STATE OF THE ECONOMY REPORT FOR JULY – AUGUST 2012
BY THE MINISTER OF FINANCE
HON. T. BITI (MP)

INTRODUCTION

1. This Report gives an update on fiscal and other macro-economic developments as at end of August 2012.

2. Since the announcement of the Mid-Year Fiscal Policy Review on 18 July 2012, the economy remains depressed, with funding challenges for both the private and public sectors, irrespective of the prevailing stable macroeconomic environment and some output improvements in sectors such as mining.

3. On the positive side, inflation for July and August remained contained at around 4%, which is below the annual average target of 5%.

4. Public finances, however, had revenue performance challenges. In July and August, collections were US$257.4 million and about US$269.2 million against revised targets of US$271.2 million and US$280.7 million.

5. This revenue under-performance implies underfunding of some planned Budget projects and programmes.

6. In the financial sector, deposits grew by 3% from US$3.59 billion in June to US$3.64 billion by July 2012. However, liquidity remained a challenge against high demand for affordable credit. Lending increased from 80% in June to about 87% of total deposits, but remained primarily short-term with lending rates still high ranging up to 30%.

7. Exports and imports maintained an upward trend, cumulatively reaching US$2.16 billion and US$5.1 billion respectively by end of August 2012. This gives a half year trade gap of about US$3 billion, reflecting faster imports growth during the period under review.

Major Challenges

8. In summary, the primary challenges still gripping the economy are:

- Revenue underperformance;
- Consequent underfunding of various urgent Government programmes such as agriculture, infrastructure, census and other social services;
- Lack of liquidity, constraining banks to adequately fund productive sectors;
- Low foreign investment
- Hence Low capacity utilisation and high levels of employment;

- The continued high debt overhang blocking any new financing; and
- Perceived Uncertainties and delays over the Constitution Making Process.

DEVELOPMENTS IN PRODUCTIVE SECTORS

Agriculture

Tobacco

9. Total tobacco seasonal sales as at 30 August 2012 stood at 144.0 million kilogrammes sold at an average price of US$3.66/kg at the four auction floors compared to 131.9 million kilogrammes sold at US$2.74/kg same time last year. This realised total revenue amounting to US$526.6 million compared to US$360.9 million achieved same time last year.

SEASONAL	TOTAL AUCTION	CONTRACT	TOTAL 2012	TOTAL 2011	% CHANGE
Mass sold (kg)	52,092,945	91,923,386	144,016,331	131,930,168	9.16
Value (US$)	183,417,310	343,147,576	526,564,886	360,864,230	46
Avg.price (US$/kg)	3.52	3.73	3.66	2.74	33.67

Source: TIMB

Cotton

10. As at 17 August 2012, an estimated 304 112 tonnes of seed cotton had been delivered countrywide. The intake has surpassed the expected total intake by 9%. Buyers are paying prices ranging from US$0.30 – US$0.40/kg as reflected below:

Contractor / Buyer	Average Prices Offered
Cottco	US$0.35/kg
SinoZim	US$0.35/kg
Alliance	US$0.35/kg
Cargill	US$0.35/kg
Grafax	US$0.35 – US$0.40/kg
Romsdale	US$0.30 – US$0.35/kg
Olam	US$0.30 – US$0.35/kg
Viridis	US$0.35/kg
Fahad	US$0.33/kg
Southern Cotton	US$0.35/kg
Cotzim	US$0.30/kg
Insing	US$0.35/kg
Parrogate	US$0.30 – US$0.35/kg
Jinmac	US$0.35/kg

Source: ***Agricultural Marketing Authority (AMA)***

Grain Deliveries to GMB

11. Cumulative grain deliveries as at August 30, 2012 amounted to 63 278 tons valued at US$18.7 million. Of this tonnage, 63 158 tons is maize, 80 tons of wheat and 40 tons of small grains valued at US$18.6 million, US$37 191 and US$11 942 respectively.

12. Payments to date amount to US$4.3 million for 14 576.2 tons of maize and unpaid tonnage now stands at 48 582 tons valued at US$14.3 million as shown below:

2012/13 Local Grain Purchase by GMB as at 30 August 2012

Item	Unit price (US$/t)	Cumulative tonnage delivered (t)	Value (US$)	Payments (US$)	Outstanding Payments (US$)
Maize	295	63 158	18, 631, 658	4, 300, 000	14, 331, 658
Wheat	466	80	37, 191		37, 191
Small grains	295	40	11, 942		11, 942
Total		**63, 278**	**18, 680, 791**	**4, 300, 000**	**14, 380, 791**

Source: GMB

Mining

Gold Production

13. In the mining sector, gold output for July 2012 was 1 338 kgs, bringing the cumulative gold output for the seven months to July of 2012 to 7 799.5 kgs, which is consistent with benchmarks for attaining the annual target of 15 000 kgs for 2012.

