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MOTION

1. Mr Speaker Sir, I move that leave be granted to bring in a Bill to make Provisions in connection with Revenues and Expenditures of the Republic of Zimbabwe for the Financial Year January to December 2009 and to make Provisions for matters ancillary and incidental to this purpose.

INTRODUCTION AND BACKGROUND

2. Mr Speaker Sir, the presentation of this Budget is consistent with Chapter XI, Section 103(1) of the Constitution of Zimbabwe, which requires that the Minister for the time being responsible for Finance shall cause to be prepared and laid before Parliament, on a day on which Parliament sits, before or not later than 30 days after the start of each financial year

Estimates of the revenue and Expenditure of Zimbabwe for that financial year.”

3. Mr Speaker Sir, while tradition in the previous years has seen the National Budget delivered towards the end of November and early December of each year, delays in completing political processes to allow for the formation of an Inclusive Government have not made this possible.

4. Mr Speaker Sir, the year 2008 posed a number of challenges on our country, resulting in the year being one of the most difficult for our economy.

5. The sharp increase in inflation against a background of acute shortages of goods and services, poor harvests and the attendant severe food shortages and the deteriorating delivery of public services such as water, electricity, sanitation and health imposed phenomenal hardships on the population.

6. We are, therefore, grateful for the goodwill shown by our regional and other international cooperating partners who have not only endeavoured to bring us together politically but also offered our country immense assistance in various forms such as food relief, agricultural inputs, drugs, water treatment chemicals and power, just to mention but a few.

7. The Inter-Party Political Agreement of 15 September 2008 among the three political parties represented in this August House, offers an opportunity for cohesion and unity of purpose among ourselves for effective implementation of holistic policies and measures necessary for us to take advantage of the country's abundant resources for sustainable rapid economic turnaround.

8. Unity of purpose allows and provides us immense opportunities to positively deal with the negative impact of sanctions and other external threats such as the current global financial crisis, through re-engaging the international community for the necessary financial cooperation over economic reconstruction and recovery, in particular, balance of payment support.

9. Therefore, in order to decisively achieve economic turnaround, which regrettably would in the short and medium term be painful, cohesion and unity of purpose not only among political parties, but also among institutions of Government, Business, Labour, Co-operating Partners and other stakeholders will be necessary.

10. Hence the success of the 2009 Budget, which seeks to respond to the various challenges facing our economy will

much depend on us all working together for the common good of the country.

11. The 2009 Budget will particularly focus on:

- Inflation reduction;
- Food security and productivity in agriculture;
- Water management;
- Guaranteed fuel and electricity supply;
- Improved delivery of health and education services;
- Infrastructure rehabilitation in transport (roads, railways and airports);
- improved telecommunication systems;
- Efficiency of public enterprises;
- stimulating the productive sectors, notably agriculture, manufacturing, mining, tourism and construction among others;
- Provision of housing, including for those in the public sector; and
- Social protection.

12. It must be noted, however, that implementation of the various projects and programmes under this Budget will benefit from skills retention and attraction in both the public and private sectors.

13. The performance of our productive sectors will also require a conducive and stable macro-economic environment, which allows forward planning, regular and sustainable inflows and access to foreign currency as well as retention of skilled manpower.

14. Consequently, it will be critical for the country to support and implement a holistic framework on transactions in stable currencies, in conjunction with reforms aimed at restoring the value of our local currency as a stable medium of exchange and store of value.

15. This, Mr Speaker Sir, establishes a level playing field for all economic players by removing the current distortions arising from multiple exchange rates and the licensing of businesses to transact in foreign currencies, alongside the local currency.

16. Mr Speaker Sir, before turning to the 2009 specific Budget interventions, allow me to briefly give an overview of the global economy as well as domestic economic and fiscal developments over the past year. These reviews provide insight and valuable information in the crafting of our intended interventions.

17. In the work towards formulation of the 2009 National Budget, I have consulted widely and benefited from inputs of the various stakeholders, within and outside of Government.

RECENT GLOBAL ECONOMIC DEVELOPMENTS

18. Mr Speaker Sir, the difficult economic environment under which

I am presenting our 2009 Budget is exacerbated by challenges that are also affecting the global economy.

19. Honourable Members will be aware of the recent turmoil afflicting world financial markets, resulting in major financial rescue interventions by Central Banks and Treasuries of the Organisation for Economic Cooperation and Development (OECD) member countries, following American and European housing markets' sub-prime crisis.

20. The impact of this has been a significant slowdown in most major economies, including the rapidly growing economies of Asia.

21. In this regard, global economic activity, now revised downwards by 0.2 percentage points to 3.7% in 2008, is forecast to remain subdued in 2009 with only modest recovery anticipated towards year end as the world economy feels the

after-effects of the current financial crisis. Output growth in 2009 is, therefore, projected not to exceed 0.5%.

22. Developing countries are also feeling the adverse effects of global financial crisis, with revenues from their raw material and semi-processed exports threatened by depressed demand and, hence, falling prices.

23. Similarly, tourism as well as external financing sources, such as portfolio and direct investment, lines of credit, grants and migrant remittances are expected to suffer from this financial crisis and global slowdown.

24. Reflecting this, economic growth in Sub-Saharan Africa is estimated to fall below 5% in 2009, in part reflecting the positive spin offs from sustained robust macro-economic policies which will maintain inflation at low levels averaging 10% across most of Sub-Saharan Africa.

25. Macro-economic stability in these countries is anticipated to remain anchored in continued implementation of tight and complementary fiscal and monetary policies.

DOMESTIC ECONOMIC DEVELOPMENTS

26. Mr Speaker Sir, I have already alluded to the difficult economic environment experienced by our people during the year 2008.

27. Central has been the widespread food deficit against the background of a poor 2007/2008 agricultural season.

Agriculture

28. The poor performance of our agricultural sector had its core roots in the 2007/2008 agricultural season that began with too much rain during December 2007 and January 2008.

29. The incessant rains, unfortunately, came to an abrupt end in January 2008 and were followed by a long dry spell. The absence of adequate irrigation facilities, together with intermittent and unreliable power supply compounded the situation.

30. Decline in agricultural output was felt across all commodities, with notable large falls in maize, tobacco, cotton, wheat, horticulture and soya bean production. Tobacco output for the 2007/ 2008 season was 45 000 tons, against an expected output of 73 000 tons. Less drought-prone small grain crops, such as sorghum, rapoko and millet, also experienced

significant decline in output, largely from the initial incessant rains.

31. Livestock and dairy farming, though benefiting from the initial improvement in grazing pastures due to the initial heavy rains, also suffered from the drought conditions prevailing after January. The low rains had the effect of lengthening the dry spell to December 2008, resulting in loss of animals for many farmers.

32. The grain deficit, which had the impact of compromising supplementary stock feed availability, made the situation even more desperate for livestock farmers, particularly those in dairy.

33. This agricultural season, 2008/2009, notwithstanding the normal rains that the country is receiving, our farmers are beset with a number of challenges.

34. These include inadequate supply of such inputs as fuel, seed, fertilizer, as well as chemicals. Where such inputs are available in the open market, they are being sold in foreign currency.

35. Farm labour has also become a challenge, with workers now demanding their wages in either foreign currency or basic goods.

36. Facilities meant to assist farmers, such as the Agricultural Sector Productive Enhancement Facility (ASPEF), can no longer cope with farmers' financing requirements under the current hyper-inflationary environment. Farmers are, therefore, facing serious constraints in raising working capital, more so given that suppliers are now quoting their goods in foreign currency.

37. It will, therefore, be critical that in this Budget we re-prioritise the success of farming as a viable economic activity, and an anchor sector to the whole economy.

38. This is central not only to our food security but also the production of critical agro-inputs and exports.

39. Much will, however, depend on timeous availability and accessibility of inputs such as seed, fertilizers, chemicals and fuel for tillage, as well as producer prices which guarantee a positive rate of return.

40. This is the only way Government will be empowering farmers to take advantage of Land Reform and substantial

Government assistance in the form of the extended concessional ASPEF, the Farm Mechanisation Programme, the Cattle Herd Restocking Programme, as well as subsidised inputs.

41. The late review of producer prices can only serve to undermine the financial position and confidence of farmers as they fail to recoup production costs, thereby making it difficult to plan for the next season.

42. This has in the past often been compounded by inefficient Grain Marketing Board (GMB) payment arrangements for farmers, resulting in a number of farmers shifting from such “controlled” commodities as maize and wheat to cash crops, such as soya beans, among others.

Mining

43. Mr Speaker Sir, mining is second to agriculture as a pillar to anchor our economy both as an employer and foreign currency earner, with potential to contribute around a third of total export earnings.

44. The sector, however, continues to experience decline in capacity utilisation and production volumes despite last year’s generally buoyant mineral prices.

45. In the case of gold, decline in output is notwithstanding firm prices recorded over the past three or four years, resulting in other countries' gold producers expanding operations and production.

46. Major challenges behind this include the foreign exchange pricing arrangements, coupled with frequent power outages, scarcity of foreign currency to import critical spare parts, fuel, and skills flight.

47. Furthermore, the impact of the current global financial crisis is also beginning to affect the sector through depressed demand and hence low prices for minerals such as copper, aluminium, nickel, lead, zinc, ferrochrome and platinum group metals.

48. Companies are therefore being forced to defer investment for expansion as well as new exploration projects, with some scaling down operations, or closing down altogether. Most of our major mines have, therefore, been put on care and maintenance.

49. Closure and suspension of mining operations, Mr Speaker Sir, is a waste of installed investment capital, which if not reversed can only seriously undermine our turnaround efforts.

Manufacturing

50. Mr Speaker Sir, the challenges undermining agricultural and mining production during 2008 made the situation facing our manufacturing companies even more difficult, with capacity utilisation in the sector declining further.

51. Consequently, manufacturing contribution to Gross Domestic Product (GDP), total formal employment and the economy's export performance remain significantly lower than the existing capacity and potential.

52. This is notwithstanding vast opportunities for value addition in the agro-industry, particularly in canning, fruit and vegetable processing, furniture manufacturing and textile, among others.

53. Key challenges to be overcome in restoring and realising the potential of our industrial base and capacity include addressing, in a holistic manner, such issues as inflation, as well as guaranteed supply of such essential services as electricity and water.

Tourism

54. The escalation of the negative portrayals of our country continues to undermine our efforts to promote Zimbabwe's tourism products.

55. This notwithstanding, developments in the first half of 2008 indicate that 531 357 tourists visited the country, with Africa remaining the largest source market contributing about 410 968 or 77.8% of total arrivals – mostly from the Southern African Development Community (SADC) region. The remaining arrivals were from the Americas (10%), Europe (7%), and Asia (3.7%). Oceania and Middle East markets combined contributed 2%.

56. Average hotel room occupancy rose to 39% from 37%, over the period under review. The majority of the clientele were Zimbabwean nationals comprising 85% in 2007 and 91% in 2008.

57. It will, therefore, be necessary that we invest in aggressive image correction programmes and tourism promotion, complemented by expenditures to improve our tourism infrastructure as well as other supporting infrastructure in transport and telecommunications, among others.

58. This includes recapitalising the aviation industry, especially the airports infrastructure and Air Zimbabwe, to improve

accessibility into and within the country, refurbishment, modernisation and capitalisation of the transport system to include taxis, car hire services and tours among others.

59. Investment in internal cohesion and unity of purpose among our people will also facilitate the rapid recovery of tourism, benefiting also from the potential spin offs from the hosting of the 2010 Soccer World Cup in neighbouring South Africa.

Energy

60. Energy supply continues to constrain operations of our productive sectors, particularly agriculture, manufacturing and mining. While, the supply of liquid fuels has been improved through licencing of private importers, power generation and supply has lagged behind demand as a result of deferring planned investments for expansion.

61. Notwithstanding a Government decision to allow a trigger mechanism for tariffs adjustment, delays in reviews of tariffs which reflect production costs have remained an impediment for the operations and future expansion programmes of Zimbabwe Electricity Supply Authority (ZESA).

62. ZESA has, therefore, continued to rely on the fiscus for maintenance and rehabilitation of its thermal power stations

and transmission network, procurement of coal and payment for water usage at Kariba.

63. The above challenges have been aggravated by the widespread vandalism of such electricity transmission infrastructure as transformers and copper cables, thereby worsening power supply and reliability.

64. The joint venture between ZESA and NamPower has, however, alleviated the situation by improving power generation at Hwange Power Station.

65. As a result, current power generation has risen to 922 megawatts (MW) from 569 MW against total internal potential production of 1 670 MW, and demand of 2 279 MW.

66. A number of projects have been identified to improve power generation and supply. These include the refurbishment of Hwange Power Station, Stages 1 and 2, with the potential of generating additional 480 MW and 380 MW, respectively, as well as the restoration of small thermal power stations in Harare, Bulawayo and Munyati to generate an additional 125 MW. This would be augmented by imports of 400 MW from the region.

