

**2015 BUDGET ADDRESS BY HON. ALEXANDER B. CHIKWANDA M.P,
MINISTER OF FINANCE,
DELIVERED TO THE NATIONAL ASSEMBLY ON
FRIDAY 10TH OCTOBER, 2014**

1. Mr. Speaker, I beg to move that the House do now resolve into Committee of Supply on the Estimates of Revenue and Expenditure for the year 1st January, 2015 to 31st December, 2015 presented to the National Assembly in October 2014.

2. Sir, I am the bearer of a message from His Excellency the President, recommending favourable consideration of the motion that I now lay on the Table.

3. Mr. Speaker, on the 24th of October, 2014, Zambia celebrates its Golden Jubilee that marks half a century of political independence. The nation has achieved much over the past 50 years. We have had an unbroken period of political stability and peaceful co-existence by putting into practice our motto of “*One Zambia One Nation*”. We have advanced the cause of freedom and self-determination at home and abroad by fighting for the liberation of our neighbours. We have also advanced a generation of Zambians who are contributing to the growth of our nation at home and in the diaspora. These are achievements worth celebrating.

4. Sir, one of Zambia’s many unique attributes has been its unparalleled political and social stability since independence in 1964. This includes the period up to the 1980s when Zambia was home to many liberation movements from our neighbouring countries and was, therefore, in the forefront of their independence struggles.

5. From 1991, Zambia has been a vibrant multi-party democracy having

discarded the one party system with a very un-salutary governance track record. The Patriotic Front came into power three years ago through a peaceful transition. This political stability and social harmony has been the platform upon which our strong economic growth and macroeconomic stability has been anchored.

6. Mr. Speaker, despite these significant milestones, much still remains to be done to make our independence more meaningful to the lives of our citizens. The development challenges we face as we enter the sixth decade as a nation remain daunting. Overall, poverty in Zambia remains high at about 60 percent even though it is much lower in urban areas at around 23 percent. Some of the most critical challenges that the Government faces, therefore, are to create decent jobs and wealth to ensure greater provision of social safety nets.

7. Sir, Zambia has a very young population, and a growing labour force, with over 53 percent of the population below the age of 18 years and 90 percent of the population below the age of 45 years. Being a country of predominantly young people, Zambia can yield a demographic dividend if our youth are equipped with skills and meaningfully involved and deployed in the various productive sectors of the economy.

8. Mr. Speaker, these challenges are made even more formidable in the face of threats posed by climate change, over-reliance on primary commodities, low technological advancement, low productivity

and rapid urbanisation. Over the past three years, the Patriotic Front Government has continued to strengthen the requisite macroeconomic foundations for development. This has been done through upgraded investments in all sectors including infrastructure which is necessary in addressing the challenges of accelerated development.

9. It is in this context that the theme of the 2015 Budget is **“Celebrating our Golden Jubilee as One Zambia One Nation by Making Economic Independence a Reality for All”**.

10. Mr. Speaker, economic development that facilitates prosperity for all can only have meaning and sustainability if it is firmly premised on fiscal prudence and responsibility. This should be our legacy to posterity.

11. Mr. Speaker, in framing the 2015 Budget, it is the vision of bringing economic independence to the millions of Zambians that has been our practical guide and moral benchmark. My address today is in four parts. Part I provides an overview of the global and domestic economic developments this year. In Part II, details of Government’s macroeconomic objectives and sectoral policies and strategies for 2015 are presented. The main details of the 2015 Budget are given in Part III and my address is concluded in Part IV.

**PART I
GLOBAL AND DOMESTIC
ECONOMIC DEVELOPMENTS IN 2014**

12. Mr. Speaker, the global economy continues to recover but at a subdued pace. Output is projected to increase to 3.3 percent this year, up from 3.0 percent in 2013. In

advanced economies, positive growth is projected for the United States of America while in the Euro-zone there are concerns about stagnation and deflation. The emerging economies such as China and India will continue with their positive growth trajectory, albeit at a lower rate. In Sub-Saharan Africa, growth is projected to decline marginally from the 2013 level to 5.1 percent.

13. Sir, the performance of commodity prices varied in 2014. Copper prices averaged US \$7,097 per metric tonne during the first nine months, down from US \$7,752 per metric tonne in 2013. This reflects sluggish demand particularly from China. Similarly, crude oil prices have marginally declined during the same period to an average of US \$102.95 a barrel compared to US \$103.22 in 2013. It is also worth noting that the current spot prices for crude oil are showing a downward trend of below US \$100 per barrel. With regard to food items, prices for main cereal crops such as maize, wheat and rice declined while prices for meat and dairy products increased.