Gold Producers and their Deliveries: January – July 2012(Kgs)

OWNER NAME	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Cumu
CALCITE **- Isabella**	2.1577	1.1076	0.8717	1.0804	1.1680	1.4143	1.1463	8.9460
CALEDONIA HOLDINGS - **Blanket Mine**	94.9194	87.5278	140.7640	121.0471	129.3165	109.6317	146.5965	829.8030
DTZ-OZGEO PVT LTD - **Mutare**	23.9239	26.8862	25.9971	31.8127	31.4986	31.7254	34.2193	206.0632
DURATION GOLD ZIMBABWE P/L - **Anthens**	8.0315	6.8352	7.8700	21.3857	9.7966	6.4624	7.4072	67.7886
DURATION GOLD ZIMBABWE P/L - **Queens**	21.2847	20.5803	14.1552	13.1990	12.0207	17.8695	18.3474	117.4568
DURATION GOLD ZIMBABWE P/L - **Gaika**	0.5852	0.4321	0.0000	0.0000	1.1661	0.0000	0.8951	3.0785
DURATION GOLD ZIMBABWE P/L - **Horn**	0.0000	0.2025	0.0000	0.0000	2.3872	0.0000	4.6824	7.2721
DURATION GOLD ZIMBABWE P/L - **Sunace**	0.0000	0.0000	0.5491	0.0000	0.0000	0.0000	0.5695	1.1186
DURATION GOLD ZIMBABWE P/L - Durban Mine	0.0000	0.0000	0.0000	0.0000	3.0256	0.0000	0.0000	3.0256
FALCON MINES - **Camperdown**	0.0000	5.7475	0.0000	0.0000	0.0000	0.0000	0.0000	5.7475
FALCON MINES - **Dalny**	28.7472	23.7389	35.3169	22.3959	22.6450	34.5733	29.3196	196.7368
FALCON MINES - **Lulu**	17.5866	15.7857	33.8300	23.6382	28.9035	37.1183	32.3537	189.2160
FALCON MINES - Jim/Camperdown	0.0000	0.0000	0.0000	0.0000	1.0089	0.0000	0.0000	1.0089
FORBES & THOMPSON - **Long John**	29.2825	26.1445	34.0915	40.4868	40.4198	43.8179	62.5408	276.7838
JOHN MACK AND COMPANY - **Golden Valley Mine**	16.1984	18.5063	23.5464	25.9768	22.4593	26.1836	42.1633	175.0341
MATABELELAND MINERALS P/L - **Turk Mine**	26.9548	26.8713	37.9230	24.8384	40.4376	35.4974	37.7992	230.3217
METALLON GOLD ZIMBABWE (PVT) LTD - **Acturus**	19.8435	18.4301	19.7849	22.2791	22.4147	10.0338	55.497	168.2831
METALLON GOLD ZIMBABWE (PVT) LTD - **How**	120.6352	117.8085	139.0996	129.8030	111.4513	102.5321	129.4429	850.7726
METALLON GOLD ZIMBABWE (PVT) LTD - **Mazowe**	24.5586	22.8254	26.1513	23.7264	21.5577	14.0749	45.6326	178.5269
METALLON GOLD ZIMBABWE P/L - **Redwing**	10.1285	10.1281	9.0790	7.9759	9.0130	3.9547	15.6784	65.9576
METALLON GOLD ZIMBABWE P/L - **Shamva**	55.2094	39.9020	65.7178	61.5358	49.7134	26.9969	41.9862	341.0615
MWANA AFRICA - **Freda Rebecca**	176.1852	131.0626	152.6279	155.2698	164.3853	238.0688	178.9118	1196.5114

