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**Minister of Finance – Mid Term Fiscal Policy Review
(presented to House of Assembly Thursday 27 July 2006)**

INTRODUCTION

1. Mr Speaker Sir, as I highlighted in my 2006 National Budget Statement in this House, addressing the prevailing challenges facing our economy requires that we have a shared Vision, and the Commitment to realise it.
2. The National Economic Development Priority Programme (NEDPP) offers a platform and opportunity for participation by all stakeholders, including grassroots levels, in the formulation and implementation of the necessary policy measures through the National Economic Recovery Council (NERC). It is, therefore, vital that the private sector, parastatals, Local Authorities and other stakeholders fully participate in the implementation of the Programme.
3. In this regard, the major policy imperatives and priorities in dealing with our challenges remain credibility and consistency of policies, and their timeous implementation.
4. Among our challenges are:
 - corruption
 - rising inflation,
 - declining savings and investment,
 - inadequate foreign exchange - affecting import capacity,
 - erratic fuel supplies, and
 - interruptions to electricity supply.
5. Inflation remains our biggest challenge - affecting savings and investment, undermining day to day business activity, as well as creating price instability in the conduct of ordinary transactions.
6. It has also eroded the purchasing power of our domestic currency, adversely affecting the livelihood of the ordinary household as standards of living fall and basic social services become unaffordable.
7. Furthermore, high inflation is also affecting our export competitiveness and hence undermining our capacity to generate the much needed foreign currency.
8. It is, therefore, important that the measures contained in both the Medium Term Fiscal Policy Review and the Monetary Policy Statement target inflation reduction and other measures that strengthen our economic turnaround efforts, consistent with the objectives of the NEDPP.
9. In this regard, Mr Speaker Sir, I will outline in this Medium Term Fiscal Policy Review, economic and budgetary developments during the first half of 2006, pressures on the Budget, sectoral challenges and the necessary supporting measures to deal with them.
10. The prevailing high inflation environment has also translated into increased operational costs for Government Ministries, and additional resources will be required to meet them, therefore, making a Supplementary Budget unavoidable.
11. Allow me, however, first to briefly touch on the developments in the international and regional environment.

GLOBAL & REGIONAL ECONOMIC DEVELOPMENTS

12. Mr Speaker Sir, notwithstanding record high oil prices and natural disasters, global economic performance exceeded expectations, with world output expected to rise by 4.9% in 2006, compared to 4.8% in the previous year. Higher growth is projected for emerging and developing economies - notably China, India and Russia - which are anticipated to record an overall growth of 6.9%, which is lower on last year's growth of 7.2%.

13. Emerging market and developing countries benefited from their continued implementation of stable domestic macro-economic policies, as well as the resultant increase in investment inflows. This has tended to ameliorate the negative impact on growth implied by high oil prices.

14. In Asia, the 2006 growth is projected at 8.2% led by China (9.5%) and India (7.3%). This robust growth is driven by strong domestic demand, rising current account surplus, and recovery of the information technology sector. Elsewhere, in Latin America growth is aided by booming commodity prices and notable reduction in debt ratios.

15. In oil producing countries, the benefits of rising oil prices continue to boost fiscal and external current accounts, thereby facilitating growth in those countries.

16. In Sub-Saharan Africa, the highest growth rate in three decades is expected at 5.8% in 2006, up from an estimated 5.5% in 2005. This is backed by rising capacity utilisation especially in oil producing countries, improved prices for non-fuel commodities, such as metals and improved macro-economic and structural policies.

17. In the SADC region, most countries are expected to register positive growth rates, with GDP growth projected at 4.4% this year, up on last year's 4.3%.

18. Notwithstanding record high international oil prices, underlying inflation remained low across most countries. In 2005, and the first quarter of 2006, core inflation in developed countries averaged around 2.3%, while that for other emerging and developing economies averaged 5.4%. High productivity and improved macro-economic policies in most developing countries accounted for the low inflation.

19. Average inflation in Sub-Sahara Africa was 10.7% in 2005 and is expected to be stable at around 11% this year, partly on account of higher oil prices. The majority of SADC countries have managed to maintain their inflation rates below 20%.

ECONOMIC DEVELOPMENTS DURING THE FIRST HALF OF 2006

20. Mr Speaker Sir, let me now turn to our own economic developments during the first half of 2006. Allow me, however, to first highlight on the economic outturn for 2005.

Outturn for 2005

21. The past year, 2005, was characterised by a number of macro-economic challenges coupled with drought, foreign exchange shortages and a surge in international oil prices. Their adverse effects, together with rising inflation, undermined the performance of the major sectors of the economy, with real GDP declining by about 2.7%.

22. Agriculture fell by 12.1%, due to delayed availability of some inputs, such as fertilizers and chemicals. The mining sector also underperformed by 13.8%, while manufacturing sector, however, registered a positive 3.2% growth. Factors contributing to this included the improved foreign currency availability under the Auction system and the availing of concessionary funding under the Productive Sector Facility. This supported firms' access to affordable working capital.

23. Year on year inflation, which had declined from 133.6% in January to 123.7% in March 2005, reversed this trend, ending the year at 585.8%.

24. This was against the background of rising public sector borrowing requirements and money supply growth, drought and rising international energy prices, thereby worsening inflation expectations.

Developments in the First Half 2006

25. Mr Speaker Sir, achieving lower inflation and positive growth requires the positive supply response of all the productive sectors of the economy. This, as I have already shared with the House, should be underpinned by consistent fiscal, monetary, and sectoral policies.

26. Perceived inconsistencies can only exacerbate macro-economic instability, create uncertainty and fuel speculative activities - resulting in low investment and economic decline.

Inflation

27. Annual inflation, which ended 2005 at 585.8%, had since risen to 1193.5% by May 2006. By June 2006, both monthly and annual inflation, had however, declined to 17.3% and 1184.6%, respectively. This was attributed to the positive impact of this year's upturn in food production.

28. The challenge before us is sustaining further reduction in inflation in the subsequent months to year end and into 2007.

Agriculture

29. Mr Speaker Sir, the various efforts being undertaken by Government and stakeholders to revive the agricultural sector are beginning to bear fruit, with the downward trend experienced in the past season now reversed. A growth in agriculture of 23% is anticipated in 2006.

30. Contributing to this improved performance is the increase in production of maize from about 750 000 tons in 2005, to an estimated 1.7 million tons this year. Cotton also registered a strong 62% growth from 198 000 tons, to about 320 000 tons. Sorghum production rose by 180%, from 50 000 tons to 140 000 tons, while the soya bean crop was 46% up on last year's 57 000 tons to over 80 000 tons.

31. Wheat output is also expected to increase this year following efforts by Government to support the winter wheat crop. An estimated 62 350ha has been put under the crop and is expected to yield about 220 000 tons, up from last year's 135 000 tons.

32. Tobacco however, did not perform as expected, with an output of about 50 million kgs, down on last year's 74 million kgs. Efforts to improve the preparations for this year's tobacco crop have, therefore, been made.

33. Notwithstanding the recovery of agriculture, the other sectors did not fair so well.

Mining

34. Mining is projected to decline by 10.8% in the absence of capitalisation, adequate energy supplies, and against the background of rising production costs which threaten viability.

35. Challenges to overcome include plugging leakages in our mineral exports, especially gold. Illegal activities have seen a decline in gold deliveries, from 6 394 kgs in the first five months of 2005, to 4 309 kgs in 2006.

36. Measures to address the challenges related to leakages should also benefit from Government's policies to improve mineral production viability.

37. Asbestos declined to 47 578 tons in the first five months of 2006, compared to 49 183 tons in 2005. Coal production, however, fell marginally from 733 041 tons in 2005, to 729 547 tons in the first four months of 2006.

38. Platinum, which was accorded Strategic Mineral Status, recorded some 3.3% growth. Output in the first five months of 2006 rose to 1 965 kgs from 1 901 kgs.

Manufacturing

39. Foreign currency shortages for the importation of essential raw material, energy shortages and declining domestic demand associated with falling real disposable incomes continue to depress manufacturing.

40. In the absence of supportive measures, these challenges threaten positive growth in the sector.

Tourism

41. Enhanced marketing initiatives to dispel the negative image of the country are reviving tourism. In the first quarter of 2006, tourist arrivals grew by 2% with significant numbers coming from Asia.

42. Leakages in tourism receipts, however, meant that recorded foreign currency inflows did not match this growth. Instead, a 31% decline in receipts was experienced in the first quarter of 2006. This, and other challenges on the industry, will have to be addressed if we are to reverse the projected decline of 4% in the sector in 2006.

Balance of Payments Developments

43. The balance of payments remains under severe pressure with foreign exchange availability remaining limited. A current account deficit is projected at US\$434 million in 2006, while net capital inflows amounting to US\$271.6 million are envisaged.

44. Foreign direct investment into mining and some of our parastatals under the Look East Policy initiatives are the major factors contributing to the positive capital account balance.

External Debt

45. While Zimbabwe remains committed to honouring its external obligations, the difficult foreign currency situation arising under the sanctions environment which followed the Land Reform Programme, limit the ability to timely meet our external obligations.

46. As a result, total external debt obligations as at 30 June 2006, amounted to US\$3 968 million, with arrears amounting to US\$2 122 million .

Financial Sector

47. The state of the financial sector remains generally stable, notwithstanding the impact of high inflation on economic activity. In this regard, the Reserve Bank will continue its surveillance on financial institutions to maintain a healthy financial system.

FISCAL DEVELOPMENTS IN THE FIRST HALF OF THE YEAR

48. Mr Speaker Sir, the 2006 Budget provided for total expenditure and net lending of \$123.9 trillion and revenues of \$110 trillion. This implied a Budget deficit of \$13.9 trillion or 4.6% of GDP.

