PLATINUM SECURITIES PVT LTD

(Member of the Zimbabwe Stock Exchange)

Investor Note

2018 National Budget

08 December 2017

EXECUTIVE SUMMARY

The 2018 National Budget is the first official policy statement under the new government and President of Zimbabwe. It was presented under the theme '**Towards A New Economic Order'** with the intent to follow up on the President's inaugural speech highlighting the need to re-engage with the international community, restore investor confidence, ensure financial sector stability and make Zimbabwe a safe destination for investments. The budget was therefore addressing critical elements to support economic progression such as promotion of policy consistency, amendment of the Indigenisation Policy, dealing with corruption, tightening the issuance of Treasury Bills, adherence to international practices in protecting investor property rights, doing away with non performing state enterprises, restoring fiscal balance and reducing the high wage bill. A number of necessary contractionary measures were highlighted in order to address the high government expenditure such as retiring staff above 65, abolishment of Youth officer posts under the Indigenisation Youth and Empowerment Ministry, reduction of foreign travel expenses among other things. The Budget also highlighted critical expansionary measures such extending rebates and tax cuts to key sectors such as the suspension of corporate income tax to power generation projects for 5 years and scrapping of withholding tax to tobacco farmers. Government revenues are projected at $5.07 billion for 2018 against expenditures of $5.74 billion giving an expected deficit of $0.67 billion. The economy is projected to grow at 4.5% in 2018 and we believe that this is an achievable milestone given the robust policy turnaround measures highlighted in the budget.

Investment Markets Implications

Stock Market

- In the short to medium term, we expect the stock market to continue to trade softer towards fundamental values in line with expectations of restoration of normal economic conditions. Measures highlighted in the budget such as restoring investor confidence, reengaging the international community in arrears clearance and improving production are likely to increase our foreign currency receipts and therefore lower the current inflationary pressures that have been driving the ZSE.
- However, we do not expect prices to adjust downward significantly from current levels as inflationary pressures still exist due to foreign currency shortages and prospects for future economic growth are now quite strong.
- In the long term, the same policies are expected to greatly stimulate production across all sectors of the economy and support companies listed on the ZSE. The strong charge against corruption and strengthening the systems at the Beit bridge border post shall certainly benefit companies that have rebate and duty support like tyre

manufactures, wine producers and cement producers. This support has had little effect in the past due to the porous nature of our borders. Furthermore, the change in policy stance especially with regards to protection of investor property rights, promotion of policy consistency, amendment of the Indigenisation Act certainly indicates that Zimbabwe is ready to do business and a strong FDI response is expected. This is expected to have multiplier effects on the economy in terms of growth in employment, industries reopening, less reliance on importance, expansion in manufacturing capacity to the benefit of most listed companies.

Money Market

- Activity on the money market has been substantially affected by the increased issuance of treasury bills, the high RTGS balances and low levels of lending due to a poor economic climate. As such, the highlighted policies are expected to restore economic order, promote economic growth, support company performance, reducing costs of borrowing and encourage lending to the private sector. Money market rates are therefore expected to gradually adjust upwards from the current low levels induced by conservatism in lending to slightly higher levels that take into account lower lending costs and improved lending activity.

Property market

- The adjustment downwards to property prices in response to the prospects of a restoration of an economic order is expected to be much slower as this market is not as reactive as the stock market which incorporates information as much higher speed. Activity is however expected to slow down as buyers will be less willing to pay a higher price for a property that would be worth much less in real USD terms.

Given below is an outline of the various measures highlighted in the budget and the possible implications.