OWNER NAME	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Cumu
OLYMPUS GOLD MINES - **Old Nic**	7.3594	6.0431	4.8400	8.6195	8.6908	5.4517	4.6641	45.6686
PAN AFRICAN MINING P/L - **Ayrshire (Last Shot)**	14.6815	12.4052	24.5346	20.9174	24.4991	52.6530	35.4543	185.1451
PAN AFRICAN MINING P/L - **Muriel**	6.1270	4.1176	5.6241	7.7561	4.8259	9.7094	8.4407	46.6008
PAN REEF MINING COMPANY PVT LTD - **Indarama**	2.4583	4.0068	1.8794	6.5328	10.5898	2.1850	6.1897	33.8418
RIO TINTO ZIMBABWE LTD - **Renco**	47.5654	49.7189	66.6829	27.0943	47.7304	56.4038	72.7191	367.9148
STEWART F A (PVT) LTD - **Jessie**	9.7951	8.6817	7.6511	11.0975	8.4367	5.2962	9.7991	60.7574
STEWART F A (PVT) LTD - **Londan Wall**	0.0000	0.0000	0.0000	0.0000	0.3712	0.2120	0.0000	0.5832
ZMDC - **Jena Mines (pvt) ltd.**	28.0028	35.2626	28.5304	29.3366	22.7709	20.0569	24.8240	188.7842
ZMDC - **Sabi Consolidated Mines (pvt)ltd**	20.6139	14.8623	19.8457	21.0651	14.3887	15.9101	7.8210	114.5068
other Small producers	240.3243	192.3611	218.4952	253.4884	208.4410	239.1026	282.9456	1635.1582
Total	1053.16	927.9819	1145.4588	858.8703	867.0923	907.8331	1055.1012	**7799.4752**

Source: Fidelity Printers

14. The underlying factors for increased gold production include the continued firming of international gold prices, the liberalised marketing environment and the huge investments being made in the sector.

15. Details on other minerals will be availed in the coming few weeks.

Energy

Power

16. During the month of July, average electricity generation capacity slightly declined to 1058 MW, compared to 1104 MW recorded in June. This was attributed to generation challenges at Hwange and Bulawayo Thermal Power Stations.

17. Monthly production trends are indicated in the Table below:

Monthly Electricity Production Trends

	Jan	Feb	Mar	Apr	May	Jun	Jul
Hwange	256	245	291	342	354	421	352
Kariba	664	663	645	535	574	622	654
Harare	0	6	6	9	8	8	9
Munyati	25	22	26	24	25	27	31
Bulawayo	23	20	21	23	26	25	13
Total	**967**	**956**	**988**	**933**	**988**	**1104**	**1058**

Source: Zimbabwe Power Company

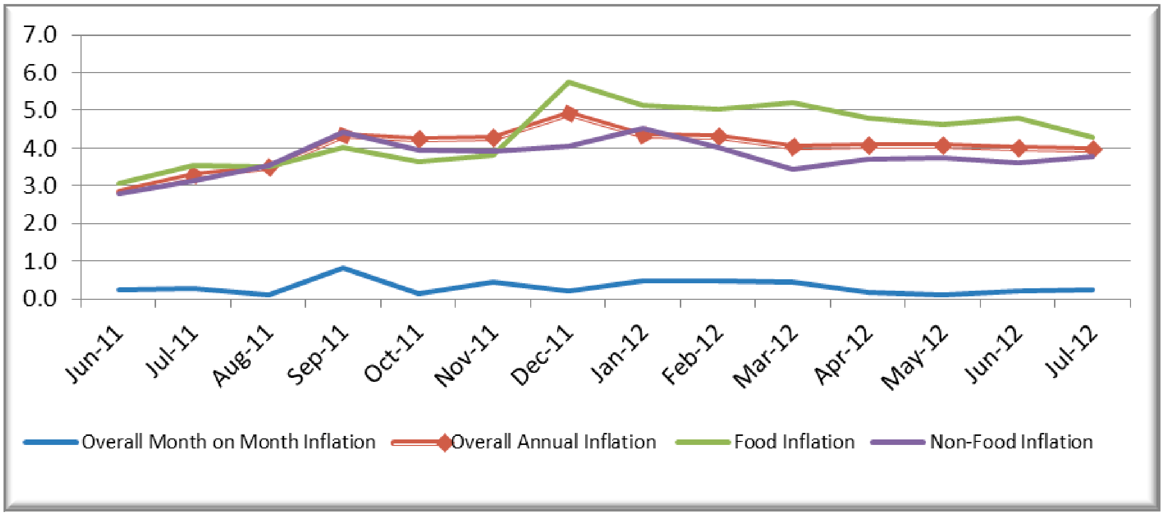
Inflation

18. Inflation during the month of July 2012 was on a slow down due to depreciation of the rand against the US dollar and steady oil prices. Furthermore, prices in the economy remain subdued due to low demand emanating from tight liquidity.

