centre, among others.

296. Using own resources, TelOne will also avail US$26.8 million towards last mile connectivity, value added services equipment and facilities, all aimed at ensuring better services to clients and business growth.

297. This intervention is in addition to the NetOne Network Expansion Phase II project where NetOne is expected to drawdown US$40 million from a China Eximbank loan to cover all the remaining works on the project.

Joint Ventures

298. Following the promulgation of the Joint Venture Act, Government is strengthening public entities' project development capacity and improving existing institutional and regulatory frameworks for efficient selection and execution of joint venture projects.

299. Already, the Public Service Commission is finalising on the structure and composition of the Joint Ventures Unit, which is expected to become operational in 2017.

300. The Unit will streamline mechanisms for speedy appraisal of joint venture projects, including, where necessary, fiscal support for projects deemed economically justified but commercially unviable.

301. The Unit will also work with project owners, investors and the supply chain to ensure effective and timely delivery of Government projects and programmes.

Project Preparation Development Fund

302. An allocation of US$7 million has been set aside for the establishment of the Project Preparation Development Facility, which should play a catalytic role in developing bankable projects which enable investors to make appropriate investment decisions.

303. The Fund will finance such project development costs as feasibility, environmental and social impact assessments and design studies, among others, that will guide investment decisions by private investors.

304. Some of the priority projects requiring feasibility studies include the following:

- Kunzwi Water Project.
- Tokwe Mukorsi Irrigation development.
- Osborne Dam Irrigation development.
- Harare–Nyamapanda Road.
- Bulawayo–Victoria Falls Road.
- Victoria Falls Development.

Social Services and Poverty Reduction Cluster

Health

305. In health, the thrust of the 2017 Budget allocation proposals responds to community appeals for prioritisation of the following challenges raised during the consultative process for the development of the IPRSP:

- limited access to health services;
- burden of communicable diseases, that is malaria, TB and HIV/AIDS; and
- burden of non-communicable diseases, i.e. diabetes, cancer, hypertension, and oral health.

306. Accordingly, US$281.9 million has been appropriated for the health sector under the 2017 Budget, inclusive of remuneration of public health care personnel which accounts for US$223 million, operations and maintenance of US$29.6 million and capital expenditures of US$29.5 million.

307. Of the capital expenditure appropriation, US$17.9 million is earmarked for the construction and refurbishment of infrastructure, while US$10 million is allocated for procurement of medical and diagnostic equipment as indicated in Annexure 10.

308. Beyond the US$29.6 million available for operations and maintenance, public health facilities should also benefit from collection of user fees.

These are estimated to raise US$36.5 million during 2017, to the benefit of improved clinical care services.

Capitalisation of Natpharm

309. In order to enhance supply of medicines and pharmaceuticals to public health facilities, the 2017 Budget proposes an allocation of US$1 million towards improving the capacity of the National Pharmaceutical Company.

310. Over and above this, the People's Republic of China is complementing Government efforts and availing Renminbi Yuan 90 million (approximately US$13 million) for preparatory works for the construction of the National Pharmaceutical Warehouse.

Health Development Fund

311. Other development partners are also contributing US$48.5 million towards the health sector, through the Health Development Fund.

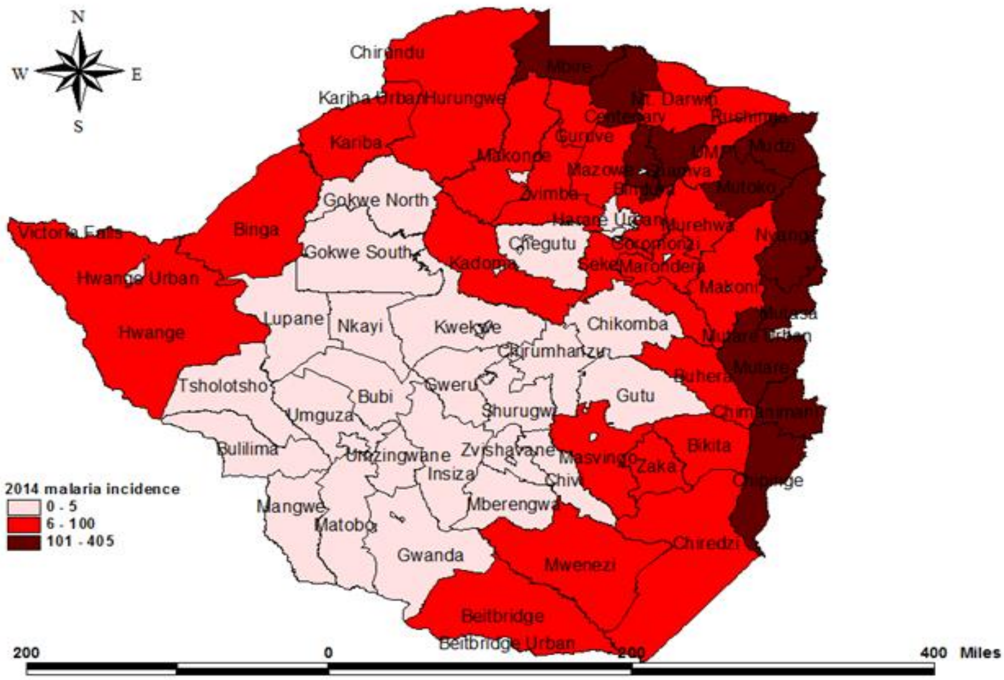
312. In 2017, development partners will contribute an amount of $48.5 million through the Health Development Fund, of which $22 million is from the EU, with the other balance being availed by other development partners who include DFID, Sweden, Irish Aid, Swiss, Gavi, among others.

Global Fund

313. The Global Fund will also disburse US$177 million under the HIV/AIDS Grant for procurement of anti-retroviral drugs, medicines and training of health sector staff.

314. Furthermore, an additional US$4.3 million will also be disbursed by the Global Fund in support of the malaria control programme.

2014 Malaria Incidences by District



Source: MOH&CC 2014

315. With regards to tuberculosis, US$11.5 million will be disbursed for procurement of category I & II of first line anti-tuberculosis medicines, as well as towards the refurbishment of 27 storage facilities across health institutions.

316. Over the medium term, strengthening of the public health delivery system and improvement of service quality will be anchored on preventing communicable diseases through improving surveillance and responsiveness to epidemic disease outbreaks and strengthening the expanded programme on immunisation, among other strategies.

317. Prevention of non-communicable diseases will also focus on improving the capacity of health facilities to screen, diagnose and follow up on cases, training of health personnel, and advocacy towards healthy lifestyles.

318. Other prioritised areas relate to family health and primary health care, as well as hospital care, entailing improving the availability of medicines and pharmaceuticals, capacity of health workers, health infrastructure refurbishment and construction of seven standard rural health centres.

Education

319. Investment in education is a key poverty reduction strategy, as well as a vehicle for producing a skilled and capable workforce, also supportive of the 2017 Budget theme of '*Pushing Production Frontiers Across all Sectors of the Economy*'.

Primary and Secondary Education

320. The 2017 Budget, therefore, prioritises provision of teaching and learning materials, investment in Early Childhood Development, developing

education facilities, including infrastructure, strengthening the education curricula, as well as reducing the skills and competency gaps.

321. In this regard, the 2017 Budget proposes an allocation of US$803.8 million towards primary and secondary education.

322. Given that the teacher is central to education delivery, US$789 million of the above Budget appropriation will support the payment of remuneration to the 122 756 strong education labour-force.

323. The balance of US$14.8 million will be expended towards schools' operational requirements during 2017. This Appropriation will be complemented by community contributions through school development levies.

Teaching and Learning Materials

324. With regards to learning aids, US$1.7 million has been set aside for the procurement of teaching and learning materials, including assistive learning devices for learners with disabilities.

Early Childhood Development

325. An amount of US$0.58 million has been earmarked for the construction of appropriate infrastructure to facilitate increased enrolment at the ECD level.

Education Infrastructure

326. To promote inclusive learning, the 2017 Budget proposes to allocate US$3.58 million towards infrastructural development across satellite schools, as indicated in Annexure 11.

327. An additional US$5 million will be disbursed from the US$20 million Loan Facility from the OPEC Fund for International Development (OFID) for commencement of works for the construction of 12 primary and 5 secondary schools in the eight rural Provinces.

Curriculum Review

328. The 2017 Budget proposes to allocate US$0.44 million to facilitate the phased implementation of the new curriculum for ECD 'A', Grade 1, Grade 3, Form 1, Form 3 and Form 5 by the Ministry of Primary and Secondary Education.

329. In this regard, the recently reviewed curriculum framework put more emphasis on maths and science, as well as technical vocational disciplines, across all primary and secondary education levels.

330. Government will, therefore, support the implementation of this curriculum through Budget support for teacher capacitation and building of appropriate facilities.

School Feeding Programme

331. In order to mitigate against learners dropping out of school on account of hunger, US$0.12 million has been allocated in support of the school feeding programme.

332. This modest Government support complements efforts in place by parents and school authorities through the establishment of nutrition gardens.

Teacher Capacity Development

333. The 2017 Budget is also proposing an allocation of US$1 million towards the Teacher Capacity Development programme.

334. This appropriation is being complemented by interventions under the UNICEF administered Education Development Fund (EDF).

335. In 2017, the EDF will avail US$31.8 million in support of the in-service teacher training programme, procurement of learner materials, ECD and science kits and provision of development grants for under-developed and financially constrained schools.

Higher and Tertiary Education

336. The 2017 Budget proposes to allocate US$200.9 million for Higher and Tertiary Education, Science and Technology Development, with US$172.5

million allocated for remuneration of staff, inclusive of employees of State universities.

Institutional Accommodation and Halls of Residence

337. Of the overall Budget appropriation, US$23.2 million is being appropriated towards the completion of on-going construction works to alleviate shortage of institutional accommodation, as indicated in Annexure 12.

338. Government will also continue to pursue initiatives for mobilising additional financial resources for the construction of halls of residence through joint ventures and issuance of infrastructure bonds.

New State Universities

339. Furthermore, the 2017 Budget proposes to allocate US$1.75 million towards the development of master plans and designs for the three new State universities in Manicaland, Mashonaland East and Matabeleland South, as well as for rehabilitation of existing infrastructure at Epoch Mine for Gwanda State University.

Social Protection

340. The 2017 Budget proposes to allocate US$193.8 million under the Ministry of Public Service, Labour and Social Welfare, with US$156 million being set aside to cover employer contributions to the Premier Service Medical Aid Society, US$121.2 million; and National Social Security Authority, US$34.8 million.

341. Flagship social protection programmes have been allocated US$21.4 million from the operations budget of US$27.8 million. This was guided by the 2015 National Social Protection Framework, as well as Phase III of the National Action Plan for Orphans and Vulnerable Children for 2016-2020.

342. The breakdown of the US$21.4 million allocation is as follows:

- US$10 million to fund the BEAM programme, which enables learners from poor and vulnerable households to access education;
- US$7 million for the Harmonised Social Cash Transfer programmes in support of vulnerable households to meet basic needs;
- US$1.1 million for the drought mitigation programme, targeting distribution of grain to the ward level;
- US$1 million to facilitate access to basic health services by poor and vulnerable households under the Health Assistance programme;
- US$1.35 million for child protection services; and
- US$800 000 in support of the elderly and people living with disabilities.

343. UNICEF, through the Child Protection Fund, will also avail US$9.8 million in support of orphans and vulnerable children.

Humanitarian Response for the Drought Response

344. Government is fully appreciative of the bilateral and multilateral response to appeals for humanitarian assistance.

345. The Humanitarian Response Plan for the period 2016–2017, with a budget of US$352 million, has so far disbursed US$212.5 million, leaving a balance of US$139.5 million.

346. Government is, therefore, appealing to development partners to mobilise the balance in order to fully support vulnerable communities.

Empowerment and Small & Medium Enterprises

347. The 2017 Budget is appropriating US$31.7 million under the Ministries of Youth, Indigenisation and Economic Empowerment, Small & Medium Enterprises and Cooperative Development and Women Affairs, Gender & Community Development.

348. Of the combined Budget appropriation, US$22.1 million is being allocated for the payment of remuneration.

349. From the balance of US$9.6 million, empowerment programmes are being allocated US$4 million as follows:

- US$2 million for capitalisation and transformation of the Small and Medium Enterprises Development Corporation into a microfinance bank;
- US$1 million towards the Youth Development Fund in support of community outreach training services and establishment of agricultural, manufacturing and service production hubs;

- US$0.5 million in support of MSMEs as counterpart funding for the establishment of Common Facility Centres in conjunction with the Indian Government[4]; and
- US$0.5 million as a first tranche towards the modernisation and re-tooling of machinery and equipment in our Vocational Training Centres.

350. In support of women empowerment, the 2017 Budget proposes to allocate US$10 million for capitalisation of the Women's Micro-Finance Bank.

351. Complementary to Government support, development partners are also supporting various youth and women empowerment projects, with the African Development Bank availing US$7 million in support of youth and women income generating activities.