REVENUE PERFORMANCE

49. Mr Speaker Sir, notwithstanding the challenges arising out of declining disposable incomes and low industrial capacity utilisation, positive performance was experienced in revenue collection during the first half of the year, January - June 2006. This was mainly on account of the impact of inflation on incomes, which necessitated the review of revenue targets.

50. Cumulative revenue collections to end June 2006 amounted to \$76 trillion, against a target of \$58.2 trillion, with Value Added Tax, Pay As You Earn (PAYE) and Corporate Tax contributing to this over performance.

51. Value Added Tax collections, the major contributor to total revenue, amounted to \$20.4 trillion or 26.8% of total revenue collected during this period. The target for the first half of the year had been set at \$16.8 trillion.

52. Cumulative collections for individuals' Pay As You Earn, for the period under review amounted to \$16.9 trillion or 22.2% of total revenue, against a target of \$9.9 trillion. This strong performance largely reflected higher wage and salary settlements, against the background of the prevailing inflation environment.

53. Similarly, positive performance was experienced with corporate tax, benefiting from the introduction of contemporaneous corporate tax system in 2005. Under this system, corporates pay

their tax on current year estimated profits. For 2006, companies are expected to remit 70% of the 2006 profits, in addition to 65% of 2005's actual profits. Previously, corporate tax was paid in retrospect. Its revenue contribution to the fiscus to end June amounted to \$15.1 trillion or 19.9% of total revenue, against a target of \$14.7 trillion.

54. Customs revenue collection for the period ending June 30, 2006 amounted to \$10.6 trillion. The target for the first half of the year was \$6.8 trillion. Collections would have been higher with improved capacity to import.

55. Non-Tax revenue at \$2.5 trillion, largely reflecting Government pension contributions, fees, fines and other charges, also surpassed the target of \$2 trillion. Government departments have been reviewing fees and charges in line with developments on the inflation front. Major contributors to non-tax revenue were pension contributions (\$1.7 trillion), fines which accounted for \$344 billion, and fees (\$248.4 billion).

EXPENDITURES

56. Total expenditure for the first half of the financial year amounted to \$90.8 trillion, against an original target of \$74.3 trillion. Expenditure pressures were mainly on account of high inflation, resulting in frequent review of prices, and requirements for programmes under the National Economic Development Priority Programme.

57. These reflected increasing demands on the fiscus by more sectors outside the public sector citing, in many cases, limited cash flows to deal with the high nominal interest rates arising out of the high inflation.

Recurrent Expenditures

58. Employment costs, including Government employer contributions towards medical aid and social security, amounted to \$35 trillion, against a target of \$21.8 trillion. This followed the review of civil servants salaries in January and May.

59. Reflecting the impact of the prevailing high inflation environment, Ministries' expenditure on operations and maintenance was, at \$8 trillion during the first half of the year, higher than the targeted \$7.3 trillion. Budget overruns were on account of higher cost of goods and services, thereby necessitating increased budget releases to line Ministries to cover tariff reviews on transport, telecommunications and water.

60. Mr Speaker Sir, in line with the review of public service salaries, pension expenditures were, at \$5.4 trillion, higher than the targeted \$4.4 trillion.

Capital Expenditures

61. In my 2006 Budget Statement, I alluded to the need to complete on going projects. To this end, some ongoing projects were postponed with the resources being redirected to those projects targeted for completion in 2006.

62. Implementation of projects during the first half of the year was varied, reflecting constraints and challenges Ministries are facing. The major constraints faced include cost escalations, limited foreign currency availability, shortage of skilled and experienced technical manpower in critical implementing departments, shortages of equipment and raw materials, as well as tender delays.

63. Cumulative capital expenditure during the first half of the year, reflecting slower spending on construction projects, amounted to \$19,7 trillion, which was in line with the original target of \$19,6 trillion.

Roads and Bridge Construction

64. Overall expenditure on road and bridge construction projects amounted to \$531 billion during the period January to June 2006.

65. Expenditure on the construction of the six major roads - Bulawayo- Nkayi, Gutu-Kurai, Kwekwe- Nkayi, Hwedza - Sadza, Mount Darwin- Mukumbura and Bindura- Shamva - due to the

increase in the cost of construction, was \$279.6 billion. This, given cost escalations, was inadequate to cover the set target of 94 km, hence requests for additional resources.

66. Progress on bridge construction projects at Nyautsa, Chiwidze, Nyabote and Pote bridges was slow. A total of \$88.5 billion has been spent, against a budget provision of \$276 billion.

Airport Upgrading

67. Mr Speaker Sir, Government is currently rehabilitating Harare, Victoria Falls and J.M Nkomo Airports, as well as upgrading the Buffalo Range airport. The projects are being undertaken through CAAZ with \$913.5 billion having been disbursed.

Construction & Rehabilitation of Hospitals

68. Mr Speaker Sir, rehabilitation works are being undertaken at all central, provincial and district hospitals.

69. So far, \$336,1 billion has been spent with some progress being recorded at Mpilo Hospital where the laundry, kitchen, steam system, boiler and generator have been installed.

70. At Harare Hospital, the operating theatre has already been rehabilitated, whilst the Intensive Care Unit is nearing completion. Other hospital construction works are progressing well at Gokwe, Shurugwi, Murehwa and Marondera.

71. In resettlement areas, ten clinics are under construction, with some farmhouses being converted into clinics. As construction works are completed, Government will equip these clinics, as well as provide adequate drugs and medical staff.

Education Infrastructure

72. Mr Speaker Sir, Government has resolved to phase out hot sitting and further broaden education facilities in new resettlement areas. Implementation however, remains slow with expenditures on primary and secondary school infrastructure standing at \$276,2 billion, out of a budget of \$665 billion.

73. Disbursements to universities for the rehabilitation and construction of facilities, as well as procurement of teaching equipment amounted to \$1,3 trillion.

74. At the University of Zimbabwe, kitchens for three halls of residence have been completed. The rehabilitation of the Biological Sciences and Physics Building is also scheduled for completion shortly. Similarly, the NUST Faculty of Medicine at Mpilo Hospital is set for completion next month.

Capital Transfers

75. Mr Speaker Sir, expenditure under this item was \$8.389 trillion against a target of \$8.487 trillion. Included in the expenditures are resources disbursed to meet our Food Security requirements under the Winter Wheat Programme and the purchase of maize for the national Strategic Grain Reserve.

Operation Garikai/Hlalani Kuhle

76. A total of \$762.8 billion was disbursed towards the completion of 2 043 units, and the construction of another 3 268 units. These require some finishing touches before they are habitable. The major challenge, however, remains that of providing both 'on site and off site' infrastructure for stands.

Lending to Local Authorities

77. A total of \$1.1 trillion was allocated to 87 Local Authorities for the upgrading of sewer and water reticulation system. So far, \$668.5 billion has been disbursed to both rural and urban local authorities, upon submission of programme of works.

Infrastructure Development Bank Capitalisation

78. A total of \$5.1 trillion has so far been disbursed to the Infrastructure Development Bank as Government's contribution to the equity capital of the Bank. This has enabled the Bank to begin

making inroads towards lending for dam construction, housing development and the medium term financing requirements of the productive sectors.

Interest

79. Interest payments during the first six months of 2006 amounted to \$8.8 trillion, against a target of \$9.2 trillion. The impact of high inflation on interest rates, coupled with higher borrowing requirements, will result in higher interest payments to the end of the year.

Financing & Domestic Debt

80. Mr Speaker Sir, the impact of inflation on expenditures, coupled with additional demands on the budget, was much larger public borrowing to finance the \$17.8 trillion budget deficit for the first half of the year. This was financed entirely from the domestic market, largely through 91-day treasury bills which now constitute 96.5% of total domestic debt.

81. Against this background, total Government's domestic indebtedness trebled from \$15.9 trillion in December 2005, to \$46.1 trillion by end of June 2006. Of this, \$44.5 trillion relates to Treasury Bill issues, while \$1.7 trillion in Government stock.

82. This large growth in domestic debt came after some notable decline in debt in the first quarter. Expenditures were tightly related to revenue inflows, and borrowings of \$908 billion incurred, were only to finance maturities of \$865 billion. This resulted in total domestic debt declining from \$15.9 trillion in December 2005, to \$15.02 trillion by end of March 2006.

83. In the second quarter, expenditures amounted to \$63.9 trillion against revenue collections of \$46.3 trillion, resulting in a financing gap of \$17.6 trillion. As a result, \$16.1 trillion was raised through the issuance of 91-day Treasury Bills to finance the gap.

84. Interest rates on 91 day Treasury bills averaged 500% during the first quarter, before moving down to 350% in May. Rates, however, further moved upwards to 510% in June.

85. In an environment of high inflation, the market is reluctant to take up long-term paper, making it difficult to restructure public domestic debt in line with the desired 70% long and 30% short term debt profile.