14. Mr. Speaker, on the domestic front, preliminary projections are that real GDP growth will be higher than the projected 6.5 percent for this year. This will be mainly driven by a good harvest in the 2013/2014 farming season, increased electricity generation, investments in private and public infrastructure and growth in manufacturing as well as in transport and communications.

15. Sir, the growth recorded over the past three years has been accompanied by a significant rise in employment. In my 2014 Budget address, I informed this House that Government’s ambition was to create 200,000 decent jobs in 2014. I wish to report that current estimates are that the Zambian

economy will generate about 120,000 new formal sector jobs in addition to thousands of other jobs being created in the informal sector. These jobs will mainly be in the private sector, reflecting the growing capacity of the private sector as the primary engine of economic growth and job creation.

16. Mr. Speaker, in 2014, the Treasury took measures to consolidate the fiscal position. These measures included actions to contain the size of the public sector wage bill and streamlining of expenditure towards priority programmes. As a consequence, the end year budget deficit is expected to be within the programmed level of 5.5 percent of GDP compared to 6.5 percent in 2013.

17. Mr. Speaker, inflation was contained within single digits over the first nine months and was 7.8 percent in September 2014 from 7.1 percent in December 2013. The slight increase was due to the depreciation of the Kwacha, mainly in the first half of the year, and the pass-through from upward adjustments in fuel prices and electricity tariffs. With these pressures now largely accounted for, Government is confident that for the sixth consecutive year, inflation will be contained to single digits in line with Government's macroeconomic objectives.

18. Sir, the first half of 2014 experienced a rapid depreciation of the Kwacha against major currencies, reaching a high of K7 per US dollar in May. This partly arose from a reduction in the supply of foreign exchange to the market, particularly from the mining sector, and subsequent speculative behaviour. In response, the Bank of Zambia tightened monetary policy through a number of measures, including adjusting upwards the policy rate, increasing the statutory reserve requirement and extending its application to Government and Vostro accounts. Through

these measures, the exchange rate has now stabilised around an average of K6.2 per US dollar.

19. Sir, the tight liquidity conditions came at the cost of a temporary rise in interest rates which constrained access to credit. Having achieved relative stability in the foreign exchange market, the Bank of Zambia has, since July 2014, eased liquidity conditions. As a result, the daily average overnight interbank rate reduced to 12.8 percent as at end-September 2014 from 25 percent at end-June 2014. With a gradual increase in liquidity, it is expected that commercial banks will pass on the benefits to borrowers by reducing lending rates. High interest rates inhibit growth and ultimately stoke up inflationary spirals.

20. Sir, the overall condition and performance of the financial sector was satisfactory as at end-September 2014. The financial sector's aggregate capital adequacy and earnings performance improved, while asset quality and liquidity conditions remained stable. With regards to the implementation of the new capital adequacy framework for the banks, impressive progress has been made in terms of compliance.

21. During 2014, trading activity on the Lusaka Stock Exchange (LuSE) increased, reflecting improved investor sentiment and participation on the local bourse. Market capitalisation increased by 8 percent to K62.9 billion while the All-Share index rose by 17 percent to 6,620.9 by end-September 2014.

22. Mr. Speaker, LuSE listing requirements stipulate that no single shareholder should control more than 75 percent of the equity in any company. This is to ensure that more of our citizens participate in the capital markets. I am therefore

directing the Securities and Exchange Commission to ensure that all listed companies comply with this requirement. To comply with the listing requirements, Government will itself reduce its shareholding in ZCCM Investments Holding Plc to 60 percent from 87 percent. The 27 percent shares will be sold to Zambian citizens as a way of entrenching economic independence of our people.

23. Mr. Speaker, the overall Balance of Payments is expected to register a surplus of US \$486.0 million in 2014 compared to a deficit of US \$344.9 million in 2013. This surplus is attributed to improvements in both the current and financial accounts. Higher copper export volumes and the receipt of Eurobond proceeds account for the expected improvements.

24. Mr. Speaker, consistent with improvement in the overall Balance of Payments position, gross international reserves are projected to increase to US \$3.2 billion at end-December 2014, representing 3.6 months of import cover, from US \$2.7 billion or 3.0 months of import cover recorded at end-December 2013.

25. Mr. Speaker, the stock of Government's external debt as at end-September 2014 was US \$4.7 billion. This represents an increase of 34 percent from US \$3.5 billion as at end 2013. The increase in the external debt stock was mainly on account of the US \$1 billion Eurobond that was issued in April as part of programmed financing in the 2014 budget. The total external debt service for the first nine months of 2014 amounted to US \$126.2 million which is less than 3 percent of the domestic revenues.