19. Consequently, annual inflation slightly decelerated to 3.94% in July from 3.97% recorded in June.

20. Month on month inflation during the same month slightly accelerated to 0.23% from 0.20% recorded in the previous month.

Inflation Profile



21. Annual food inflation in the month of July was on a decline shedding 0.02% to record 4.29%, while non-food inflation gained 0.34% to reach 3.79%.

GOVERNMENT FINANCES

Revenues: July - August 2012

22. In July, revenues were US$ 257.5 million, while the preliminary figure for August is about US$263 million. This is against targets of US$271.2 million and US$280.7 million, giving variances of US$13.7 million and US$17.7 million for the month of July and August respectively, as indicated in the table below.

Fiscal Developments: Jan – Aug 2012 (US$m)

	Jan-Jun Actual	Jan-Jun Target	July Actual	July Target	Aug Actual	Aug Target
Total Revenue Including Zimra Grant	**1,597.0**	**1,837.8**	**257.5**	**271.2**	**263**	**280.7**
Tax Revenue	1,497.1	1,500.2	246.3	253.9	249.0	257.7
Total Non-tax Revenue	99.9	337.6	11.1	17.2	14.0	22.9
O/ W Diamonds	*41.7*	*271.0*	*0.09*	*0.5*	*0*	*5.0*
Other	*58.2*	*66.6*	*11.0*	*16.7*	*14.0*	*17.9*
Total expenditure and net lending including ZIMRA Grant	**1,574.50**	**1,841.80**	**287.8**	**314.9**		
Current Expenditure	1,439.00	1,517.50	262.5	253.2		
Employment Costs	806.20	782.60	140.2	125.9		
Capital expenditure	98.20	263.40	20.0	46.6		

Expenditures

23. The under-performance of revenues continues to affect Government capacity to support and implement critical planned programmes and projects.

24. During the last week of July, the only funding availed was with respect to the following areas:

- Payments to Inputs Suppliers (US$5 million);
- Livestock Drought Mitigation (US$2 million);
- Tokwe Mukorsi (US$3 million);
- War Veterans' School Fees (US$6.2 million);
- Population Census (US$8.5 million);
- Roads Rehabilitation and Upgrading (US$5 million).

25. See also Annex 1 on Progress in the Implementation of Various Projects

Payments to Inputs Suppliers

26. An amount of US$5 million was disbursed towards payments to inputs suppliers.

27. Notwithstanding this, Government still owes agricultural input suppliers some US$51.4 million arising from support facilities for the past season.

28. Further to the above debt, the GMB has incurred outstanding payments to farmers for grain delivered from the past season (US$4.4 million) as well as the current season (US$14.4 million).

29. Treasury will continue to prioritise the settlement of outstanding amounts for grain delivered and input supplies in order to capacitate these key agriculture players for the coming season.

Livestock Drought Mitigation

30. Resources amounting to US$3 million were availed during the week towards the livestock drought mitigation programme targeting regions where livestock is under threat from the impact of drought.

31. The above amount is against the Ministry of Agriculture's overall requirement of US$98.2 million.

Tokwe Mukorsi

32. Outstanding certificates for work done at the Tokwe Mukorsi Dam project currently stand at US$13.3 million. Non-payment of certificates due to contractors slows down implementation of projects.

33. During the past week, Treasury was only able to avail a sum of US$3 million, leaving a balance of US$10.3 million.

War Veterans Benefits

34. Treasury disbursed an amount of US$6.2 million towards school fees for the third school term of 2012.

35. This is in line with the undertaking made in 2011 that funding for school fees for our war veterans' children be disbursed at least 7 days before commencement of a given term.

The 2012 Population Census

36. The 2012 Population Census had a funding requirement of around US$40 million. By the time the exercise commenced, Treasury had availed about US$16.1 million. On the other hand, out of the US$12.6 million pledged by development partners, only US$3.4 million had actually been disbursed.

37. During the past week, Treasury availed to ZIMSTAT US$8.5 million, bringing the total disbursements to US$24.6 million.

38. Clearly, there is still a funding gap of at least US$10 million with regards to enumerators' expenses which ZIMSTAT has been able to pay only partially.

Roads Rehabilitation and Upgrading

39. We have on-going roads rehabilitation and upgrading under which huge amounts of money are required. Only US$5 million was disbursed last week towards the Harare – Mutare road dualisation project.