86. The table below shows the movement of debt in the first half of the year:

Stock of Domestic Debt as at 30 June 2006 (\$ billions)

<i>Instrument</i>	<i>Stock of Debt as at 31 Dec 2005</i>	<i>Issues</i>	<i>Maturities</i>	<i>Stock of Debt as at 30 June 2006</i>
Treasury Bills	14,032.3	37,409.8	6,419.0	45,023.1
Stocks	1,853.4 0.0	0.0	184.4	1,669.0
RBZ overdraft	-2,836.1	0.0	0.0	-2,215.0
Total	15,885.7	37,409.8	6,603.4	46,692.1

Note: - indicates a surplus

Combined Treasury Bills and Stock Maturities Jan to June 2006 \$ billions

<i>Month</i>	<i>Principal</i>	<i>Interest</i>	<i>Maturity Value</i>
January	466.9	312.0	778.9
February	1.3	0.0	1.3
March	865.4	665.3	1,530.7
April	93.0	3.3	96.3
May	95.1	0.0	95.1
June	1,636.7	2,464.4	4,101.1
Grand Total	3,158.4	3,445.0	6,603.4

Note: June interest includes interest of \$3.629 trillion on CPI indexed stock

Treasury Bills Raised Jan to June 2006
\$ billions

<i>Month</i>	<i>Principal</i>	<i>Interest</i>	<i>Maturity Value</i>	<i>Average rate</i>
January	0.0	0.0	0.0	
February	0.0	0.0	0.0	
March	1,069.0	1,332.6	2,401.6	500%
April	0.0	0.0	0.0	
May	2,980.0	2,680.4	5,660.4	350%
June	13,000.3	16,347.5	29,347.8	510%
Grand Total	17,049.3	20,360.5	37,409.8	

Note: All Treasury Bills raised had a maturity of 91 days.

PUBLIC ENTERPRISES

87. The restructuring of parastatals as announced in the 2006 Budget has been slow, and their confirmed poor performance remains a challenge for the fiscus and public service delivery. Most parastatals continue to make losses, with the major ones including NRZ, ZISCO, Air Zimbabwe, ZESA, and ARDA.

88. Major challenges relate to high indebtedness, against the background of poor financial performance and corporate governance.

89. The debt stock for the major parastatals as at June 2006, stood at \$76.43 trillion. As a result, parastatals are failing to service their debts, often calling on Government to assume their obligations.

90. Government remains committed to the successful resuscitation of ailing state enterprises, with previous efforts now bearing fruit for some enterprises. Reflecting this, improved financial and operational performance saw such entities as ZUPCO, Agribank, and the Forestry Company begin to declare dividends to their shareholder.

91. Measures to support the reorientation of public enterprises under the NEDPP include financial packages that will support re-equipping at Air Zimbabwe, NRZ and ZESA, and plant refurbishing at Ziscosteel and Hwange Colliery. This will complement our on-going medium and long-term initiatives on joint ventures and strategic alliances.

92. Performance guidelines for parastatals are being reviewed, with compliance being enforced through the relevant Ministries and other structures under the NEDPP.

Inter-Parastatal Debt

93. Failure by ZESA and ZISCO to meet their obligations continues to affect the efficient production and delivery of coal by Hwange Colliery. This problem, which also involves NRZ, has had a negative impact on the cash flows and operations of Hwange Colliery and NRZ.

94. Given that a significant number of industries in Zimbabwe rely on coal for their energy requirements, urgent measures are being instituted to deal with this chronic quadrangular inter-parastatal debt problem. ZESA's financial constraints, partly attributable to sub-economic tariffs, are being addressed through regular review of their tariffs.

National Railways of Zimbabwe

95. The National Railways of Zimbabwe (NRZ) plays a pivotal role in the economy in terms of movement of both passengers and freight. Its role has however, been curtailed over the years due to the adverse decline of its capacity, infrastructure, and an ageing locomotive fleet, against the background of limited foreign currency to buy spares, theft and prevalence of equipment vandalism.

96. Industry has, therefore, had to rely increasingly on road transport which, because of limited economies of scale is more costly.

97. Measures to ensure operational viability include:

- Charging optimal tariffs in view of the cost of providing the transport service.

- Tightening revenue collection and debt management to improve cash flow.
- Embarking on counter theft and vandalism joint operations with ZESA, TelOne and ZRP aimed at stopping companies from buying stolen metals like copper, aluminium and brass.
- Adopting import substitution initiatives through internal manufacture of batteries and other equipment to mitigate foreign currency shortages.

Air Zimbabwe

98. Initiatives are also in place to support the turnaround of Air Zimbabwe. These include the revival of the cargo business, strategic to exporters, and embarking on strategic alliances - with the first code sharing arrangement with Air Malawi.

Zimbabwe Electricity Supply Authority

99. The intermittent supply of electricity is disruptive to industry and farming activities. While this reflects limited power import capacity, the anticipated electricity regional deficit makes initiatives to boost domestic power generation imperative.

100. Government has also finalised on the restructuring of ZESA, into leaner operating companies, as well as streamlining manning levels to optimum levels. These measures, coupled with periodic review of tariffs, are beginning to improve cash flows.

ZISCO

101. Government will soon conclude a Management Contract between Ziscosteel and Global Steel Holdings aimed at rehabilitating Ziscosteel. It will also enable Ziscosteel to access offshore funding for improving capacity utilisation and operational performance.

Hwange Colliery

102. Coal production at Hwange Colliery should benefit from improved cash flows through the NEDPP coordinated efforts to deal with inter-parastatal indebtedness involving ZESA and ZISCO. These resources, coupled with improved access to foreign exchange, have facilitated repair of loading and hauling equipment, while the importation of new equipment this month will also overcome frequent plant and equipment breakdowns and improve coal haulage.

103. In response, production at the new Chaba Opencast Mine has been improving steadily from 22 000 tons in April, to 74 000 tons in May, and 118 000 tons by June 2006. Sustaining this momentum, coupled with viable pricing, should see Hwange Colliery Company improve its capacity to supply adequate coal to domestic industries, with surpluses for the export markets.

Tel-One & Net-One

104. Efforts to improve telecommunications should benefit from Government initiatives to identify potential strategic partners for investment in TelOne and NetOne.

Zimbabwe Mining Development Corporation

105. Similar joint venture investments initiatives should assist resuscitate closed mines and an exploration for new mineral deposits in partnership with the Zimbabwe Mining Development Corporation. In this regard, due diligence exercises and technical analysis are currently being undertaken.

ARDA

106. Over the last three years, production levels at ARDA have progressively declined to a situation whereby the institution is failing to fulfil its mandate. In this regard, Government has approved the restructuring of ARDA which will focus on corporate governance, the organisational structure, personnel and the rationalisation of the management of its estates and equipment and thereby improving effectiveness and performance.

CHALLENGES & SUPPORTIVE POLICY MEASURES

107. Mr Speaker Sir, the above outline of the developments during the first half of the year indicates that most sectors of our economy are still not performing at their full potential.

108. Inflation remains high, foreign exchange generation, inadequate investment, and unemployment remains at unacceptable levels.

109. Our challenges have been compounded by rising incidences of indiscipline, across the entire spectrum of our community - both public and private. Addressing the difficulties our economy is facing therefore, requires us to deal with this cancer and nip it in the bud before it becomes intractable.

110. Honourable Members, while we have identified corruption as now a major problem, and expressed the urgency of resolving this key challenge, our policy measures, pronouncements and actions on the ground are not always compatible and consistent with effectively dealing with this challenge.

INDISCIPLINE, ACCOUNTABILITY, ETHICS & CORRUPTION

111. Mr Speaker Sir, in both past Fiscal and Monetary Policy Pronouncements, corruption has been highlighted as undermining the efficient allocation of resources, central to improved economic performance.

112. Dealing with this emerging cancer requires us to strengthen our systems of accountability, while at the same time strengthening oversight and the penalties for engaging in corrupt activities.

113. Rising corrupt practices in the country are largely driven by greed and indiscipline in both the public and the private sector. Those involved in corruption are not generating wealth, but rather exacerbate aggregate consumption in the economy, with the poor subscribing to their unjust enrichment.

114. Indiscipline in the economy is, among others, characterised by:

- smuggling of gold and under-declaration of output in the mining sector;
- under-invoicing of exports,
- under-declaration of receipts in the tourism sector,
- over invoicing of imports;
- passing of uneconomic prices in the manufacturing sector,
- side marketing of produce, and improper use of inputs,
- underutilisation of land, and
- disruption of production in the agricultural sector.

115. Furthermore, the proliferation of arbitrage, non productive and speculative activities in foreign currency, fuel and some other basic commodities currently being experienced is not only a direct consequence of the distortionary effects of high inflation and other policy measures, but also a reflection of indiscipline and greed.

116. To curb corruption, over and above the establishment of the Anti-corruption Commission, Government is strengthening all the institutions responsible for law enforcement.

Business Practices

117. Taming inflation will also require the collective input of all stakeholders, including Business and Labour. Practices whereby producers relate prices to expectations, speculation and indexation to parallel activities are fuelling inflation.

Public Financial Management

118. Mr Speaker Sir, I have alluded to incidences of indiscipline throughout the country. Public resources have also not escaped abuse; hence, in line with global developments in Public Sector Financial Management, it has become necessary to review our statutes to enhance effectiveness and accountability.

119. Current statutes lack clarity on the roles and functions of all stakeholders involved in the management of public funds, especially in parastatals and Audit departments. Furthermore, the related systems, while appearing to focus more on compliance rather than on effective management of public resources, lack adequate deterrence for abuse of public resources.

120. Consequently, the Audit and Exchequer Act and the State Loans and Guarantees Act will therefore be repealed, to be replaced by the promulgation of statutes that separate Public Finance Management from Audit.

Public Finance Management Bill

121. The proposed Public Financial Management Bill therefore, seeks to clarify the roles and responsibilities of all parties involved in the management of Public Finance. It will also incorporate performance-based budgeting/management as statutory requirements, performance contracts and provides for incentives for good performance as well as penalties for violations, among other features.

Audit Office Bill

122. The related, but separate, Comptroller and Auditor-General which has the constitutional responsibilities to examine, audit and report on the public accounts of Zimbabwe on behalf of Parliament, will be provided with more autonomy under the Audit Office Bill.

INFLATION

123. I have also alluded to inflation as a major challenge in my introductory remarks. The presentation on the implementation of the budget during the first half of the year has also demonstrated the adverse impact of inflation on both the recurrent budget and the effect on project escalation costs. Hence, reversing inflation has also become paramount and central to addressing the challenges on our economy.