26. Mr. Speaker, Zambia's domestic debt including arrears as at end-September 2014

stood at K21.9 billion representing an increase of 5.6 percent from K19.7 billion as at end-December 2013. The increase was largely on account of programmed financing for the 2014 Budget.

PART II MACROECONOMIC OBJECTIVES, POLICIES AND STRATEGIES FOR 2015

27. Mr. Speaker, the Government in 2015 will continue to focus on industrialisation together with job and wealth creation, so as to reduce poverty and inequality on a sustainable basis. This will be achieved by investing in sectors that have been identified to best promote employment for our youthful population, significantly increase productivity in the economy by empowering our workers with the requisite skills for the 21st century, contribute to higher and inclusive economic growth, and develop the rural areas to narrow the urban-rural divide. These include the agriculture, tourism, manufacturing and construction sectors. Additionally, for inclusive growth, emphasis will be placed on investing in the social sectors.

28. Mr. Speaker, the specific broad socio-economic policy objectives for 2015 will be to:

- (a) achieve a real GDP growth rate of above 7.0 percent;
- (b) achieve an end year inflation rate of no more than 7.0 percent;
- (c) increase international reserves to at least 4.0 months of import cover;
- (d) raise domestic revenue collections to at least 18.5 percent of GDP;

- (e) contain domestic borrowing to no more than 2.0 percent of GDP;
- (f) accelerate the diversification of the economy, and continue the drive to create decent jobs, especially for the youth; and
- (g) accelerate implementation of interventions in the health, education and water and sanitation sectors.

Economic Sector Policies

Agriculture

29. Mr. Speaker, Zambian agriculture recorded an historic achievement during the 2013/14 farming season when over 3.35 million metric tonnes of maize was harvested, the highest tonnage ever attained. This strong performance was due not only to an 8.1 percent increase in the area planted, but more importantly, a 22.3 percent increase in yields, reflecting higher productivity by our farmers. The area planted for other crops such as rice, groundnuts and millet also increased, reflecting that our goal of crop diversification is becoming a reality.

30. Mr. Speaker, to achieve even more productivity in agriculture, Government will increase the resources allocated to the sector. Among others, this will allow for the provision of effective extension services that will equip our farmers with the technical knowledge and skills to remain productive in the face of challenges posed by changing weather patterns. Government will therefore recruit 500 additional extension officers and better equip them by providing motor cycles and extension kits. Government will also ease the housing problem for extension officers by

continuing to rehabilitate camp houses in 2015.

31. Sir, to further promote crop diversification, extension services will continue to support farmers in growing crops suitable for the ecological zone. The Farmer Input Support Programme (FISP) will also be tailored to provide seeds for a variety of crops according to ecological comparative advantage. Achieving greater productivity and diversification in agriculture will require limiting spending on maize which currently absorbs over two thirds of the entire agriculture budget.

32. Mr. Speaker, in the context of the growing threats of climate change, the Government will upscale support to conservation farming involving a total of 84,000 farmers in 31 districts during the 2014/15 season.

33. To maximise the use of our arable land and grow crops throughout the year, irrigation development will continue to receive high priority with the construction of at least one smallholder irrigation scheme in each Province. This is expected to bring a further 6,000 hectares under irrigation in the next 12 months thereby bringing the total land area brought under irrigation with Government support over the last three years to 17,500 hectares.

34. Mr. Speaker, the focus in the livestock sub-sector will be on enhancing extension and disease control services. This will be done by establishing 23 livestock extension service centres, constructing and rehabilitating livestock blocks and camp houses, establishing 13 Satellite Insemination Centres, continuing the livestock restocking programme and upscaling disease control measures. Government will also encourage

initiatives by the private sector to promote livestock production.

35. Mr. Speaker, the current annual national fish consumption stands at 130,000 metric tonnes. However, annual national production is 95,000 metric tonnes of which only 20,000 metric tonnes is from aquaculture and 75,000 metric tonnes is from rivers and lakes.

36. With the depletion of fish in our main water bodies, the development of aquaculture has become imperative. In this regard, Government will undertake reforms that will ease entry of our enterprising citizens in the private sector into aquaculture production. In addition, Government will continue with research activities, provision of extension services, surveillance and fish re-stocking.