Supportive measures	**Implications**
• To promote policy consistency and credibility, previous omissions and commissions signalling policy reversals and conflicting policy pronouncements by different agencies of the same Government will no longer be allowed. • Consistent with best practices, institutional, legal and regulatory	• Of fundamental importance to investors worldwide is having an assurance of safety of their investments that can be achieved through policy consistency and protection of investor property rights in the investment country. • These key issues have been severely lacking in the past and

standards that affirm investor protection and support foreign direct investment are being adopted with the support of development partners. • The Indigenisation and Empowerment Act has been amended to bring the following into effect from April 2018: i. Confinement of the 51/49 Indigenisation threshold to only the two minerals, namely diamonds and platinum. ii. The 51/49 threshold will not apply to the rest of the extractive sector, nor will it apply to the other sectors of the economy, which will be open to any investor regardless of nationality. • Expediting the establishment of a Ports Authority that will immediately address the challenges faced by businesses, with regards to red tape and delays at border posts. • The creation of the Ports Authority is also critical as the country embarks on setting up Special Economic Zones which require efficient clearance of imported raw materials, machinery and equipment for their operations. • Establishment of a One Stop Shop Investment Centre where all FDI is approved under one roof. • On protection of property rights, a reinforced commitment to honouring obligations under various Bilateral Investment Promotion and Protection Agreement (BIPPAs). • Where violations of Zimbabwe's obligations under BIPPAs have been made, including over land acquisition, Government will be engaging the respective parties to reach amicable settlement arrangements.	hearing an open declaration that they will hence forth be upheld will certainly go a long way in assuring investors that Zimbabwe is certainly open for business and to reengagement with the international community. • Of key importance has been the amendment of the Indigenisation Act to apply to only two extractive sectors that is diamond and platinum. The rest of the sectors are now open to investors regardless of nationality. We believe this is one of the most critical and exciting budget points as it certainly indicates that the government is willing to do things differently not only in words but also in action. We expect a very positive reaction from the international community of investors with regard to the change in stance of the Indigenisation and also with the willingness to re-engage on previous violations of property rights including the compensation of farmers whose land was taken under the Land Reform programme. • Emphasis on re-engagement with international financial institutions to unlock external financing and cheaper lines of credit continues is critical as this has over the years led to high cost of lending, low foreign currency receipts, and a high country risk to investors. • Dealing with corruption at both government and general population level is also critical as corruption has become one of the greatest cancers that has destroyed investor confidence and hindered economic growth. • The same corruption measures especially at Border posts has greatly diminished the effectiveness of rebate and duty allowances to

• Government will be making appropriate compensation in relation to land acquired under BIPPA arrangements and compensation to farmers whose land was taken under the Land Reform programme according to the country's constitution. • Government is working on an incentive framework that strengthens the backward and forward linkages between manufacturing and other sectors, such as agriculture. • Strengthening the re-engagement and cooperation with the international community, central to quickly normalising political relations. • Re-engagement process with international financial institutions, in particular the World Bank and the African Development Bank, and the European Investment Bank, will be enhanced in order to unlock external new financing required by productive sectors. • State institutions set up to combat corruption and crime will be required to publish reports once every quarter giving statistics on the number of arrests made, successful convictions and value or property recovered. • Given the high correlation between the incidence of corruption and the extent of bureaucratic red tape, under the auspices of the Ease of Doing Business, needless regulations will continue to be eliminated. • Life style audits of all Public Office Holders for the purposes of ensuring that the respective office holder's lifestyle is commensurate with their level of income. • Government is granting a three months Amnesty, over the period 1 December 2017 to end February 2018, to individuals and corporates	certain companies. The porous border posts meant that competitive imports continued to get into the country despite measures meant to curb them. This has greatly affected the textile industry which has remained highly uncompetitive despite the various measures to protect it.