124. Mr Speaker Sir, I would like to re-affirm Government's commitment to firmly deal with inflation. Specific measures to reverse inflation require not only complementary fiscal and monetary policies, but also generating domestic production and supply response, as well as dealing with all the sources and parameters that allow scope for indiscipline and speculative and rent seeking business practices.

Money Supply Growth & Interest Rates

125. Addressing the prevailing high inflation will require us to take measures that not only addresses the structural supply side constraints to economic production, but also deals with such other challenges as high monetary expansion, which in some cases has not been used to support increased production.

126. In this regard, money supply growth rates of 669% to May 2006 become inconsistent with the prevailing economic and business activity. The monetary authorities will, therefore, be introducing measures to curtail broad money (M3) growth, to levels that are in line with our targeted inflation reduction programme.

127. Maintaining a tight monetary policy characterised by higher interest rates on non-essential, speculative or consumption borrowing, will curtail demand for non-productive credit, thereby dampening inflation emanating from this source.

128. However, with regard to productive economic activities, the current cost of borrowing of over 500% in the prevailing high inflationary environment, is prohibitively high to sustain business activity, especially agriculture. Hence, most of the projects which ordinarily would be financed through the market are now being submitted to Government for funding as a way of avoiding the high interest rates prevailing in the financial market.

129. The Monetary Policy Statement by the Governor of the Reserve Bank will, therefore, highlight specific measures to relate money supply growth, to economic production and activity.

130. The Governor will also be addressing the issue of interest rates as part of his Monetary Policy Statement.

Unbudgeted Public Sector Borrowing Requirements

131. To complement the above, recourse to direct financing from the Central Bank, if any, should be limited to statutory limits or better still, to non-inflationary levels.

132. Furthermore, Government will endeavour to limit financing of the budget deficit to levels that can be absorbed freely and efficiently by financial markets.

133. Realising all the above directly depends on our capacity and discipline to operate within the annual Budget Framework. Central to success is the avoidance of unbudgeted expenditures and borrowing requirements.

Strategic Public Enterprises

134. Also central to addressing the challenge of high Public Sector borrowing requirements, adversely impacting on inflation, is dealing with the impediments to the viable operations of key and strategic public enterprises.

135. Key to achieving this is ensuring that Public Enterprises operate viably, so as to eliminate the need for budgetary subsidies, and that they contribute meaningfully to output growth. In the same vein, they should not be allowed to pass on to consumers any inefficiency 'premiums'. Parastatals' budgets are in most cases not reflective of their difficult financial circumstances. Most notable are the salary levels and conditions of service.

Wage Determination

136. Mr Speaker Sir, Government acknowledges the impact of inflation in eroding the purchasing value of our currency and that of disposable incomes, especially as some wage settlements lag behind inflation. This often prompts calls for frequent compensatory salary and wage reviews, which in turn trigger further review of prices and subsequently wages once again.

137. While appreciative of the pressures to hedge against the loss of the real value of money, wage demands on the basis of current and expected inflation have the potential danger to turn into a wage-price spiral.

138. Hence, the call for all stakeholders to participate in the fight against inflation, with wage negotiations primarily underpinned by productivity at the shop floor level. In this regard, the establishment of the Productivity Centre should be expedited. Business will also have to play its part with regards to price adjustments. This, however, will require a binding social contract embracing employers and employees as well.

Social Contract

139. A social contract between Government, Business and Labour is a quick win solution in dealing with ad-hoc pricing systems. The successful conclusion of a Social Contract involving the three social partners will also reduce the country risk factor, thereby improving investor confidence in the economy. There is therefore an urgent need to revive the Tripartite Negotiating Forum and thereafter conclude the Social Contract.

Inflation and Business Transactions

140. Persistent high inflation is now affecting the ability of most businesses to process their transactions. Similarly, existing computer application systems in Government are also failing to process the large number of digits involved with high value transactions.

141. The Reserve Bank will, therefore, be co-ordinating the measures to deal with this matter and appropriate announcements will be made.

142. Over the medium to long term, Government seeks to attain stable macro-economic conditions, with single digit inflation levels.

SUPPLY RESPONSE

143. Mr Speaker Sir, the above measures on their own will not sufficiently deal with inflation, especially as some of our key industries are not operating at their optimum capacity. Similarly, not all our farmers have begun to fully utilise their land.

144. The resultant low supply has contributed to the acceleration of inflation, shortages of goods and services and deprived the country of the much needed foreign currency.

145. Government has under the NEDPP responded to this challenge by establishing special Task Forces, focussing on measures to stimulate productive sectors such as agriculture, manufacturing, mining and others.

146. In order to effectively address the challenges I have outlined, supportive policy measures will be necessary to generate positive supply response and complement the above expenditure rationalisation proposals in dealing with inflation.

Agriculture & Food Security

147. Government's financial support to agriculture demonstrates its commitment to ensuring food security, foreign currency generation, employment creation and the supply of inputs to other sectors of the economy.

Financing Agriculture

148. Preparations for the summer cropping programme are already underway and the early mobilisation of resources required has started.

149. There is, therefore, the need to put in place a package of measures which will ultimately result in the private sector and financial institutions playing a pivotal role in the financing of agriculture.

150. Heavy reliance on the fiscus for funding of agriculture is clearly unsustainable, hence the need for the greater involvement of the financial sector. In this regard, the Governor of the Reserve Bank will be announcing measures to enhance the traditional participation of banks in supporting our farmers.

151. Commercial banks had highlighted constraints limiting their capacity to play their traditional role in availing resources to the agricultural sector.

152. In this regard, the Governor of the Reserve Bank has taken measures to reduce the level of banks' statutory reserves. In return, banks have been making commitments to increase their support to agriculture.

153. This will also release public resources previously channelled to agriculture by Government to critical infrastructure development and social services.

154. The experiences of the Green Revolutions of other countries, such as India and China targeting rice production and other commodities, including livestock, have demonstrated the immense productive potential of farmers that can be unleashed through sectoral targeted lending to agriculture.

Farm Disruptions

155. Farm disruptions have also continued to undermine the confidence of banks to finance bankable farming operations. Banks require guarantees that when they finance crops, farmers will be able to harvest, and therefore repay their loan obligations.

156. To this end, Government will take a firm stand against any new unwarranted disruptions on farming operations.

Security of Tenure.

157. Farmers make meaningful investment where security of tenure is guaranteed. To further facilitate the participation of financial and other institutions in the funding of agriculture, Government will shortly issue transferable 99 year leases

158. I am happy to announce that Government has already begun issuing the 99 year leases to qualifying farmers, where the land boundaries have been surveyed and demarcated. This will allow farmers to effectively engage in agriculture as they will be able to access financing from banks on the collateral of title to land.

159. There is, therefore, need to address issues of land tenure and security on farms if banks are to make meaningful contributions to agriculture.

Inputs Supply

160. Mr Speaker Sir, our farmers have often failed to realise optimum hectareage and production yields on account of late supply of inputs, either directly to farmers through the GMB or through the usual agricultural retail stockist outlets. Hence, even farmers who can purchase inputs using own resources have gone without inputs while waiting for supplies through centralised Government structures.

161. Government, drawing from stakeholder consultations under the NEDPP will enhance coordination of inputs supply, whilst gradually reducing direct provision of inputs. Private sector participation in agriculture through contract farming and empowerment of farmers to plan for their own inputs through guaranteed viability will also take centre stage. This also reduces the risk of perpetuating a 'dependence syndrome' on the part of farmers, whose operations would have been commercially driven.

162. Government will also target provision of agricultural input support towards the vulnerable groups and those farmers identified and contracted to produce particular commodities for Strategic Grain Reserve requirements.

Viability of Farming

163. Government also recognises the need for adequately rewarding the farmer for agricultural production. In this regard, Government has agreed that farmers will be adequately rewarded after production in order to ensure their viability.

164. Viability also allows us to progressively reduce the need for concessionary funding for agriculture, as well as extensive recourse to Government supported input supply programmes.

165. To address the issue of viability, the maize producer price was raised to \$31.6 million taking account of production costs and positive rates of return for farmers. This benefited from input which followed consultations with farmer representatives.

166. However, similar consultations with tobacco farmers indicate that even with the current 35% Early Delivery Bonus, producers are not realising adequate return to cover production costs, let alone surpluses to plough back into the next season crop.

167. The Reserve Bank will, therefore, be making the necessary announcements to afford tobacco farmers the much needed viability. This will also allow growers to finance the production of the 2006/07 tobacco crop, thus limiting demand for public funding.

168. The overall financing requirement for the tobacco crop has been estimated at \$ 23 trillion for a targeted hectareage of 50 million hectares.

169. The measures to be announced by the Governor of the Reserve Bank will assure adequate capacity to finance the coming tobacco crop. Already, much progress has been made with regards to the preparations for seed beds and the irrigated tobacco crop.

Small-scale Tobacco Grower

170. While the measures to be announced by the Reserve Bank would capacitate most tobacco farmers to fund their operations from own resources and roll-overs, there is need for additional funding in support of the tobacco crop by the small-scale grower.

171. In this regard, \$2 trillion is being availed by the Government under the Agribank/TIMB Scheme for the small-scale tobacco grower. The first tranche of \$500 billion has already been disbursed through Agribank.

Maize Grain Purchase

172. Mr Speaker Sir, consistent with what I have outlined above, Government is limiting its involvement in the financing of maize to the purchase of our National Strategic Grain Reserve.

173. In this regard, disbursements for the purchase of 129 114 tonnes of maize by the GMB for the Strategic Grain Reserve totalled \$4.0 trillion as at 21 July 2006. The fiscus will recoup this as the GMB sells grain to the millers.