37. Mr. Speaker, Government will in 2015 build on the success that has been scored at Nitrogen Chemicals of Zambia where the production of Compound D fertiliser has reached 100,000 metric tonnes for the 2014/2015 farming season. Sir, the annual production capacity of Nitrogen Chemicals of Zambia to produce Compound D fertiliser has increased to 150,000 metric tonnes following the recapitalisation by Government.

38. Sir, the recapitalisation programme will continue to enable the company recommence production of ammonium nitrate to facilitate local manufacture of top dressing fertiliser and explosives thereby creating further employment opportunities and reducing the importation of fertilisers into the country

Manufacturing

39. Mr. Speaker, in order to add impetus to job creation, Government has granted a

number of tax concessions over the past three years to spur growth in the manufacturing sector. To further promote growth in the sector, Government Departments are hereby directed to give preference to locally produced goods in line with the Industrialisation and Job Creation Strategy. To this effect, beginning 1st January, 2015, Government will remove the voucher system applicable on such imports.

40. Mr. Speaker, in my 2014 Budget address, I announced that Government had released K106.9 million to the Development Bank of Zambia (DBZ) to support the financing needs of Small and Medium Scale Enterprises (SMEs).

41. Sir, I am pleased to report that all the funds have been disbursed to 47 SMEs involved in various sectors including agro-processing, manufacturing, engineering, fisheries, tourism and hospitality as well as in construction and agriculture. In order to facilitate further lending to SMEs in 2015, Government will commit additional funds to further recapitalise the DBZ.

42. Mr. Speaker, to further enhance medium to long term financing for SMEs, Government will support initiatives such as the Alternative Investment Market launched by LuSE. Such frameworks will allow SMEs to raise funds from the stock market at an affordable cost and tap into technical and managerial skills through new equity partners.

43. Sir, Government will also scale-up entrepreneurship training and market-relevant skills development under the Technical Education, Vocational and Entrepreneurship Training Institutions.

These interventions will invariably lead to wealth and job creation as SMEs hold the greatest potential for job creation.

44. Sir, Government will also continue allocating funds to the Citizens Economic Empowerment Commission to support value chain development. Out of the 1,526 approved projects this year, 1,072 projects valued at K48 million have since been funded, 92 percent of which are in rural areas, thus contributing to our efforts to narrow the urban-rural divide. Of the funded projects, 64 percent went to women and youths.

45. In addition, Government has already embarked on the design of industrial clusters that are going to be established in each district as a way of realising economic independence for our citizens. The clusters will provide industrial workshops from which our entrepreneurs will be able to manufacture various products, thus promoting value addition, particularly in the areas of metal fabrication, timber and agro-processing, aquaculture and automotive industry.

46. Mr. Speaker, the Government will continue to facilitate infrastructure development to support the growth of the manufacturing sector through the promotion of multi-facility economic zones and industrial parks.

Tourism

47. Mr. Speaker, Zambia's tourism sector has immense potential for increasing revenue collection and delivery of decent

jobs to our citizens due to its labour intensive nature. I am glad to inform this august House that growth in this sector has been positive in recent years. In 2013, tourist arrivals increased by 6.5 percent to over 900,000. Preliminary data for 2014 show that this number will be surpassed as end-June 2014 arrivals of over 455,000 were 5.2 percent higher than the same period last year.

48. Sir, to unlock the massive potential for employment in the sector, Government will continue to improve airport infrastructure, electricity connectivity and access roads to tourist areas, particularly those along the Northern Circuit, Lower Zambezi and Kafue National Parks.

49. Mr. Speaker, as regards airport infrastructure, Government is expanding and upgrading the Kenneth Kaunda International Airport in Lusaka and will construct a new airport at Simon Mwansa Kapwepwe in Ndola. Further, plans are underway to rehabilitate a number of aerodromes across the country to increase access by air.

Mining Sector

50. Mr. Speaker, mining sector production in the first eight months of 2014 at 448,673 was about 50,000 metric tonnes lower than the corresponding period in 2013. The lower outturn was largely on account of a significant fall in output recorded at one of the major mines due to the temporary suspension of mining operations as a result of operational

challenges. The depletion of oxide ore at some mines and stockpiling of concentrates also contributed to the lower output. Despite these operational constraints, copper production is projected to be marginally higher than the 2013 production of about 790,000 metric tonnes.

51. Sir, Government is promoting the domestic auctioning of gemstones in order to obtain maximum benefits from the resources and to promote transparency and accountability in the sub-sector. This is in support of the diversification and growth of the mining sector, evidenced by gemstone sales of over US\$ 50 million in the first eight months of this year. It will also contribute to domestic revenue collection, thereby enhancing our fiscal position as we make economic independence a reality for all.