- for the return of illegally externalised funds and assets. - Mobilisation of financial resources for the development of the necessary basic infrastructure such as water, power, road, and rail transportation to attract investors to Special Economic Zones. - Special Economic Zones have been identified with pilot projects, in Bulawayo, Sunway City in Harare and the Victoria Falls, as well as diamond cutting and polishing in Mutare.	
Support for Agriculture - To address the security of tenure, especially with respect to the A2 model, Government introduced the 99 Year Lease, as a tool for formalising occupancy of re-distributed farms. - To give confidence to beneficiaries that their occupancy is guaranteed, and cannot be withdrawn willy nilly, through the indiscipline of either youths, political leaders, traditional leaders or senior officials, Government is undertaking to institute measures to strengthen the legal standing of Offer Letters and 99 Year Leases. - Government will set aside resources for strengthening capacity of the Surveyor General's Department to scale up conduct of farm surveys, instead of outsourcing, for rapid issuance of 99 Year Leases. - Land Audits to address issues of multi-farm ownership, idle land and under-utilisation of land are going to be identified. - Private sector and commercial bank finance will be required to fully take up its rightful role of adequately underpinning agriculture, particularly, A2 commercial farmers. Government	**Implications** - Strengthening the legal standing of 99 Year Leases to address security of tenure is quite critical to ensure that most farmers are able to monetise this asset and finance their activities thus reducing the perpetual burden on the government to provide substantial financial support given its meagre resources. - Collection from farmers continues to be poor, a factor that threatens the sustainability of continued government support. As it stands, in the 2016/17 agriculture year, the government has managed to collect only 66% of its disbursements. If farmers are able to secure loans from banks, collection rates will certainly improve as defaulting threatens the continued ownership of the land. - The Command Agriculture programme must in the future receive substantial support from financial institutions to ensure growth in the agriculture sector and restoration of the sector to its former glory.

support is expected to progressively and gradually scale down from 2019, leaving Government financial support targeted at needy vulnerable households. • Ensure effective delivery of the Command Agriculture programme, and accountability of inputs utilised by farmers and prevention of side marketing. Participating farmers are also required to complete the cost recovery Stop Order forms at the point of inputs collection. • Command Agriculture loan recoveries are running at 66% with repayment receipts of US$47.4 million against an anticipated repayment target of US$72 million. • Out of the 50 000 farmers contracted to produce maize under Command Agriculture, 33% fully paid their loan obligations, with 22% having partially paid their obligations, while recoveries from others are being made as they deliver to GMB. • All fully paid farmers are being prioritised in accessing inputs under the 2017/18 Command Agriculture programme. Monitoring teams have been deployed to follow up on defaulting farmers who are being made to acknowledge their debts for repayment next season.	
Revenue Measures • Extension of the list of raw materials that can be imported under the Furniture Manufacturer's Rebate. • Extension of the suspension of duty for powdered milk for a period of twenty four months, in order to augment insufficient domestic production of raw milk. • Ring-fence importation of white cement used in the production of tile	**Implications** • It is pleasing to observe that the government has continued to take an expansionary stance to further lower operational costs for sectors such as in energy, manufacturing, mining, health, tourism, retail and in agriculture. A number of companies especially in tyre and clothing manufacturing have been severely affected by competition from imports