174. Further, following the increase in the maize producer price to \$31.3 million per tonne, Cabinet approved the adjustment of the maize selling price from the current \$600 000 per tonne, and the necessary announcements will be made shortly.

Manufacturing

175. The major challenge in manufacturing is the low level of capacity utilisation associated with increasing costs of production, inadequate foreign exchange, and declining revenue earnings.

176. Producers for the domestic market face a combination of limited access to foreign exchange for importing inputs and falling demand as production costs push up product prices to unaffordable levels. As a result, they are forced to scale down operations in order to remain in business.

177. On the other hand, producers for the export market are failing to fully absorb rising production costs when they liquidate their export proceeds.

178. The overall result is reduced viability and ultimately declining capacity utilisation in the manufacturing sector.

179. Measures to address the above challenges will include expeditious implementation of NEDPP programmes in support of our industries through the Distressed Companies Fund, as well as the Import Substitution and Value Addition Fund.

180. Drawing from past experience in supporting private enterprises with public guaranteed funds, priority under the Distressed Companies Fund will be given to companies with potential to increase capacity utilisation, realise employment creation and significant foreign currency generation.

181. Given the magnitude of the financial resource requirement, funding cannot all be from the Budget. Hence, Government will be injecting seed capital to the extent of \$5 trillion for the Distressed Companies Fund and \$500 billion for the Import Substitution and Value Addition Fund in support of these Funds.

182. The banking community will also be expected to play its part in supporting this initiative, and the Governor will be making appropriate announcements as part of his Monetary Policy Statement.

Mining

183. Mr Speaker Sir, notwithstanding resurgence of most mineral prices, the industry is now being undermined by electricity outages and rising production costs related to wages, electricity, spares and machinery.

184. The impact of rising production costs has spun across all minerals, including gold whose production levels are threatened by further steady decline. This is notwithstanding the measures Government is taking to plug some of the leakages related to illegal parallel market activities.

185. On the other hand, revenues have remained constrained by the fixed value of the Zimbabwe dollar. Hence, strong representations over the industry's viability have been presented to Government.

186. Cognisant of the mining industry's importance in generating foreign exchange, employment as well as the linkages with manufacturing, measures are being taken to guarantee the continued viability of mining and allow for sufficient revenues to undertake the necessary exploration and mining operations development.

Tourism

187. Not all the strategies to support tourism require large outlays of investment resources. Some of the critical measures to decongest such major entry ports as Beitbridge merely require efficient re-organisation of existing facilities, systems and arrangements.

188. This is not to disregard the need for supportive investment in such project as refurbishing and rehabilitating our ports as identified by the Tourism, Image and Communication Taskforce of the National Economic Recovery Council.

189. Furthermore, concerted promotion of domestic tourism through targeted packages should be part of the overall tourism recovery programme.

Support for Exporters

190. Given that exports remain our biggest source of foreign currency, Government recognises the need to continuously explore measures that guarantee the viability of exporters.

191. The Reserve Bank, in consultation with industry and other stakeholders, is working on comprehensive measures to support improved foreign currency generation. Appropriate announcements will be made by the Governor as part of the measures in the Monetary Policy Review Statement.

Pricing

192. With regard to pricing, the challenge we face is that sub-economic pricing, in the absence of adequate provision of commensurate subsidies, will ultimately compromise capacity utilisation and the adequate supply of the products or services.

193. Our experience with fuel and other commodities demonstrates that price distortions often manifest themselves in rising corruption, rent seeking, and extensive abuse - with no meaningful benefits for the ultimate intended beneficiaries. Hence, the removal of price distortions in the economy is not only critical to improving the business operational environment, viability and sustainability of production, but also necessary for avoiding the above ills.

194. Mr Speaker Sir, Government has adopted a consultative approach in addressing pricing challenges facing industry. In this regard, such concerns as the review of price distortions are being undertaken within the framework of the National Economic Development Priority Programme.

Electricity

195. Electricity is fundamental to operations of industries and agriculture, and supply interruptions have serious repercussions on production.

196. The current supply constraints reflect a combination of both limited domestic generation and capacity to import. Given the regional deficit from next year, it will therefore be critical that new investments be undertaken in the energy sector to boost generation supply.

197. Economic tariffs also remain necessary for sustainable power generation and supply. In this regard, measures have been put in place to address this in a manner that also does not undermine the viability of industry and farming, guided by the tariff adjustment trigger mechanisms already approved by Cabinet.

Fuel

198. Government also recognises that the special prices for fuel in support of targeted productive sectors have been a necessary transitional arrangement, given that the price of fuel is an important factor in production.

199. Cabinet, has approved a fuel price trigger mechanism, and a revised facility for farmers that is based on actual use in support of production. Hence, Government will be implementing a gradual movement towards the elimination of multiple fuel prices in line with the Cabinet position.

200. This would have to be supported by the strengthening of the regulatory measures that govern the operation of players in the oil industry.

Local Authorities

201. Mr Speaker Sir, generating supply response also requires that Local Authorities play their part in

supporting the operations of the various business sectors through efficient provision of services. Service delivery remains inadequate, with refuse remaining uncollected, intermittent water supply, constant sewer burst pipes and unserviced roads.

202. The Budget has continued to give priority to local authorities in the allocation of public resources. The shortfall in the past, however, has remained the delays in empowering Local Authorities through the levying of economic fees and charges, to improve their service delivery capacity.

203. Government acknowledges the need for Local Authorities to levy reasonable fees and charges. In this regard, reviews of fees and charges proposals will be guided by the requirements for improved Local Authority service delivery. This will also require increased transparency and accountability, especially with regard to management and governance issues, which have seen Local Authority's finances in shambles.

Relations with Co-operating Partners

204. Zimbabwe offers investors, some of the most diverse opportunities for investment. However, the negative portrayals of the country's image, coupled with the current macro-economic environment have constrained potential investment.

205. In that regard, implementation of credible and consistent macro-economic policies remains critical. This will complement the recent re-assurances over honouring our international obligations under Bilateral Investment Promotion and Protection Agreements (BIPPAs) and other international agreements in which Zimbabwe is a signatory.

SMEs Interventions

206. Government recognises the role of SMEs in contributing to economic growth and employment creation. Measures in support include financial support through SEDCO and other Budget funded programmes targeting the small businesses, to the benefit of construction of such infrastructure as factory shells and vendor marts for use by SMEs.

207. Given the great employment creation potential of SMEs, Government, through the Reserve Bank, is finalising additional financial support in partnership with the commercial banking community. The Governor of the Reserve Bank will be making the appropriate announcements in his Monetary Policy Statement.

208. On their part, SMEs are also encouraged to form associations and unions which would facilitate the formulation of partnerships, and lobbying for business linkages with established industries.

Youth Support Programmes

209. In line with the national objectives as outlined in the Macro-Economic Policy Framework 2005-2006, which promotes and encourages youth development and gender equality, Government through the IDBZ, has established a Youth Development Fund.

210. It is anticipated that the Fund will contribute towards the creation of employment for the majority of the youth, alleviating poverty and also empowering this interest group by making it possible for the youth to use their acquired technical and entrepreneurial skills. The initial seed capital for the Fund is \$250 billion.

Mitigatory Measures

211. The implementation of the necessary measures to revive economic activity will be painful, especially for the poor and vulnerable groups. It is, therefore important that mitigatory measures be put in place to protect the poor and vulnerable groups.

212. These would include gradual introduction of targeted subsidies, and strengthening price surveillance under the Ministry of Industry & International Trade, as well as operationalising the Incomes & Pricing Commission.

FISCAL CHALLENGES & THE IMMEDIATE MEASURES

Results Based Management

213. Mr Speaker Sir, Honourable Members are aware that in 2005, Government adopted Results Based Management system. This system is meant to enhance efficiency and effectiveness in resource utilization and service delivery.

214. A critical component of the RBM is Results Based Budgeting (RBB) which emphasizes more on the outputs to be produced and consequent outcomes. In line with this new thrust, Performance Agreements

were signed between Treasury and line ministries. Implementation Progress Reports received to date, however, highlight a number of planning, organizational and human resource development challenges.

215. First and foremost, the RBM concept has not been clearly understood by implementing Government Ministries and Departments. The system was also not adequately adjusted to the current local economic environment and existing systems. This was compounded by the financial and human resources constraints.

216. In that regard, Government will strengthen the RBM through proper planning, extensive training at all levels, streamlining of roles and functions of line ministries and departments and improving resource allocations.

217. Introduction of an electronic monitoring and evaluation system is also under consideration and will facilitate integration and consolidation of information in the performance agreements, work plans and the reports. In addition, the system will provide a quick interface among users as it can be easily integrated with other Government IT systems resulting in timeous decisions and interventions so as to improve programme performance.

218. To support and sustain the RBM system, a programme of change management will be introduced and efforts are also underway to improve contract and procurement management.

219. Further, implementation of the RBM system will be rolled out to all parastatals and Local Authorities as a way of improving service delivery by these institutions.

Tendering

220. It has been observed that some Government tenders take inordinately long periods from submission of tenders to hand over of the project to the successful bidder. These delays lead to most projects failing to take off or being completed, in the current hyper inflationary environment.

221. Government, through the State Procurement Board, remains committed to improving efficiency in the tendering process in order to reduce the turn around time.

222. In line with this, the State Procurement Board is now actively involved in the training of procurement entities, capacity development of procurement committees and provision of guidance on its requirements, to speed up the processing of tenders. Expertise will be out - sourced for technical and complex projects.