40. The limited budgetary support for road rehabilitation and maintenance programmes across the country will affect the condition of most of the roads, particularly as we approach the next rainy season.

41. Notable progress is being witnessed on the private sector funded Plumtree – Bulawayo – Harare – Mutare road upgrading, especially the stretch between Plumtree and Bulawayo. This is under the US$206 million facility.

Preparations for the 2012 Thirteenth Cheque

42. Over the past three years, the strategy has been to set aside resources from monthly revenue receipts in readiness for the thirteenth cheque.

43. However, given the persistent revenue underperformance, it has not been possible so far to set aside any resources to cater for the US$150 million that will be required to pay for the 2012 bonus. The plan had been to set

aside at least US$7.5 million per week over the next three months, starting in August 2012.

44. The above budgetary under-performance is cause for serious concern.

45. Mindful of this, the Ministry of Finance has enlisted the support of the ZIMRA Board in addressing any possible leakages, especially those relating to our ports of entry. Furthermore, the Ministry has engaged the Ministry of Mines and Mining Development with a view of assessing both outstanding and future diamond revenue remittances to the fiscus.

46. Overall, it is critical that as Government we focus efforts towards resource mobilisation, including re-engagement of the international community and in particular the implementation of the Zimbabwe Accelerated Arrears Clearance and Debt Strategy (ZAADS). The objective is to be able to access funding from offshore as reliance on our domestic revenues will not sustain our critical developmental requirements.

FINANCIAL SECTOR

47. The liquidity crisis which gripped the economy, heightened in the month of July as yet another bank, Royal Banking Corporation was closed further exacerbating confidence crisis in the financial sector.

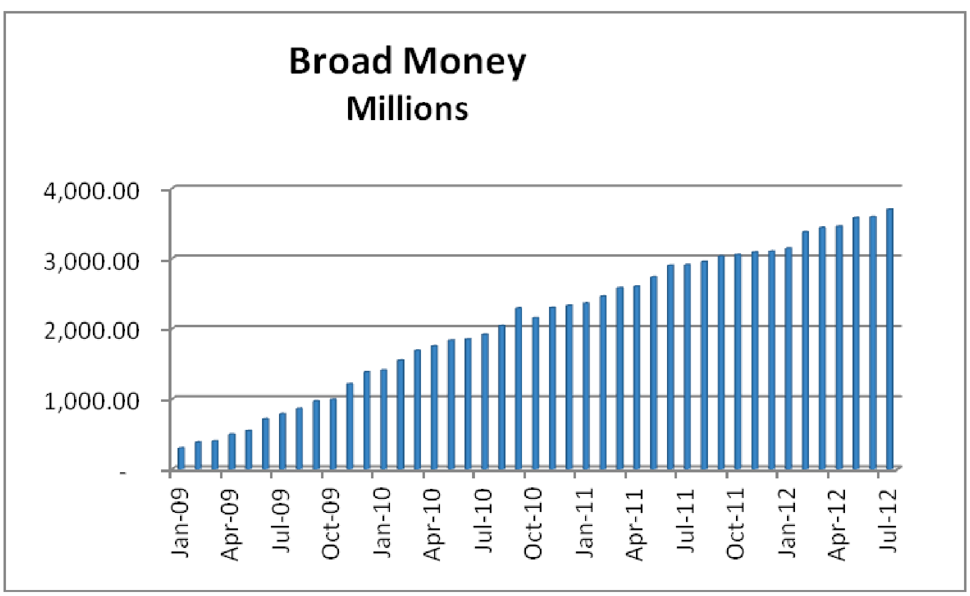
48. The monetary authorities swiftly moved in to restore confidence in the banking sector as they increased the capital adequacy requirements of banking institutions.

Bank Deposits

49. Total banking sector deposits increased by 3.0% from US$3.59 billion in June 2012 to US$3.64 billion as at 30 July 2012.

Banking Sector Deposits: July 2012

Month	Amount (US$)
April	3.45
May	3.58
June	3.59
July	3.64



Interest on Deposits

50. The interest rates on deposits increased slightly during the month of July as competition to attract deposits intensified during the liquidity crunch.

Type of Deposit	**Interest Rate Per Annum**
Demand	0 - 3.9%
30 Days	0.15% - 16%
60 Days	0.15% - 20%
90 Days	0.15% - 20%
180 – 360 Days	0.15 - 22%

Total Bank Credit

51. During the month of July 2012 loans and advances to the private sector increased by 5.02% from US$3.10 billion at the end of June 2012 to US$3.23 billion as at 30 July 2012.