352. The private sector is being called upon to provide complementary financing which allows transfer of business skills, knowledge and technology from bigger businesses to SMEs, thereby enhancing the quality of their products and nurturing development of value chains.

Youth Engagement

353. Going into 2017, it is critical that both public and private institutions engage the *Youth* through initiatives targeted at ensuring innovative

[4] For funded Common Facility Centres, please refer to Annexure 13

and enterprising young people feed into and contribute towards the transformation and growth of the economy across the various sectors.

354. Integrating the *Youth* into mainstream business activities is consistent with the 2017 African Union theme for '*Harnessing the Demographic Dividend by Investing in the Youth*'.

ZIMSTAT

355. The 2017 Budget proposes to allocate US$1 million towards funding of ZIMSTAT to carry out timely industrial surveys in order to promote evidence based policy making.

Prepaid Metering

356. In line with the thrust of the 2017 Budget to contain expenditures, line Ministries and Departments, as well as all public entities, will be required to enforce introduction of instalment of pre-paid metering for such utilities as telecommunications, water and electricity.

CHAPTER 6: REVENUE MEASURES

357. The revenue measures that I am proposing seek to enhance the support that has already been availed to industry through tax relief and modest protection, enhance revenue and efficiency in tax administration.

Support to Industry

358. In an effort to boost domestic production and value addition against declining exports, Government has supported industry through prioritisation of critical raw material imports and levelling the playing field using such temporary import prioritisation instruments that include tariffs and SI 64 of 2016.

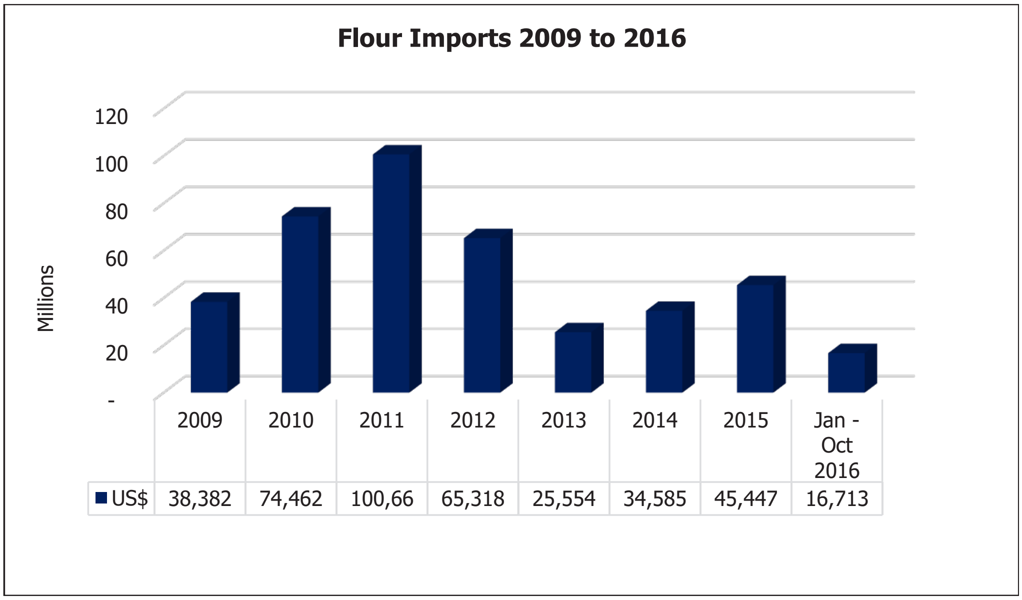
359. Consequently, industry capacity utilisation has increased significantly from 34% in 2015 to the current level of 47%.

360. Government measures to support the resuscitation of industry will have to be complemented by manufacturers playing their part with regards to guaranteeing quality of goods, as well as competitiveness of prices.

Milling Industry

361. Despite support measures availed by Government to the milling industry, the number of producers continue to shrink, from 368 in 2007 to 37 in 2016 due to competition from wheat flour imported from the region under bilateral trade arrangements.

362. The Graph below shows imports of flour over the period 2009 to 2016:



Source: ZIMSTAT

363. Notwithstanding threats to the viability of the milling industry, the industry continues to receive new investment. Blue Ribbon Foods has been revived by a new investor, which has increased the level of capacity utilisation and competition, resulting in prices of flour declining from US$32 to US$27 per 50 kg.

364. Such investments need to be nurtured, in order to enhance value addition and linkages with the agro-processing and packaging industry.

365. It is, thus, proposed to amend bilateral rules of origin on flour, to the effect that the preferential treatment is granted to flour milled from wheat grown in the country of export.

366. It is, further, proposed that wheat flour be removed from the Open General Import Licence.

367. The above measures take effect from 1 January 2017.

Dairy Industry

368. Government has since 2013 supported the growth and development of the dairy industry through duty free importation of inputs and levelling the playing field with regards to imports of finished dairy products.

369. The industry has also benefited from removal of dairy products such as yoghurts, flavoured milk, ice cream and cheese, among others, from the Open General Import Licence through S.I. 64 of 2016.

370. Capacity utilisation for the dairy industry, has, thus, increased from 25% in 2015 to the current levels of 45-55% in 2016.

371. The dairy industry has also set up a Dairy Revitalisation Fund to finance initiatives aimed at promoting sustainable milk production.

372. The Fund has already been used to import dairy calf heifers for distribution to beneficiaries, which are mainly comprised of smallholder dairy farmers.

373. Products that include ice cream, fermented milk, yoghurts, butter milk, cheese, are thus, now being produced locally in quantities sufficient to meet local demand.

374. Supply of raw milk, however, remains inadequate, hence, the need to augment through importation of milk powder. It is, thus proposed to

review the ring-fenced milk powder requirements for the year 2017. Details are shown in Annexure 14.

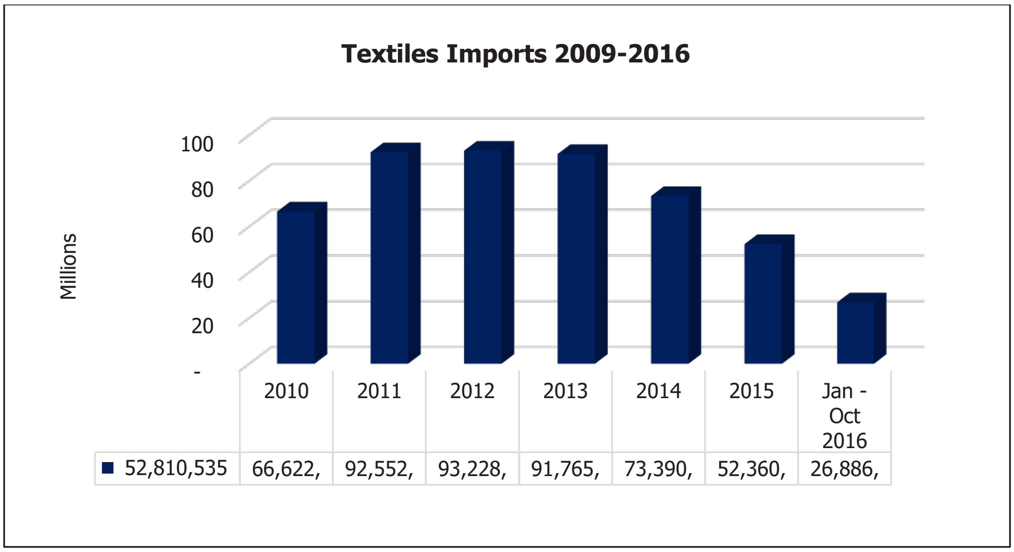
Textiles

375. Textile manufacturers are currently operating at capacity utilisation levels of between 30-35%.

376. Growth of the sector has been hampered by competition from imported fabrics as the retail sector exploits loopholes in the tariff structure in order to avoid duty and tax.

377. This has been exacerbated by the administrative complexity to identify various types of fabrics which are fraudulently imported under tariff codes that attract lower rates of duty.

378. As a consequence, local companies are facing challenges in selling their stock, despite the decline in imports, as shown in the Graph below:



Source: ZIMSTAT, Reserve Bank

379. Manufacturers of blankets have particularly been negatively affected by imports of semi-finished blankets, whose process of manufacture involves minimal value addition of cutting and trimming.

380. It is, therefore, proposed to increase customs duty on selected fabric, in order to level the playing field for the local industry.

381. Clothing and furniture manufacturers will, however, continue to access fabrics duty free, under the clothing manufacturers rebate.

382. Furthermore, it is proposed to avail additional raw materials under a rebate of duty on selected fabrics.

383. The list of additional raw materials to be imported under rebate of duty, as well as selected fabrics that will attract increased customs duty are shown on Annexure 15.

384. It is also proposed to remove luggage ware that includes bags and suitcases from the Open General Import Licence.

385. The above measures take effect from 1 January 2017.

Clothing

386. Significant progress has been made in the clothing sector, especially on export of finished articles. However, imports of clothing items, in

particular, school uniforms, continue to threaten the existence of small enterprises.

387. Manufacture of uniforms has, for a number of years, provided income for small enterprises that operate as cooperatives.

388. It is, therefore, proposed that school uniforms be removed from the Open General Import Licence, in order to promote local production, with effect from 1 January 2017.

Printing and Packaging Industry

389. The printing industry has begun to make inroads into production, as a result of support measures that have been put in place by Government.

390. However, imports of printed and packaging material continue to increase, hence the need to support the industry through reduction in the cost of production.

391. It is, therefore, proposed to increase the list of raw materials that are used in the printing and packaging industry that are eligible for importation under manufacturers' rebate.

392. The above measure, which takes effect from 1 January 2017, are provided on Annexure 16.

Soap Manufacturers

393. In order to level the playing field between imported and locally produced soap, Government, introduced a specific duty of US$0.50 per kg of soap.

394. In order to further reduce the cost of production, thereby enhancing competitiveness of locally manufactured soaps, it is proposed to avail additional raw materials which include fatty acids, palm stearine and palm kernel oil under a manufacturers' rebate.

395. This measure takes effect from 1 January 2017.

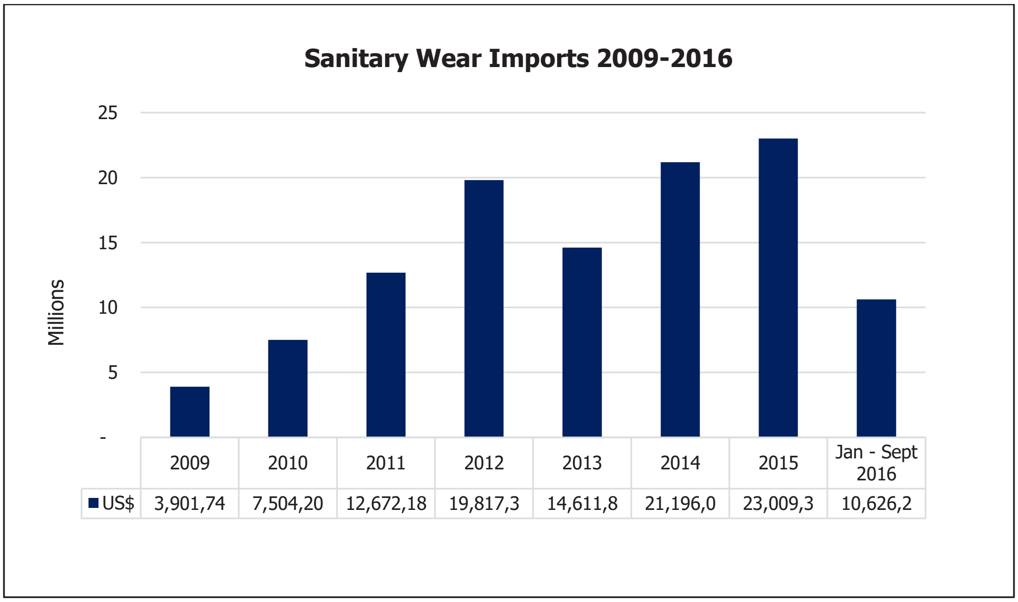
Sanitary Wear

396. In order to enable the less privileged to access affordable products, whilst allowing local companies ample time to invest, customs duty on sanitary wear was suspended.

397. Following the entry of new local sanitary wear manufacturers, the suspension of duty was lifted and substituted by modest duty rates of 15-20%.

398. Whereas local companies have potential to grow and meet local demand, the industry still faces challenges such as high cost of raw materials and loyalty of consumers to international brands.

399. Imports of sanitary wear, thus, continue to grow, as shown in the graph below:



Source: ZIMSTAT, Reserve Bank

400. In order to enhance competitiveness of locally produced sanitary wear products, thereby promoting growth of the industry, it is proposed to avail duty free importation of raw materials, which include pulp, glue and virgin tissue, under manufacturers' rebate, with effect from 1 January 2017, as shown in Annexure 17.

Excise Duty: Wines

401. Wine distillers import raw wine in order to augment local production which is currently subdued.

402. Imported raw wine, however, attracts customs and excise duty at the point of importation. After processing into potable wine, it is, further, subject to excise duty at wholesale price. There is, thus, an element of double taxation on raw wine, which discourages value addition.