Urban Water Supply

67. Most urban areas continue to face water and sewerage challenges as a result of Zimbabwe National Water Authority (ZINWA's) inability to discharge its mandate. This has been compounded by the sub-economic tariffs the parastatal levies on residents for services, resulting in their continued reliance on the fiscus.

68. The water and sewer challenges faced by residents exacerbated the recent cholera outbreak which necessitated further Government support to ZINWA to enable the parastatal procure water treatment chemicals, maintenance and rehabilitation of sewerage and water conveyance systems.

Public Transport

69. The commuting public is facing daily fare escalations which are taking up workers' full incomes. Difficulties in accessing cash from banks are also compounding this problem.

70. Furthermore, some public transport operators are now demanding fares in hard currencies, leaving a large part of the commuting public with challenges of obtaining the necessary foreign currency.

Telecommunications

71. The telecommunications sector has also not been spared from the current difficulties the economy is going through. Foreign currency shortages in the economy for the importation of the necessary equipment, has severely militated against mobile phone companies' efforts to expand their networks by installing more base stations and absorb more customers.

72. This has resulted in poor service delivery due to network congestion and acute shortage of network lines. The continued imposition of sanctions on the country stalled major investment projects particularly the fixed network providers as they could not get foreign investors for their re-capitalisation.

73. The dispensation extended to mobile phone operators to charge airtime in foreign currency will, therefore, assist them raise foreign currency for the importation of much needed equipment.

Health Delivery System

74. In the Health sector, most of our health delivery institutions have scaled down operations, with some facilities closing down all together. Key challenges include lack of equipment, essential consumables, drugs as well as skills loss.

75. Medical aid insurance schemes have been rendered ineffective as members' contributions are eroded by inflation. Accessing health care from private health institutions requires payment in hard currencies.

Education

76. The education sector has also not been spared from the current environment. While some teachers have left the country in search for better working conditions, not all those who remain have been reporting for duty, owing to deteriorating conditions of service and the challenges on public transport mentioned above.

77. The above has also affected a number of education programmes, especially examinations marking, with a huge backlog going back as far as June 2008.

Inflation

78. Mr Speaker Sir, rising inflation has seen our local currency fast losing its role as a medium of exchange and store of value. Hence, as a result, both licenced and unlicenced traders have resorted to using hard currencies as a way of cushioning themselves from the impact of inflation.

79. In this regard, comprehensively dealing with inflation remains one of the country's major challenges for stabilising this economy and realising real savings and investment rates necessary for growth.

80. Excessive money supply growth rates, emanating from unbudgeted expenditures made through the Reserve Bank, as well as low supply of goods and services remain the major sources of inflation.

81. The current policy on import liberalisation and shift to transacting in hard currencies have, however, seen some improvement in the supply of goods and services, accompanied by stabilisation of those prices denominated in foreign currency.

82. An opportunity, therefore, arises for stabilising prices in the local currency as well as restoring the value of our local currency through embracing firm measures entailing tightening both fiscal and monetary policies and extension of support and incentives which boost the capacity of our productive sectors and, hence, supply of goods and services.

83. Mr Speaker Sir, the 2009 Budget thrust should, therefore, shift from policies that promote and fuel consumption to those which create wealth, through supporting our productive

sectors, particularly agriculture, mining, tourism and manufacturing, whose capacity utilisation is now below 30%.

84. Consistent implementation of such policies will ultimately increase output, thereby, reducing inflationary pressures.

External Sector

85. Mr Speaker Sir, our export performance has been deteriorating over the years, and as a result, the country has been experiencing balance of payments problems with a deficit of US\$410 million being recorded in 2008, from US\$33 million in 2007.

86. The situation is reflective of constraints bedevilling our economy resulting from sanctions, drought, and depressed prices on the international commodity markets.

Exports

87. Mr Speaker Sir, in 2008 exports under performed, amounting to US\$1.376 billion compared to US\$1.606 billion in 2007. This represents a 14.32% decline in exports of goods and services.

88. Mineral exports were the major contributor to total exports, with

US\$676 million or 51% of total exports in 2008, compared to US\$801.8 million in 2007. The decrease of 15.7% was largely a result of the global financial crisis which led to depressed demand for minerals.

89. Tobacco exports amounted to US\$203.7 million, representing a 24.3% decrease over the 2007 exports of US\$247.3 million. The volume of tobacco sold in 2008 fell short of the targeted 75 million kgs as it is believed some growers are still holding on to the crop in protest against low prices.

90. Agriculture and manufacturing contributed 15% each, reflecting declines of 4.5% and 12%, respectively. In both sectors, lack of inputs and low capacity utilisation, as well as high operational costs contributed to this underperformance.

91. Tourism receipts amounted to US\$29.1 million, representing a 55% decline from the previous year. Negative publicity of the country continued to undermine the performance of the sector.

Imports

92. Mr Speaker Sir, our Nation continues to be a net importer of goods, in part due to the substantial amounts of foreign currency required to import such critical inputs as raw materials, fuel, electricity and other manufactured imports.

93. In this regard, imports increased by 7.6%, from US\$1.9 billion in 2007 to US\$2 billion in 2008.

94. Growth in imports also reflected increased food imports during the year 2008 as Government instituted drought mitigation measures to ensure food security for households affected by the poor rains received during the 2007/08 cropping season.

Capital Account

95. On the capital account, net inflows of US\$98.5 million were recorded. Of this, drought relief, medical drugs to combat cholera, Human Immunodeficiency Virus/Acquired Immuno Deficiency Syndrome (HIV/AIDS) and the purchase of water treatment chemicals accounted for some US\$73 million.

FISCAL DEVELOPMENTS IN 2008

96. The high inflation environment during 2008 meant significantly higher revenue inflows estimated at \$14 960 quintillion.

Tax Revenue

Pay As You Earn (PAYE)

97. Cumulative collections from individuals' Pay As You Earn for 2008 were \$2 400 quintillion. This was mainly attributable to the frequent salary and wage reviews in both public and private sectors, against the background of the prevailing inflationary environment.

Corporate Tax

98. Corporate tax collections during 2008 amounted to \$9 600 quintillion. This performance was vastly due to higher nominal profit margins realised by companies and intensified audits by the Zimbabwe Revenue Authority (ZIMRA) to enforce compliance and recover revenues. The issuance of licences to trade in foreign exchange also contributed towards boosting the performance of some companies.

Value Added Tax (VAT)

99. Value Added Tax amounted to \$792 quintillion during 2008, accounting for only 5.3% of total revenue. The poor performance was spurred by price controls, as well as declining availability of products on the official market.

Customs Duty

100. Customs duty collections performed poorly, contributing only \$2.8 quadrillion during 2008.

101. This negative performance reflected the sluggish movement of the exchange rate valuation factor for duty purposes, which remained so low that it suppressed collections under this revenue head.

102. The suspension of duty on basic commodities from May 2008 also contributed towards poor customs duty performance.

Excise Duty

103. Excise duties during 2008 amounted to \$96.7 quintillion, largely on account of sales of second hand motor vehicles. Shortage of goods to be levied for excise duty, due to foreign currency unavailability, has contributed to the poor showing of the revenue head.

Other Indirect Taxes

104. Other indirect taxes raised \$1 400 quintillion, mainly stamp duties on transactions on the local stock exchange towards year end.

Non-Tax Revenue

105. Regular review of fees and charges for Government services has seen an improvement in revenue inflows from this revenue head.

106. Resultantly non tax revenue collections amounted to \$452.2 quintillion.

Expenditure Developments During 2008

107. Mr Speaker Sir, while underlying inflationary pressures raised nominal revenue collections significantly to \$14 960 quintillion, their impact on the 2008 Budget was also to raise Ministries' expenditures to \$51.7 quintillion, rendering the 2008 Budget appropriation provisions insignificant.

108. Higher expenditures were incurred with respect to reviews on salaries and wages which were driven by continued

increases in cost of transport and housing as well as rising prices of general goods and services.

109. In addition, operational and running expenses of Ministries, as well as cost escalations for public sector programmes, and projects required additional provisions.

110. Mr Speaker Sir, the 2008 Harmonised Elections, including the Presidential Election run-off also incurred higher expenditures than originally budgeted.

Financial Performance and Legal Compliance

111. Mr Speaker Sir, although total expenditures for 2008 of \$51 quintillion were within the realised total revenue collections of \$14 960 quintillion, this implied excess expenditures and revenues above the approved 2008 Budget. Such additional expenditures and revenues would have been ordinarily addressed through a Supplementary Budget had Parliament been sitting.

112. In light of the dissolution of Parliament since March 2008, the Additional Budget provisions of \$51 quintillion to the end of December 2008, were therefore, issued in terms of Part XI Section 103 (7) of the Constitution of Zimbabwe and Section 27

(1) of the Audit and Exchequer Act (Chapter 22:03), which provides that:

“...the President may authorise the issue of monies from the Consolidated Revenue Fund for the purpose of meeting expenditure necessary to carry on the services of Government during the period beginning on the dissolution of Parliament and expiring three (3) months after the day on which Parliament first meets after that dissolution.”

113. In accordance with our Statutes, after expiry of the dissolution of Parliament, an Appropriation by Parliament to cover the additional provisions of \$51 quintillion is supposed to be submitted in the first Appropriation Act after the issues were authorised.

114. Mr Speaker Sir, I now accordingly propose to table the 2008 Additional Estimates of Expenditure of \$51 quintillion for the necessary Appropriation by Parliament.

Programmes & Projects Performance

115. Mr Speaker Sir, inflation has had some negative effects on public expenditure as evidenced by the deterioration in service delivery.

116. The deterioration in public infrastructure including the country's water and sewer reticulation systems, and other municipal services, as well as non-completion of critical projects is further evidence of the impact of inflation, foreign exchange and other raw material shortages.

117. Furthermore, resource constraints also undermined Government's capacity to retain staff as well as adequately finance programmes and projects, especially in the health and education sectors, thereby rendering them to operate below capacity, especially in the last half of 2008.

118. This Budget is, therefore, proposing measures to arrest and reverse the decline in public service delivery.

119. Mr Speaker Sir, notwithstanding the challenging environment Government faced during the course of the year, it is gratifying that other basic public services remained functional.

120. I, therefore, commend respective Public Servants manning those areas for remaining tenacious and dedicated to their work during 2008. This was reflective of true and immeasurable sense of patriotism during a difficult and unforgettable year.

121. Mr Speaker Sir, the experience we have had under this hyperinflationary environment should rally us together in implementing measures for the reduction of inflation. This way, we would begin to see some restoration of public services to our people.

Cooperating Partners

122. Mr Speaker Sir, since August 2008, the Nation has been experiencing a devastating cholera epidemic, which has since spread to all the country's ten provinces.

123. Allow me to extend my appreciation to our cooperating partners for the immense assistance they are rendering to us during these challenging times.

124. The country received cash donations amounting to over US\$65 million, whilst contributions in kind included vaccines, cholera medication, water purification tablets & chemicals, medical equipment, among others. Assistance was also channelled towards rehabilitation of water and sanitation systems and public awareness programmes.

125. International cooperating partners included the European Union,

as well as Australia, Canada, China, Japan, the Republic of Korea, Switzerland, the United States of America, among other countries.

126. Their contribution was complemented by support from our SADC regional neighbours.

127. Support from the rest of Africa was led by the African Union, other countries, together with the African Development Bank and included Libya, which also provided medical specialists.

128. The Ministry of Health and Child Welfare, together with the World

Health Organisation, and other health sector partners who include the United Nations International Children's Education Fund (UNICEF) have established a comprehensive and coordinated cholera response operational plan to address the needs of the population in affected areas.

Food Security

129. Mr. Speaker Sir, Government efforts to enhance summer cropping for the 2008/9 agricultural season benefited from support by various cooperating partners who, amongst others, include the Food and Agriculture Organisation (FAO), the World

Bank, South Africa, Central Emergency Response Fund, Venezuela, Ireland, Sweden, Spain and the United States of America.

130. These and other cooperating partners complemented Government support in the agricultural sector by providing tillage services as well as provision of agricultural inputs such as maize seed, small grains, chemicals, fertilizers and fuel, valued at over US\$50 million.

131. Therefore, allow me to acknowledge and appreciate on behalf of Government the valuable assistance received from the various cooperating partners.

BUDGET POLICY PROPOSALS

Macro-Economic Framework

132. In seeking to address our economic challenges, the Budget is premised on a Macro-economic Framework targeted at reducing inflation to double digit levels as well as a positive economic growth rate of about 2% in 2009.

133. Based on past trends, revenue collections are normally about 30% of nominal GDP. Consistent with that, our projected

nominal GDP of about US\$5.5 billion translates to an equivalent of around US\$1.7 billion as projected revenue for 2009.