adhesive by approved manufacturers at a reduced duty rate of 5%. • Removal ton clinker from the Open General Import Licence in order to support local production. • Increase Customs Duty on Cotton Fabric from 10%, to 30% plus $2.50 per kilogram, with effect from 1 January 2018 and extension of the Clothing manufacturer's rebate by a further 2 years. • Extension of excise duty of free importation of raw wine for another period of twelve months. • Extension of duty rebates for imported capital goods for tourism, power generation and some medical institutions. • Exemption of power generation projects from Corporate Income Tax for the first 5 years of operation, with effect from 1 January 2018. Thereafter, a corporate tax rate of 15% will apply. • Ring-fence 150 000 tyre casings imported by approved tyre re-treaders at a lower rate of duty of 15%, with effect from 1 January 2018. • To Platinum producers further deferment of the 15% export tax on un-beneficiated and semi-beneficiated platinum to 1 January 2019 and to further reduce the export tax from 15% to staggered rates of tax between 1- 5% depending on the extent of beneficiation. • 5% export tax on un-beneficiated Lithium. • An amnesty for interest and penalties on outstanding taxes accrued prior to 1 December 2017, for taxpayers that come forward and settle their obligations within the period ending 30 June 2018. • To ease the tax burden on tobacco farmers that are experiencing viability	and this continued support goes some way into continued viability and will possible attract further investment in the sectors given the other changes in key policies such as Indigenisation. • Support for platinum companies with extension of the 15% export tax by a further 1 year to January 2019 and the further lowering of export tax to staggered rates up to 5% is quite a good initiative given that other conditions continue to be tighter in that sector such the 51/49 Indigenisation and the retention of 80% of their export proceeds. • Scraping of withholding tax of 10% for tobacco farmers is also a pleasing initiative to encourage more tobacco farming which is a key crop for earning foreign currency. • Furthermore, the suspension of corporate tax for power generation projects for 5 years and a corporate tax rate of 15% thereafter shall certainly encourage more investment into the sector which should possible see a reduction in dependence on imports of electricity and retention of more foreign currency. • Increased power generation is also critical to address affordability of electricity especially for mining companies like Bindura Nickel Corporation whose projects like the Smelter restart remain unviable given the high ZESA tariffs against depressed Nickel prices. • In addition, locally contracted debt shall have additional interest deductible benefits after the scrapping of the initial Prescribed ratio of three to one which shall see improved profitability.

challenges, the Budget proposes to exempt registered buyers of tobacco from the requirement to withhold the 10% tax, with effect from 1 January 2018. • Review the VAT withholding rate from 10% to 5% of the value of taxable supplies, with effect from 1 January 2018. • Furthermore, VAT withholding tax will, however, not apply on transactions between compliant VAT registered taxpayers who would have been appointed as withholding agents. • Exempt goat and sheep meat from VAT, with effect from 1 January 2018. • In order to support capitalisation initiatives, it is proposed to exclude locally contracted debt from the Prescribed Ratio of three to one, for tax deductible purposes on condition that the Parties involved are unrelated. • Upward review of capital allowances to Special Mine Lease Holders to $25 000 from $10 000 for Staff Housing and $150 000 for schools, hospitals, clinics and nursing homes. • Ring-fence importation of 100 000 tyres commercial tyres at a lower duty rate of 15% for the first quarter of 2018. • Downward review of ground rental fees for diamond claims in retrospect from $3 000 to $225 per hectare per annum. • Reorganisation of the Beitbridge Border post to the need to ease entry and exit of tourists and travellers, improve trade facilitation and revenue collection efficiency at Beitbridge Port of Entry. • Exemption of diesel imported for use in approved power generation projects from carbon tax, NOCZIM Debt redemption and strategic fuel	

reserve levies, with effect from 1 January 2017.	
Economic Developments and Prospects • The budget was formulated on a forecast of 3.7% growth for 2017. This growth is underpinned by Agriculture at 14.6% supported by Command Agriculture, Mining at 8.5% supported by recovery in international mineral prices and manufacturing at 1% supported by improved agro processing value chains. • Imports are estimated to rise from US$6.4 billion in 2016 to US$6.8 billion in 2017. • As of 30 September 2017 the structure of interest rates was as follows: 1. Average banking sector interest rates spread, 10.38%; 2. Average maximum effective lending rates, 12.52%, compared to 15.7 % as at December 2016; and 3. Deposit rates, 0.5 - 6%. • Banking sector deposits went up by 17% from US$6.51 billion in 2016 to US$7.62 billion in 2017. Loans and advances only increased from US$3.64 billion to US$3.73 billion in 2017. • The loan book has gradually improved from a peak of non-performing loans to total loans of 20.45% in 2014 to 8.63% in 2017. • The government seeks to deal with cash shortages by enhancing production and exports through investor friendly policies, engaging with the international community and addressing corruption. • Inflation is projected to be at 3.01% in 2018.	**Implications** • The Command Agriculture programme has been extended to include livestock and soya beans production which is likely to sustain growth in this sector. • There was a 20% increase in the overall mineral exports from 1.6 billion in 2016 to 2 billion in 2017, this represents 25.2% of total exports. The softening of the Indigenisation policies is likely to see the growth of total exports as more investors come in.