Economic Infrastructure Development

52. Mr. Speaker, as emphasised by His Excellency the President in his address to this august House, infrastructure development is an indispensable pillar in our efforts to raise the productivity of our businesses, diversify the economy and promote inclusive growth. In this regard, the PF Government has made tangible progress in developing key infrastructure in the transport and communications and energy sectors.

Transport and Communication Infrastructure

Roads

53. Mr. Speaker, the Government has continued implementing the road infrastructure programme under the Link Zambia 8000, Road Tolling and the Lusaka 400 Road Projects. Equipment for Pave Zambia 2000 has since been procured and distributed to all provinces and manufacture of pavers has commenced in 7 provinces. Government's expectation is the rapid acceleration of this project in 2015 which will provide further income opportunities for our unemployed youths.

54. Sir, under phase one of the link Zambia 8000 Road Project, a total of 22 projects valued at K9.8 billion, covering a length of 2,260 km are under implementation countrywide. Included under this programme are the Kasama-Mporokoso, Mbala-Nakonde, Chama-Matumbo, Chongwe-Katoba basic School, and the Isoka-Muyombe-Lundazi-Chama roads. Additionally, works on the Kitwe-Chingola Dual Carriage Way are advanced at 40 percent, the Pedicle road at 48 percent, and the Mansa-Luwingu road at 37 percent, while 19.5 km of the Kawambwa-Mushota road and 60 km of the Bottom road have been completed. I wish to also inform this august House that the procurement process for the engagement of a contractor for the Kalabo-Sikongo road has commenced. Works have also been completed on the Kasama-Mbesuma and Kalulushi-Lufwanyama roads.

55. Mr. Speaker, Government is alive to the reality that maintaining our road network in a good state entails investing in road maintenance and rehabilitation. In this regard, 63 km of the Lusaka - Chirundu road has been rehabilitated. Further, 52 km of the 91 km road from Luangwa Bridge to Feira has been upgraded to bituminous standard while maintenance works will soon commence on the Chinsali-Nakonde road.

56. Sir, Government is also constructing a number of bridges to ease movement of our people and open up our rural areas. In this regard, Government recently completed and commissioned the Michael Chilufya Sata Bridge in Chiawa. Further, 22 out of the 26 bridges on the Mongu-Kalabo stretch are under construction with seven bridges already completed. The construction of the Mufuchani Bridge in Kitwe is also underway. I wish to also report that the contract for the construction of the Kazungula Bridge has been signed and the contractor is mobilising.

57. Mr. Speaker, the Government is operationalising the road tolling programme as an innovative and self-financing mechanism for sustainable road rehabilitation and maintenance. This programme is being implemented at 8 weighbridges and 18 ports of entry targeting vehicles with weights above 6.5 tonnes. So far, K187.4 million has been raised from this programme in 2014.

Railways

Mr. Speaker, Government is committed to improving the railway network to reduce the heavy load on our roads. I wish to report that of the targeted 442 km of the Livingstone-Chingola line, a total distance of 117 km has been rehabilitated, while 133km will be completed by the end of 2014.

58. Furthermore, progress has been made in refurbishing passenger coaches resulting in improved service that has attracted over 7,600 passengers per week compared to less than 5,000 under the concessionaire. In addition, the volume of cargo transported has increased to over 400,000 tonnes during the first half of the year from about 280,000 tonnes during the same period in 2013.

59. Sir, the rehabilitation of storage facilities at Chipata Station has been completed and Zambia Railways Limited has since commenced operations on the Chipata-M'chinji railway line. This route will enhance regional trade through the Nacala Corridor.

60. Mr. Speaker, the 162 km Mulobezi railway line together with livestock wagons and passenger coaches are also being rehabilitated. Work on the Copperbelt inter-mine railway network is progressing well at Konkola and Nchanga mine plants. Rehabilitation works along the Luano-Chililabombwe line are also nearing completion.

61. Mr. Speaker, Government will continue to support TAZARA to ensure that

it facilitates the movement of goods and passengers and enhances local and foreign trade links. Government is, therefore, resolving the policy constraints relating to the operation of TAZARA by harmonizing positions with our Tanzanian partners.

Energy Infrastructure

62. Sir, the energy sector continues to grow and contribute positively to economic growth. Government has moved proactively to reduce the power deficit in the electricity sub sector which has potentially been a major hindrance to our future economic prosperity. We have just brought on stream 360 megawatts of power having completed the Kariba North Bank hydro power extension project.