134. Given the need to contain inflation through tightening of our fiscal and monetary policies, Government is proposing a balanced Budget linking our expenditures to actual revenues.

135. In focusing on specific Budget policy measures, stakeholders have consensus that the success of the 2009 Budget is much dependent upon cohesion and unity of purpose in the implementation of all agreed policies.

136. I, therefore, put forward the following policy proposals as part of the 2009 National Budget.

Liberalisation of the Foreign Exchange Market

137. Honourable Members will be aware that in the hyper-inflationary environment characterising the economy at present, our people are now using multiple currencies for day to day business transactions, alongside the Zimbabwe dollar.

138. These currencies include the South African rand, United States dollar, Botswana pula, Euro, pound Sterling, among others.

139. In line with the prevailing practices by the general public, Government is, therefore, allowing the use of multiple foreign currencies for business transactions, alongside the Zimbabwe dollar.

140. Consequently, the 2009 Budget Estimates are presented in both local and selected multiple foreign currencies.

Data Compilation

141. Consistent with the wide utilisation of multiple currencies in domestic business transactions, the Central Statistical Office has, with effect from this month, also begun to track developments in price indices in foreign currency terms.

142. This also assists overcome situations where focus was more on tracking movements in the parallel market exchange rate.

Currency Revaluation

**143. As the Zimbabwe dollar trades concurrently with other currencies,
it will be critical that it be re-valued and thereafter maintain stability.**

**144. However, sustainable currency stability cannot be an outcome
of decree or legislation alone.**

**145. Essential for shoring up the value of the Zimbabwe dollar will be
implementation of a combination of strict and painful fiscal and monetary measures that relate the Zimbabwe dollar monetary base to developments in the real sector, and avoidance of recourse
to money printing beyond the economy's production of goods and
services.**

**146. Realising this requires discipline and commitment to our expenditure
and revenue targets and, therefore, expenditures outside the Budget will not be entertained.**

147. This Budget, together with the Reserve Bank Governor's forthcoming Monetary Policy Statement, will be making the

necessary indications and commitments in this direction.

148. The above measures will be complemented by interventions on enhancing production and supply.

Quasi Fiscal Operations

149. Government has been constrained from funding some of the public projects during the last nine years or so due to the sanctions imposed on the Nation.

150. Honourable Members would be aware, as reported from time to time in the Reserve Bank Governor's Monetary Policy Statements, that some public sector programmes and projects have been funded through the Bank's quasi fiscal operations.

151. These were in the areas of agriculture, dam construction, education and health, among other activities.

152. I would want us to know that such expenditures which have been incurred over the period 1 December 2003 through to 31

December 2008 have been settled in full from the Reserve Bank's receipts from internal investments.

153. Hence, as at 31 December 2008, the Reserve Bank was able to remove all these expenditures from the Bank's books through a Sinking Fund which had been set up to cover these expenditures.

154. Mr Speaker Sir, it therefore follows that such expenditures which amounted to \$1 111 quintillion, and were going to be a first charge on the fiscus and thus a burden on taxpayers, have been liquidated. I am sure that Honourable Members will join me in extending our gratitude to the Reserve Bank for this.

155. The Bank's balance sheet is now free of these quasi fiscal expenditures and the Reserve Bank will now concentrate on its major mandate of assuring the stability of prices and the financial sector.

Remuneration of Public Servants

156. Remunerating public servants solely in local currency in an environment where the domestic goods and services market has been

liberalised to allow for multiple currency pricing, and where domestic confidence in the local currency has temporarily collapsed, would dis-empower workers.

157. In this regard, Government proposes a Remuneration Framework

for all public servants which provides for:

- Payment of salaries in local currency, with periodic reviews in line with cost of living developments;**
- Payment of a monthly foreign currency allowance, to facilitate access to a basket of goods and services now being charged in convertible foreign currencies;**

158. The foreign currency allowance will initially be through a Voucher

system pegged to a basket of basic goods for a family of six.

159. The Voucher system is an interim arrangement, and will be phased out gradually in favour of payments through the banking

system in line with improvements in foreign exchange inflows.

160. Government is working on modalities for the introduction of this facility which will be introduced in February 2009.

161. Mr Speaker Sir, review of the monthly foreign currency payment allowance will be guided by foreign currency revenue inflows arising from economic performance and the implementation of foreign currency based tax revenue measures.

Licencing Requirements

162. Mr Speaker Sir, concerns have been raised with Government over licencing requirements and processes.

163. Given that essentially all transactions can now legally be undertaken in either local or foreign currency, Government is simplifying the licencing requirements and arrangements to transact in foreign currency.

164. Allow me, therefore, to assure Honourable Members that the licencing requirement to transact in foreign currency is neither intended to be a revenue raising measure nor to serve as an entry barrier, by imposing additional costs on local producers

and retailers.

165. Its main purpose is to record and recognise traders for tax purposes, as well as inculcate systems to deal with such malpractices as use of counterfeit notes.

166. The Reserve Bank will be announcing the necessary details as part of its Monetary Policy Statement.

167. ZIMRA will also be communicating tight measures to address potential avoidance of payment of tax in the currency of trading, a case in point would be payment of tax in local currency for trading income realised in foreign currency.

Exchange Rate Framework

168. Section 47 of the Reserve Bank Act mandates the Minister of Finance to set the country's Exchange Rate Policy for management and implementation by the Reserve Bank of Zimbabwe.

169. Consistent with this, the Reserve Bank will implement an enhanced exchange rate framework that promotes foreign exchange generation in the economy, as well as encourage

the inflow of both short-term and long-term capital.

170. The Governor of the Reserve Bank will, in his forthcoming Monetary Policy Statement, spell out the operational modalities of this new exchange rate framework.

Insurance Companies and Pension Funds

171. The Insurance and Pension Funds Industries are a critical component of the country's developmental institutions, through mobilisation of savings for both public and private investment.

172. Hence, as part of the 2009 Budget policy measures, insurance companies and pension funds, including the National Social Security Authority (NSSA), have been given the flexibility of conducting business in either local or foreign currency.

173. With effect from 1 February 2009, insurance companies shall be granted licences to trade in foreign exchange and to collect premiums in foreign exchange.

174. Similarly, pension funds shall be granted licences to trade in

foreign exchange and to receive contributions in foreign exchange.

175. Consistent with this, the following Prescribed Asset requirements

shall apply with effect from 1 February 2009:

- **Long term insurance companies will hold 7.5% of their foreign currency assets in Prescribed Assets denominated in foreign exchange, whilst short term insurance companies will hold 5%.**
- **Pension funds, also collecting their contributions in foreign exchange, will be obliged to hold 10% of their foreign exchange assets in Prescribed Assets denominated in foreign exchange.**

176. Government will be issuing, through the Reserve Bank, the requisite foreign exchange instruments which will be open not only to Insurance Companies and Pension Funds, but also to any other investor in the economy.

177. In cases where the local currency continues to apply, the current prescribed assets ratios of 35%, 30% and 25% for pension funds, long, and short term insurance companies shall apply, respectively.

Stock Exchange Trading

178. The Zimbabwe Stock Exchange remains a critical pivot for socioeconomic development through its intermediary role between surplus economic agents and those intending to raise capital.

179. Left to their whims, however, Stock Exchanges can spin out of control, particularly in cases where there are no strict oversight rules of play.

180. In order to ensure that the Zimbabwe Stock Exchange fully plays its developmental role, the Ministry of Finance, through the Securities Commission, is putting in place a rigorous code of ethics, as well as stringent licencing and risk management systems for stockbrokers.

181. Consultations are on-going over measures to ensure that the Zimbabwe Stock Exchange also serves as an effective vehicle for foreign exchange generation.

182. In this regard, Mr Speaker Sir, stock market trading in both local

and foreign currency will be allowed.

183. The necessary considerations underway to facilitate trade on

the local stock market in foreign currency include:

- Level of domestic foreign currency liquidity to allow for meaningful stock market trading.
- Level of foreign investor participation, vis-à-vis promotion of local ownership and participation in local companies. At present, a single foreign investor can own up to 10% of a listed company and up to a maximum of 40% for all foreigners combined.

184. The Ministry of Finance will, through the Securities Commission, be announcing the detailed implementation modalities in due course.

Utility Authorities

185. Transacting in foreign currencies limits the scope of financing the requirements of our public enterprises through domestic Central Bank money printing.

186. Government is, therefore, empowering local authorities and public enterprises such as ZESA, ZINWA, and National Oil Company of Zimbabwe (NOCZIM) among others, to charge for their services in both local and foreign currencies.

187. This will be complemented by periodic review of tariffs to economic levels which allow institutions to cover operational costs, consistent with the “User Pays” principle.

188. The respective line Ministries will, therefore, be submitting to Treasury, their proposals on tariffs as well as other measures necessary to enhance the efficiency of our public enterprises.

NOCZIM

189. To enable NOCZIM to raise sufficient funds to import fuel on a sustainable basis without reverting either to Treasury or the Reserve Bank for foreign currency, all customers, Government and farmers included, will pay the full price in foreign exchange.

190. With regards to the review of fuel prices, the Minister of Energy

and Power Development will implement a trigger mechanism in the pricing of all petroleum products that immediately captures shifts in international prices and procurement costs.

ZESA

191. Mr Speaker Sir, with electricity tariffs in local currency continuing to lag behind cost of supply, ZESA can no longer meet basic payment obligations to suppliers of consumable materials, spares and equipment, let alone electricity imports payable in foreign currency.

192. Based on the already Government approved cost-plus approach, the electricity tariff is being adjusted with effect from 1 February 2009 by 47% from the current US\$0.067 to US\$0.098 per Kilowatt per Hour (kWh) in order for ZESA to recover costs of supply. This is payable in both local and foreign currency.

193. Whilst adopting a cost reflective tariff approach, a tariff regime providing for a lifeline tariff of up to 50 kWh hours for domestic consumers will be used to provide for continued subsidisation

of low income households, while cost reflective tariffs are to be charged on other consumer categories.

194. With regards to farmers, who remain the anchor of our agricultural reforms, while Government recognises the need to cushion them, the current subsidy of 55% of the tariff being paid by the farmers is not sustainable.

195. Farmers will, therefore, pay 80% of the obtaining tariff level with effect from 1 February 2009.

ZINWA

196. The capacity of ZINWA to effectively manage water supply and sewer reticulation throughout the country's urban centres is severely overstretched.

197. The centralisation of water management in ZINWA has been characterised by bureaucratic inefficiencies, leading to low staff morale.

198. Equally, the burden that ZINWA is placing on the fiscus is unsustainable.

199. Various submissions for the restoration of its role in the management of bulk water supply have, therefore, been put forward.

200. Government is, therefore, decentralising the management of water to local authorities with effect from 1 February 2009. This entails that ZINWA reverts back to its status prior to the directive of 9 May 2005.

201. Accordingly, ZINWA and local authorities should begin the processes for smooth hand over and take over transfers.

202. Given that water reticulation infrastructure in some major urban centres has become obsolete, Government will be working with the respective local authorities in mobilising resources for the rehabilitation of such infrastructure.

203. The charging of economic water tariffs will complement such

resource mobilisation measures.

Support for Productive Sectors

204. Government recognises that stabilising prices of goods and services will benefit from improved domestic production supply and, hence, measures directed at supporting our industries will be critical.

Agriculture

205. In agriculture, Government proposes measures for continued support to farmers, including improved market-based access to inputs, farm mechanisation as well as support for extension services.

206. Engagement of the fertilizer industry to enhance local production and improve distribution is also underway.

207. Furthermore, the Ministry of Agriculture will be submitting proposals that would enhance greater productivity on the land.

Grain Prices

208. The commencement of the 2008/09 summer season has benefited from the good rains received to date and the support rendered to farmers through agricultural inputs and farm mechanisation interventions.

209. Focusing on the 2009 winter wheat and the 2009/10 summer agricultural programmes, Government has adopted a grain producer and selling pricing framework that guarantees viability and market returns to farmers' investments as is the case with other economic players.

210. In this regard, with effect from 1 February 2009 the marketing arrangements for grain will be as follows:

- All maize and wheat grain exports are suspended, until further notice, to allow for build up of the country's strategic physical grain reserve stocks.**
- The GMB will now announce Free On Board (FOB) import parity related maize and wheat grain floor prices in foreign currency or the local currency equivalent. Hence, the GMB assumes the role of buyer of last resort.**
- Millers and any other grain merchants will now compete in**

the purchase of maize and wheat grain direct from farmers, alongside the GMB, at prices not lower than the import parity related floor price.

211. Consistent with this Policy Framework, millers are now also able to participate in marketing arrangements with the GMB to purchase in foreign exchange some of the wheat already delivered to the GMB.