403. Imported wines, on the other hand, attract customs and excise duty at the point of importation, thus, creating an uneven playing field between imported and locally produced wines.

404. It is, therefore, proposed to suspend excise duty on importation of 30 000 litres of raw wine under a ring-fenced facility for approved manufacturers for a period of one year beginning 1 January 2017.

405. Excise duty on potable wine will, however, remain due and payable at wholesale level.

406. The wine manufacturers will be closely monitored, in order to ensure that they continue to support the growth of vineyard farmers, through contract farming and local purchases of raw wine.

Revenue Enhancing Measures

VAT Fiscalised Recording of Taxable Transactions

Procurement of Advanced Fiscal Devices

407. Government introduced the fiscalisation programme in 2010, with a view to plug loopholes in the VAT system, thereby enhancing revenue collections. The programme was anchored on the use of approved devices.

408. Most of the devices that were approved at the commencement of the fiscalisation programme are now outdated.

409. It is, therefore, proposed to authorise suppliers of fiscalised devices to procure advanced fiscal devices.

Licencing of Additional Suppliers

410. Currently, ten companies are licenced to supply fiscalised devices, of which four are no longer operational.

411. This has constrained the supply of fiscalised devices, thereby undermining progress of the programme.

412. It is, therefore, proposed to licence additional suppliers of fiscalised devices. These will complement existing suppliers in meeting the anticipated demand for fiscal devices that will arise from extension of the fiscalisation programme to operators in categories A, B and D.

Penalty for Failure to Connect to the ZIMRA Server

413. Whereas about 90% of category C operators have already acquired fiscalised devices, connection to the ZIMRA server has, however, been slow, due to resistance by operators.

414. Non-compliance has undermined the ability of ZIMRA to monitor vatable transactions in real time.

415. In order to ensure compliance by category C operators, non-compliant operators will not be issued with Tax Clearance Certificates. This implies

that operators will be subject to a withholding tax of 10% of the gross value of sales.

416. This measure takes effect from 1 January 2017.

Capital Gains Tax on Intangibles

417. Capital Gains Tax is levied on amounts accruing from the sale of specified assets which include immovable property or any marketable security such as equity shares, debentures and bonds capable of being sold in a share market, among others.

418. Other amounts of a capital nature accruing from the sale of assets that are not deemed as specified assets are generally not subject to tax.

419. The limited coverage of the definition of specified assets has undermined the tax base and created an opportunity for tax avoidance, particularly on income accruing from the sale of intangible assets such as trademarks, patents, and brands.

420. In order to minimise tax avoidance, thereby enhancing revenue collections, it is proposed to amend the definition of specified assets to include income accruing from the disposal of prescribed property of any description, whether tangible or intangible, including whatever nature of rights to such property.

421. The above measure takes effect from 1 January 2017.

General Administration and Management Fees

422. General administration and management expenses incurred by a subsidiary or local branch of a foreign company are deductible against taxable income, subject to a formula based limit.

423. The limit on deductible expenditure is, however, restricted to transactions between the parent company and its subsidiary or branch. Consequently, transactions between associated companies are not subject to the limit on tax deductible expenditure. This presents an opportunity for base erosion and profit shifting to lower tax jurisdictions.

424. It is, therefore, proposed to amend the Income Tax Legislation in order to extend the limit on tax deductible expenditure to apply to transactions between associated companies, with effect from 1 January 2017.

Exemption of Dividends from Income Tax

425. Interest incurred on any domestic loan that is used to generate income is allowed as a deduction against taxable income.

426. In order to minimise tax planning initiatives that reduce the tax liability, interest on the portion of the loan that results in the company exceeding the debt to equity ratio of three to one is disallowed as a deduction against taxable income.

427. In such circumstances, the disallowed interest expense is deemed as a dividend, which is subject to resident shareholders' tax of 20%.

428. However, the same dividend is exempt from income tax when paid by a company which is incorporated in Zimbabwe.

429. It is, therefore, proposed to exclude deemed dividends arising from disallowed interest expenses from the income tax exemption, with effect from 1 January 2017.

Permanent Establishment

430. A significant number of foreign companies have established business operations in Zimbabwe, in order to take advantage of the existing market opportunities that have been availed by the increased globalisation of commerce.

431. However, current legislation does not contain provisions that deem the activities of a non-resident business in Zimbabwe substantial so as to allow for the taxation of attributable profits. This undermines the tax base and revenue flows to the fiscus.

432. This is further compounded by the absence of Tax Treaties with the foreign company's country of residence, since such Treaties embrace the concept of Permanent Establishment.

433. The concept of Permanent Establishment is necessary in establishing the right of the host country to tax the profits of a foreign company.

434. In order to protect the tax base and eliminate non-taxation of income accruing to some foreign business enterprises, it is proposed to introduce the definition of “Permanent Establishment”, in the Income Tax Act.

Rationalisation of VAT Zero Rated Products

435. Rationalisation of the schedule of VAT zero-rated and exempt goods and services remains one of the priority areas with focus on broadening the tax base and minimising the cost of administration.

436. Already, measures instituted through the 2016 National Budget are yielding positive results, with VAT refunds for the period January to October having drastically declined from US$230.5 million in 2015 to US$177.8 million in 2016.

437. The process to identify goods and services that may be zero-rated or exempt for VAT purposes is ongoing, mindful of the need to cushion low income households from price escalation, as well as promote value chains within the various sectors.

438. It is, therefore, proposed to standard rate products shown in Annexure 18.

439. This measure takes effect from 1 January 2017.

Health Fund Levy

440. Government aims to attain the highest possible level of health and quality of life for all citizens as this allows full participation in the economic development of the economy.

441. In order to attain this vision, every citizen has to access comprehensive and effective health services.

442. However, the shrinking tax base has constrained Government's capacity to invest in the public health delivery system, which is now being augmented with resources from development partners.

443. This situation is not sustainable as development partners are also experiencing budget constraints, hence, have reduced their support.

444. This has been compounded by medical practitioners who now demand cash payments before providing the required services, due to the non or delayed remittances by medical aid schemes.

445. Consequently, the majority of the patients fail to access health services.

446. The continued reliance on a shrinking formal tax base to fund critical sectors such as health, is no longer sustainable, for both the taxpayer and Government.

447. It is, therefore, critical that all economically active individuals contribute towards funding health services.

448. It is, thus, proposed to introduce a health fund levy of 5 cents for every dollar of airtime and mobile data, under the theme, '*Talk-Surf and Save a Life*'.

449. The resources raised will be ring-fenced for the purchase of drugs and equipment for public hospitals and clinics.

450. The above measure takes effect from 1 January 2017.

Tax Relief Measures

Tax Incentives for Special Economic Zones

451. Government enacted the Special Economic Zones legislation in order to attract foreign direct investment and enhance the economy's capacity to produce goods and services competitively.

452. In order to enhance the attractiveness of the Special Economic Zones, it is proposed to provide tax incentives as follows:

Special Economic Zones Incentives

Tax Head	Proposed Incentive
Corporate Tax	Exemption from Corporate Income Tax for the first 5 years of operation. Thereafter, a corporate tax rate of 15% applies.
Special Initial Allowance	Special Initial allowance on capital equipment to be allowed at the rate of 50% of cost from year one and 25% in the subsequent two years.
Employees' Tax	Specialised expatriate staff will be taxed at a flat rate of 15%.
Non-Residents Withholding Tax on Fees	Exemption from Non-residents tax on Fees on services that are not locally available.
Non-Residents Withholding Tax on Royalties	Exemption from Non-residents tax on Royalties.
Non-Residents Withholding Tax on Dividends	Exemption from Non-residents tax on Dividends.
Customs Duty on Capital Equipment	Capital equipment for Special Economic Zones will be imported duty free.
Customs Duty on Raw Materials	Inputs which include raw materials and intermediate products imported for use by companies set up in the Special Economic Zones will be imported duty free. The duty exemption will, however, not apply where such raw materials are produced locally.

453. The tax incentives will apply in demarcated geographical areas and are restricted to production for export.

454. This measure takes effect from 1 January 2017.

Capital Gains Tax on Donated Houses

455. As part of their Corporate Social Responsibility Programmes targeted at providing decent shelter to employees and local communities, some companies, particularly those in the mining sector, construct housing units, whose ownership they cede to local authorities or community trusts.

456. This act of ceding or donating ownership is, however, deemed a sale and is liable to capital gains tax, payable on the fair market value of the property. This is, notwithstanding, the fact that no gain would have accrued to the seller.

457. In support of the continued participation of private sector in the provision of shelter, it is proposed to exempt donations of housing units to any local authority, employee share ownership scheme or community development trust from Capital Gains Tax.

458. This measure takes effect from 1 January 2017.

Taxation of Small to Medium Enterprises

459. Small to Medium Enterprises (SMEs) play a critical role in the economy, hence, account for a significant portion of the gross domestic product and employment creation. Initiatives by SMEs have, thus, greatly assisted in poverty alleviation and economic empowerment.

460. In support of this important sector of the economy, Government has already committed to implementing policies, programmes and strategies aimed at resolving the perennial challenges experienced by SMEs. These challenges include inadequate financing, improper infrastructure and lack of requisite entrepreneurial, marketing and management skills, among others.

461. In order to further enhance the growth of SMEs, thereby creating an environment conducive for their participation as anchors of economic development, it is necessary to provide additional support measures:

Registration for Value Added Tax

462. In order for SMEs to transact with private and public sector entities as corporate suppliers within the value chain, they must be registered for VAT. This will enable the established corporates to claim input tax on goods and services supplied by the SMEs.

463. However, most SMEs are not registered for VAT, hence they cannot take advantage of existing market opportunities as corporate suppliers. In addition, they miss out on benefits such as improved quality control and technology and skills transfer that are derived from dealing with large businesses.

464. Most SMEs are, however, reluctant to register for VAT, due to the massive backdated taxes and penalties that they are likely to incur upon registration.

465. In order to facilitate VAT registration for SMEs that qualify on account of their gross turnover exceeding the threshold of US$60 000 per annum, it is proposed to waive the requirement to account for output tax from the deemed date of qualification for registration.

466. Eligible SMEs will, thus, account for VAT from the date of registration.

467. This incentive will apply to SMEs whose turnover does not exceed US$240 000 per annum and also voluntarily register for VAT with the Zimbabwe Revenue Authority.

468. This moratorium will be effective over a period of six months beginning 1 January 2017.

Provisional Tax

469. Furthermore, SMEs that voluntarily register with the Zimbabwe Revenue Authority will only account for provisional tax during the first year of registration, when the Fourth Quarterly Payment Date falls due.

470. Alternatively, qualifying SMEs may account for provisional tax on a monthly basis.

471. However, SMEs that are compelled to register for tax after an audit by ZIMRA, will not benefit from the above incentives.

472. This measure takes effect from 1 January 2017.

Presumptive Tax

473. In view of the increase in unregistered businesses, Government introduced presumptive taxes on selected sectors of the economy such as restaurants, bottle stores, the cottage industry, hair salons, and commuter omnibus operators, among others, in order to broaden the tax base.

474. However, despite measures instituted to capture the revenue inflows from the informal sector, revenue contribution to the fiscus remains insignificant, due to low compliance.

475. The informal sector largely view taxes as an additional cost to business. This is despite the expectation that Government should provide quality social services.

476. Furthermore, due to the liquidity constrains that are currently being experienced, business operations in the informal sector are generally low.

477. It is, therefore, proposed to review downwards, presumptive taxes and the payment period from quarterly to monthly basis, with effect from 1 January 2017, as shown in Annexure 19.

478. The Ministry of Small and Medium Enterprises Development and approved SME Associations, will work together, in order to ensure compliance.

Revenue Collected from SMEs

479. I have already identified inadequate working capital as one of the hindrances to the growth of SMEs.

480. It is, therefore, proposed to ring fence revenue generated from presumptive taxes towards capitalisation of the Small and Medium Enterprises Development Corporation (SMEDCO) for on-lending to SMEs.

Taxpayer Education

481. In order to sustain efforts to formalise SMEs and enhance taxpayer compliance, particularly with regards to registration, filing of tax returns and payment of tax, the Zimbabwe Revenue Authority will intensify training programmes in collaboration with the responsible Ministry.

482. The level of education received by taxpayers is an important factor that contributes to their understanding of their tax obligations.

VAT Exemption on Banking Services

483. Technological advancement has resulted in the adoption of new methods of banking, which include mobile banking. This has brought convenience to the banking public and assisted in resolving some of the payment challenges arising from the current cash shortages. In some areas this has promoted financial inclusion for the unbanked population.

484. Such innovative services are, however, subject to VAT. This is in contrast to the VAT exemption on services offered by the traditional financial institutions.

485. In order to support the growth of these innovative banking and payment solutions, thereby enhancing financial inclusion, it is essential that we level the playing field within the financial services sector.

486. It is, therefore, proposed to exempt banking and payment solutions offered by any person registered under the National Payments Systems Act from VAT.