52. This translated to a loan to deposit ratio of 87% reflecting over exposures of some banks a situation that continues to compound the non-performing loans.

EXTERNAL SECTOR

Exports

53. Total exports for the period January to August 2012, stood at US$2.24 billion compared to US$2.16 billion realised during the corresponding period in 2011. This translates to a 3.4% increase in 2012 declared exports shipments.

54. For the period under review, mineral export shipments (70.7%), riding on high global demand and improved capacity utilisation, accounted for the bulk of exports, followed by tobacco (12.3%), manufacturing (7.9%), agriculture (8.5%), horticulture (0.4%) and Hunting (0.2%).

	Agriculture	Horticulture	Hunting	Manufacturing	Mining	Tobacco	Grand Total
January	14,045,143	572,853	334,690	10,195,374	160,053,634	64,407,531	**249,609,225**
February	20,046,700	728,454	441,842	30,345,237	189,745,797	18,286,103	**259,594,133**
March	21,112,159	1,610,321	918,846	42,002,768	310,292,632	14,828,300	**390,765,026**
April	17,807,548	1,132,174	631,730	27,841,599	167,082,434	7,320,020	**221,815,505**
May	19,586,143	1,116,723	689,302	24,220,277	173,983,164	19,567,283	**239,162,892**
June	16,504,589	834,128	624,713	16,698,671	202,619,424	55,912,191	**293,193,716**
July	29,728,821	1,225,654	598,045	13,235,452	199,818,837	57,084,228	**301,691,037**
August	51,309,919	746,571	580,439	13,106,611	176,810,209	36,451,329	**279,005,078**

Total	**190,141,022**	**7,966,878**	**4,819,607**	**177,645,989**	**1,580,406,131**	**273,856,985**	**2,234,836,612**

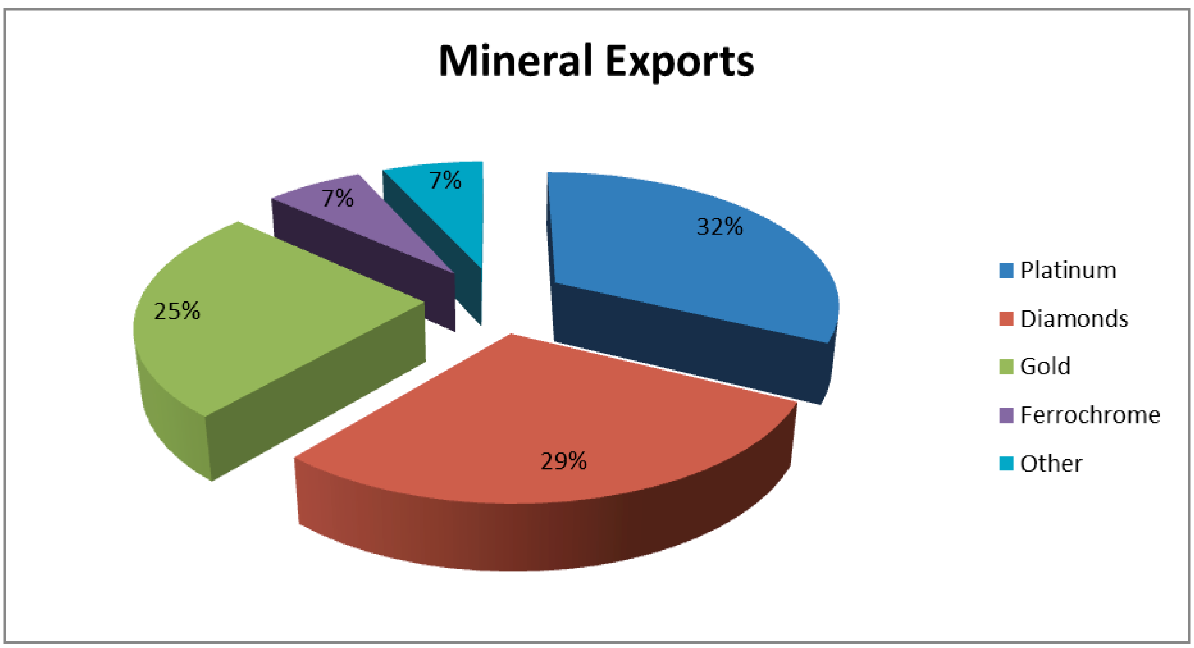
Source: Computerised Export Payments Exchange Control System (CEPECS), RBZ

Mineral Exports

55. For the period January to August 2012, platinum dominated mineral exports with US$511 million, followed by diamonds (US$456 million) and gold (US$401million), as indicated by the table and chart below.