Seed Maize Prices

212. Mr Speaker Sir, consistent with the liberalisation of our grain marketing, the price of seed maize payable to farmers upon harvest will be in both local and foreign currencies, and pegged at F.O.B. import parity levels for commercial maize plus 30%.

213. The selling price of seed maize to farmers by Seed houses will also be in both local and foreign currencies, and pegged to levels which take cognisance of seed maize growers' price as well as processing costs.

Financing of Agriculture

214. Mr Speaker Sir, Honourable Members will be aware of the large role Government has been playing in the funding of agriculture, both directly from the Budget as well as from Reserve Bank facilities such as ASPEF.

215. Financing of agriculture, however, should ordinarily be the responsibility of our banking system, drawing from the deposits by the general public.

216. Hence, the Reserve Bank will be coordinating measures to restore and enhance the level of participation by our banks and other financial institutions in lending to our farmers. This will be both in terms of provision of short term as well as medium term agricultural finance.

217. Short term finance facilities will essentially avail 90 – 180 day working capital for purchase of inputs and other requirements. Syndicated financial facilities, guaranteed by Government, through issuance of such financial instruments as Grain Bills offer great opportunity for tapping into what would otherwise remain idle bank deposits.

218. Furthermore, the Reserve Bank will be taking the lead in coordinating the banking system in the provision of medium term finance to capacitate farmers through access to purchase of equipment. This, Mr Speaker Sir, could be on the basis of such arrangements as lease and hire purchase finance facilities.

219. The participation of banks in agricultural finance will be strengthened by the liberalisation of agricultural pricing and marketing arrangements alluded to above.

Crop Input Packs

220. Mr Speaker Sir, greater participation by the banking sector in agricultural finance will allow for Government capacity to support research and extension services, as well as targeted input support to the smaller farmer in our communal and resettlement areas.

221. I will, therefore, be proposing a crop input pack support for the small scale farmer, under which 10kg seed packs and two 50kg bags of fertilizer will be provided.

Contract Farming

222. Furthermore, Government will for the coming summer crop season be calling for increased contract farming.

223. In this regard, agro-processing companies are now invited to begin making arrangements for provision of inputs, financing and extension support to farmers on a Contract farming win-win basis.

Manufacturing

224. The main thrust of this Budget is to improve production through support to our local industries. Increased supply will ultimately stabilise prices of goods and services as well as avoid over-reliance on importation of finished products.

225. This will entail measures that contribute to the competitiveness of domestic production, and review of import duties that offer unfair competitive advantage to foreign produced goods.

226. Unless local producers are competitive, Zimbabwe will become a market for imported value added goods, hastening the demise of local manufacturing and loss of industrial capacity as more jobs are exported to those countries supplying our markets.

227. Mr Speaker Sir, I have already indicated policy frameworks on the extended use of multiple currencies to producers and previously unlicensed retailers, as well as simplifying licencing requirements and processes.

228. Over and above these, I will shortly be announcing review of price controls, as well as measures for fair competition with imports, without necessarily promoting and protecting domestic production inefficiencies, incentives and tax measures to be extended to companies targeted on merit of their contribution to the economy.

Pricing of Goods and Services

229. Following the import liberalisation policy, we have started to witness some benefits in improved supply of goods and services.

230. Prices in foreign exchange which were initially far above import parity levels, reflecting shortages and monopolistic behaviour, have now started to stabilise and in some cases gravitating towards import parity levels. This trend reflects improvement in stocks as well as competition.

231. Consistent with this, the domestic price regime is further liberalised to remove the restrictive price controls.

232. The role of the National Incomes and Pricing Commission has, thus, been reviewed to focus on monitoring price trends obtaining in the sub-region and beyond, guiding producers and retailers as well as advising Government on import parity based pricing.

Imports of Basic Goods

233. Mr Speaker Sir, while it is critical that we begin to restore domestic production levels, taking advantage of the liberalised currency and pricing environment, Honourable Members will acknowledge the need for us to support importation of some

basic goods as a transitional arrangement.

234. I, therefore, propose that we continue to facilitate, over the short term, the uninterrupted importation and availability of basic goods in our markets by individuals and corporates.

235. This will be reviewed taking account of developments and improvement in domestic industrial capacity utilisation.

Export Bank

236. The establishment of an Export Bank to support all the productive sectors venturing into export markets has become necessary given our drive on increasing our export earnings and rendering the whole country an export zone.

237. Initiatives will, therefore, be instituted by the Reserve Bank in partnership with external parties expert in this area.

Mining

238. Government acknowledges the role of mining in support of the

country's efforts to attract improved inflows of foreign exchange through exporting as well as foreign investor participation.

239. Central to the recovery of mining operations will be restoration of their viability. This will enable mining houses to meet operational costs, and allow for expenditures for production expansion.

240. Furthermore, improved exploration, value addition, supported by a consistent policy framework that offers incentives to the mining sector as well as plugging of leakages will all be critical.

241. Mr Speaker Sir, the depressed global metal prices are also posing a challenge to the mining sector and hence, it is necessary that Government institutes measures to assist mines minimise losses.

242. It is also critical that we support the resuscitation of mining production, by facilitating producers' access to foreign currency

to enable them to recapitalise, buy inputs and invest in exploration of new resources.

243. I, therefore, propose the measures in support of the resumption and increased capacity utilisation in mines, including gold.
Viability & Capitalisation

244. The Reserve Bank is reviewing support to the mining sector, allowing for easier access to foreign exchange, and thereby supporting recapitalisation, purchase of inputs and provision of working capital.

245. Furthermore, foreign currency sales to the Reserve Bank will be at a market determined exchange rate.

246. Government, through the Reserve Bank, will also facilitate negotiations for external financial facilities by mines, including gold, on the back of future production.

247. Levels of Minerals Marketing Corporation of Zimbabwe (MMCZ)

commission, royalties and other levies will be reviewed in consultation with the relevant stakeholders.

Gold Resuscitation

248. There are some initiatives that the Reserve Bank is working on to assist the gold sector.

249. The Governor of the Reserve Bank will be unveiling the detailed framework under this critical sector.

Exploration

250. Mr Speaker Sir, in the difficult economic environment, very limited exploration activities have been undertaken, with few new

Exclusive Exploration Orders issued. This, needs to be addressed, to avoid compromising future mineral production.

251. Government is also setting up a Zimbabwe Exploration Corporation dedicated to mineral exploration and assessing the potential of the various mineral deposits.

252. This, Mr Speaker Sir, will assist us in evaluating potential investments to exploit our mineral deposits.

Value Addition

253. Furthermore, exportation of unprocessed mineral deposits is being suspended in support of greater beneficiation.

254. This includes current exportation of chrome ore in its raw form, scrap metal, among others.

255. Furthermore, the issuance of export permits for scrap metal, is now rationalised and restricted to one Authority, namely, the Ministry of Industry and International Trade. All such other authorities are, therefore, invalidated.

Reserve Assets

256. Mr Speaker Sir, in light of major leakages being experienced in mining, Government has reclassified diamonds, emeralds, and platinum as reserve assets, alongside gold.

257. In this regard, the management of diamonds, emeralds and platinum will be through the Reserve Bank.

Skills Training

258. Mr Speaker Sir, enhancing the potential of mining would also require that we capacitate the University of Zimbabwe and the School of Mines.

259. Failure will have adverse effects on domestic skills availability, forcing the industry to rely on external technical expertise.

Plugging Leakages

260. Government will also adopt stiffer penalties, as part of the measures to support plugging of leakages through externalisation.

Public Enterprises & Companies with Government Shareholding

Capitalisation

261. While Government has full ownership and control of public

enterprises, the financial and economic benefits arising from this shareholding have often been low, owing to under performance of these entities. Currently, one of the major challenges compromising efficient service delivery emanates from their under-capitalisation.

262. Given current Budgetary resource constraints, there is scope for tapping the large potential resource base through selective listing on the stock exchange as well as targeted friendly direct foreign investor participation on a joint venture basis.

263. Significant equity anchored joint ventures with competent consortia of foreign and local partners would raise financial and technical resources for investment in expansion, improved efficiency and reliability, as well as liquidating outstanding and current obligations.

264. The Framework for the re-capitalisation of such entities as the Cold Storage Company, ZESA, Air Zimbabwe, National Railways of Zimbabwe (NRZ), as well as telecommunication companies Tel-One and Net-One, is being developed. This will

also apply to companies in which Government has significant shareholding, such as Hwange Colliery, and the Zimbabwe Iron and Steel Company (ZISCO).

265. Given that these entities have Government shareholding, it will be necessary that provision be made to facilitate the participation of other investors, also allowing for possible debt restructuring.

266. Where Government has identified an enterprise and taken the decision for joint venture investment with strategic partners, the implementation modalities of such investment will reside beyond the Minister responsible for administering its legislation.

Asset Disposal

267. In the disposal of identified assets, bids from potential joint venture partners and other investors would be evaluated using international best practices.

Governance

268. With regards to support for good corporate governance, I will be

proposing legislation providing for greater role clarity and accountability of boards and management through a Public Finance Management Bill.

269. In the interim, all Public Enterprises boards are now required to institute the necessary arrangements to ensure that key posts are manned by substantive personnel with the requisite skills and competencies.

Companies with Government Shareholding

270. Mr Speaker Sir, Government has some significant investments and shareholding in a number of companies other than public enterprises.

271. Regrettably, most of them have not been contributing to Government revenue by way of dividends. Instead some of them have been operating with expectation of further handouts from the tax-payer, extending Government exposure beyond its shareholding.

272. I, therefore, propose to tighten the requirements for all companies in which Government has shareholding to pay

dividends. In this regard, the Accountant General has been directed to work out the necessary arrangements with the respective company Boards and Management.

Shareholding in Listed Companies

273. Government shareholding in listed non strategic companies also offers scope to mobilise foreign currency resources for the country.

274. This also has the potential to promote economic empowerment, as well as enhance private sector growth, whilst allowing Government to devote its resources to strategic parastatals and provision of essential social goods and services.

Infrastructure Development

275. Government efforts in infrastructure rehabilitation and development in such sectors as power generation, road and dam construction as well as water infrastructure offer scope for not only supporting productive sectors but also stimulating economic activities and generate more employment.

276. Given Budget resource constraints, there are opportunities for enlisting the participation of credible private investors, some of whom have already expressed interest to complement Government efforts through joint ventures under the Built Operate Transfer/ Built Own Operate Transfer (BOT/BOOT) arrangements.

277. Mr Speaker Sir, some potential infrastructure investment projects have failed to take off on account of such issues as consensus over tariffs, water rights and shareholding, among others. Government will, therefore, be engaging investors as well as structuring appropriate incentives and other measures that guarantee viability of identified projects.

278. Notable sectors and projects identified for implementation under BOT/BOOT arrangements include the following:

Roads and Railways

- Harare – Beitbridge road dualisation;
- Harare – Chitungwiza railway line.

Electricity Generation

- Expansion of Kariba Power Station;
- Expansion of Hwange Power Station.

Water & Irrigation

- Construction of Kunzvi, Tokwe-Mukosi, Biri and Gwayi-Shangani dams;
- Expansion and construction of irrigation schemes such as Middle Sabi, Nuanetsi, Wenimbi, Osbourne, Manyuchi and Dande.

Telecommunications

- Network expansion and upgrading.

Government Buildings & Housing

- Construction of houses;
- Maintenance of Government buildings.

Iron & Steel Making

- Refurbishment of ZISCO.

Toll Gates

279. Mr Speaker Sir, notwithstanding that Government has already taken the decision to install toll gates as part of the efforts to provide for the resources necessary to maintain and upgrade our national road infrastructure, implementation has remained mired in bureaucratic inertia.

280. The Zimbabwe Revenue Authority is, therefore, now directed to set up rudimentary Toll gate structures to facilitate the collection of toll fees along our major highways as from 1 March 2009.

281. The payable Toll gate rates will be as follows:

- Motor cycles US\$1.00
- Passenger vehicles & light trucks US\$2.00
- Minibuses US\$3.00
- Buses US\$5.00
- Heavy Trucks US\$7.00
- Haulage Trucks US\$10.00

282. The Programme will initially target our inter-city national highways.

In this regard, ZIMRA will be communicating with the general public the various designated sites where Toll gates will be installed.

Production of Vehicle Number Plates

283. Mr Speaker Sir, the vehicle number plates which used to be produced locally are now wholly imported from outside the country with only the inscription of numbers done locally. This, in an environment where the country is experiencing foreign currency constraints is not sustainable.

284. I, therefore, propose that the production of number plates for vehicle registration be done locally as was the situation before. This measure takes effect from 1 March 2009.

Change of Vehicle Ownership

285. Mr Speaker Sir, the previous vehicle registration system tied the

number plate specifically to the vehicle, even in situations where a vehicle changed ownership.