487. It is my legitimate expectation that the benefit of the exemption will be passed to the consumer.

488. This measure takes effect from 1 January 2017.

Non-Executive Directors' Fees

489. Non-Executive Directors receive board fees as remuneration for services rendered. This income is subject to a withholding tax of 20%.

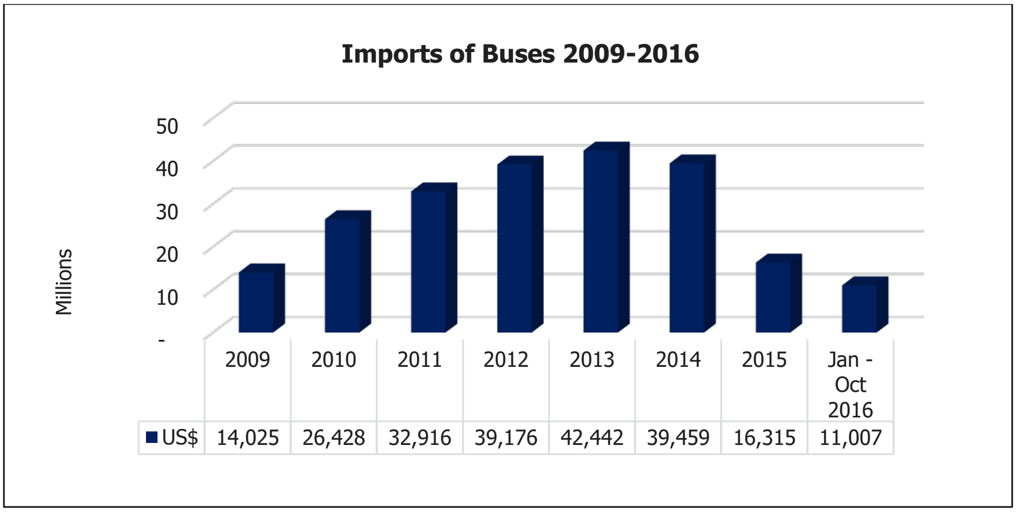
490. However, the same fees, when paid to non-resident directors, may also be liable to non-residents' tax on fees which are payable on any amount from a source within Zimbabwe for any services of a technical, managerial, administrative or consultative nature, resulting in double taxation of the same income.

491. In order to eliminate double taxation of the same income, it is proposed to amend the Income Tax Act to explicitly exempt board fees accruing to non-executive directors from non-residents tax on fees, with effect from 1 January 2017.

Customs Duty on Luxury Buses

492. In order to boost capacity utilisation of local assemblers, resuscitate downstream industries, as well as create employment, Government, in 2014, introduced customs duty of 40% on imported buses.

493. Importation of buses has declined after implementation of the above policy thrust, as shown on the graph below:



Source: ZIMSTAT, Reserve Bank

494. Notwithstanding the noble intention of the policy thrust, local assemblers, however, produce buses that service mainly urban, rural and inter-city commuters.

495. This has disadvantaged operators that use luxury buses to service cross border routes, hence have resorted to registering imported buses in neighbouring countries, thereby resulting in loss of revenue to the fiscus.

496. It is, therefore, proposed to ring-fence importation of 30 luxury buses at a reduced rate of 5% for the period of twelve months beginning 1 January 2017.

497. Value Added Tax, however, remains due and payable.

498. In order to ensure equity in the management of the facility, beneficiaries will be limited to a maximum of two units.

499. The Ministry of Transport and Infrastructural Development, in consultation with the Coach and Bus Operators Association, will recommend the list of beneficiaries to Treasury, in order to ensure accountability and effective monitoring.

500. Furthermore, operators that intend to benefit from this facility will be required to provide a valid Tax Clearance Certificate and proof of registration with ZIMRA.

Standard Scale of Fines

501. The current standard scale of fines was last reviewed in February 2009, when the country migrated to the use of multi-currencies.

502. Whereas the fines are supposed to be deterrent, this, however, is not being achieved due to the low level of some of the fines as shown on the Table below:

Prevailing Level of Fines

Level	Offense	Fine US$
1	• Driving a vehicle without windscreen wiper; • Driving without head or side lights;	5
2	• Cutting corners when turning right; • Failure to signal when slowing down, stopping or turning;	10
3	• Proceeding against a red robot; • Overtaking over solid line; • Non-functional foot brake;	20

503. Most of the carnage that is witnessed on the country's roads are a result of human error arising from failure to observe road traffic regulations. This is exacerbated by non-deterrent fines.

504. It is, therefore, proposed to increase the standard scale of fines of level 1 to 3, with effect from 1 January 2017, as follows:

Proposed Level of Fines

Level	Current Fine (US$)	Proposed Fine (US$)
1	5	10
2	10	15
3	20	30

Efficiency in Tax Administration

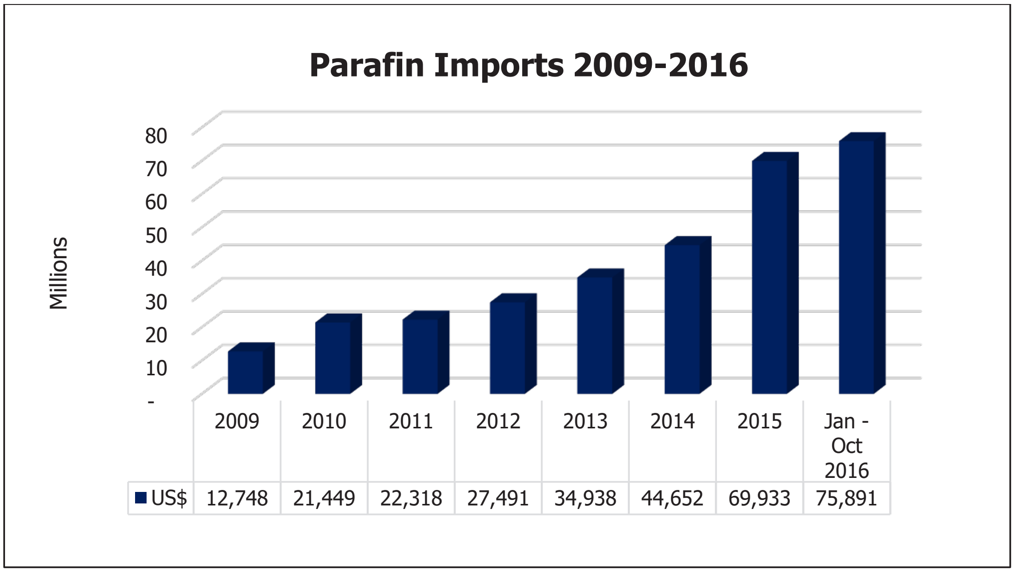
Excise Duty on Paraffin

505. In order to cushion low income households, Government provided for duty free importation of paraffin.

506. However, due to availability of alternative and competitively priced sources of energy, intended beneficiaries now prefer to use solar and LPG gas energy for lighting and cooking.

507. Furthermore, paraffin is being used by unscrupulous traders for blending with diesel, in order to achieve higher profit margins, thereby prejudicing revenue to the fiscus and causing mechanical damage to motor vehicle engines.

508. The surge in import volumes of paraffin, as shown in the graph below, is clear testimony of the abuse of the duty free facility for purposes other than the needs of low income households.



Source: ZIMSTAT, Reserve Bank

509. It is, thus, proposed to align excise duty on paraffin with diesel at a rate of 40 cents per litre, with effect from 1 January 2017.

Duty Free Certificates

510. The Customs and Excise legislation provides for duty free importation of goods for the exclusive use of Government. This provision is, however, subject to the condition that a certificate under the hand of a responsible officer is furnished to the Commissioner General of ZIMRA.

511. There are, however, circumstances where duty free certificates have been abused, thereby defrauding the fiscus, as well prejudicing local producers.

512. In order to enhance compliance and also secure an effective audit trail, it is proposed to introduce an Electronic Duty Free Certificate.

513. Duty Free Certificates issued by Accounting Officers will, thus, be lodged into the ZIMRA ASYCUDA system.

Regulation of Clearing Agents

514. The Customs and Excise legislation provides that any person who wishes to be licenced as a clearing agent should be of good reputation and not have been convicted of any contravention of the Customs and Excise legislation within a period of five years prior to application for licencing, among others.

515. Furthermore, in order to qualify for registration as a clearing agent, every director, manager, partner and employee of the clearing agent should be sufficiently knowledgeable in minimum customs law and procedures.

516. However, no specific academic qualification is required, hence the industry has embraced some unqualified clearing agencies, thereby undermining the credibility and integrity of the shipping and forwarding industry.

517. Regulation of the clearing and forwarding industry is necessary, in order to enhance professionalism. Managers and employees of aspiring clearing agents should, thus, possess at least a diploma from a recognised

academic institution or professional body. The company should also have a valid tax clearance certificate.

518. In addition, clearing companies should be members of a recognised Clearing, Shipping and Forwarding Association. This requirement, however, will not apply to companies with in-house clearing facilities.

519. The above qualifications will be submitted to the Zimbabwe Revenue Authority on application for new licences, with effect from 1 January 2017.

520. Clearing agents that are already operating should, however, ensure that managers and employees work towards meeting the above minimum qualifications over a three year period beginning 1 January 2017.

Regulation of Tax Consultants

521. Tax fraud and non-adherence to taxation laws continues to be a threat to fiscal revenues, hence undermines Government's ability to undertake its mandate and responsibilities, which are crucial in uplifting the wellbeing of citizens.

522. Some taxpayers, with the assistance of tax practitioners, continue to engage in practices that suppress or eliminate their tax liability.

523. The VAT legislation recognises the authority of voluntary and statutory associations to control the professional conduct of their members. The legislation further empowers the Commissioner General of ZIMRA to lodge a complaint with the associations against members who engage in

tax fraud or unethical tax practices that contravene their rules or code of conduct. This enables the association to take disciplinary action against members found guilty of alleged misconduct.

524. However, such remedial action, which is crucial in promoting ethical practices by tax practitioners and ultimately taxpayer compliance, has not been legislated for in the other tax Statutes.

525. It is, therefore, proposed to extend to other tax statutes, the authority of the Commissioner General to report any unethical conduct by a taxpayer or tax practitioner to their controlling association.

526. This will be complemented by the requirement for all tax practitioners to be registered with a recognised controlling body or association that regulates their conduct as well as the Zimbabwe Revenue Authority.

527. Registration with ZIMRA will be subject to attainment of specified minimum educational qualifications among other requirements.

528. These measures are with effect from 1 January 2017.

Remission of Penalties

Penalty Loading Model

529. Taxpayers continue to lament over the arbitrary and inconsistent application of the discretionary power enshrined in the Commissioner

General of ZIMRA to impose and remit penalties chargeable for failure to comply with tax legislation.

530. Work on the penalty loading model, which is envisaged to promote transparency in the administration of the penalty regime for various tax offences has been finalised.

531. It is, therefore, proposed to publish, through a gazette, a penalty loading model which informs taxpayers on the level of penalties, with effect from 1 January 2017.

Temporary Importation Permits for Visitors' Vehicles

532. Foreign registered private motor vehicles temporarily imported into the country by visitors and residents living in other countries may be issued with a Temporary Import Permit by ZIMRA upon entry.

533. Whereas beneficiaries of Temporary Import Permits should abide by set conditions, which include, an undertaking to remove the vehicle at the expiry of the Temporary Import Permit and non-disposal of the vehicle within the country, among others, this, however, has not been adhered to.

534. Consequently, a significant number of motor vehicles under Temporary Import Permits have not been acquitted, and some end up being disposed onto the local market, resulting in loss of revenue to the fiscus.

535. In order to curtail abuse of vehicles imported under Temporary Import Privileges, it is proposed to reduce the maximum period under which the Commissioner may permit the temporary importation of motor vehicles by visitors and residents living abroad from the current twelve to three months, with effect from 1 January 2017.

536. It is further proposed that ZIMRA develops a system that links motor vehicles issued with Temporary Import Permits to the Central Vehicle Registry and the Zimbabwe National Roads Administration Agency, in order to deter registration of such motor vehicles.

ZIMRA Corporate Governance

Tenure of Office for Commissioner-General

537. Under the current legislation, the ZIMRA Board appoints, on such terms and conditions as it may fix, a person to be the Commissioner-General of the Zimbabwe Revenue Authority.

538. The tenure of office is, however, open-ended, hence can be renewed continuously. This, however, breeds corruption due to over-familiarisation with taxpayers and does not give room for innovative ideas required for the strategic and policy leadership of the Authority's operations.

539. It is, therefore, proposed that the tenure of office for the Commissioner General be fixed to a maximum of two, five year terms.

540. It is, further, proposed that the Board appoints to the service of the Authority, such Commissioners, as maybe deemed necessary, a fixed tenure of office not exceeding three, four year terms.

541. In addition, the Commissioner General, with the approval of the Board, shall also appoint such Heads of Departments, as maybe required, for the efficient performance of the functions of the authority.