223. Furthermore, the State Procurement Board has drawn up a draft Procurement Manual that is currently under consideration, in line with the Results Based Management system adopted by Government. This should allow for better understanding and standardisation of the tendering procedures, that way facilitating the quick processing of tenders.

224. Mr Speaker Sir, Government is concerned by sub-standard work and non-performance by some contractors who win Government tenders. Measures are being instituted to deal decisively with such unscrupulous contractors.

BUDGET CHALLENGES

225. Rising inflation has translated into increased operational costs for Government Ministries and Departments, and additional resources will be required to meet them.

226. There has also been financing challenges that arise as a result of new projects and programmes outside the Budget Framework.

227. New requests emanate from operational requirements of line Ministries, projects under the NEDPP, the Public Sector Investment Programme, salary and pension payments and public enterprise obligations.

228. The overall requests by line Ministries, Departments and grant aided institutions for additional funding to support Recurrent and Capital Expenditure, as well as projects under the NEDPP, now stand at \$614 trillion.

229. This is against new projected additional Revenue of \$140 trillion, taking account of the higher nominal GDP of \$840 trillion.

Recurrent Budget Requests

230. Of the above \$614 trillion, new funding requests for Recurrent Expenditure are \$189.8 trillion. The breakdown is indicated below.

RECURRENT ADDITIONAL REQUIREMENTS (\$'000s)

Public service wage bill	70,813,767,000
Pension	19,677,000,000
Employer Contribution to PSMAS & NSSA	5,072,000,000
Operations	65,556,400,276
Medical supplies and services	4,815,311,600
Rations	5,735,944,621
Maintenance	2,742,245,062
Current transfers	5,262,653,924

TOTAL189,806,406,036

Public Sector Investment Programme Requests

231. The additional funding requirements for projects being implemented by line ministries amounts to \$161.2 trillion.

232. These are summarised below.

PUBLIC SECTOR INVESTMENT PROGRAMME

<i>Item</i>	<i>Additional Amount Requested</i> <i>\$000</i>
Construction & rehabilitation of hospitals and clinics	1,070,000,000
Road and bridge construction	62,676,500,000
Construction & rehabilitation of schools	7,329,000,000
Construction & rehabilitation of tertiary institutions	7,697,331,747
Dam & water supply infrastructure	29,226,028,000
Rehabilitation of airports	1,805,000,000
Housing development	8,316,542,793
Other	38,481,179,901

TOTAL 161,215,793,941

NEDPP Requests

233. Government is implementing some 'quick win' projects and programmes under the National Economic Development Priority Programme(NEDPP). The domestic funding requirements of these projects and programmes are in excess of \$136 trillion.

234. These programmes and projects are in the various sectors of the economy and include agriculture, manufacturing, mining and tourism. The details of the resources required from Government are indicated in the Table below.

235. While some of the resources required in support of the NEDPP projects and programmes have already been mobilised by Government, these need to be incorporated into the Budget Framework.

236. A large number of projects submitted to Government for funding under the NEDPP should ordinarily be funded through the market. Measures to support greater capacity for banks to support the funding of such programmes and projects include the recent reduction of statutory reserves from 60% to 45% by the Reserve Bank.

Domestic Debt

237. Mr Speaker Sir, the above budgetary pressures, coupled with new programmes under the NEDPP, total \$614 trillion, and if accommodated, would substantially add on to an already unsustainable domestic debt problem.

238. If all the expenditure requests were to be met, we would need to borrow \$474 trillion. This amount of borrowing would require us to budget for an additional \$602 trillion in interest, at the prevailing 91-day Treasury bill rate of around 510%. Hence, the total repayment of the original borrowed amount and interest would be \$1.076 quadrillion.

239. This scenario is unsustainable, and would entrap us in a vicious domestic debt cycle. Hence, we will have to rationalise the additional budget expenditure requests, in line with revenues and the capacity of the economy to support the borrowing requirement.

Revised Macro-Economic Framework For 2006

240. As at May, money supply growth rate increased to 669.9%, while inflation to June rose to 1184.6%. GDP and average annual inflation for 2006 are projected at 0.3 to 0.6% and 950 to 1000%, respectively.

PROPOSED SUPPLEMENTARY BUDGET PROVISIONS

241. Mr Speaker Sir, in rationalising the \$614 trillion additional budget expenditure requests, I have taken into account the anticipated additional revenue of \$140 trillion, as well as the challenges facing Ministries in service delivery resulting from cost escalations and tariff increases.

242. These have meant that resources initially allocated are no longer sufficient to enable the Government machinery to function up to the end of the year, making it necessary that I revisit the 2006 Budget Estimates. To this effect, I have had to critically analyse the requests and ensure that provision is made only for those expenditures that are critical.

243. Revisiting the Budget is not only in response to the significant impact imposed by the high level of inflation, but also in order to address requirements directly linked to our National Economic Development Priority Programme.

244. I am, therefore, proposing Supplementary Budget Expenditures amounting to \$327.2 trillion to maintain service delivery for the remainder of the year, and to implement critical social and other developmental projects. This will be over and above the originally budgeted \$123.9 trillion to end of the year.

245. Mr Speaker Sir, allow me to now give highlights of the proposed Supplementary Budget of \$327.2 trillion.

Recurrent Expenditures

Operations and Maintenance

246. Taking into account the erosion of the operational budgets of Ministries by inflation, I propose to allocate \$44.5 trillion towards operations and maintenance of line Ministries to ensure continued delivery of public services.

Public Service Wage Bill

247. Mr. Speaker Sir, the provision of a resource envelope of \$32.9 trillion for the Public Service Wage Bill in the 2006 Budget, constituted part of measures meant to improve the conditions of service for the public servant.

248. The intended income benefits have since been severely eroded by the continued surge in inflation, nullifying our efforts to reduce the loss of skilled and experienced manpower from public institutions.

249. It is against this background that Government reviewed Public Service salaries and wages in May 2006. This intervention will require additional funding amounting to \$82.1 trillion. Included in this is an amount of \$11.3 trillion for institutions financed through grants such as State Universities, Local Authorities and Mission Hospitals whose employees' salary reviews are aligned to those in the Civil Service.

250. Mr. Speaker Sir, the current 35% vacancy ratio compromises effective delivery of Public Services and policy implementation. It, therefore, becomes imperative to allocate resources towards the recruitment of personnel to fill this gap. I, therefore, propose to allocate \$600 billion for this purpose.

251. I also propose to allocate amounts of \$2.8 trillion towards increased employer contribution for the National Social Security Authority and the medical aid premium to the Public Service Medical Aid Society. The contribution ratios remain 60% employer and 40% employee, with the coverage also being for a member plus three dependant beneficiaries.

Pension

252. Mr Speaker Sir, citizens on fixed income, such as pensioners, tend to suffer the most from the effects of inflation. In order to mitigate against this, I propose to allocate \$13 trillion to cover the additional cost arising from pension reviews effected from May 2006. This is additional to the \$8.7 trillion provided in the 2006 Budget.

Maintenance of Buildings

253. The state of Government offices and buildings remains of major concern, compromised by lack of annual maintenance.

254. The Ministry of Local Government, Public Works and Urban Development needs additional funds to enable them carry out adequate minor maintenance work required including office partitioning, repair and replacement of such equipment as elevators, air conditioning, office carpeting etc.

255. I propose to allocate an additional \$351.5 billion for this. The initial allocation was \$320 billion. Cost recovery measures by the Ministry of Local Government, Public Works and Urban Development in incidences of vandalism of Government property will complement this.

Capital Expenditures

256. Implementation of public construction projects is being undermined by the poor state and non-availability of Public construction equipment. Efforts to replace such equipment as graders and dozers, is taking longer in light of the limited foreign currency availability - increasing reliance on hired equipment, which adds on to project costs.

Road and Bridge construction

257. A well-maintained and developed road network is critical for promoting trade, attracting investment and supporting the economic development of our country. Therefore, concerted efforts aimed at reversing the deterioration of the country's road infrastructure are necessary.

258. It now costs as much as \$70 billion to construct one kilometre of surfaced road, as opposed to the \$12 billion quoted at the beginning of the year.

259. I, therefore, propose to allocate an additional \$7.6 trillion to cover the dualisation of 11 km of the Harare - Masvingo highway and 12 km of the Harare - Gweru, construction of other roads, bridges, and re-equipping the Department of Roads.

Toll Gates

260. To increase investment in road infrastructure maintenance, Government has started introducing toll gates at ports of entry, and on selected highways as a cost recovery measure. ZIMRA has so far collected about \$150 billion.

261. Construction of eight toll gates is underway on highways in all the country's provinces, with work in progress at some sites around Harare (2), Mutare, Esigodini, Gweru, Masvingo and Bulawayo. I propose to allocate \$1.2 trillion in support of the completion of these eight toll gates.

Airport Upgrading

262. Mr Speaker Sir, Government is upgrading the Harare, Victoria Falls, and Joshua Mqabuko Nkomo airports. I propose to allocate \$1.3 trillion to these projects.

Dam Construction Projects

263. A total of \$713 billion has so far been disbursed for the construction of Wenimbi, Matezva and Bindura dams through the Infrastructure Development Bank of Zimbabwe (IDBZ).

264. To complement these efforts, I propose to allocate \$5.6 trillion towards construction of Bindura, Bubi Lupane, Mutange, Marovanyati and Shave dams.

Rural Development

265. In order to empower rural communities, Government is implementing various programmes and projects through the Rural Capital Development Fund, Zimbabwe National Water Authority and District Development Fund.

266. The programmes currently underway involve provision of social infrastructure such as water and sanitary facilities, schools, clinics as well as rehabilitation of roads, bridges, irrigation schemes and boreholes.

267. I propose that an additional \$359.9 billion be availed to support the completion of some of the on-going programmes and projects, to improve accessibility to water and sanitation and facilitate communication in rural and resettlement areas.