286. Under the current system, vehicle number plates are now specific to the owner to the extent that if they lose the number plates for the same vehicle, a new set has to be acquired. Similarly, in cases where vehicle ownership changes, a new set of number plates is also required.

287. Hence, the current system entails that if one piece of the set of number plates is lost, a new set of number plates with totally different numbers is required, a situation resulting in a waste of scarce foreign exchange resources.

288. With immediate effect, the Central Vehicle Registry will allow upon change of ownership, the same number plates to be transferred to the new owner. This only applies to the newly introduced alpha numeric number plates.

Vehicle Registration

289. Mr Speaker Sir, while the Central Vehicle Registry is the sole vehicle registration authority, it has appointed ZIMRA, City of Harare, City of Bulawayo and Zimpost as vehicle registration agencies.

290. Hence, the registration of new vehicles is currently carried out by the above agencies, a situation that has often compromised the security of the vehicle registration system as well as payment of the relevant registration and licensing fees.

291. Cases of registration of vehicles that would have been smuggled into the country, as well as tampering with the registration books have been experienced.

292. While the registration of vehicles and change of ownership remains the responsibility of the Central Vehicle Registry (CVR), collection of fees and other taxes associated with vehicle registration is paramount.

293. I have, therefore, directed ZIMRA to engage the CVR to work out measures to plug loopholes associated with collection of fees and other taxes on vehicle registration. Once modalities are in place, I will be communicating the necessary review mechanism.

294. Furthermore, the CVR should take advantage of the existing provincial Vehicle Inspectorate Department offices to widen their accessibility.

Health Services Delivery

295. The health sector is faced with a number of challenges which require substantial amounts of Government funding.

296. Current estimates indicate that about US\$250 million is required to restore health services. The bulk of this contribution would come from Government, with user fees anticipated to contribute initially only about 5%.

297. This, Mr Speaker Sir, would have to be complemented by further review of fees and charges.

Health Personnel

298. The health personnel remain covered by the general Government remuneration policy framework.

299. This is without prejudice to tailor-made top-up special allowances, such as those applicable under the cholera control programmes.

Health Infrastructure

300. A number of health infrastructure projects have remained uncompleted for a long time, owing to resource constraints.

301. Government, therefore, proposes prioritising completion of unfinished projects before embarking on new ones. This ensures that the country gets value for money from its programmes and projects.

Indiscipline & Corruption

302. There is a notable general rise in corruption and indiscipline

in both the public and private sectors, which are frustrating economic turnaround efforts. The prevailing shortages of goods and services associated with low production are also contributing to the rise in corruption cases.

303. Whilst this Budget is addressing challenges on supply constraints, Government, has also considered stiffer penalties to decisively deal with such malpractices.

304. I am, therefore, proposing the following standard scale of fines:

Standard Scale of fines

Level	Current fine (Z\$)	Proposed fine (US\$)
1	5	5
2	10	10
3	20	20
4	50	100
5	100	200
6	200	300

7	300	400
8	400	500
9	500	600
10	600	700
11	900	1000
12	1000	2000
13	2000	3000
14	5000	5000

305. Furthermore, I propose that the Minister of Finance assumes the responsibility of reviewing the standard scale of fines in consultation with line Ministries.

306. This measure takes effect from 30 January 2009.

EXPENDITURE PROPOSALS

307. Mr Speaker Sir, I have already alluded to the negative impact of the entrenched inflationary tendencies on the economy in general and the Zimbabwe dollar in particular. This has necessitated the adoption of multiple currencies to anchor our transactions.

308. In this regard, the 2009 Budget Estimates are being presented in Zimbabwe dollars, the United States dollar and the South African rand. The prevailing United Nations exchange rate has been used to compute the local currency values.

309. Mr Speaker Sir, tabling the 2009 Budget Estimates in both the Zimbabwean dollar and selected foreign currencies will facilitate expenditure transactions during 2009, which will be on the basis of strict budget allocations, in line with available foreign currency revenue receipts.

310. The Secretary to the Treasury will be communicating with Ministries on the necessary details, including guidance on treatment of transactions and the accounting procedures thereof.

Expenditure Bids

311. Mr Speaker Sir, in light of the use of multiple currencies in transactions, along side the Zimbabwe dollar, Ministries costed and presented their expenditure bids in foreign currency.

312. Mr Speaker Sir, the level of the expenditure bids by Ministries were, in most cases, at unsustainably high levels.

Estimates of Expenditure Proposals

313. Mr Speaker Sir, I have had to rationalise the requirements by line Ministries in line with the anticipated foreign exchange revenues, which are projected at \$59.5 quintillion (US\$1.7 billion) for the 2009 financial year without any deficit provisions.

314. Mr Speaker Sir, I therefore propose a total 2009 Budget of \$66.5 quintillion (US\$1.9 billion), comprising \$50.75 quintillion (US\$1.45 billion) recurrent expenditure and \$15.75 quintillion (US\$0.45 billion) capital expenditure.

315. The above Budget provision includes an amount of \$7 quintillion (US\$200 million), being resources already committed by cooperating partners which are earmarked for specific programmes. Such resources will be accounted for as the Vote of Credit.

316. Mr Speaker Sir, allow me, therefore, to now highlight to Honourable Members components of the Budget Expenditure Proposals.

Employment Costs

317. The proposed 2009 Budget Provision for the overall employment costs comprising the wage bill, pension as well as medical aid insurance, therefore, amounts to \$16.9 quintillion (US\$482.8 million).

Government Wage Bill

318. Mr Speaker Sir, taking into account the remuneration framework I have highlighted earlier, which takes into account the need to introduce payment in foreign currency, I have made provision for an amount of \$12.67 quintillion (US\$361.9 million) for the wage bill.

Government Pensions

319. Mr Speaker, Sir, Government has an obligation to address the welfare of its former employees who are now pensioners. This group would need, to the extent possible, to be looked after through payment of their due pension benefits.

320. However, the developments regarding loss of value of our local currency have left our pensioners, just like the serving members, with no coping mechanisms for sustenance.

321. Therefore, Mr Speaker Sir, as we were reviewing the remuneration framework for public servants, Government has also paid attention to pension benefits.

322. However, the challenge at present is that foreign currency revenues are projected to start very low during the first quarter of the year. Therefore, actual pension payment modalities will be worked out in due course.

Public Services Medical Aid

323. Mr Speaker Sir, Honourable Members will be aware that the liberalisation of the foreign exchange market has imposed some challenges across the board, with medical insurance affected as well. A situation now prevails whereby, without foreign currency subscriptions, medical aid societies are unable

to meet claims by service providers, since the latter are charging in foreign currency.

324. In light of the above, and as an interim measure to guarantee basic cover for Government employees, I propose to allocate \$87.5 quadrillion (US\$2.5 million) towards employer contribution to the Premier Service Medical Aid Society.

325. This amount covers 100% of foreign currency contribution due from both the employer and employee, given the low capacity for civil servants to meet full foreign currency contribution. Members will, however, be required to meet the full local currency component.

Operations & Maintenance

326. Mr Speaker Sir, for operational requirements including office running expenses, stationary supplies and other necessities, I propose to allocate an amount of \$17.96 quintillion (US\$513 million).

327. This amount covers line Ministries and their Departments as well as institutions funded through grants from the fiscus such as the Sports and Recreation Commission, the Consumer Council of Zimbabwe and universities.

Social Protection

328. Mr Speaker Sir, our human development indicators have continued to deteriorate on account of depressed economic performance.

329. This has increased the number of vulnerable groups requiring Government assistance.

330. Mr Speaker Sir, Government, is reviewing the levels of support under the various existing social protection programmes such as the Basic Education Assistance Module (BEAM), Public Health Assistance, Public Works and Children in difficult circumstances, among others.

331. I am, therefore, proposing to allocate \$1.87 quintillion (US\$53.5

million) under the social protection programmes.

Education and Health

332. Mr Speaker Sir, I have alluded earlier to the negative impact that inflation has had on provision of education and health services.

333. Inflation has not only eroded incomes of our teachers, lecturers and health personnel but also contributed to inadequate teaching materials, medicines and drugs as well as deterioration in facilities and infrastructure.

334. Therefore, it is imperative that measures aimed at fighting inflation are put in place to complement the following allocations.

Education

335. Mr Speaker Sir, it is critical that we urgently address the challenges afflicting the education sector as they threaten to reverse and undermine the gains made thus far.

336. To this end, I propose to allocate an amount of \$5.2 quintillion

(US\$149.8 million) to the Ministry of Education, Sport and Culture.

337. I have set aside an amount of \$378.9 quadrillion (US\$10.8 million)

under this Ministry for the construction and rehabilitation of schools.

The aim is to phase out hot sitting and improve access, especially in the newly resettled areas.

338. I also propose to set aside an amount of \$1.6 quintillion (US\$46.1

million) for the procurement of teaching, learning materials and equipment. An amount of \$103.7 quadrillion (US\$2.96 million) is also being set aside to facilitate supervision of schools by enhancing mobility of Education Officers while setting aside an amount of \$221.57 quadrillion (US\$6.33 million) for in-service training for school heads.

339. The integrity of our public examinations has recently come under spotlight following delays in their setting, conduct and marking.

340. Therefore, to improve and restore confidence, an amount of

\$592.39 quadrillion (US\$16.9 million) is proposed under the Zimbabwe Schools Examination Council (ZIMSEC) for this purpose. This amount will be supplemented by additional income from examination fees, which will be reviewed upwards with effect from this year.

Tertiary Institutions

341. Mr Speaker Sir, our institutions of higher learning have also faced challenges relating to staff retention, shortage of teaching and learning materials as well as general support services.

342. In an effort to turn around tertiary learning, I propose to allocate an amount of \$1.1 quintillion (US\$29.9 million) for state universities, comprising \$437.5 quadrillion (US\$12.5 million) for recurrent expenditure requirements and \$609 quadrillion (US\$17.4 million) for capital projects, including teaching and learning equipment.

343. I also propose to allocate \$437.2 quadrillion (US\$12.5 million) for the thirteen Teachers' Training colleges and ten Polytechnics, mainly focusing on operational requirements.

344. The provision under Higher and Tertiary Education also caters for \$175 quadrillion (US\$5 million) in support of students under the National Education Training Fund, including targeted students under the Cadetship programmes.

Health

345. Mr Speaker Sir, adequate provision of drugs and other medical supplies, equipment, ambulances and service vehicles, including attraction and retention of staff, are critical success factors in the delivery of health services.

346. In this regard, I therefore propose to allocate \$5.52 quintillion (US\$157.8 million) to the Ministry of Health and Child Welfare.

347. Of this amount, \$2.1 quintillion (US\$59.9 million) is targeted at Government central, provincial and district hospitals as well as rural health centres. In this allocation, 60% caters for the procurement of drugs and medical supplies while the balance stands for general running expenses for these institutions.

348. With this allocation, it is my expectation that our health institutions will now be able to have improved levels of essential and necessary drugs including other medical supplies.

Drugs

349. To improve and strengthen the referral system, I propose to set aside \$759.5 quadrillion (US\$21.7 million) for the procurement of drugs and other medical supplies for local authorities and mission hospitals and clinics.

350. In order to increase NatPharm's capacity to support the health sector through the supply of drugs and medical resources, I have made a special allocation of \$568.75 quadrillion (US\$16.25 million) for its capitalisation.

Equipment

351. In addition, I have set aside an amount of \$141.2 quadrillion (US\$4 million) for procurement of sixty-one ambulances and

eighty service vehicles.

Health Infrastructure

352. Mr. Speaker Sir, our health infrastructure such as boilers and steam reticulation systems as well as laundry equipment continues to deteriorate due to lack of adequate maintenance and age.

353. Mr Speaker Sir, mindful of our resource constraints and also taking into account, challenges in technical and supervisory capacity, we have, however, taken a deliberate stance to limit the number of health sector projects this year's Budget takes on board.

354. I, therefore, propose to allocate an amount of \$231 quadrillion (US\$6.6 million) for urgent rehabilitation works at Harare, Mpilo, United Bulawayo Hospital and Chitungwiza Central Hospitals.

355. Furthermore, an amount of \$315.6 quadrillion (US\$9 million) has been set aside for ongoing construction works. Included in this

allocation is works on two provincial hospitals (\$2.63 quadrillion), five district hospitals (\$31.57 quadrillion) and three rural health service centres (\$42 quadrillion).

Agriculture

Support Towards Grain Production

356. Mr. Speaker Sir, as I have indicated earlier on, Government efforts will now be directed towards rebuilding of the national strategic grain reserves, extension services to all farmers as well as supporting communal farmers.

357. To this effect resources amounting to \$280 quadrillion (US\$8 million) have been set aside to support grain production for the Communal, A1 and the newly Resettled farmers.