Towards a New Economic Order

The 'New Economic Order' aims to deal with the following:

- Correcting the fiscal imbalances and financial sector vulnerabilities;
- Public enterprises and local authorities reform;
- Improving the unconducive investment environment;
- Dealing with corruption in the economy;
- Re-engagement with the international community;
- Stimulating Production, and exporting; as well as
- Creation of jobs.

- The tone of the budget reiterates that the Mnangagwa administration is different from the Mugabe regime. We expect this to be well received by the international community which has been advocating for a change in most of the key issues addressed in the budget. The Bilateral Investment Promotion and Protection Agreements are referred to in order to show a serious commitment to reengage with other countries.
- The budget indicates cognisance of past economic failures that were due to policy inconsistencies, indiscipline in financial management as well as policies that reduced domestic and foreign confidence. Dealing with corruption will increase confidence locally. However, it can be argued that the existing government has also been implicated in a number of questionable activities.
- It is pleasing to see reiteration and emphasis of key policy measures from the President's inauguration speech in the Budget. This indicates that the government is already exhibiting unity in policy communication, a key step in successful implementation of policies.

Fiscal anchors for the budget relate to:	Implications
• *Fiscal Deficit Targeting*, under which the Budget deficit for 2018 is halved to below 4% of GDP, and subsequently capping Budget deficits below 3%. • Sustainable level of *Public Debt to GDP*, consistent with the Section 11(2) of the Public Debt Management Act [Chapter 22:21] which requires that the total outstanding Public and Publicly Guaranteed Debt as a ratio of GDP should not exceed 70% at the end of any fiscal year. • *Ceiling of Government Borrowing from the Central Bank*, in line with Section 11(1) of the Reserve Bank Act [Chapter 22:15], which requires that Reserve Bank lending to the State at any time shall not exceed 20% of the previous year's Government revenues. • Minimum *Spending on Infrastructure*, by re-directing substantial resources towards capital development priorities, through increasing the capital Budget thresholds from the current 11% to 15% in 2018 and 25% by 2020. • Progressive reduction of the share of *Employment Costs* in the Budget to initially 70% in 2018, 65% in 2019, and below 60% of total revenue by 2020.	• We expect strict adherence to statutory instruments concerning government debt to put a halt to open ended borrowing. Furthermore, the commitment to paying off legacy debts will strengthen cooperation with the international financial community which has been advocating for a strict management of the unsustainable fiscal deficit.
Fiscal Performance	**Implications**
• Cumulative tax and non-tax revenue collections for 2017 amounted to US$2.812 billion, against a target of US$2.741 billion, resulting in a positive performance of US$70.8 million or 2.6% of projected revenues. • The positive performance of revenues to September 2017 necessitates a review of the 2017 Budget Estimate, from US$3.7 billion to US$3.850 billion in the outlook period to December 2017.	• Tax revenue collections were 4% higher than expected in the 2017 Budget opposed to non tax revenue which was 24% lower than the target. This means that most parastatals are operating at a loss and it is a welcome development that the Finance Minister seeks to improve Corporate Governance in parastatals and will not extend budget resources to them without returns either from dividends or service delivery. • The move to remove civil servants over 65 years and a hiring freeze means