Electronic Cargo Tracking System

542. In order to mitigate the adverse effects of transit fraud, Government, with the assistance of the African Development Bank, has put in place an Electronic Cargo Tracking System. The facility allows for tracking of transit cargo from point of entry to point of exit.

543. The Electronic Cargo Tracking System will enhance efficiency in clearance and management of transit cargo and also minimise transit fraud.

544. The facility is currently on a trial phase along the Beitbridge to Chirundu, and Forbes to Chirundu routes.

CCTV

545. In an effort to curb corruption and smuggling, Government implemented the CCTV systems at Beitbridge Border Post. The system, which has been running for the past four months has begun to bear fruit, with some corrupt elements now being apprehended.

Legislative Amendments

- Reduce debt redemption levy on petrol by 1 cent per litre, with effect from 1 January 2017;
- Exempt Government from Carbon Tax Debt Redemption and Strategic Reserve Levies;
- Provide for exemption of VAT on Radiation Protection Service for the period 2011 to 2015, in order to cover the legacy debt of the Authority;
- Extend VAT zero rating to the supply of pipeline transportation, storage and handling services for purposes of delivery of fuel through the pipeline, with effect from 1 January 2017;
- Extend deferment of export tax on un-beneficiated platinum to 1 January 2018;
- Include supply of gold to Fidelity Printers and Refineries on the list of VAT zero rating.
- Eliminate double taxation on presumptive taxes payable under informal traders' tax;
- Amend the carbon tax rates charged on foreign registered motor vehicles to a uniform rate of US$10 per month, with effect from 1 January 2017;
- Amend the Revenue Authority Act to allow the Board to appoint the Commissioner General of ZIMRA with the approval of the Minister;
- Income tax exemption on Investor Protection Fund, which no longer falls under the Securities and Exchange Commission Act;
- Tax Exemption for Zimbabwe Asset Management Company with effect from 15 July 2014 instead of 1 January 2016;

CHAPTER 7: STRUCTURAL POLICY INITIATIVES

546. The thrust of this and future Budgets is also to overcome all arising structural bottlenecks to business activity and the investment environment, targeting both domestic as well as foreign investors.

547. For the coming fiscal year, focus is on lowering the cost of doing business by further implementation of reforms to improve:

- Competitiveness;
- Ease of doing business;
- Policy consistency;
- Public entities' performance;
- Public finance management;
- Public procurement; and
- Corporate governance and accountability.

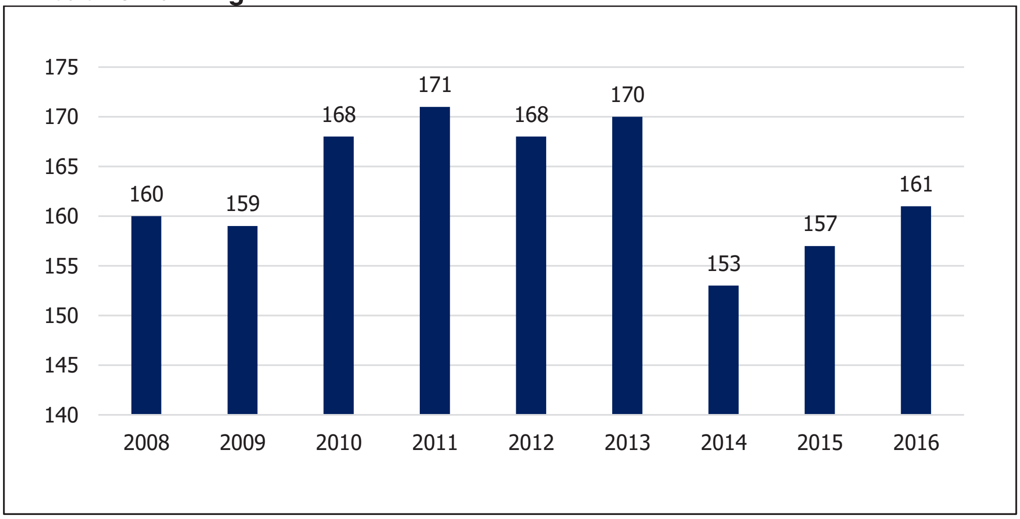
Competitiveness

548. The country's investment and growth prospects are being weighed down by low competitiveness emanating from a number of areas as indicated in the World Bank's Doing Business Index.

549. These include unreliable supply of utilities, limited access to affordable financing, delays at ports of entry, as well as multiplicity of licences and fees, among other business and investment constraints that raise the cost of doing business.

550. As a result of the above weaknesses, the recent 2016 World Bank Doing Business Index Report ranked Zimbabwe at 161 out of 191 countries from 157 of 2015.

Zimbabwe Ranking



Source: World Bank, 2016

551. The identified shortcomings provide useful lessons and information for improvement on those areas with weaknesses, and in this regard Government is doubling efforts on furthering the necessary reforms.

552. To that end, Government will be launching another 100 day cycle under the Rapid Results Based Approach being spearheaded by the Office of the President and Cabinet to improve the competitiveness of domestic companies.

Ease of Doing Business

553. His Excellency, the President, outlined during his State of the Nation

address last year the Rapid Results Initiative to significantly improve Zimbabwe's Doing Business rankings.

554. Pursuant to this, Government has since undertaken an extensive review of the bottlenecks and challenges that have stalled progress in the advancement of Zim Asset objectives to generate both domestic and foreign direct investment into the economy.

555. This review has informed a raft of policy, institutional, legal and regulatory reforms that are expected to significantly improve the business environment, considerably enhance access to finance for SMEs and entrepreneurs, and contribute to making Zimbabwe an investment destination of choice.

556. Some of the imminent legislative reforms are the introduction of:

(i) a Movable Property Security Interest Bill to permit creation of a Collateral Registry and, thereby improve access to finance for SMEs by allowing them to use movable assets as collateral.

(ii) a Companies Amendment Bill to modernise the legal regime and enhance, amongst others, processes for business entry, business administration and protection of minority investors.

(iii) an Insolvency Bill to ensure accountability and efficient insolvency proceedings that permit unsalvageable companies to be quickly liquidated and viable firms to be revived, thus preserving jobs.

(iv) a Judicial Laws (Ease of Settling Commercial and other Disputes) Amendment Bill, to ensure expeditious resolution of commercial disputes.

(v) Deeds Amendment Bill to allow for electronic management of the Deeds Registry.

(vi) a Procurement Bill.

557. The 2017 Budget will, therefore, make available the resources that will ensure effective implementation of the laws and the development of the institutions required to ensure consistent improvement of Zimbabwe's business environment.

558. Over the next year, Government will:

(i) overhaul the business registration process, in order to offer entrepreneurs prompt formal business entry.

(ii) introduce financial sector infrastructure, that will permit the use of movable assets as collateral.

(iii) reform the insolvency regime, in order to permit the rescue of viable businesses and the prompt and efficient liquidation of unviable businesses.

(iv) improve access to the Courts of Law, in order to permit the expeditious resolution of commercial disputes, and,

(v) simplify the payment of taxes and trading across borders, which will contribute to making the country a preferred investment destination for citizens and foreigners alike.

Country Policy Institutional Assessment

559. In tandem with our progress on re-engagement, Government has also been implementing reforms to improve ratings that are used for accessing resources from the World Bank and the African Development Bank.

560. The rating for the World Bank improved from 2.3 in 2013 to 2.9 in 2015, and that for the African Development Bank improved from 2.1 to 2.7, respectively.

CPIA Ratings

Year	AfDB	World Bank
2013	2.1	2.3
2014	2.2	2.7
2015	2.7	2.9

Source: World Bank, African Development Bank

561. Government continues to make efforts to improve these ratings as they are still below the average of 3.2 for countries in our category. The highest possible score for the CPIA is 6.

E-Government

562. Embracing developments in information and technology systems shall form a priority area for Government during the 2017 Budget year in order to reduce the regulatory compliance burden.

563. The focus will be to streamline some of the bureaucratic requirements, harmonise some of the unnecessary processes, as well as the multiplicity of licencing and fee requirements.

Cost Drivers

564. Furthermore, review of relatively high cost of such utilities as water and energy chargeable to companies will be undertaken to lower cost inhibitions to development of new businesses, with many existing small ventures left facing hardships.

565. The hardships are being compounded by the prevailing multiplicity of start-up and entrenched fees and charges imposed by various Government Departments, local authorities and Parastatals, over and above the regular taxes.

566. Annexure 20 contains a range of fees and charges levied on businesses by various arms of Government.

567. The multiplicity of charges are making operations of small upcoming businesses unviable, thereby discouraging formalisation of the informal sector.

568. Sadly, the fees and charges are driven more by the need to sustain salaries for bloated establishments, at the expense of service delivery and operational budgets.

569. Accordingly, the Office of the President and Cabinet, under the Ease of Doing Business Framework will lead the rationalisation, streamlining and harmonisation of business licencing, fees and charges, on a lower level scale, sector by sector, business by business, with effect from 2017.

570. Such a move will complement such other initiatives as the Buy Zimbabwe Campaign, and the Bond note export incentive scheme, all geared towards increasing domestic production.

Policy Consistency

571. Policy inconsistencies have serious negative impacts on the performance of our economy, as well as on the outcomes of the on-going re-engagement process.

572. It is, therefore, critical that Government remains speaking with one voice on any policy direction so as to avoid any unnecessary misinterpretation by the public and investors.

573. The Office of the President and Cabinet will be, therefore, coordinating policy pronouncement as well as any required clarifications to avoid conflicting interpretations of policies by different Government Ministries and Departments.

Public Entities

Remuneration and Benefits

574. The Office of the President and Cabinet is coordinating work towards the development of a consistent Remuneration Framework for boards and executive management at state enterprises, local authorities, and other public entities that make a call on the fiscus.

575. Current remuneration practices, inclusive of salaries, allowances and other perks, bear no relationship to performance across the different entities.

576. In this regard, a freeze on review of all remuneration and benefits is in place with effect from 1 January 2017, pending finalisation of the new Public Sector Remuneration Framework.

577. Once the proposed frameworks have been approved, the Office of the President and Cabinet, and the State Enterprises Restructuring Agency (SERA) will assume the monitoring and evaluation role to ensure effective implementation.

Pricing

578. In the spirit of the agreed Social Contract already in place and launched by His Excellency, the President on 26 February 2010, a general freeze on prices, fees and charges by all public sector entities also takes effect from 1 January 2017.

579. Any increase in prices will have to be justified, and considered on its merits.

580. This will include charges on water, power, rates, local taxes, environmental requirements, among others.

581. This is necessary to allow for economic recovery as such other recent reform measures by Government to recover the economy take effect.

582. These include support for the Buy Zimbabwe Campaign through SI 64, prioritisation of imports in favour of raw materials and intermediate goods as well as capital and equipment.

Performance Measures

583. Where Cabinet has made specific decisions on the restructuring of a parastatal, all respective responsible Ministers will be required to develop implementation Plans, with specific set targets.

584. Approval of such Plans, and monitoring their implementation, will be by the Office of the President and Cabinet.

GMB Commercial Maize Milling

585. Currently, Government pays for maize delivered to GMB. In 2014/15 marketing season, a total of US$26.5 million was paid for 68 000 tons delivered, while a total of US$83 million was paid this year.

586. While, Government is paying for this grain, GMB is utilising part of this for their commercial milling without any corresponding payment to Treasury.

587. This practice has created an uneven playing field in the milling industry from the perspective of millers who now bemoan that they are being driven out of business.

588. The unfair competition hurts more where some millers would have gone into contract farming in the value chain.

589. It should also be noted that GMB continues to claim storage and handling charges for Strategic Grain Reserve operations which Government is meeting.

590. Even with this level of subsidy, GMB still expects Government financial support, thus, implying some inefficiency which is entrenched across all parastatals.

591. Furthermore, the price of US$390 per ton has ended up being distortionary to contract farming arrangements, hence, affecting availability of such private sector financing for agriculture.

592. Accordingly, Government will require GMB to fully pay for the grain drawn from the Strategic Grain Reserve for its commercial purposes in order to capacitate continued support for farmers.

Strengthening Public Finance Management

593. The computerised Public Financial Management System currently available in all the Provinces is being extended to district level for Government institutions in 2017.

594. With regards to local authorities, the Ministry of Local Government, Public Works and National Housing with responsibility for urban councils

and that for Rural Development, Promotion and Preservation of National Culture and Heritage, responsible for rural councils, are establishing Computerised Accounting Systems that are compatible with the main Government SAP system, such that information on resource availability at local authority level can be accessed and effectively monitored.

Regulations & Treasury Instructions

595. To ensure that there is clarity in the requirements of the Public Finance Management Act, the Accountant General is developing a set of Public Finance Management Regulations, as well as the necessary Treasury Instructions by the first quarter of 2017.

596. These Regulations and Instructions will cover Central Government, Statutory Funds, State Enterprises and Parastatals as well as Local Authorities.

PFM Act Alignment

597. Furthermore, the Public Finance Management Act will be amended to align it with the Constitution.

Reporting and Responses to Audit Reports

598. The Accountant General will submit monthly a Public Financial Statement to the Secretary for Finance during the month following the period of the report.