358. The support will be in the form of subsidised inputs targeting 300 000 ha with expected yield of 500 000 metric tonnes. Support will also be extended to the vulnerable groups through provision of inputs comprising 10kg grain seed; 50kg compound D and 50kg ammonium nitrate.

359. To facilitate achievement of the set production levels, resources amounting to \$240.1 quadrillion (US\$6.9 million) have been set aside to strengthen extension services and monitoring of the programme through Agritex.

360. I also propose to allocate \$175 quadrillion (US\$5 million) to cover importation of grain up to the next harvest.

Tobacco Production

361. The land reform programme saw a shift to tobacco production by the newly resettled farmers. It has therefore become necessary to unlock this production potential through provision of working capital targeting about 25 000 hectares. Resources amounting to \$105 quadrillion (US\$3 million) have thus been set-aside for this purpose.

Livestock Production

362. Mr Speaker Sir, I propose to allocate an amount of \$56 quadrillion (US\$1.6 million) towards the Rebuilding of the National Herd

Programme.

363. This programme, which involves the procurement of bulls, cows and artificial insemination will be implemented through Agribank, agricultural colleges, the Cold Storage Company and the Agriculture Rural Development Authority (ARDA).

364. Alongside the livestock-rebuilding programme, Government is also making resources available for enhancement of veterinary services including procurement of vaccines and dipping chemicals for the prevention of animal disease outbreaks under the Animal Disease and Risk Management Programme.

Other Capital Projects

365. Mr Speaker Sir, as I have indicated earlier on, our roads, water and sewerage systems in particular have gone beyond their economic life span and, therefore, require rehabilitation and maintenance.

366. Taking account of these constraints and working with implementing agencies, I have had to scale down the number of projects to manageable levels. Therefore, out of a total stock of 1 705 public sector projects that Ministries proposed to implement, I have made provision amounting to \$12.4 quintillion (US\$354.6 million) to cater for only 594 projects.

Roads and Bridges

367. Mr. Speaker Sir, I am proposing to allocate an amount of \$2.1 quintillion (US\$59.3 million) covering construction and rehabilitation of our road network.

368. An amount of \$362.5 quadrillion (US\$7.5 million) is being set aside for dualisation of Harare – Masvingo, Harare – Bulawayo and Masvingo – Beitbridge roads.

369. For construction of major roads, I have allocated \$350 quadrillion

(US\$10 million) for ongoing construction works. Of this amount, \$63 quadrillion (US\$1.8 million) is targeted at the completion of the construction of Bindura – Shamva road while \$287 quadrillion (US\$8.2 million) covers further works on five high volume roads.

370. A specific amount of \$1.3 quintillion (US\$36.2 million) is proposed for resealing of eight roads and re-gravelling of thirteen roads in the country's ten provinces.

371. For the construction and rehabilitation of rural roads, I propose to allocate \$175 quadrillion (US\$5 million) under the District Development Fund (DDF).

Toll Gates

372. Mr Speaker Sir, in order to kick start the establishment of toll gates on all our major road networks, I have, therefore, allocated \$70 quadrillion (US\$2 million) for the construction of appropriate structures.

Water and Sanitation

373. Mr Speaker Sir, water supply and sanitation management in both rural and urban areas remain a challenge in terms of supporting business activities as well as access to clean water by the general public.

374. To address the water and sewer challenges, I am proposing to set aside an amount of \$1.1 quintillion (US\$31.2 million) for water and sewer provision in both urban and rural areas.

Urban Water Supply & Sanitation

Harare

375. In line with the decision to transfer the function of water and sewer management from ZINWA to local authorities, I propose to allocate an amount of \$451.5 quadrillion (US\$12.9 million) to Harare City Council.

376. This amount will cover desludging of sewer tanks, installation of

pumps and rehabilitation of equipment at Firle, Crowborough and Zengeza sewer treatment works as well as pipe replacement in some residential areas.

377. To improve water pumping and distribution capacity for Harare and its environs, I propose to allocate an amount of \$150.5 quadrillion (US\$4.3 million) to cater for upgrading works at Morton Jaffray Water works as well as \$35 quadrillion (US\$1 million) for pipe replacement.

Bulawayo

378. Mr Speaker Sir, I am aware that the City of Bulawayo has had perennial water challenges. The construction of the Mtshabezi Pipeline, which would have supplied to the city, is taking long to complete.

379. Therefore, to enhance water supply to the city, for the time being, I am proposing to allocate an amount of \$4.73 quadrillion (US\$135 000) for the rehabilitation of boreholes and upgrading of the treatment works.

Other Urban Local Authorities

380. For the other urban sewer and water supply schemes around the country I propose to allocate an amount of \$23.45 quadrillion (US\$670 000) to cater for the following cities and towns:—

Town	Project Name	2009 Provision
Mutare	Chikanga reservoir Mutare outfall sewer Gimboki Phase 3 extension	\$2.45 quadrillion \$5.78 quadrillion \$3.33 quadrillion
Gweru	Gweru City Water Supply Gweru City Sewage Rehabilitation	\$3.5 quadrillion \$3.5 quadrillion
Marondera	Marondera Water Supply	\$3.5 quadrillion
Chinhoyi	Chinhoyi Clear Water Chinhoyi Fernlea Sewage Station	\$700 trillion \$700 trillion

381. To augment the above allocations, the responsible authorities will raise additional revenues through charging of cost reflective tariffs to allow them to re-invest in equipment and the conveyance system maintenance.

Waste Management

382. Mr Speaker Sir, the recent outbreak of cholera has brought to the fore, challenges relating to waste management in most of our urban areas.

383. The shortage of financial resources, fuel and refuse removal equipment has led to local authorities leaving refuse uncollected, thereby creating unhygienic conditions which promote the spread of diseases.

384. Whilst the Budget will make provision of \$175 quadrillion

(US\$5 million) to address some of these challenges, the local authorities will come up with specific tariffs for targeted services.

Rural Water & Sanitation Programme

385. To cover for the provision of clean water in our rural areas, I propose to allocate an amount of \$598.5 quadrillion (US\$10.57 million) under the Rural Capital Development Fund. This amount will cater for the rehabilitation of about 9 000 boreholes and sanitation facilities throughout the country.

386. In addition, I propose to allocate an amount of \$12.6 quadrillion (US\$360 000) to DDF for the drilling of an additional 10 boreholes in each province.

Airports

387. Mr Speaker Sir, the rehabilitation of Harare, Victoria Falls and J.M. Nkomo airports, as well as upgrading the Buffalo Range

Airport are critical to facilitate traffic as well as tourism targeting the 2010 World Cup in South Africa.

388. I, therefore, propose to allocate an amount of \$126 quadrillion (US\$3.6 million) for on-going works under these airport projects.

This will cover rehabilitation of the runway and sewer upgrading works at Harare Airport and procurement of baggage handling equipment, car park, access road and other finishes at J.M. Nkomo Airport.

389. It is important for the Airports Authority to take full advantage of the interest shown by some investors in the upgrading of our airport infrastructure particularly the Victoria Falls Airport.

Dam Construction and Irrigation Development

390. Mr Speaker Sir, agricultural production stands to improve, if we are to increase irrigation capacity, taking full advantage of existing water bodies as well as complete the dams currently under construction.

391. I have already indicated above infrastructural projects including dams which have potential for attracting joint venture capital with the private sector.

392. In addition to the above, I have prioritised Bubi-Lupane and Mutange dams and allocated \$224 quadrillion (US\$6.4 million) to facilitate their completion.

393. Of the existing large dams, work to complete water conveyance and infield works will be speeded up to enable full utilisation of the water resources for agricultural production.

394. In this regard, Government has prioritised the expansion of irrigation schemes on dams in various districts. (See Annex 3).

Energy

395. Mr Speaker Sir, the country requires urgent rehabilitation and expansion of electricity generating projects in order to support our productive sectors.

396. Government has already taken the stance to review electricity tariffs to economic levels, thereby enhancing resources to finance power utility operations.

397. In order to augment the above, I accordingly propose to allocate \$227.5 quadrillion (US\$6.5 million) for ZESA for the procurement of critical spares and consumables, refurbishment of generation facilities including Hwange Thermal Power Station, rehabilitation of transmission networks.

Rural Electrification

398. Mr Speaker Sir, our Rural Electrification Programme is an initiative geared towards empowering rural communities to enhance their productive capacity as well as their standards of living.

399. The Rural Electrification Programme continues to pursue the

extension of the grid as well as coordinate end use infrastructure development.

400. The proposed Budget of \$147 quadrillion (US\$4.2 million), therefore, targets five (5) grid extension projects and some end use infrastructure projects while provision has also been made for mini-grid solar systems.

401. The end use infrastructure projects include grinding mills, cottage industries and irrigation schemes.

Institutional & Office Accommodation

402. A number of Government institutional and office buildings are under construction. Resource constraints have delayed completion of these projects, necessitating a targeted approach in allocating resources.

403. I am, therefore, proposing to allocate resources to the following prioritised projects: —

Project	Local Currency	US\$
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	(Quadrillions)	(millions)
Central Registry	105.0	3.00
Interpol Regional Office	17.5	0.50
Lupane Composite Office Block	33.8	0.96
5 District Registry Offices	16.3	0.46
Central Investigation Department Headquarters	38.5	1.10
Zimbabwe Defence Forces' Institutional accommodation	59.5	1.70
Chinhoyi & Gwanda Magistrates courts	122.5	3.50
Beitbridge Redevelopment Projects	115.5	3.30

Maintenance

404. Mr Speaker Sir, maintenance of Government infrastructure

particularly public buildings remains an area of great concern.

Given the hyper-inflationary environment, much of the planned maintenance work had been inadequately funded.

405. In addition, concerns have been raised about the capacity of the Public Works Department to undertake and supervise maintenance works given flight of its workforce especially engineers and artisans.

406. Taking cognisance of the need to restore the value and improve the operating environment of public buildings I propose an allocation of \$173.9 quadrillion (US\$4.97 million) towards the maintenance of public buildings.

407. This amount is shared between the Ministries of Local Government, Public Works and Urban Development \$103.6 quadrillion (US\$2.96 million) for urban infrastructure and that of Rural Housing and Social Amenities \$70.3 quadrillion (US\$2 million) for rural infrastructure.

Cooperating Partners

408. Mr Speaker Sir, I have also taken into account limited financial support from cooperating partners in a number of ongoing projects in the areas of food security, health, education, among others.

409. This is estimated to mobilise financial support to the tune of US\$200 million.

REVENUE PROPOSALS

2009 Revenue Projections

410. Mr Speaker Sir, cognisant of the current poor level of economic performance, the revenue generation challenge that we face can only be overcome by taking advantage of our economy's huge potential, which the policy measures that I am proposing are meant to realise during 2009.

411. The 2009 Budget revenue estimates I am tabling, therefore, require that we successfully implement comprehensive and

mutually reinforcing macro-economic reforms, including the removal of all price distortions and controls which though noble in their intentions have had the unintended consequences of hampering production while not helping the intended beneficiaries.

412. It is in light of this that I have also proposed fundamental macro and micro economic reforms encompassing fiscal, monetary and exchange reforms, structural, pricing as well as legal and institutional reforms, targeted at stimulating positive supply response.

413. Taking account of the above, I am tabling the 2009 Budget Estimates providing for Revenues amounting to US\$1.7 billion, being the potential realisable collections as we implement essential economic reforms backed up by the necessary political will. Astute technocratic implementation and time-bound monitoring framework will also be critical.

414. Mr Speaker, Sir, the above revenue estimates are also premised on strengthening revenue collection, embracing into the Budget

revenue net those currently evading tax in the informal sector. This requires efficient administration that enhances tax compliance.

415. Mr Speaker Sir, allow me to present the anticipated performance of the respective revenue heads.

Foreign Exchange Tax Measures

416. Mr Speaker Sir, to meet the operational costs of Government including the new Remuneration Framework, it will be necessary that we introduce a number of tax measures targeted at mobilising resources in both local and foreign currency.

417. In this regard, the 2009 Budget proposes measures to broaden the collection of some of the tax revenue in foreign currency. Remittances in Foreign Currency

Corporate Profit Tax

418. Mr Speaker Sir, corporate profit tax is currently payable in

local currency, except in instances where the holder of a special

mining lease has elected to maintain all books and records relating to the special mining lease operation in foreign currency.

However, most companies now conduct business in foreign currency, hence realise profits in the same currency.

419. I, therefore, propose that corporate tax be remitted in the currency

in which business is conducted with effect from 1 January 2009.

Value Added Tax (VAT)

420. The VAT legislation provides that where payment for supplies of

goods and services is in foreign currency, VAT should also be payable in foreign currency. However, upon importation VAT is payable in local currency. VAT remittances to the fiscus are thus

not commensurate with the volume of business conducted in foreign currency.