Health Sector

268. The construction and rehabilitation works underway at all central, provincial and district hospitals require additional resources to be availed in order to improve access to health services.

269. I, therefore, propose that an allocation of \$472.5 billion be made for the completion of Gokwe District Hospital, Filabusi, Shamva, Shurugwi, Murehwa, Kalanyoni Hospitals, and Zumba Rural Health Centre in the Midlands.

Education Sector

270. Government is currently constructing additional facilities at various schools countrywide to phase out hot sitting and improve access to education in resettlement areas. Additional resources are required to complete some of the structures, and I therefore propose to allocate \$967 billion for this purpose.

271. The rehabilitation of facilities, as well as construction of new structures to cater for the expansion of tertiary institutions require \$2,7 trillion, which I propose to allocate through this Supplementary Budget. This will cover works currently underway at the University of Zimbabwe, Lupane, NUST, Midlands State University, Masvingo, ZOU and Bindura.

Office Accommodation

272. In order to reduce the cost of rentals, Government is constructing composite offices in Mutoko, Lupane and Hwedza, as well as some district offices under the Registrar General's Office. Additional resources are required for completion of some of the projects, and I therefore propose that \$408 billion be allocated to finance the ongoing construction works.

Operation Garikai/Hlalani Kuhle

273. Government is availing resources for provision of decent accommodation for its workers and the general public under various facilities.

274. Such projects include completion of flats in Harare, and Operation Garikai/Hlalani Kuhle.

275. I therefore propose to allocate \$500 billion under Operation Garikai/Hlalani Kuhle housing programme.

Civil Service Housing Loan Scheme

276. Consistent with the above, Government has over the years, looked beyond monetary benefits as a means of improving the welfare of its workers with provision of housing receiving special attention. This is on account of the need to cushion civil servants against the increasing costs of accommodation. In this regard, Government has, since 2004 put in place a number of housing loan schemes for this purpose.

277. The loan schemes are mainly to facilitate purchase of stands and houses, as well as construction of houses.

278. From the resources allocated to date, about 2 000 members have benefited.

279. Due to the high demand for the facilities, the high cost of building materials and prices of houses in the market it has become necessary that additional resources be availed so that more members can benefit. To this effect, I propose to allocate \$1 trillion.

Public Private Partnership Housing

280. Mr. Speaker Sir, I am pleased to advise the House that in addition to the Government funded housing loan schemes, Government has established a separate scheme through Public Private Partnership Arrangement to facilitate provision of housing to all civil servants. Land for this purpose has already been identified in all provinces.

National Economic Development Priority Programme

281. Mr Speaker Sir, I have already alluded to the National Economic Development Priority Programme, whose objective is to identify quick win projects and programmes that will facilitate the turn around of this economy.

282. Already some projects have been identified and funding is now required to ensure their successful implementation. Such projects include support for agriculture, distressed companies, and other projects.

283. I propose to set aside an amount of \$28.6 trillion for projects under this programme under my Ministry.

Called-up Loans

284. A number of Parastatals have not been able to service their external loans, guaranteed by Government, due to poor performance.

285. I therefore propose to allocate \$553.2 billion to meet some of the called up loans guaranteed by Government.

CMED

286. As part of efforts by Government to improve the conditions of service for civil servants, Government availed resources for procurement of buses by CMED in the 2006 Budget. However, due to cost escalations the resources availed are no longer adequate to meet the requirements.

287. I therefore propose to allocate an additional \$90.9 billion for this purpose.

288. Furthermore, I also propose to allocate \$523 billion for the procurement of vehicles.
Stabilisation Fund

289. The challenges we are facing as a nation call for drastic measures to be taken in order to remove the distortions that have become entrenched in our economy. The process of market correction will involve pain.

290. It is therefore, necessary that we put in place a facility to support initiatives aimed at propelling the country towards sustained socio-economic growth and development. A critical element of stabilization will be structured support to the vulnerable members of the society.

291. Stakeholder consultations have been initiated with a view of having the Fund fully functional by January 2007. Capitalization of the Fund will require contributions from the fiscus, the Reserve Bank, as well as the corporate world.

Revenue Proposals

292. Mr Speaker Sir, Government faces a difficult task to mobilise the requisite revenue and at the same time meet the demands of the various Stakeholders.

293. Whilst tax relief and productivity-enhancing measures introduced through the 2006 Budget have achieved positive effects in the short term, they have however, been undermined by the corrosive effects of inflation.

294. It is thus, critical that tax measures be continuously reviewed in order to enhance corporate productivity, mitigate bracket creep on individual taxpayers, as well as generate revenue.

Corporate Quarterly Tax Return

295. Corporate taxpayers are required to furnish estimates of taxable income based on annual estimated income on a quarterly basis. However, they are not compelled to submit a Return in support of the estimated taxable income. The submission of a Return will facilitate verification of the basis of estimation, thereby making it easy to follow up non-compliant taxpayers.

296. In order to enhance compliance, I propose to introduce a Corporate Quarterly Tax Return Form that corporate taxpayers should submit together with their quarterly payments with effect from 1 September 2006. This measure is in line with current practice in other SADC countries.

In Duplum Rule

297. Mr Speaker Sir, the current Legislation requires ZIMRA to give 21 days notice in order to exclude the application of the In duplum rule to fiscal debts. The requirement to give notice has caused administrative challenges as it is not practical to give notice in every situation where tax is payable. Furthermore, ZIMRA gives a grace period of 30 days to settle outstanding tax before interest starts accruing.

298. I, therefore, propose to remove the requirement for ZIMRA to give 21 days notice in respect of tax due, with effect from 1 September 2006

Dumping

299. Capacity utilisation in the manufacturing sector has declined, with some companies operating below 30% and others closing down. The sector is facing operational constraints that are negatively affecting competitiveness.

300. Whilst steps were taken in the 2006 Budget to level the playing field between imported and locally manufactured products, movements in inflation have significantly eroded effectiveness of the current structure of duties, thereby reducing the competitiveness of local industry and revenue inflows to the fiscus.

301. In order to even the playing field between locally manufactured and imported goods, thereby advancing the objectives of industrial growth as enunciated under the National Economic Development Priority Programme (NEDPP), I will institute necessary measures to curtail dumping in circumstances where viability of industry is threatened.

Customs Parking Yard Fines

302. Free parking space is provided for travellers who will be engaged in customs and immigration formalities, within the customs yard. However, it has been observed that, some travellers are abusing the free parking facility, resulting in some vehicles being parked for an unduly long time thereby resulting in congestion, which inconveniences other travellers.

303. Mr. Speaker Sir, I propose to make it an offence to park a vehicle in the Customs-Parking Yard beyond the prescribed time limit after which a fine is chargeable. This measure takes effect from 1 September 2006.

Presumptive Tax on Taxi-Cab & Commuter Omnibus Operators

304. Mr. Speaker Sir, Presumptive tax on Taxicab and Commuter Omnibus Operators was introduced during the 2005 Mid-Term Fiscal Review, with a view to capture the informal sector into the tax base. It has, however, been observed that compliance levels are low, in the absence of penal provisions for failure to pay tax.

305. I, therefore, propose to amend Legislation in order to make it an offence not to display a Tax Clearance Certificate for payment of Presumptive Tax, as well as include penal provisions on defaulters with effect from 1 September 2006.

Automated Financial Transaction Tax

306. The Automated Financial Transaction tax was last reviewed in 2004. The amount levied is no longer realistic in relation to the cost of administering the tax.

307. I, therefore, propose to increase the current rate from \$500 to \$5 000 per transaction with effect from 1 September 2006.

NOCZIM Debt Redemption Levy

308. Honourable Members may recall that, the NOCZIM Debt Redemption levy on diesel and petrol was introduced with effect from December 2003, with a view to amortising accumulated debt.

309. The redemption levy was introduced at a time when fuel prices were relatively low. There is thus need to review the amount to a meaningful level that will assist NOCZIM in amortising the accumulated debt.

310. I, therefore, propose to increase the levy from \$110 per litre to \$25 000 per litre. This measure takes effect from 1 September 2006.

Carbon Tax

311. Honourable Members would recall that I announced change of mode of payment whereby carbon tax is levied according to engine capacity to a system based on fuel consumption and pegged the levy at \$1 000 per litre. However, the levy has since declined in value, hence no longer relate to the current market prices of fuel.

312. I therefore propose to increase the current level of carbon tax from \$1 000 per litre to \$5 000 per litre with effect from 1 September 2006.

Employee Share Participation Scheme

313. In order to support the indigenisation process, capital gains tax exemption was granted on shares disposed by an employee to the Share Ownership Trust, thereby perpetuating the life of a Trust Fund. A regulatory framework to safeguard the interests of workers was supposed to have been put in place to enable approval of such schemes for tax purposes by the Commissioner General.

314. Stakeholders have raised concern with regards to the absence of a regulatory framework. The regulatory framework to facilitate approval of such schemes will be put in place by December 2006.

Deemed Income Benefit on Disposal of Company Vehicle

315. Mr. Speaker Sir, I have since agreed to the principle of not taxing income that is due to inflation. Following stakeholder concerns raised over the valuation method used by ZIMRA upon disposal of company vehicle to employees, legislation was amended in order to apply an inflation allowance calculated from the purchase date on the original price of the motor vehicle.

316. Stakeholders however, raised further concern with regards to the computation method used by ZIMRA to calculate the inflation allowance.

317. I have consulted on the technical aspects of the computation, hence, propose that the indexation allowance be calculated using the difference between the Transport and Communication Consumer Price Index for the month of disposal and Purchase divided by the Transport and Communication Consumer Price Index for the month of purchase, with effect from 1 September 2006. This is in line with best practices by other Tax Authorities.