599. The Accountant General will also submit to Parliament quarterly financial statements within 60 days of the end of the quarter being reported on.

600. In addition, the Accountant General will monitor the submission of monthly financial statements to my Ministry and to Parliament.

Statutory Funds

601. The Auditor General's financial audits and recent media reports have highlighted areas of concern with respect to the application of and accountability for public resources in statutory and retention funds.

602. That situation has arisen due to the inadequacy of the governing legal framework, together with the opaqueness of our accountability system where statutory funds are governed by both the statutes that establish them and the Public Finance Management Act.

603. To address the above concerns, the Public Finance Management Amendment Act 2016 was enacted to enhance transparency and accountability in the management of public resources, ensure that resources collected by Statutory Funds and other Public Funds established by Government in terms of the respective Acts of Parliament are used for delivering vital public services efficiently.

604. In that respect, the amendment empowers and confers on each Accounting Officer the responsibility to:

- Ensure that each public entity or Statutory Fund under his or her Ministry's purview has systems in place for planning, allocating, budgeting and reporting on the use of public resources and that public resources are safeguarded against loss;
- Review the recurrent and capital budgets of a public entity and/ or Statutory Fund and make recommendations to the appropriate Minister and the Minister on whether the budgets should be varied, approved or not be approved;
- Order an investigation to be conducted into the affairs of a public entity and/ or statutory Fund under the accounting officer's Ministry;
- Call upon an accounting authority to provide an explanation on an issue affecting the public entity or Statutory Fund; and
- Give direction which the Accounting Officer thinks is necessary for the efficient running of the public entity or Fund.

605. Both income and expenditure estimates for funds have over the past two years been included in the Blue Book to provide a more comprehensive picture on the resources available to the various sector Ministries.

606. The above cited amendments to the Public Finance Management Act will put Fund resources under the same control system with respect to Treasury scrutiny as Government expenditure appropriated by Parliament.

607. Further enhancements to the Act to improve on effectiveness of resource use and accountability arrangements will be proposed in the context of the on-going alignment of the statute to the new Constitution of Zimbabwe.

Public Procurement

608. The Public Procurement and Disposal of Public Assets Bill, prepared in line with section 315 of the Constitution, is now before Parliament and is expected to become law by the end of March 2017.

609. The Bill seeks to transfer the responsibility of awarding tenders to procuring individual entities, with the new Procurement Regulatory Authority of Zimbabwe assuming a regulatory role.

610. In preparation for the decentralisation of procurement to public entities, initial capacity building to prepare public entities for their new role of conducting their own procurement proceedings as envisaged in the Bill will be completed by March 2017.

611. The capacity building will be based on the findings of a baseline survey, being funded by the African Development Bank, to assess the capacity requirements of staff assuming procurement responsibility in public entities' sector.

612. Furthermore, the survey will also target enhancing provision of appropriate skills training in procurement at such local training institutions as universities and polytechnics and other training centres.

613. As a support measure, Government will implement a training/capacity building plan over a period of two years.

614. In order to ensure the integrity of the new procurement system, procuring entities will be required to apply for authorisation to conduct procurement proceedings to enable the Authority to assess each procuring entity's capacity to conduct procurement proceedings.

615. Where the Authority finds a public entity does not have procurement capacity, the Authority will have power to appoint another public entity to conduct procurement proceedings on behalf of such an entity.

Corporate Governance and Accountability

616. The implementation of the 2017 Budget will benefit from the proposed introduction of the Public Sector Corporate Governance Bill, which, among other issues, seeks to promote sound corporate governance, ethical leadership and professionalism.

617. The Bill seeks to amend and align a number of statutes to provisions of the National Code of Corporate Governance launched by Government in 2015 to provide a framework for corporate conduct across all sectors and in all Government institutions, including public enterprises and local authorities.

618. Key elements in the Code relate to dealing with corruption, corporate disclosure, communication and transparency, as mechanisms for creating accountability, efficiency and confidence among stakeholders.

Anti-Money Laundering

619. Pursuant to the adoption of the Anti-Money Laundering second round Mutual Evaluation Report on Zimbabwe in September 2016, Government is developing a comprehensive Post Mutual Evaluation Implementation Plan that seeks to consolidate reforms instituted over the past 3 years and addressing deficiencies.

620. Further to this, Government is undertaking a capacity building and institutional strengthening process, targeted at law enforcement agents, the Financial Intelligence Unit and other related Anti-Money Laundering and Combating the Financing of Terrorism reporting institutions.

CONCLUSION

621. This Budget marks a turning point towards a developing economy through fiscal consolidation and stimulation of production.

622. The success of the proposed measures can only be meaningfully realised through the collective responsibility of all stakeholders, through sustained implementation, anchored by policy consistency, credibility, predictability and coherence, which by and large we have now been able to achieve through sustained effort.

623. Robust fiscal adjustment and structural reforms, as well as arrears clearance, are also crucial to the promotion of a business environment conducive for sustainable production and entrepreneurship.

Hon. P A Chinamasa; M.P.

Minister of Finance and Economic Development

ANNEXURES

Annexure 1: IPRSP Objectives

624. The IPRSP, deriving from the Zim Asset, seeks to empower the society through inclusive growth strategies, which also protect our vulnerable communities and individuals.

625. Specifically, the IPRSP focusses on improving the investment climate, diversifying the economy, creating employment, improving public finances, strengthening service delivery and dealing with other poverty related issues, under the following six pillars:

- **Pillar I:** Agriculture Productivity, Growth and Rural Food Security, focusing on agriculture productivity, irrigation rehabilitation and development, financing of agriculture, marketing of agricultural commodities, land use planning and restructuring of agricultural parastatals.
- **Pillar II:** Social Sector Policies and Expenditures, focusing on health, education water and sanitation, social protection, gender, women and youth development.
- **Pillar III:** Private Sector Development, focusing on manufacturing, micro, small and medium enterprise development, mining, tourism and inclusive banking.
- **Pillar IV:** Infrastructure Development, relating to energy, information and communication technology, housing and transport.

- **Pillar V:** Environment and Climate Change, focussing on climate and the environment.
- **Pillar VI:** Strengthening Governance and Institutional Capacity, to strengthen our laws and effective service delivery and combating corruption.

Annexure 2: Sectoral Economic Performance

	2011	2012	2013	2014	2015	2016	2016	2017
	Actual	Actual	Actual	Actual	Estimate	Initial	Rev. Prj	Prj
Agriculture, hunting and fishing (%)	1.4	7.8	-2.6	23.0	-4.7	-9.9	-3.7	12.0
Mining and quarrying (%)	24.4	8.0	11.7	-3.4	0.4	14.0	6.9	0.9
Manufacturing (%)	13.8	5.3	-0.6	-5.1	0.2	0.5	0.3	0.1
Electricity and water (%)	6.4	0.3	5.0	5.4	-5.5	-21.8	-19.0	2.5
Construction (%)	65.1	23.5	3.9	6.9	4.0	4.5	3.5	-2.0
Finance and insurance (%)	8.3	28.0	11.3	7.7	4.6	6.4	2.0	-1.0
Real estate (%)	48.9	59.0	0.7	4.7	3.5	3.4	2.0	0.0
Distribution, hotels and restaurants (%)	4.3	4.3	3.9	2.5	3.7	2.4	1.7	0.8
Transport and communication (%)	0.0	6.7	7.0	1.1	1.9	3.0	1.5	-1.1
Public administration (%)	19.6	19.1	3.4	6.3	1.2	0.0	-5.0	-0.6
Education (%)	63.9	38.1	2.9	3.9	4.2	2.6	2.6	0.8
Health (%)	7.7	7.7	0.5	1.8	-0.7	0.4	0.4	0.1
Domestic services (%)	1.0	-3.5	6.0	2.2	2.0	1.0	1.0	1.5
Other services (%)	11.3	-10.7	-4.7	-3.3	3.0	3.0	3.0	3.0
GDP at market prices (%)	**11.9**	**10.6**	**4.5**	**3.8**	**1.1**	**1.4**	**0.6**	**1.7**

Source: Ministry of Finance and Economic Development

Annexure 3: Crop and Livestock Production

	2014 Act	2015 Est.	2016 Est	2017 Proj
Agriculture Growth (%)	**23.0**	**-4.7**	**-3.7**	**12.0**
Tobacco (flue cured) (‘000’ tons)	216.0	198.9	202.3	205
Maize (‘000’ tons)	1 456.0	742.2	511.0	1 550
Beef (‘000’ tons)	74.0	84.0	96.0	90
Cotton (‘000’ tons)	143.8	105.0	30.0	100
Sugar cane (‘000’ tons)	4 400.8	4 399.0	4 400.0	4 400
Horticulture (‘000’ tons)	59.0	69.4	65.0	67
Poultry (‘000’ tons)	138.1	151.0	154.0	165.0
Groundnuts (‘000’ tons)	135.0	88.9	47.2	75.0
Wheat (‘000’ tons)	58.7	62.3	60.0	60.0
Dairy (m lt)	66.7	71.9	75.0	82.0
Coffee (‘000’ tons)	0.5	0.7	0.5	0.5
Soya beans (‘000’ tons)	84.7	57.9	47.7	90
Tea (‘000’ tons)	24.5	14.0	17.7	19
Paprika (‘000’ tons)	5.0	5.5	7.0	8
Pork (‘000’ tons)	8.4	8.9	10.8	10.0
Wildlife (‘000’ tons)	49.0	51.0	30.0	30
Sorghum (‘000’ tons)	136.5	39.7	36.3	50.0
Barley (‘000’ tons)	19.5	18.0	13.0	25
Sheep & goats (‘000’ tons)	8.0	10.3	10.6	10.6
Sunflower seeds (‘000’ tons)	21.0	21.0	25.0	25.0

Source: Ministry of Finance, RBZ, Ministry of Macro-Economic Planning, Ministry of Agriculture

Annexure 4: Mining Sector Growth Rates

		2011	2012	2013	2014	2015	2016	2017
Growth Rate		**44.5**	**9.0**	**10.1**	**-3.4**	**0.4**	**6.9**	**0.9**
Black Granite \t	1.0	1.8	1.7	1.7	3.6	1.1	0.5	0.5
Chrome \t	3.1	15.9	-31.9	10.3	13.6	-47.7	-35.6	30.8
Coal \t	4.9	9.5	-12.3	94.2	27.4	-33.8	-29.5	1.3
Cobalt \t	0.2	201.9	11.8	64.2	12.0	-0.8	16.6	8.7
Copper \t	2.1	41.6	1.7	24.2	-0.2	0.0	8.2	0.7
Gold \kg	27.5	34.6	13.9	-4.6	9.1	31.6	8.9	0.0
Graphite \t	0.2	878.7	-3.2	-1.3	-1.2	-7.2	2.2	10.8
Iridium \t	0.3	56.8	3.4	27.1	4.0	0.7	7.7	10.2
Nickel \t	7.3	30.3	-1.2	78.0	18.3	-3.1	11.7	0.0
Palladium \kg	7.4	21.8	-3.4	24.8	-0.2	0.0	18.4	0.0
Phosphate \t	0.2	-18.7	-26.7	-81.9	0.0	1.6	4.8	3.1
Platinum \kg	22.5	25.3	-2.8	24.2	-4.5	0.7	19.4	0.0
Rhodium \kg	2.2	29.4	-5.3	28.7	-0.5	0.7	9.8	19.0
Ruthenium \kg	0.1	48.3	-4.4	28.5	-2.9	0.7	11.0	18.4
Diamonds	20.9	190.6	37.8	-20.2	-50.2	-32.7	-28.4	0.0

Source: Ministry of Mines

Annexure 5: 2016 Revenue Collections

	Jan (US$)	Feb (US$)	Mar (US$)	Apr (US$)	May (US$)	Jun (US$)	Jul (US$)	Aug (US$)	Sep (US$)	Oct (US$)	Total (US$)
Total Revenue	**273.13**	**249.22**	**286.01**	**288.15**	**249.37**	**346.53**	**264.93**	**273.08**	**369.34**	**276.13**	**2,875.88**
Tax Revenue	**238.31**	**230.46**	**257.63**	**274.76**	**229.87**	**320.83**	**245.70**	**252.88**	**346.33**	**257.57**	**2,654.35**
Personal Income Tax	58.41	54.30	53.66	69.91	56.54	62.11	61.00	51.17	92.37	53.70	613.17
Corporate Income Tax	6.60	7.01	38.42	26.39	6.26	58.27	15.56	26.01	60.57	8.71	253.80
Other Direct Taxes	11.92	14.00	15.35	13.92	19.70	22.85	13.59	19.98	12.86	15.08	159.25
Customs	22.65	22.58	22.55	23.39	21.80	23.65	20.56	20.59	22.52	24.11	224.40
Excise	50.41	49.14	60.90	44.34	51.22	59.25	46.01	58.73	53.25	52.17	525.41
VAT	80.05	75.20	59.36	85.21	67.32	86.97	80.34	70.72	95.28	96.18	796.61
Other Indirect Taxes	8.28	8.22	7.39	11.59	7.04	7.73	8.65	5.68	9.48	7.63	81.70
Non-Tax Revenue	**34.82**	**18.75**	**28.38**	**13.39**	**19.50**	**25.70**	**19.23**	**20.20**	**23.01**	**18.56**	**221.53**