Mineral Exports Shipments (USD); Jan-Aug 2012		
Mineral	**Value**	**Contribution %**
Platinum	511,060,002	32
Diamonds	456,665,873	29
Gold	401,414,315	25
Ferrochrome	103,567,190	7
Other	107,698,751	7
Total	**1,580,406,131**	**100**

Source: Computerised Export Payments Exchange Control System (CEPECS), RBZ



Diamond Exports

56. Diamond exports as at August 2012 amounted to US$456 million. Mbada Diamonds had the highest export shipments at US$199 million, followed by Anjin Investments with US$125 million, as shown by the table below.

Diamond Exports (USD), January - August 2012

Mining Company	Value	Contribution %
Mbada Diamonds	198,919,913	44
Marange Resources	41,935,240	9
Murowa Diamonds	26,341,396	6
Canadile Miners	-	-
River Ranch	2,447,657	1
Mavlon Trading	-	-
Lesley Fay Marsh	-	-
Anjin Investments	125,011,113	27
Diamond Angel	113,111	0
Diamond Mining Corporation	60,544,275	13
DTZ-OZGEO	1,201,990	0
Volksic Industries	151,178	0
Total	**456,665,873**	**100**

Source: Computerised Export Payments Exchange Control System (CEPECS), RBZ

Imports

57. For the period January to August 2012, global foreign payments increased by 30%, reaching US$5.1 billion from the 2011 figure for the same period of approximately US$4 billion.

Monthly Foreign Payments in USD - Jan-August 2012	
January	650,847,283
February	563,530,165
March	716,107,953
April	619,694,695
May	696,966,515
June	664,153,491
July	713,960,681
August	516,295,956
Total	**5,141,556,739**

Source: CEBAS Foreign Payments Reporting System, RBZ

58. For the period under review, the retail and distribution sector is the largest contributor of foreign currency outflows, accounting for 38% of the total payments as indicated below:

Foreign Payments by Sector; January -August 2012		
Sector	**Value (USD)**	**Contribution %**
Distribution and Retail	1,950,677,922	38
Services	1,419,024,813	28
Manufacturing	772,695,154	15
Mining	499,443,058	10
Individuals	283,800,620	6
Agriculture	215,915,172	4
Total	**5,141,556,739**	**100**

Source: CEBAS Foreign Payments Reporting System, RBZ

Conclusion

59. The above developments will be monitored and I shall, as usual, be issuing monthly updates.

Hon. T. Biti, MP
Minister of Finance

4 August 2012

Annex 1:

<u>Progress on Projects Implementation</u>

National University of Science Technology (NUST) Projects

Central Library

60. Works are mainly centred on brick work on all the four floors and are expected to be complete by end of September 2012. The limited fiscal space has constrained support to the project with only US$411 222 having been disbursed to date.

61. The image below shows work in progress at the central library.

Halls of Residence

62. An amount of US$2 million was allocated for the completion of two blocks with a capacity to accommodate 56 students in 2012.

63. To date US$786 790 has been disbursed. The contractor is on site working on the remaining works which include painting, glazing, tilling, balustrading, plumbing and electrical works.

    The project is expected to be complete by end of the year.

Chemistry Building

64. The project scope includes equipping 27 laboratories, 10 preparation rooms and 12 instrument equipment rooms at a cost of US$8.9 million.

65. The sum of US$392 354 has been disbursed to date. Notable progress was observed on the second floor where works completed include plastering, flooring, fitting of ceilings, fitting of cupboards, gas pipe work installation in all the 12 laboratories as well as electrical works.

J.M.NKOMO AIRPORT UPGRADING

66. Works at the Airport had stalled since July 2011 as a result of concerns regarding cost escalations on the project. Following consultations among CAAZ, contractors, IDBZ and the Ministries of Finance and Transport and Infrastructure Development, it was agreed that US$9.1 million would be sufficient to complete the project.

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J M Nkomo Airport terminal building

67. The major works still outstanding include the following:-
    - Electricity connection to the grid. ZESA since issued the certificate on 23 August 2012 paving way for the contractor to energise and commission the building.