- Expenditure outlay on employment costs for January to September 2017 amounted to US$2.57 billion, against a target of US$2.26 billion resulting in an overrun of US$304 million.
- Cumulative Capital expenditures to September 2017 amounted to US$1 392.7 million, against a target of US$408.8 million, resulting in over expenditure of US$983.9 million.
- Overall expenditures towards the agricultural sector of US$1 027.9 million, accounted for the bulk of the capital expenditures.
- Expenditures related to procurement for the Strategic Grain Reserve amounted to US$552.2 million, comprising of grain procurement, US$540 million, rehabilitation of GMB Silos, US$5.2 million, and setting up of grain collection depot points, US$7 million.
- Crop input support facilities, comprising of the Command Maize Programme and the Presidential Input Support Programme, accounted for US$347.5 million and US$113.6 million, respectively, whilst US$3.9 million was channeled towards rehabilitation and construction of communal irrigation schemes.
- During the period January to September 2017, Treasury issued Government instruments worth US$1.75 billion in the form of both Treasury bills and bonds.
- Of the $1.75 billion Treasury bills issued to September 2017, US$386.45 million financed Government programmes, whilst US$1.07 billion was channeled towards servicing legacy debts.
- Budget deficit financing through direct borrowing from the Reserve Bank amounted to US$393.4 million.
- The increasing mismatch between Revenues and Expenditures will necessitate further borrowing of

government will work more efficiently and there will be a drastic reduction in employee expenditure. Furthermore, an increase in efficiency is expected with less employees.

- 61% of Treasury bills went towards covering legacy debt instead of productive spending. The Finance Minister recognizes that the over issuance of Treasury Bills is detrimental to our economy and going forward the government will be tightening the unsustainable issuance of Treasury Bills.

US$940 million during the last quarter of 2017. • The Budget deficit for 2018, given total revenues available for Appropriation by Parliament of US$5.071 billion, and total expenditure and net lending of US$5.743 billion, translate to a fiscal deficit of US$672 million, representing 3.5% of GDP. • This proposed Budget deficit for 2018 is against a projected deficit outturn to December 2017, of US$1.707 billion, which is 9.4% of GDP.	
Expenditure Management	**Implications**
• Wage Bill Management- freezing on recruitment to be maintained across the board, save for critical posts • From January 2018 Government will, through the Service Commissions retire staff above the age of 65. • Government will also rationalise the total Youth Officers and Ward Development Coordinators establishment down by 3 739 from 7 269 to 3 530, translating to savings of US$1.6 million per month and US$19.3 million per annum. • Savings will be realised progressively through identification of redundant staff, as Ministries are combined and rationalised. • Government, also reviewed the vehicle Scheme to one personal issue vehicle for most top positions in the civil service. • There has been a strict reduction in the size of delegations to levels that are absolutely necessary. • The President has approved the downsizing of Diplomatic Missions, taking account of our current economic environment and affordability principles.	• We believe the measures will go a long way in addressing the fiscal challenges that the economy faces whereby in excess of 90% of government revenue is consumed by salaries & recurring expenditure. • The measures will also help in creating headroom for the financing of various capital projects which the country desperately need at this point in time. • When combined with other various measures, the reduction of the "fiscal expenditure ratio" will also enhance the government's capacity to borrow both locally and internationally. • Some of the measures adopted on the Pubic Enterprises (which include but are not limited to commercialisation of technically insolvent non-strategic parastatals) also indicate the government's willingness to move towards a free market economy something which augurs well for Foreign Direct Investments