Annexure 6: Macro-Economic and Fiscal Framework

	2014	2015	2016	2017
National Accounts (Real Sector)				
Real GDP at market prices (million US$)	12 197	12 328.8	12 398.0	12 604.6
Nominal GDP at market prices (million US$)	14 197	14 059	14 165	14 525
Real GDP Growth (%)	**3.8**	**1.1**	**0.6**	**1.7**
Inflation (Annual Average) %	-0.2	*-2.4*	*-1.5*	*1.1*
Government Accounts				
Revenues & Grants (million US$)	3 770	*3 737*	*3 528*	*3 700*
% of GDP	***26.6***	**26.6**	24.9	25.5
Expenditures & Net Lending (million US$)	3 912	4 119.6	4 593	4 100
% of GDP	*27.6*	29.3	32.4	28.2
Recurrent Expenditures (million US$)	3 565	3 583	3 762	3 630
% of GDP	25.1	25	26	25
Current Operations (million US$)	325.3	329.9	497.1	394.4
% of GDP	2.3	2.3	3.3	2.7
Employment Costs (million US$)	2 583	2 574.9	3 137.9	3 000
% of GDP	*18.2*	18	22	20
Capital Expenditure & Net lending (million US$)	310	*536.8*	*831.5*	*520.0*
% of GDP	*2.2*	4	6	4

Source: Ministry of Finance, Ministry of Macro-Economic Planning, ZIMSTAT, Reserve Bank

Annexure 7: Estimates of Expenditure and Vote Appropriations

Vote Appropriations	US$
Office of the President and Cabinet	187 289 000
Parliament of Zimbabwe	30 304 000
Public Service, Labour and Social Services	193 610 000
Defence	357 975 000
Finance and Economic Development	209 805 000
Audit Office	3 215 000
Industry and Commerce	18 534 000
Agriculture, Mechanisation and Irrigation Development	291 564 000
Mines & Mining Development	5 308 000
Environment, Water and Climate	39 985 000
Transport and Infrastructural Development	55 651 000
Foreign Affairs	32 787 000
Local Government, Public Works and National Housing	49 400 000
Health and Child Care	301 660 000
Primary and Secondary Education	783 300 000
Youth, Indigenisation and Economic Empowerment	16 974 000
Home Affairs	384 321 000
Justice, Legal and Parliamentary Affairs	95 516 000
Information, Media and Broadcasting Services	3 366 000
Small and Medium Enterprises and Cooperative Development	6 467 000
Energy and Power Development	6 267 000
Women Affairs, Gender and Community Development	8 286 000
Tourism and Hospitality Industry	2 657 000
Information Communication Technology, Postal and Courier Services	6 340 000
Lands and Rural Resettlement	7 558 000
Judicial Services Commission	13 865 000
Public Service Commission	18 020 000
Sport and Recreation	4 326 000
Macro-Economic Planning and Investment Promotion	6 203 000
Welfare Services for War Veterans, Former Political Detainees, Restrictees and War Collaborators	22 060 000
Rural Development, Promotion and Preservation of Culture and Heritage	15 875 000
Council of Chiefs	3 130 000
Human Rights Commission	1 908 000
National Peace and Reconciliation Commission	1 123 000
National Prosecuting Authority	3 568 000
Zimbabwe Anti-Corruption Commission	2 147 000
Zimbabwe Electoral Commission	9 268 000
Zimbabwe Gender Commission	1 087 000
Zimbabwe Land Commission	1 524 000
Zimbabwe Media Commission	662 000
TOTAL	3 426 289 000
Debt Service: Interest Bill	180 000 000
Pension	477 600 000
Other Constitutional and Statutory Appropriations	16 111 000
Total Expenditure & Net Lending	4 100 000 000

Annexure 8: Development Partner Support

Development Partners	Jan-Sep 2016 Actual (US$)	2016 Projection (US$)	2017 Projection (US$)
Australia	5 016 201	5 150 000	4 945 000
China	62 955 096	8 950 000	-
Denmark	9 012 802	9 920 199	498 139
European Union	24 480 746	36 363 467	52 483 751
Sweden	16 350 739	83 216 215	32 979 000
Germany/GIZ	3 828 502	-	4 277 656
Japan	11 049 973	10 144 984	500 000
Netherlands	10 156 360	-	-
India	1 000 000	-	-
Switzerland	5 721 710	9 183 355	7 129 000
UKAID	68 332 637	144 990 000	126 451 727
Sub Total	**217 904 766**	**307 918 220**	**233 764 273**
Multilateral			
AfDB	2 720 000	32 360 000	6 600 000
ACBF	300 000	800 000	50 000
FAO	613 242	188 706	593 000
Global Fund	114 423 435	139 315 405	192 841 795
ILO	324 655	572 000	507 000
ITU	149 170	221 170	-
UNDP	4 079 116	1 822 730	5 163 000
UNESCO	40 003	32 000	-
UNFPA	1 720 409	345 581	2 400 000
IAEA	268 298	427 100	-
UNICEF	7 553 648	6 200 000	8 000 000
UNODC	237 611	396 824	-
UNIDO	250 000	500 000	500 000
WHO	1 916 957	2 603 500	-
Sub Total	**134 596 544**	**185 785 016**	**216 654 795**
Grand Total	**352 501 310**	**493 703 236**	**450 419 068**

Source: Ministry of Finance and Economic Development

Annexure 9: Sectoral Disbursements

Sector	Jan - Sept 2016 Disbursements (US$)	2016 Projection (US$)	2017 Projection (US$)
Agriculture	37 840 520	120 175 451	51 372 945
Transport	6 540 000	1 680 000	595 147
Power/Energy	4 160 406	13 090 000	706 200
Water Supply & Sanitation	18 033 556	25 094 614	5 475 777
Health	179 045 824	162 579 824	200 352 665
Education	11 567 002	45 380 000	945 000
Governance	27 255 795	66 393 940	31 212 080
Tourism	458 391	-	-
Multi-Sector/Cross Cutting	36 049 740	749 270	25 073 725
Capacity Building	9 672 056	32 414 556	3 956 146
Other Basic Social Services	21 447 039	25 573 581	2 949 000
Total	**352 501 310**	**493 703 236**	**319 689 685**

Source: Ministry of Finance and Economic Development

Note: The 2017 projections for Germany and UKAID could not be split by sectors

Annexure 10: Health Sector Interventions

		Targeted Works	US$	US$
I	**Central Hospitals**			**7 790 000**
	Mpilo Central Hospital			1 350 000
	Rehabilitation of infrastructure	Annual overhaul of boilers, repair and re-redecoration of all the interior and exterior of the hospital including Student Nurses Home.	700 000	
	Upgrading of gas piping & Incinerator	Provision piped gas to all key areas and installation and commissioning of an Incinerator.	650 000	
	Harare Central Hospital			1 235 000
	Installation of Lifts	Supply, delivery and installation and commission of new lifts	135 000	
	Water Reservoir and Reticulation	Ventilation and Air conditioning System, Incinerator, Lifts and rehabilitation of Psychiatric Unit.	400 000	
	Rehabilitation of infrastructure	Painting and re-decoration of all hospital.	700 000	
	Chitungwiza Central Hospital			800 000
	Rehabilitation of infrastructure	Maintenance workshop, mortuary public toilets and refurbishment of wards and staff accommodation.	500 000	
	Water Reservoir	Construction of 0.6 Mega Litre Water Reservoir	250 000	
	Extension of Laundry building	Doing finishes and installation of equipment.	50 000	
	United Bulawayo Hospital			1 600 000
	Rehabilitation of infrastructure		700 000	
	Laboratory	Commencement of construction works.	700 000	
	Upgrading of Gas Piping	External reticulation systems, plant establishment systems, internal works for Richard Morris and Main Hospital theatre wards, theatre gas pendants, low pressure air paediatric systems.	200 000	
	Ingutsheni Central Hospital			805 000
	Rehabilitation of infrastructure	Refurbishment and re-decoration of the interior and exterior of the hospital	500 000	
	Laundry Equipment	Installation of delivered laundry equipment and delivery of Phase II laundry equipment and its installation.	305 000	
	Parirenyatwa Group of Hospitals			2 000 000

		Targeted Works	US$	US$
	Completion of the theatre Heating Ventilation & Air Conditioning (HVAC) installation	Procurement and installation of the theatre HVAC system to ensure that there is adequate ventilation and temperature control in the operating rooms.	500 000	
	Upgrade of the radiology equipment unit	Computerisation of the radiography system and procure an additional mobile x-ray machine.	300 000	
	Installation of Lifts	Procurement and installation of lifts	300 000	
	Water reservoirs	Complete construction of a central water reservoir that will service the hospital whenever the municipality fails to provide the service.	160 000	
	Intensive Care/ High Dependency Units expansion	Expand the ICU/HDU facilities to meet the increased demand for this critical care bed.	720 000	
	Drilling and installation of borehole equipment	Drilling and installation of boreholes	20 000	
II	**Provincial & District Hospitals**			**1 100 000**
	Refurbishment of Provincial & District Hospitals	Repair and re-decoration of infrastructure and fixed equipment in all provincial hospitals	1 100 000	
	Repairs and Replacement of Incinerator			
III	**District Hospitals**			**7 410 000**
	Mahusekwa District Hospital	Phase III construction of institutional accommodation.	400 000	
	Hwange		2 000 000	
	Dental Department		100 000	
	National Institte of Health Research		100 000	
	Procurement of Laundry Equipment	Repair, supply, installation and commissioning of laundry equipment.	1 400 000	
	Incinerators	Repair, supply, installation and commissioning of incinerators.	1 410 000	
	Refurbishment of District Hospitals	Repair and re-decoration of infrastructure and fixed equipment in all districts hospitals	2 000 000	
	Chipinge District Hospital - Laundry			
IV	**Rural Health Centres**			**1 175 000**
	Construction of Dongamuzi RHC	Construction of the Main Clinic Block, Staff houses, fencing and borehole drilling and equipping.	250 000	
	Munemo RHC	Main clinic block is complete and outstanding are staff houses, fencing and water reticulation.	150 000	
	Mbuya Maswa RHC	Construction of the Main Clinic Block, Staff houses, fencing and borehole drilling and equipping.	250 000	

		Targeted Works	US$	US$
	Matututu RHC	Outstanding works includes finishes, civil works and fencing.	75 000	
	Construction of Siyabuwa Rural Health Centre	Construction of Staff houses, one almost complete and requires finishes, second house above window level and the third one at slab level. Main clinic block complete.	100 000	
	Chiromo Rural Health Centre	Construction of the Main Clinic Block, Staff houses, fencing and borehole drilling and equipping.	250 000	
	Construction of Chibila RHC	Main Clinic block and two staff houses complete and requires finishes. Outstanding: One staff house, fencing and borehole drilling and equipping.	100 000	
V	**Mission Hospitals**			**500 000**
	Zhombe Mission Hospital		62 500	
	Tshelanyemba Mission Hospital		62 500	
	Morgenister Mission Hospital		62 500	
	All Souls Mission Hospital		62 500	
	Rusitu Mission Hospital		62 500	
	St Mikel's Mission Hospital		62 500	
	Mary Mount Mission Hospital		62 500	
	St Lukes Misssion Hospitals		62 500	
VI	Medical & Fixed Equipment	Procurement of new medical equipment.	10 000 000	**10 000 000**
	Total			**27 975 000**

Source: Ministry of Finance

Annexure 11: Primary and Secondary Education Interventions

Province	Name of School	Amount
Bulawayo	Cowdray Park 2 Secondary	160 000
	Cowdray Park Primary	50 000
Harare	Caledonia Secondary	160 000
	Budiriro 6 Primary	185 000
	St Marys' Early Learning Centre	50 000
Manicaland	Nyangani 2 Secondary	150 000
	Magamba Primary	210 000
Mashonaland Central	Murongwe Secondary	160 000
	Mariga Primary	400 000
Mashonaland East	Machekera Secondary	150 000
	Kotwa Primary	210 000
	Chitubu Primary	210 000
Mashonaland West	Norton Govt Secondary	150 000
	Whitecliff Primary	210 000
	Cheuchi Primary	210 000
Masvingo	Mupandawana Secondary	150 000
	Mutimurefu Govt Primary	30 000
Matabeleland North	Mathambo Secondary	150 000
	Chamabondo Primary	210 000
	St Joseph's Secondary	100 000
Matabeleland South	Matshiloni Secondary	160 000
	Vhalukhalo Secondary	150 000
	Ntabende Primary	185 000
Midlands	Kushinga Primary	210 000
	Mapfungautsi Secondary	150 000
Total [I]		**4 160 000**