421. I, therefore, propose that import VAT be payable in foreign currency

on the value of all imports with effect from 30 January 2009.

Customs Duty

422. Mr Speaker Sir, Customs duty is currently determined by applying the duty rate on the foreign currency value of goods converted to the local currency using the inter-bank rate. Taxpayers settle the bulk of their tax obligations to Government by means of cheque or electronic transfers using funds that are in some instances obtained through parallel market activities. The value of tax paid to Government is thus undermined.

423. I, therefore, propose to charge customs duty in foreign currency on all imports with effect from 30 January 2009.

Carbon Tax and NOCZIM Debt Redemption Levy on Fuel

424. Oil Companies currently sell fuel in foreign currency. However, carbon tax and NOCZIM Debt redemption levy is paid in local currency.

425. I propose to levy carbon tax and NOCZIM Debt redemption levy on fuel in foreign currency with effect from 30 January 2009. I

further propose to review the rates of customs duty on fuel,
carbon
tax and NOCZIM redemption levy, with effect from 30 January
2009
as follows:

Tax Head	Current Rate	Proposed Rate
Customs Duty	5% of CIF value or Z\$236 500 per litre	30% of CIF value or US 16 Cents per litre, which ever is greater
Carbon Tax	Zim 20 cents per litre	5% of CIF value or US 3 cents per litre, which ever is greater
NOCZIM Debt Redemption	Zim 20 cents per litre	5% of CIF value or US 3 cents per litre, which

		ever is greater
Total	Z\$236 500.4 per litre	40% or US 22 Cents per litre

Excise duty

Clear Beer, Alcoholic Beverages, Cigarettes and Tobacco

426. Mr Speaker Sir, excise duty on imported and locally produced

clear beer and alcoholic beverages is payable in local currency.

Clear beer and alcoholic beverages are however currently traded in foreign currency.

427. I, therefore, propose to charge excise duty on imported and

locally produced beer and alcoholic beverages in foreign currency. I further propose to levy excise duty on locally produced cigarettes and tobacco in foreign currency.

428. The above measure takes effect from 30 January 2009.

Second Hand Motor Vehicles

429. Mr Speaker Sir, whereas trade in second-hand motor vehicles by individuals and registered operators is currently being conducted in foreign currency, excise duty is still payable in local currency, thereby depriving the fiscus of the much-needed foreign currency.

430. I propose that excise tax on second hand motor vehicles be collected in foreign currency with effect from 30 January 2009.

Presumptive Tax

431. Presumptive tax was introduced to capture the hard to tax informal sector. The contribution of presumptive tax to total revenue is however insignificant due to the impact of inflation, since presumptive taxes are paid on a quarterly basis.

432. The informal sector businesses notably hair salons, driving schools and taxicabs are trading in foreign currency.

433. In order to mitigate loss of revenue to the fiscus, I propose to

levy presumptive taxes in foreign currency on a quarterly basis with effect from 1 January 2009, as follows:

Driving Schools

- **Vehicles used for Class 4 Training – US\$500 per vehicle.**
- **Vehicles used for Classes 1 and 2 Training – US\$600 per vehicle.**

Haulage Trucks

- **Of carrying capacity of less than 20 tonnes – US\$1 000 per vehicle.**
- **Of carrying capacity of more than 20 tonnes – US\$2 500 per vehicle.**
- **Combination of haulage truck trailers of a capacity of 15 – 20 tonnes – US\$2 500 per vehicle.**

Commuter Transport Operators

- **Of carrying capacity of 8 – 14 passengers – US\$150 per vehicle.**
- **Of carrying capacity of 15 – 24 passengers – US\$200 per vehicle.**

- Of carrying capacity of 25 – 36 passengers – US\$400 per vehicle.
- Of carrying capacity of 37 passengers and above– US\$650 per vehicle.

Taxi-cab Operators

- US\$100 per vehicle.

Hair Salons

- US\$1 500 per salon.

434. Mr Speaker Sir, it must be noted that presumptive taxes are only levied in cases where the businesses do not keep proper books of accounts and pay their tax liabilities.

435. The rates are set higher to encourage businesses to register with ZIMRA for tax purposes where they consider the presumptive tax liability is not reflective of the actual performance of the business.

Capital Gains Tax and Stamp Duty on Immovable Properties

436. Property Developers and Real Estate agents sell immovable property in foreign currency. However, the capital gains tax and stamp duty on immovable properties is payable in local currency.

437. I propose to levy capital gains tax and stamp duty in foreign currency where immovable property is disposed of in the same currency with effect from 30 January 2009.

Pay As You Earn (PAYE)

438. The Income Tax legislation provides for payment of PAYE in foreign currency, where an individual is remunerated in foreign currency. Tax payable is determined by converting the salary into local currency using the prevailing inter-bank exchange rate and applying the appropriate tax rates.

439. Use of the inter-bank exchange rate for purposes of determining the tax payable has resulted in most employees earning foreign currency denominated salaries either being left outside the tax

net or being taxed heavily.

440. This was further exacerbated by inflexible movement in the inter-bank exchange rate, which was not commensurate with the regular review of the tax-free threshold and bands.

441. Mr Speaker Sir, in order to enhance the contribution of PAYE

to tax revenue and also uphold regional best practices in the taxation of incomes earned in foreign currency, I propose to introduce separate foreign currency tax tables for employees remunerated in foreign currency with effect from 1 February 2009.

Withholding Tax

Tenders, Consultancy and Other Services

442. Withholding tax on tenders, consultancy and other services

between unregistered and registered businesses is currently paid in local currency.

443. Where transactions are conducted in foreign currency, I propose that withholding tax should be payable in the same currency. This measure will apply on tenders, consultancy

and other services above US\$250 per transaction with effect from 30 January 2009.

Commercial Imports by Unregistered Traders

444. Mr. Speaker Sir, withholding tax on commercial imports by unregistered traders was introduced with a view to enforce payment of taxes by informal traders.

445. In view of the fact that goods imported by unregistered traders are sold in foreign currency, I propose that the withholding tax on commercial imports by unregistered traders be paid in foreign currency with effect from 30 January 2009.

Accelerated Remittance Periods

VAT

446. VAT is payable within a period of 30-90 days depending on categories in which registered traders fall.

447. Due to inflationary developments and the need to improve cash flow inflows to Government, tax remitted after a lapse of 30-90 days loses value. I, therefore, propose that VAT payment dates

be brought forward to the third day of the following month with effect from 1 January 2009. The proposed payment date applies to all registered operators.

PAYE

448. PAYE is remitted within 15 days of the following month, after collection. However, some employers have been remitting PAYE to the fiscus within the month of collection.

449. I propose that the time period for remittance of PAYE be reviewed to the third day of the following month with effect from 1 January 2009.

Capital Gains Withholding Tax

450. Capital Gains Withholding tax is levied on sale of immovable properties. The tax is collected by conveyancers, legal practitioners and estate agents and is remitted within a period of 30 days, from time recieved.

451. In order to minimise the loss of value of revenue remitted to the
fiscus, I propose to review the remittance period to the third
day
of the following month with effect from 1 January 2009.

Value Added Tax Registration Threshold

452. Due to inflation developments, the current VAT
registration
threshold has declined in value to an extent that micro
businesses
are obliged to register for VAT purposes. This increases
the cost of compliance for small and medium enterprises and
also compromises ZIMRA's administrative effectiveness.

453. With effect from 30 January 2009, I propose to review the
VAT
registration threshold to US\$60 000 per annum.

454. This measure does not apply to operators who are already
registered for VAT purposes.

Motoring Benefits

455. Motoring benefits that accrue to employees are deemed to be employment income, which is grossed up to their salary for purposes of income tax.

456. I propose to review the deemed motoring benefits, with effect from 1 February 2009, as follows:

Engine capacity	Current Level ZW\$	Proposed Level US\$ per month
Up to 1 500cc	45 000	50
Over 1500cc not exceeding 2000cc	50 000	60
Over 2000cc not exceeding 3000cc	70 000	80
Over 3000cc	90 000	100

457. Where the fringe benefit accrues to a taxpayer earning a salary

in local currency, the deemed income will be converted to local currency using the rate at which exporters are paid by the Reserve Bank upon surrender of export proceeds.

Tax on Miscellaneous Income Deposits into Individual & Corporate Accounts

458. Due to illegal parallel market activities, huge amounts of deposits have been reflected in both individual and corporate accounts. This unproductive income has largely remained outside the tax net.

459. I propose to introduce a special tax on funds deposited into individual and corporate accounts at the highest marginal tax rate of 40%, with the tax-free threshold to be determined in tandem with market developments, with effect from 1 February 2009.

460. This proposal will not apply to lawful sources of income as defined in the Income Tax Act and in incidences where the same income has already been subject to tax.

Tax Incentives

Corporates

Incentives for the Tourism Sector

461. Mr. Speaker Sir, the tourism sector is a potential foreign currency earner, which over the years has continued to decline due to negative publicity and perceptions.

462. The 2010 World Cup to be hosted by South Africa avails an opportunity for domestic companies to take advantage of its spill-off effects, hence the need to intensify programmes to promote tourism.

463. I, therefore, propose to exempt from duty capital goods used by registered tourist service providers that include tour operators, safari operators, boat operators and car hire companies.

464. I further propose to exempt from duty equipment for expansion, modernization and renovation of hotels and restaurants.

465. The above measure takes effect from 1 March 2009.

Capital Allowances

466. Mr. Speaker Sir, capital allowances provide relief to companies that invest in staff housing and also purchase motor vehicles for use by employees. The value of these allowances has however diminished to an extent that they no longer provide the necessary incentives.

467. I, therefore, propose to review the allowances, with effect from

1 January 2009, as follows:

- Passenger motor vehicle allowance – US\$10 000.
- Staff housing allowance – US\$25 000.

Donations to Schools, Hospitals, Clinics, Research and Development Institutions

468. In order to encourage corporate social responsibility by the private sector, donations to schools, hospitals, clinics, research and development institutions, are deductible for tax purposes.

469. I propose to review the allowable deductions to US\$100 000

per annum with effect from 1 January 2009.

Attendance at Conventions

470. Mr. Speaker Sir, in order to incentivise companies to attend trade conventions so as to market their business, I propose to review the deductible allowance to US\$2 500 per annum with effect from 1 January 2009.

Tax Relief Measures

Individuals

Tax-free Pension Contributions

471. The current inflationary environment has adversely affected the value of pension contributions, which in the past years have been an important tool for mobilising savings and investment income.

472. In order to maintain the value of pension contributions, I propose to peg the maximum deductible monthly pension contribution in foreign currency at US\$300 with effect from 1 February 2009.

Tax Credits

473. Mr. Speaker Sir, tax credits provide relief to the elderly, blind and physically challenged persons through reduction of tax liability.

474. In order to assist this category of disadvantaged taxpayers, I propose to set the credits at US\$75 per month with effect from 1 February 2009.

Retrenchment/Severance Packages

475. The value of retrenchment packages under the current inflationary environment has dwindled to an extent whereby retrenchees are unable to sustain the day-to-day living expenses.

476. In order to maintain the value of the nontaxable portion of retrenchment packages, I propose to set the minimum tax-free threshold of the retrenchment package to US\$1 000 or one third of the retrenchment package, up to a maximum of US\$9 000 with effect from 1 February 2009.

Rental and Investment Income for Elderly Taxpayers

477. Mr. Speaker, Sir, in support of the welfare of elderly taxpayers who rely on rental and investment income, I propose to review the exempt portion of proceeds from such income to US\$250 per month with effect from 1 February 2009.

VAT on Mobile Phone Airtime

478. The VAT rate on mobile phone airtime is currently 22.5%.

479. I propose to standardise the rate by reducing it to 15% with effect from 1 February 2009, in line with the prevailing general level of VAT on other products. This should translate into lower mobile phone airtime tariffs.

Customs Duty

Customs Duty Suspension on Basic Commodities

480. Customs duty was suspended on some basic commodities from 10 August 2008 to 31 December 2008 to facilitate importation of basic commodities and address shortages on the domestic

market.

481. In order to enhance availability of basic commodities at affordable prices, whilst allowing local manufacturers time to resuscitate production, I propose to extend duty suspension on basic commodities to 30 June 2009.

Customs Duty in Foreign Currency

482. Mr. Speaker Sir, I have already proposed that customs duty be levied in foreign currency on imported goods. This measure will increase cost of importation thereby resulting in uncleared goods piling up in customs yards.