• Most government buildings to move away from human security to ICT based security. • The Zimbabwe Public Investment Management Guidelines will apply to projects implemented by central Government Ministries, Local Authorities, State Enterprises and Parastatals, as well as Development Partner funded projects that impose a cost on the Budget. • Public Enterprise & Local Authorities- Government is, beginning 2018, putting a stop to unabated flow of Budget resources to Public Enterprises and Local Authorities without any returns, either through dividends or meaningful public service delivery. • The Minister proposed the following measures with respect to public enterprise and local authorities: Close technically insolvent parastatals, Structure Joint Ventures for non-strategic Parastatals, commercialization of non-strategic Parastatals	
Public Financial Management • The PFM Act of 2010, is being realigned to the Constitution of Zimbabwe Amendment No. 21 of 2013 to: Incorporate Constitutional principles relating to public finance management, align the Act to relevant international agreements, Cross-reference the Act with the Procurement Act, the Public Debt Management Act, as well as other relevant statutes; and embrace the principle of gender responsive budgeting and elimination of discrimination against women. • The amendment of the PFM Act will also provide for the allocation of the not less than 5% of national revenues	**Implications** • The overhaul of Public Finance management systems and processes will boost accountability and transparency. The improvement will make the country relatively "less risky" to provide government to government financial support. In other words, the changes makes Zimbabwe very attractive for with regards to extending public debt. • The new borrowing procedures requirements will result in allocative efficiency of borrowed funds thereby reducing unnecessary debt overhang for the government.

raised in any financial year to Provincial and Local Authorities. • Government is migrating from 1 January 2018 to Accrual Accounting, also to boost transparency and accountability as well as ensure uniformity in reporting. • Telephone systems in all government departments are to be modernised in line with current technological developments. • **Borrowing Procedures-** Government Ministries and Departments are to strictly follow borrowing procedures laid down in the Debt Management Act, in order to avoid committing the country to unsustainable and unproductive loans.	
Budget Allocations • The Minister highlighted that the 2018 National Budget will have to contend with provisions for the Wage bill, 2018 Harmonised Elections and expanded agricultural programmes. • The 2018 Budget appropriated US$3.3 billion for Employment Costs, with US$2.6 billion being set aside for the Public Service wage bill, inclusive of Grant Aided Institutions • The distribution of Public Sector Wage Bill will be as follows: 42%-Education, Health-11%, Agriculture-3%, Security-21% and Rest of civil service-23%. • The 2018 Budget will provide resources amounting to US$132.2 million in support of the 2018 Harmonised Elections budget • **Agriculture season Preparations**-Government support will see the 2018 Budget allocate 9% of the total Budget to agriculture, up from 7% in 2017. • Under the 'Maize Command Programme', the target is to plant an	**Implications** • Our view is that the harmonised elections are critical in demonstrating democracy in the country. • The marginal increase in the agriculture allocation is not sufficient to put the sector on a rebound given the fact that it is the bedrock of Zimbabwe's economic performance. • The eradication of tsetse in the areas shown above has potential to enhance tourism activities as well as improve socio economic development within the corridor. • Proactive measures such as cloud seeding will sterilise the effects of haphazard rainfall patterns thereby mitigating against the negative impact of drought.

area of 220 000 hectares under maize, with 60 000 under irrigation, while the remainder will be dry farming. • In view of the importance of soya beans as input into agro-processing of cooking oils, as well as stock feeds, US$52.9 million has been set aside to support soya beans production under the programme, targeting 60 000 hectares. This will reduce cooking oil import bill. • Government has scaled up its support for cotton production with free inputs valued at US$60 million, up from about US$40 million, disbursed in the previous season. • Government is in the process of extending the 'Command Programme' to include livestock and fisheries. • Under the Presidential Input Scheme, Government has doubled input support towards 1.8 million vulnerable households, at a cost of US$153 million. • Over the recent years, the country has registered gains in eradicating tsetse flies, with the resultant reduction in the area infested from 80 000 km^2 to current area 29 500 km^2. • The Minister also allocated US$500,000 for cloud seeding. • **Social Services Delivery- Health-** In furtherance to improving coverage and quality of public health care services, total health expenditures during 2018 amount to US$729.4 million, with Budget appropriations and Levy Funds contributing US$489.8 million to this, and development partners, US$239.6 million. • **Education-** In furtherance to improving education outcomes, total	

basic education expenditures during 2018 amount to US$973.4 million. To complement research and innovation initiatives being driven by higher learning institutions and formal research institutes, the 2018 Budget proposes to appropriate seed capital of US$1 million towards the establishment of research and innovation hubs across provincial capitals	

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