- Water tank and pump installation including reticulation within the building,
- Completion of 4 guard houses,
- bumper rails, air-conditioning units , V I P canopy , Immigration counters, flagpoles for airside and land side,
- Airside floodlights, painting, balustrading ,
- Furnishing of the building
- Minor works include testing and commissioning of the baggage conveyor belts, plumbing testing and commissioning, road markings, addressing snags identified in the kitchen, lifts and internal signage.

68. The outstanding works were expected to take eight weeks to complete, enabling commissioning on 2nd November 2012.

LUPANE COMPOSITE OFFICES

69. There are four, two storey buildings divided into blocks A, B, C and D.

70. A decision was made to concentrate resources and complete blocks A & B so as to house critical Government departments.

71. Block B has been tiled and partitioned. The outstanding works relates to electric fittings (switches and plugs), balustrading, painting and roof

covering for the walkway connecting blocks A & B. With regards to Block A, partitioning and electrical works are in progress. Works at Blocks C and D are also underway centering on tiling, partitioning and electrical fittings.

72. Civil works being carried out at the complex include the fountain and access roads. The construction of the substation in order to provide electricity to the offices is also outstanding.

73. The composite offices are expected to be complete beginning November 2012, provided the sub-contractors such as Kuchi for the electricals and Tega Steel for the walkway roof covering perform.

MTSHABEZI PIPELINE WATER PROJECT

74. Since June 2012, there has been notable progress particularly with regard to the installation of the three water pump sets and delivery of switchgears.

75. The installed pump sets are shown below.

Mtshabezi Pump House

76. The Contractor is currently on site undertaking preparatory works for the laying of the steel pipes which are yet to be fully supplied by Morewear engineering.

77. In terms of overall progress, the pump house, the three water reservoirs and pvc pipe laying has all been completed.

78. In addition, the Rural District Council has already identified 7 water points that the local community residing along the pipe line will use to access raw water.

79. Construction of a 62 km electrical line from Gwanda has commenced and is expected to be completed by September 30, 2012. However, ZINWA has procured an 800KVA generator to temporarily power the pump house. There is need to process payment amounting to US$1 million for the three pump sets. The project is expected to be complete by 30 September 2012.

LUPANE STATE UNIVERSITY

Faculty Of Agriculture

80. The contractor is currently on site together with other subcontractors working on the Faculty of Agriculture which consist of the main and academic blocks.

81. Major works at the Academic block are complete with only final painting coat still outstanding as well as electricity connection to the building. ZESA has submitted a quotation of US$4 million for the substation and transformer. The contract for the electricity connection is still to be adjudicated.

82. With regards to the Main block, works are at an advanced stage with wall skimming, painting, installation of roof trusses and office partitioning still outstanding. In addition, toilet basins and water taps fitting will be carried as the last task to avoid breakages.

83. Whilst the main contractor has shown capacity and commitment to implement the project within time, the two subcontractors namely ZECO Holdings (a subcontractor for roof trusses) and Morewear Engineering (for the supply and installation of the 55 000 cubic metre water tank) have stalled progress on the project due to lack of capacity.

84. The significant progress made is shown by the image below.

L

Lupane State University Faculty of Agriculture

Hall of Residencies

85. The male hostel block is now ready for first floor decking whilst the female hostel is now at ground stabilisation. With regards to the dining and kitchen, foundations have been laid following stabilisation and blinding. In addition, the two warden's houses are at wall plate level.

86. Water remains a major challenge hindering implementation of the project.

LUPANE WATER SUPPLY

87. Following the completion of the Bubi Lupane Dam, work is now concentrated on the construction of a water treatment plant, pump station, 2280m3 reinforced concrete reservoir, laying of 7.5km of the conveyance system as well as reticulation extension within the town.
The contractor, Multiforce is on site and construction of 2 x 500m3 sedimentation tanks are complete whilst four filter tanks are at various stages of completion.

88. All the pipes have been delivered to site and trenching has been done whilst three staff houses have been roofed. The construction of the treatment plant is expected to be complete by end of December 2012.

89. Outstanding works include construction of a soak way, pump house, office block, staff toilets at the water treatment plant, completing the filter tanks pipe laying.

90. The major challenge on the project relates to the centralisation of procurement where catchments can now only procure up to a maximum of US$4 000, down from US$10 000. Any procurement above US$4 000 is now referred to the head office. This has slowed procurement of materials, critical for the implementation of the project.