63. Mr. Speaker, another 120 megawatts at the Itezhi-Tezhi Hydro Power Plant and 300 megawatts of thermal power being developed in Sinazongwe by the private sector will come on stream next year to further enhance our power generation capacity. In addition, Government will continue to undertake extension and rehabilitation works on the transmission and distribution networks under the Power Rehabilitation Project.

64. Sir, the construction of the Pensulo-Kasama and the Pensulo-M'soro-Chipata 330kv transmission lines is expected to be completed next year.

65. Mr. Speaker, the 750 megawatts Kafue Gorge Lower Project, including the

two 330kv transmission lines, is back on course following the strengthening of the governance structure for the project in line with international good practice. It is expected that by the end of 2014, the procurement process for the Engineering, Procurement and Construction Contractor, the Transaction Advisor and Fund Manager will be finalised. Government's expectation is that execution of this project will accelerate in 2015.

66. Mr. Speaker, Government's policy in the petroleum sub-sector is to ensure a stable supply of fuel in all parts of the country. To this end, the programme of building provincial depots will continue. The Mpika Fuel Depot has been commissioned, while the Solwezi and Mongu Fuel Depots are expected to be completed in 2015. The identification of additional sites in the remaining provinces is in progress.

67. Sir, in order to deal with challenges in this sector, the Government is reviewing the petroleum supply chain and the financing options. Further, alternative sources of fuel supply are being pursued to reduce costs. Discussions at bilateral level with oil producing countries for the supply of crude and finished products have commenced to streamline the procurement process by eliminating middlemen.

Social Sector Policies

68. Mr. Speaker, to advance Government's commitment to social

justice, its social sector priorities in 2015 will remain focused on improving access to and enhancing delivery of education, health and water and sanitation services as well as accelerating implementation of social protection programmes.

Education and Skills Development

69. Mr. Speaker, Government will continue to focus on increasing equitable access to quality education and empower our youths through skills training. In order to increase access, and improve progression rates to higher levels of learning, construction of education facilities especially at secondary and tertiary levels will remain paramount. Emphasis will also be placed on enhancing early childhood education.

70. Sir, to improve the quality of education, Government will continue the programme of upgrading teacher qualifications to meet the minimum standards required. The training of teachers in science, mathematics and technology subjects will be scaled up to address the inadequate number of teachers in these fields. Government will continue implementing the revised education curriculum that puts emphasis on life skills to align student qualifications to the needs of industry and the wider economy.

71. Mr. Speaker, the Government will also continue with the school feeding programme to promote the cognitive development of young children, particularly the disadvantaged.

Health

72. Mr. Speaker, in line with the Government's objective of bringing cost effective quality health services as close as possible to all Zambians, Government will continue to increase the availability of frontline health personnel, enhance infrastructure and improve the provision of drugs and medical equipment. Sir, the health status of Zambians continues to improve under the PF Government as revealed by the 2013/2014 Zambia Demographic Health Survey.

73. Sir, in order to address human resource constraints in the health sector, Government has been implementing the National Training Operational Plan since 2013. The current number of frontline health personnel stands at 13,147. In 2015, Government plans to recruit additional staff so that the overall number of health personnel increases by over 2,000, bringing the total number to over 15,000.

74. Sir, Government has commenced the construction of two new training institutions in Senanga and at Levy Mwanawasa General Hospital in Lusaka. In addition, 27 other health training institutions are under rehabilitation and expansion. This is expected to accelerate the supply of health personnel by increasing the number of graduates to 10,000 per year from the current 5,500.

75. Mr. Speaker, 30 district hospitals are also under construction in various parts of the country and a further 8 will be started

before the end of this year. In addition, the programme to construct 650 health posts is underway and will be completed by the end of 2016.

76. Sir, to further improve the quality of health care and reduce referrals both locally and abroad, Government is well advanced with its modernisation programme to upgrade the health facilities at the University Teaching Hospital, Livingstone General Hospital and Kitwe and Ndola central hospitals. Under this programme, Government is procuring specialized equipment including CT scans, Magnetic Resonance Imaging machines and CATHLABs.

77. Mr. Speaker, improving the supply of medical drugs and logistical systems remains a priority of the Government in order to ensure timely and adequate supplies. In line with this, the Government embarked on the establishment of six regional hubs under Medical Stores. The Choma and Chipata regional hubs are already operational and a third, in Mongu, will be operational by the end of 2014. The remaining three are expected to be operational in 2015.