Corporate Quarterly Tax Payments

318. Currently, payments of Advance Corporate Tax deviate from the actual amount of tax payable, due to difficulties in forecasting, arising from the volatile macro-economic environment. Failure to forecast corporate quarterly tax payments within the 10% margin of error, results in penalties.

319. Consultations to determine the appropriate method of forecasting income will thus be held with stakeholders.

Capital Gains Tax

320. The housing strategy as enunciated under the NEDPP is to develop affordable accommodation for the public. In order to improve affordable access to housing, Government is focusing on developing policies that foster Public Private Sector Partnerships among other measures.

321. Mr. Speaker Sir, some employers have already taken initiatives to address accommodation requirements for their employees.

322. In order to complement efforts in housing development by the private sector, I propose to exempt capital gains tax arising from transfer of ownership of residential properties from companies to the Employee Housing Trust Funds.

Customs Duty on Second Hand Motor Vehicles Imported by Physically Challenged Persons

323. The Customs and Excise legislation provides for duty free importation of motor vehicles by physically challenged persons, provided the vehicle is less than five years from the date of manufacture. The age restriction was imposed in order to reduce additional demand on the country's scarce foreign exchange, arising from high demand for spare parts due to the condition of the used vehicles at importation.

324. I have observed a number of cases of hardship, where second hand motor vehicles that do not meet the five-year age restriction are donated to physically challenged persons.

325. Mr Speaker Sir, where motor vehicles are imported by physically challenged persons, I propose to extend the age restriction of motor vehicles that are exempt from customs duty from the current 5 years to 10 years from the date of manufacture with effect from 1 August 2006.

Nominal Value Threshold

326. The value of postal consignments and goods imported by regular cross border shoppers who mainly reside in border towns, no longer equates to the current duty free threshold. This has resulted in small parcels being detained for duty payment formalities. The same also applies to goods imported by cross border shoppers.

327. In order to ease congestion at ports of entry, I propose to review the nominal value threshold from \$300 000 to the local currency equivalent of US\$10, with effect from 1 September 2006.

Excise Duty on Second Hand Motor Vehicles

328. Honourable Members may recall that, Value Added Tax on transfer of second hand motor vehicles between individuals was replaced by an Excise Tax of 5%. This measure was instituted in order to reduce costs thereby assisting taxpayers to change vehicle ownership. However, the Excise Tax does not cover second hand motor vehicles sold through Registered Operators.

329. I, therefore, propose to amend the legislation in order to regularise the 5% Excise Tax to apply on second hand vehicle sales by Registered Operators.

Review of Fees, Fines and Penalties

330. Mr Speaker Sir, Honourable Members may recall that during the 2005 Budget, I emphasised the need to review fees and charges on a regular basis, where possible to economic levels.

331. Whilst most Ministries have responded positively and reviewed the bulk of fees and charges to cost recovery levels, some fees, fines and penalties remain outstanding. For example, under the Standard Scale

of Fines, the minimum fine for an offence such as 'over speeding' which has resulted in road carnage, attracts a fine of \$250 000.

332. I, therefore, propose to amend the Customs and Excise Act in order to adjust fees, fines and penalties that have remained sub-economic, with effect from 1 August 2006. The Standard Scale of Fines will be reviewed in consultation with the Ministry of Justice, Legal and Parliamentary Affairs.

Pay As You Earn (PAYE)

333. Mr. Speaker Sir, the persistent unfavourable macro-economic environment characterised by high inflation has reduced the relief accorded to individual taxpayers, especially those below or near the poverty datum line.

334. There is thus need for Government to complement salary adjustments through regular review of PAYE income brackets and tax thresholds, taking cognisance of the revenue requirements to the fiscus.

335. I, therefore, propose to adjust the tax-free threshold from \$7 million per month to \$20 million per month and widen the tax bands to end at \$54 million per month, above which income will be taxed at a rate of 35%. This measure will release about \$35 trillion to taxpayers, thereby enhancing their purchasing power.

336. This measure takes effect from 1 September 2006.

Insurance & Pension Funds

337. Mr Speaker Sir, some employers have, for quite sometime now, been deducting pension contributions without remitting the proceeds to the Pension Fund. A number of parastatals are guilty of this malpractice which is prejudicial to the Pension Fund and its members.

338. In an effort to curb this, it will now be a criminal offence to deduct employee pension contributions and fail to remit the proceeds to the Pension Fund within the stipulated period of 21 days after deductions have been effected. This will be irrespective of whether the employer has paid his portion of the contribution or not.

339. Measures will also be taken to reduce the period within which pensions should be remitted to the Pension Fund from 21 days to 14 days.

340. In addition, any remittances which occur after 14 days following the deduction of pension contributions will attract interest at market rates.

341. A Statutory Instrument will soon be issued to this effect.

CONCLUSION

342. Mr Speaker, Sir, the challenges we are facing though seemingly entrenched, are surmountable. The biggest challenge remains that of runaway inflation, which is constraining economic growth prospects and imposing enormous social and economic hardships on the population.

343. As we strive to bring down inflation, we will have to remain focused in implementing credible and consistent policy measures. This is the only way to build the required confidence among all our economic players. Furthermore, discipline and ethical behaviour remain key pre-requisites for effectively dealing with corruption.

344. We will also have to spend time in fostering a common National Vision and Unity of Purpose to be able to collectively tackle the challenges confronting us.

345. Mr Speaker Sir, I now lay the Supplementary Estimates of Expenditure for the year ending 31 December 2006 on the Table for consideration by the August House. I Thank You.

**Table showing the revised Government spending for 2006 to take into account inflation
Supplementary Estimates of Expenditure for 2006**

CONSTITUTIONAL AND STATUTORY APPROPRIATIONS

<i>Vote</i>	<i>Title</i>	<i>Original Estimate 2006 \$</i>	<i>Revised Estimate 2006 \$</i>	<i>Additional amount to be voted 2006 \$</i>
I.	President and Cabinet	951,000,000	5,758,000,000	4,807,000,000
II.	Parliament of Zimbabwe	840,000,000	3,994,000,000	3,154,000,000
III.	Public Service, Labour and Social Welfare	8,699,532,500,000	21,699,532,500,000	13,000,000,000,000
IV.	Finance	17,500,000,000,000	119,660,386,042,000	102,160,386,042,000
V.	Audit	1,209,000,000	4,260,000,000	3,051,000,000
VI.	Justice, Legal and Parliamentary Affairs	29,076,845,000	188,276,845,000	159,200,000,000
		\$26,231,609,345,000	\$141,562,207,387,000	\$115,330,598,042,000

VOTE APPROPRIATIONS

<i>Vote</i>	<i>Title</i>	<i>Original Estimate 2006 \$</i>	<i>Revised Estimate 2006 \$</i>	<i>Additional amount to be voted 2006 \$</i>
1.	Office of the President and Cabinet	4,609,487,002,294	11,811,906,230,294	7,217,419,228,000
2.	Parliament of Zimbabwe	334,013,177,000	1,068,157,599,000	748,041,846,000
3.	Public Service, Labour and Social Welfare	5,434,284,348,009	9,933,408,811,009	4,499,624,463,000
4.	Defence	8,149,812,995,011	25,231,002,187,611	17,735,557,538,600
5.	Finance	14,779,384,015,197	83,503,039,646,197	73,180,704,767,000
7.	Audit	57,967,157,000	138,536,808,000	80,569,651,000
8.	Industry and International Trade	109,090,337,231	400,791,128,231	291,700,791,000
9.	Agriculture	3,323,643,883,000	7,148,769,384,000	3,825,125,501,000
10.	Mines and Mining Development	228,851,852,000	506,542,331,000	277,690,479,000
11.	Environment and Tourism	401,737,162,286	1,115,386,571,286	713,649,409,000
12.	Transport and Communications	2,882,458,305,018	14,387,423,693,018	10,882,465,388,000
13.	Foreign Affairs	794,108,191,000	2,803,934,351,000	2,009,826,160,000
14.	Local Government, Public Works and Urban Development	2,077,045,829,293	4,375,196,948,293	3,360,345,402,000
15.	Health and Child Welfare	6,609,716,468,000	21,640,431,332,000	15,030,714,864,000
16.	Education, Sport and Culture	16,347,970,847,000	47,118,539,787,000	30,870,568,940,000
17.	Higher and Tertiary Education	6,982,805,928,134	18,917,454,706,134	11,988,648,778,000
18.	Youth Development and Employment Creation	396,454,535,006	721,999,233,006	325,544,698,000
19.	Home Affairs	5,721,754,820,617	27,769,925,275,617	21,019,214,315,000
20.	Justice, Legal and Parliamentary Affairs	2,151,690,595,000	8,967,012,706,000	6,725,322,111,000
21.	Information and Publicity	105,690,502,000	261,373,567,000	156,183,065,000
22.	Small and Medium Enterprises Development	56,224,092,000	328,027,095,000	271,803,003,000
23.	Energy and Power Development	19,411,590,000	66,894,640,000	47,483,050,000
24.	Economic Development	233,413,415,748	516,821,864,748	284,908,449,000
25.	Science and Technology	153,114,896,000	299,713,028,000	146,598,132,000
26.	Women's Affairs, Gender and Community Development	22,738,892,916	76,224,443,916	53,485,551,000
27.	Rural Housing and Social Amenities	83,041,621,000	165,552,685,000	82,511,064,000
		\$82,065,912,457,760	\$289,274,066,052,360	\$211,825,706,643,600

Original Estimate of the Vote (a) \$93,109,496,714,000

Additional Amount to be voted (b) 211,825,706,643,600

Total Appropriation \$304,935,203,357,600