483. I, therefore, propose to reduce customs duty rates and remove surtax of 15% which is levied on all products that attract duty rates of 40% and above, as follows:—

Product	Current rates of customs duty	Proposed rates of customs duty

Raw materials	0% - 25%	0% - 15%
Intermediate goods	10% - 25%	10% - 15%
Finished Goods Clothing and textiles	40% - 60% + US\$10/kg	40% + US\$5/kg
Clothing and textiles (school uniforms)	60% + US\$10/kg	25%
Footwear	40% + US\$5 per pair - 60%	40% + US\$5 per pair
Electrical goods	60%	40%
Alcohol & alcoholic beverages	60%	40%
Cigarettes and tobacco	60% + US\$5/1000	40% + US\$5/ 1000
Motor Vehicles	40% - 80%	25% - 60%
Handbags and other articles of leather,	60% + US\$5/kg	40% + US\$5/kg

plastic or textile material		
Fruits and vegetables	40%	25%

484. This measure takes effect from 1 February 2009.

Travellers' Rebate

485. Individuals are allowed to import under rebate of duty, goods valued up to US\$300 once in a calendar month. However, there are no restrictions with regards to quantities that individuals may import. As a result, individuals import commercial goods for resale under rebate of duty thereby prejudicing revenue to the fiscus.

486. In order to minimise loss of revenue to the fiscus, I propose that the travellers' rebate be restricted to goods imported for personal consumption. The Zimbabwe Revenue Authority will provide guidelines on goods of a commercial nature to be excluded from the rebate.

District Councils' Unit Tax

487. In the rural areas, district councils' capacity to generate substantial resources through various charges and levies, including those on commercial farming areas, has deteriorated.

488. In order to raise the revenue base and capacitate our rural district councils, I propose empowering Rural District Councils to enforce the collection of Unit tax on A1 and A2 farming communities.

489. This will enable District Councils to raise the necessary resources for the restoration of such essential services as road grading, gully reclamation, maintenance of schools and clinics, dipping services, among others.

490. Mr. Speaker Sir, the poor state of the rural road network, which has deteriorated over a number of years due to inadequate resources, is currently a major challenge for farmers as they transport agricultural inputs and produce.

491. I, therefore, propose to levy a Unit tax on A1 and A2 farmers in foreign currency as follows:

Proposed rates of Unit tax

Natural Region	Proposed unit tax per hectare per annum US\$
1	3
2	3
2a	3
2b	3
3	2
4	2
5	1

492. This measure takes effect from 1 January 2009.

Fees and Charges

**493. Fees and charges play an important role in augmenting
Budget**

**tax revenues, which are meant to enhance service delivery and
discipline.**

**494. Hence, it is necessary to continuously review these fees
and**

charges taking account of developments in the market, in particular increased cost of service provision.

495. In the case of fees and charges currently under the jurisdiction of certain line Ministries such as fines under Justice, I have already indicated that the responsibility for their review will be transferred to Treasury, though the administration remains with the respective line Ministries.

Fees & Charges Unit

496. I am, therefore, constituting an adequately manned Unit within the Ministry of Finance dedicated towards monitoring, evaluating and reviewing the structure and level of fees, rentals and charges by Ministries and Government Departments on a regular basis.

497. Mr Speaker Sir, the above measure will ensure timeous review of all fees and charges, thereby overcoming delays that are currently being experienced in line Ministries and departments.

Road Access Fees

498. The road access fee is levied on local and foreign registered motor vehicles at ports of entry. The levy is payable in foreign currency and local currency equivalent on foreign and locally registered vehicles, respectively.

499. The local currency road access fee is however insignificant due to the use of the valuation factor, which lags behind the market rate. As a result, motorists have experienced delays due to challenges in accessing the local currency.

500. I propose a road access fee of US\$10 and US\$20 payable by motorists using locally registered light and heavy vehicles, respectively.

501. This measure takes effect from 30 January 2009.

Health Fees

502. Mr Speaker Sir, I have already given indications of the substantial amounts of funding requirements in public health delivery, with user fees anticipated to contribute initially only about 5%.

503. Government is, therefore, implementing a two tier hospital service fee structure in both local and foreign currency, with hospitals required to display both the Zimbabwe Dollar Tariff Fee Schedule as well as the Foreign Exchange Tariff Fee Schedule.

504. The new hospital fee tariffs in foreign exchange are annexed to this Budget Statement. (See annexure 1.)

505. The Government hospital local currency and foreign exchange fee tariffs will be reviewed by Treasury in line with economic developments, thereby gradually reducing Government contributions.

506. Additional cost recovery measures include introduction of full cost recovery for use of private wards at Government hospitals.

Schools' Tuition & Examination Fees

507. The prevailing hyper-inflationary environment and the subsequent introduction of pricing of goods in both local and foreign currency has necessitated Government consideration

for charging school fees and levies in local and foreign currencies
under both Government and non Governmental schools.

508. With immediate effect, all schools other than primary schools in both rural areas and high density suburbs are authorised to collect tuition and examination fees as well as levies in both local and foreign currencies.

509. Rural day primary schools and primary schools in high density suburbs will, however, be exempted from tuition and examination fees but will be permitted to charge their levies in both local and foreign currencies.

510. For sustainability of our schools, it is further proposed that they offer Technical Vocational subjects, including Agriculture, in their Curriculum and also embark on farming activities. Those without land should, therefore, apply for it through the relevant authorities.

Review of Fees

511. The responsibility to regulate and control school fees and levies, taking account of economic developments, reverts back to the Ministry of Education and away from the National Incomes and Pricing Commission who are currently exercising that responsibility.

512. The National Incomes and Pricing Commission will focus on monitoring compliance with Ministry of Education fee approved levels.

Tertiary Education Fees

513. Mr Speaker Sir, the expenditure requirements to restore quality education in our tertiary institutions make it unavoidable that Government shares some of the costs of tertiary education with the parents. This also improves accountability among students in universities, polytechnics and colleges as well as ownership of the institutions' facilities.

514. Honourable Members will have noted the many instances where,

surprisingly, even well endowed parents display inability to pay tertiary education fees when they were able to get their children through ordinary and advanced level education without State assistance.

Tuition Fees

515. Government has, therefore, approved the tuition fees and levies for State Universities, Polytechnics and Teachers Colleges payable in both local and foreign currency. (See Annexure 2)

516. The fees schedules were determined on the principles of cost sharing, the need to ensure access and equity, the need to retain critical staff in institutions of higher learning, the need to promote quality education and finally the need to restore Zimbabwe's leading position in the area of education and training.

517. To this end, institutions are required to embark on revenue generating projects and activities such as applied research and full utilisation of land as well as other resources allocated to them.

518. The intended impact would be improved quality of education,
student welfare and discipline and refurbishment of infrastructure
and staff motivation and retention.

Retention Allowances

519. The approved fees structures would yield additional funds that
will be used to pay Top-Up Retention Allowances to staff involved
in tertiary education who would continue to receive their basic pay from Government.

Cadetship Programme

520. To ensure access and equity, students at State tertiary institutions
unable to pay fees from their own means will be considered for support under the Cadetship Programme, implemented through the respective Ministries and Government departments.

521. Government has, therefore, put in place the necessary means
testing mechanisms, now drawing on input from both primary

and secondary school authorities, to improve on reliability of assessments of students to be targeted.

Estate Duty

522. Deceased estates are entitled to a duty exemption on the principal residential property and one family vehicle. The estate is also subject to a tax-free threshold currently pegged at \$25 billion, above which 5% duty is levied on additional estate properties.

523. I propose to peg the estate duty tax-free threshold to US\$50 000 with effect from 1 February 2009.

DOMESTIC DEBT

524. In 2008 the Government raised domestic debt to finance operations through one year Treasury Bills and Insurance Industry Bonds.

525. Mr Speaker Sir, I have alluded to the fact that our revenues during 2008 were significantly higher than our expenditures.

526. I, therefore, propose that the full amount of the domestic debt of \$5 500 quintillion be redeemed with immediate effect to give

some valuable return to investors in this hyper-inflationary economic environment.

CONCLUSION

527. Mr Speaker Sir, the focus of this Budget has been on supporting productive sectors, stabilise inflation and restore provision of basic public services.

528. Realising this will require a paradigm shift in terms of acknowledging the reality that we cannot spend what we do not have.

529. Sacrifices and deferment of some of the expenditures we would have wanted to incur on a variety of programmes and projects during the course of the year 2009 will, therefore, be unavoidable.

In this regard, matching expenditure to our projected revenue has been the cornerstone of my expenditure proposals.

530. This Budget contains measures, which if consistently implemented, will be able to stabilise prices, improve capacity utilisation and productivity.

531. The measures I have proposed would also enhance the efficiency of our public enterprises and local authorities, improve the management of public resources, thereby, creating scope for generating the required resources to finance this Budget and other initiatives, which grow our economy.

532. Mr Speaker Sir, I am, therefore, calling on all Honourable Members in this August House, and the whole Nation as well as our external cooperating partners to rally behind the proposed measures in order to build a firm foundation for the emergence of a new economy.

533. It is, therefore, incumbent upon us to consistently implement agreed policies, notwithstanding the inescapable pain which we will encounter during the course of the year, avoiding needless policy reversals, inconsistencies and contradictions that will only yield further economic contraction. We have to stay the course if we are to achieve our economic objectives.

534. Mr Speaker Sir, I now commend the 2009 National Budget to the House and I lay the Estimates of Expenditure on the Table.

535. I Thank You.

Hon. Senator P.A. Chinamasa

ACTING MINISTER OF FINANCE

29 January 2009

Annexure 1

GOVERNMENT HOSPITAL FOREIGN EXCHANGE FEE TARIFFS

DESCRIPTION OF SERVICES	PARIRENYATWA HOSPITALS	CENTRAL HOSPITALS	PROVINCIAL GENERAL HOSPITALS	DISTRICT HOSPITALS
<u>General Ward</u>	US\$	US\$	US\$	US\$
Adult	12.00	10.00	6.00	4.00
Child	8.00	6.00	4.00	2.00
<u>Private Ward</u>				
Private ward per day Adult	24.00	16.00	12.00	8.00
Private ward per day Child	12.00	8.00	6.00	4.00
<u>Maternity Ward</u>				
Ante-natal, General Ward per day	15.00	10.00	6.00	3.00
Post-natal, General Ward per day	15.00	10.00	6.00	3.00
Maternity (all inclusive) care	6.00	5.00	4.00	3.00
<u>Intensive/Coronary Care</u>				
<u>Unit per day</u>				
Adult	15.00	10.00	8.00	N/A
Child (above 5 years)	8.00	5.00	4.00	N/A
<u>Psychiatric Unit</u>				
General Ward per	5.00	4.00	2.00	N/A

day				
Committed patient per day		free	free	N/A
<u>Consultation Fees</u>				
Adult	10.00	8.00	6.00	4.00
Child (above 5 years)	5.00	4.00	3.00	2.00
<u>Consultation - Chronic</u>				
Adult	10.00	8.00	6.00	4.00
Child (above 5 years)	5.00	4.00	3.00	2.00
Prescribed Medicines	At Cost	At Cost	At Cost	At Cost
Sundry items	At Cost	At Cost	At Cost	At Cost
Ambulance charges per km	2.00	2.00	2.00	2.00
Document Searching Fee	1.00	1.00	1.00	1.00

Annexure 2

Fees for Tertiary Education

Polytechnics

National Certificate (N.C) =US\$200 per term

National Diploma (N.D) =US\$500 per term

Higher National Diploma =US\$600 per term

Bachelor of Technology =US\$1 400 per semester

Teachers Colleges

Diploma in Education =US\$500 per term

State Universities

Arts Humanities and Social Sciences =US\$1 200 per semester

Science and Engineering =US\$1 400 per semester

Medicine and Veterinary Science =US\$1 800 per semester

Annex 3:

SUMMARY OF IRRIGATION PROJECTS DRAWING WATER FROM UNDERUTILISED EXISTING WATER BODIES

Irrigation scheme	Potential Hectarage	No. of Beneficiaries	Source of water	Allocated Amount (US\$)
Zhove	1,170	1,000	Zhove dam	640,000
Osborne	300		Osborne dam	633,500
Biri	1,000	100	Biri dam	416,700
Ngezi B	316	350	Mamina dam	97,000
Lilstock	500		Lilstock dam	466,700
Mazvikadei	6,000		Mazvikadei dam	970,000
Magunje	50	64	Magunje dam	33,600
Mundi mataga	505	488	Mundi mataga dam	438,000
Mbindamombe	300	300	Mbindamombe dam	115,400
Manyuchi	228	400	Manyuchi dam	230,350
Matezva	140	280	Matezva dam	106,350
Muzhwi	150		Muzhwi dam	100,140
Mupudzi	700		Mupudzi dam	1,293,00

				0
Mtshabezi	300	600	Mtshabezi dam	240,000
Wenimbi	300	300	Wenimbi dam	150,000
Nhema	150	150	Siya dam	562,000
Bengura	250	250	Siya dam	647,000
Kanhukamwe	324		Kanhukamwe dam	900,000
Mtange	100	200	Mtange dam	168,000
TOTAL	12,883	4,682		8,207,740