Water Supply and Sanitation

78. Mr. Speaker, the PF Government remains committed to ensuring that all Zambians have access to clean water supply and sanitation services. I am pleased to report to this House that out of the 2,000 boreholes planned for this year, 1,514 had been drilled as at end-September, 2014. In

addition, 10 piped-water schemes and 921 boreholes had been rehabilitated. As a result of these interventions, rural access to clean and safe drinking water has increased to 64 percent from 61 percent of the population in 2013.

79. Mr. Speaker, in 2015 Government will continue interventions aimed at increasing rural access to clean and safe drinking water from the current 64 percent to 67 percent. This will be achieved by constructing an additional 2,500 water points, mainly boreholes. Government will also rehabilitate an extra 2,000 existing water points during the same period.

80. Sir, to ensure adequate access to sanitation facilities, Government has trained and rolled-out total sanitation approaches in 44 districts. This has resulted in 1.3 million people in rural areas having access to adequate sanitation facilities. In 2015, Government will continue promoting community-based approaches and the construction of institutional sanitation facilities. With these interventions, rural access to sanitation facilities is targeted to increase to 45 percent from the current 43 percent.

81. Mr. Speaker, Government in 2015 will increase access to clean and safe drinking water in urban and peri-urban areas from the current 83 percent to 85 percent of the population. This will be achieved through the rehabilitation and construction of water supply infrastructure in the various urban towns under the 11 water and sewerage utility companies.

82. Sir, Government is also committed to improving sanitation facilities in urban and peri-urban areas. As such, designs for water supply and sanitation improvements under the Lusaka Water Supply, Sanitation and Drainage Project have been completed while rehabilitation works on the water and sewerage systems under Southern and Mulonga Water and Sewerage Companies in Livingstone and Chingola have commenced.

83. Mr. Speaker, promoting sustainable solid waste management is critical to ensuring environmental protection. In 2015, Government will provide resources to local authorities to enable them procure refuse trucks and other solid waste management equipment country wide. Local authorities will be encouraged to embark on waste-to-energy projects through the Public Private Partnership arrangements.

Social Protection

84. Mr. Speaker, Government remains committed to ensuring adequate social protection for its citizens. The provision of sustainable and equitable pension benefits as well as other social safety nets for vulnerable members of society is, therefore, at the core of Government's social protection policy.

85. Sir, our public pension system is characterised by huge actuarial deficits, low annuities and unsustainable entitlements. To address these challenges, an inter-ministerial committee was constituted to review the pension system. The committee

has since completed its review and made recommendations to redesign the pension rules and framework and harmonise the social security legislation. Government is now considering these recommendations.

86. Mr. Speaker, to effectively contribute to the eradication of hunger and extreme poverty in rural households, Government scaled up the Social Cash Transfer Scheme in 2014. As at June 2014, over 145,000 individuals had been supported of which more than 80 percent were female. It is projected that by the end of 2014, about 190,000 beneficiaries will be reached. This Scheme will continue in 2015 as a tangible demonstration of Government's resolve and commitment to eradicate hunger and extreme poverty.

87. Mr. Speaker, Government remains committed to implementing other social safety nets including the Women Empowerment Programme, the Food Security Pack, the Public Welfare Assistance Scheme, medical grants and the bursary scheme for students. In 2015, Government will review some of these with the aim of rationalising coverage to maximise their impact.

Debt and Aid Policy

88. Sir, Government remains committed to maintaining a sustainable debt level. In this regard, Government conducted a Debt Sustainability Analysis in June this year which indicates that the country's debt position remains sustainable. The net present value of Zambia's external debt at

23 percent of GDP remains below the internationally accepted threshold of 40 percent of GDP.

89. Mr. Speaker, I wish to assure this House that the PF Government will exercise fiscal prudence in contracting debt. Borrowing will therefore be restricted to financing only critical capital investments. To avoid burdening future generations with unsustainable debt, Government will further strengthen domestic revenue mobilisation so that an increasing proportion of our budget is financed from domestic resources.

90. On the domestic front, Government will limit its borrowing to not more than 2 percent of GDP to ensure that fiscal policy does not crowd out the private sector. This will further support the lowering of interest rates in the domestic market. Heavy borrowing by Government pushes up the cost of Treasury instruments, in the process raising commercial bank interest rates which impedes all business, particularly Small and Medium Enterprises' borrowing and dampens the impetus for job creation.

91. Sir, as I indicated in my last Budget address to this august House, the revision of Zambia's aid policy has become imperative. This is in view of the general global decline in Official Development Assistance and the shift by bilateral Cooperating Partners from direct budget support to sector and project support.