Source: Ministry of Finance

Annexure 12: Upgrading and Rehabilitation of Higher Learning Infrastructure

REF	UNIVERSITY/COLLEGE	PROJECT	(US$)	(US$)
I.	**On-going projects**			**21 430 000**
	Lupane State University	Completion Kitchen and dining hall and male hostel	2 900 000	
	Lupane State University	Completion of satf houses	2 000 000	
	Chinhoyi University of Technology	Completion of Engineering workshop phase 1	1 875 000	
	Chinhoyi University of Technology	Canteen extension	400 000	
	University of Zimbabwe	Bachelor of Education Building	1 500 000	
	Bindura University of Science Education	Halls of residence	2 600 000	
	Midlands State University	Halls of residence	2 900 000	
	National University of Science and Technology	Central Library	2 423 000	
	J.M. Nkomo Polytechnic	Home Economics block	1 475 000	
	Kushinga Phikelela Poytechnic	Female hostel	1 027 000	
	Polytechnic colleges	Procurement of workshop equipment	1 500 000	
	Polytechnic, Teachers' colleges and other research institutions.	Rehabilitation of infrastructure	830 000	
II.	**New projects**			**1 750 000**
	Gwanda State University	Rehabilitation infrastructure	400 000	
	Marondera University of Agric Sciences & Technology	Master plan	100 000	
	Manicaland University of Applied Sciences	Master plan and construction of computer laboratory	450 000	
	Pan African Minerals University of Science and Technology (PAMUST)	Construction works	800 000	
	GRAND TOTAL		**23 180 000**	**23 180 000**

Source: Ministry of Finance

Annexure 13: Common Facility Centres

Name of Centre	Province
Indo-Zim Technology Centre	Harare
India Technology Centre	Bulawayo
Chimanimani Common Facility Centre	Manicaland
Lupane Common Facility Centre	Matebeleland North
Plumtree Common Facility Centre	Matebeleland South
Mvuma Common Facility Centre	Midlands
Gokwe Common Facility Centre	Midlands
Magamba Common Facility Centre	Manicaland
Marondera Common Facility Centre	Mashonaland East
Chinhoyi Common Facility Centre	Mashonaland West
Bindura Common Facility Centre	Mashonaland Central
Chitungwiza SEDCO Centre	Harare
Gwelutshena Common Facility Centre	Matebeleland North
Gutu Common Facility Centre	Masvingo

Source: Ministry of Small and Medium Enterprises and Cooperative Development

Annexure 14: Ring-Fenced Milk Powder Requirements

Name of Company	Full Cream Milk Powder (kgs)	Skimmed Milk Powder (kgs)
Alpha Omega Dairy	50 000	100 000
Competitive Brand Shapers, T/A CBS	40 000	-
Dairibord Zimbabwe (Pvt) Ltd.	1 200 000	1 250 000
Dendairy (Pvt) Ltd.	1 200 000	440 000
Gouda Gold T/A Yomilk	60 000	-
Kefalos Cheese Products	40 000	75 000
Kershelmar Dairies	20 000	-
Milkzim (Pvt) Ltd	5 000	1 500
Machireer T/A Mr Brands	48 750	-
Nestle Zimbabwe (Pvt) Ltd	95 000	185 000
Probrands (Pvt) Ltd	217 500	-
Wonderclip (Pvt) Ltd T/A Mhofu	15 000	2 000

Annexure 15: Textiles Industry: Rebate of Duty on Raw Materials and Customs Duty on Finished Products

Rebate of Duty on Raw Materials

Tariff Code	Description	Rate of Duty (%)
3215.1100	Printing Ink- Black	10
3215.1900	Printing Ink- Other	10
3215.9000	Printing Ink- Other	15
5401.1090	Sewing thread of man-made filaments, not for retail sale	5
5402.2000	High tenacity yarn of polyesters	5
5402.3300	Textured yarn of polyester	5
5402.3400	Textured yarn of polypropylene	5
5402.4900	Other yarn, single, untwisted or with a twist not exceeding 50 turns per meter	5
5402.6900	Other yarn, multiple (folded) or cabled	5
5503.2000	Synthetic staple fibres not carded, combed or otherwise processed for spinning of polyesters	5
5507.0000	Artificial staple fibres carded, combed or otherwise processed for spinning	10
5508.1020	Sewing thread of man-made staple not for resale	5

Finished Products

Tariff Code	Description	Current Duty Rate (%)	Proposed Duty Rate (%)
58012300	Other weft pile fabrics	10%	40% + $2.50/kg
58012700	Warp pile fabrics	10%	40% + $2.50/kg
58013100	Uncut weft pile fabrics	10%	40% + $2.50/kg
58013300	Other weft pile fabrics	10%	40% + $2.50/kg
58013700	Warp pile fabrics	10%	40% + $2.50/kg
58019000	Of other textile materials	10%	40% + $2.50/kg
60011000	Long Pile fabrics and terry fabrics, knitted or crocheted	10%	40% + $2.50/kg
60012100	Looped Pile fabrics of cotton and terry fabrics, knitted or crocheted	10%	40% + $2.50/kg
60012200	Looped Pile fabrics of man-made fibres and terry fabrics, knitted or crocheted	10%	40% + $2.50/kg
60012900	Looped Pile fabrics of other textile materials and terry fabrics, knitted or crocheted	10%	40% + $2.50/kg
60019100	Other Long Pile fabrics of cotton and terry fabrics, knitted or crocheted	10%	40% + $2.50/kg
60019200	Other Long Pile fabrics of man-made fibres and terry fabrics, knitted or crocheted	10%	40% + $2.50/kg
60019900	Other Long Pile fabrics of other textile materials and terry fabrics, knitted or crocheted	10%	40% + $2.50/kg
60054400	Printed warp knit fabric of artificial fibres	10%	40% + $2.50/kg
60064100	Other bleached and unbleached knitted or crocheted fabrics of artificial fibres	10%	40% + $2.50/kg
60064200	Other dyed knitted or crocheted fabrics of artificial fibres	10%	40% + $2.50/kg
60064300	Other (of yarns of different colour) knitted or crocheted fabrics of artificial fibres	10%	40% + $2.50/kg
60064400	Other printed knitted or crocheted fabrics of artificial fibres	10%	40% + $2.50/kg

A comprehensive list of fabric material will be published, after consultations with stakeholders.

Annexure 16: Printing Industry Raw Materials

Tariff code	Description	Current Customs Duty (%)
35052010	Paper glue	15
37024400	Graphic film	5
39199010	Plate mounting taps	15
40082100	Printing blankets	15
59069900	Plate mounting tapes	10
59112000	Dampa covers	5
39191000	Lamination film	15
39199010	Clear and printed packaging tape	15
39204900	PVC & PET shrink film for sleeves	10
48114110	Self-adhesive paper reel	10
48092000	NCR paper	40
3907 6000	Polyethylene Terephthalate (PET)	5
35069900	Adhesives	10

Annexure 17: Sanitary Ware Raw Materials

Tariff Code	Product Description	Current Customs Duty %
4703.2100	Pulp	5
3506.9900	Hotmelt Glue	10
4803.0000	Release Paper Special	10
4803.0000	Tissue Material Special	10
3921.1200	PE Film	5
3921.1200	Puncture PE Film	5
5603.1100	Non-Woven Fabric	5
3906.9000	Super Absorbent Polymer	5
3919.1000	Self-adhesive tape	15
3921.1420	Film, not being printed of a width not less than 10cm	15
6006.9000	Spandex filament	10

Annexure 18: Standard Rated Products

- Rice;
- Margarine;
- Cereals;
- Maheu;
- Pork;
- Beef;
- Fish;
- Chicken; and
- Potatoes, fresh or chilled.

Annexure 19: Proposed Rates Of Presumptive Tax

Category	Current Level of Presumptive Tax per Quarter	Proposed Level of Presumptive Tax per Month
Omnibuses		
8 to 14 Passengers	150	40
15 to 24 Passengers	175	45
25 to 36 Passengers	300	70
Above 36 Passengers	450	100
Taxi Cabs	100	25
Driving School		
Class 4 Vehicles	500	100
Class 1 and 2 Vehicles	600	130
Greater than 10 Tonnes but less than 20 Tonnes	1,000	200
Greater than 20 Tonnes	2,500	500
Hair Salon Operator	1,500	US$10 per chair

Annexure 20: Levies, Fees and Charges on Business

Mining Registration Fees

Small Scale Gold Mines

Fee	Description of fee	Amount Payable
Application for Mining Licence Special Grant	Applicable if an investor intends to carryout mining in a reserved area	US$1 000
Ordinary Prospecting Licence	The fee is payable for prospecting within a specific District for which the investor applied. A fee of $500 is payable when prospecting the whole country	US$200
Approved Prospector's Fee	The fee is payable to an Approved Inspector.	US$400
Registration of precious metal block of claims	This title enables the investor to start mining.	US$200
Inspection fee	Annual inspection fee	US$100 per year
Company Registration		US$145
EMA	Environmental Impact Assessment Fee	US$210, 0.8% - 1.2% of project cost
Engineering Council of Zimbabwe (ECZ) levy	The fee is charged by the ECZ to fund its operations (regulating the operations of engineers and engineering companies in Zimbabwe.)	1% of project cost
RDC	Land Development Levy	US$8 000 per unit. Units are based on land size, or number of employees or turnover depending on RDC.
Radiation Protection Fee	Radiation Protection Licence	Fee is determined by the Authority as empowered by the Act
Standard Development levy		0.50% of gross salary of employees
Application for Mining Licence Special Grant	Applicable if an investor intends to carryout mining in a reserved area	US$1 000

Tourism Registration Fees:

1. Hotel Industry: Four Star Hotel

Licensing Authority	Requirements	Fee
Registrar of Companies	Company Registration	US$145
Zimbabwe Tourism Authority	Registration as a designated Tourism Facility (New Applicant)	US$3 000 per annum
	Renewal of Registration as a designated Tourism Facility	US$3 000 per annum
	Grading/Re-grading after 2 years	US$3 000 per annum
Local Authority	Health registration certificate	US$690 per annum
	TPD 1 Application Fees	US$220 per annum
Liquor Licensing	Police report on Applicant	US$10
	Liquor Licence Fee	US$610 per annum
	Liquor Licence Renewal fee	US$500 per annum
ZBC	TV licence	US$100 per room per television set
ZINWA	Borehole water subscription	US$150 per quarter
Place of Assembly permit	Fee for inspection of building.	US$230 per point per year
Zimbabwe Music Rights Association	Based on restaurant sitting capacity	US$10 per sit

2. Safari Industry Operator

Licensing Authority	Requirements	Fee
Registrar of Companies	Company Registration	US$145
Zimbabwe Tourism Authority	Annual Operator's License	US$1 500 per annum
	Camp License fee per annum	US$300 per annum
	Trophy fees to ZTA clients	2% of total daily rates
Zimbabwe Parks and Wildlife Management	Trophy fees	2% of trophy fee
	Hunting permit on private land	US$400 per annum
	Hunting permit on State land	US$250 per annum
	Professional hunters Licence	US$200 per annum per PH
	Bow Permits for plains game	US$100 per annum
	Bow permits for Dangerous game	US$1 500 per annum
	Meat permit	US$500 per annum
	Payment of Park Rangers	US$78 per day
RDCs	Camp Levy	US$1200 per annum
	Land Tax	From US$0.2 to US$1 per hectare
ZBC	Radio licence	US$30 per vehicle per annum
	TV licence per room of a lodge	US$50 per annum
POTRAZ	POTRAZ Licence	US$345 per annum
CAAZ	Airstrip Annual Inspection fee	US$500 per annum

3. Restaurants

Licensing Authority	Requirements	Fee
Registrar of Companies	Company Registration	US$145
Zimbabwe Tourism Authority	Registration as a designated Tourist Facility (New Applicant)	US$300
	Recommendation letters	US$50
Local Authority & Health	Kitchen, Dining, Washing facilities, Sanitary Facilities, Food Handlers' Certificate, Refuse Bin Area & Grease traps	US$280 New Applicant US$220 Renewal
Zimbabwe Music Rights Association	License Fee - Based on restaurant sitting capacity	US$100

Transport Registration Fees

Commuter Omnibus – 18 Seater

Licencing Authority	Requirements	Fee
Ministry of Transport & Infrastructure Development	Operator's Licence	US$125 per annum
	Garage Report	US$60 per annum
	Passenger Insurance (18 Seater)	US$225 per annum
	Route Authority	$75 per annum
	VID Inspection Fee	$25 after every 6 months
Local Authority	Rank Fee	US$100 per month
	Recommendation Letter to operate in a given Local Authority	US$100 per quarter

Retailing Registration Fees

Liquor Shop – Bottle Store

Licencing Authority	Requirements	Fee
Local Authority Charges	Liquor Licencing Permit	US$115
	Application for Health Certificate	US$140
	Health Registration	US$400
	Liquor Licencing Fee (Stamping)	US$100
Liquor Licencing	Application for Liquor License (Bottle Store)	US$220
	Renewal of Liquor Licence Fee	US$110 per annum