92. I am pleased to inform the House that Government has made progress in drafting the new policy which will focus more on strengthening trade relations,

enhancing private sector exchanges and partnerships to build capacity in the various priority sectors of the economy in line with the Revised Sixth National Development Plan.

Fiscal Policy

93. Mr. Speaker, substantial progress has been made in 2014 to consolidate the fiscal position. The end-year overall deficit is projected to be within the target of 5.5 percent of GDP, down from 6.5 percent in 2013. In 2015, the Treasury will continue to exercise prudent fiscal management with the overall deficit targeted to further fall to 4.6 percent of GDP.

94. Sir, this lower fiscal deficit is a fine balance between ensuring macroeconomic stability and the need to fund critical public infrastructure that supports a higher and sustainable growth trajectory. The deficit will over the medium term continue to be reduced to around 3.3 percent of GDP by 2017. In recognition of this effort, I am glad to inform this House that international rating agencies recently revised Zambia's outlook from stable to positive, and affirmed the country's ceiling at B+.

95. Mr. Speaker, key to the achievement of our fiscal deficit target will be the continued control of the recurrent expenditure of the budget. Further, limiting expenditure on maize marketing, ensuring cost reflective fuel pricing and rationalising capital expenditure will be essential in containing the deficit.

96. Mr. Speaker, to further strengthen the fiscal position in 2015, Government will improve the efficiency with which it controls its resources through the full operation of the Treasury Single Account. This will ensure better cash management and avoid idle balances in the banking system. Consequently, the need for Government to borrow unnecessarily on the money markets to finance its operations will be curtailed.

97. Sir, a strengthened fiscal position will also arise as a result of a continuation of Government's effort to modernise tax administration with e-based tax and customs administration systems that will enable tax payers to declare and pay taxes online. This will enhance the operational efficiency within Zambia Revenue Authority and reduce the cost to taxpayers of complying with their tax obligations.

98. Mr. Speaker, the reform of land titling procedures and the roll out of the Zambia Integrated Land Management and Information System is expected to be completed in 2015, thereby boosting non tax revenues. As a consequence of these efforts, and changes in tax policy which I will detail later, the revenue to GDP ratio in 2015 is projected to rise to 18.5 percent from 17.2 percent projected for end-2014.

99. Sir, there are some concerns regarding the application of Value Added Tax (General) Administrative Rule Number 18 on proof of export requirements. It has been noticed that some exporters have not complied with the requirements of Rule 18 and this has led to non-payment of VAT refunds. It is Government's desire that these concerns are resolved expeditiously and amicably.

Monetary and Financial Policies

100. Mr. Speaker, in order to support poverty reduction and economic growth, monetary policy in 2015 will remain focused on achieving single-digit inflation rates of no more than 7 percent. Higher inflation adversely affects the poor majority of our people who have no way of protecting their incomes. Consequently, the Bank of Zambia will control inflation through increased use of market-based monetary tools that avoid economic distortions. Further, a liberal foreign exchange system will be maintained, with the Central Bank's interventions limited to smoothing out short-term fluctuations in the exchange rate.

101. Sir, increased access to formal financial services remains a priority objective for this Government. To demonstrate its commitment, Government will continue to implement the various initiatives enshrined in the financial sector development programme. Initiatives to extend financial services to ordinary citizens and small business enterprises will be prioritised around two broad strategies. The first of these is the development of a regulatory framework for agency banking aimed at encouraging financial institutions to bring banking services to the vast number of unbanked Zambians. The second is the implementation of the National Strategy on Financial Education to provide ordinary Zambians with financial knowledge.

Structural Reforms

Public Financial Management Reform

102. Mr. Speaker, a sound Public Financial Management (PFM) system is indispensable to the efficient collection of public finances, their allocation to priority areas and the efficient accounting and control of these finances. In this regard, the PFM Reform Strategy was launched earlier this year to enhance PFM practice in Zambia.

103. Sir, key milestones achieved so far include the publication of the National Planning and Budgeting Policy and the rolling out of the Integrated Financial Management and Information System (IFMIS) to more sites. Work has also progressed on the drafting of the National Planning and Budgeting Bill and the mainstreaming of IFMIS into Government structures.

104. Mr. Speaker, another significant achievement is the submission today, as part of the 2015 Budget, of an Output Based Budget (OBB) for the Ministry of Education. The OBB is one tangible outcome of implementing the Planning and Budgeting Policy. It requires that the budget becomes more results-oriented and in line with national development priorities. It will also provide this House with more relevant information for assessing Government's budget proposals and performance.

105. Sir, as a Government that believes in inclusiveness, I wish to report that a consultative meeting was held with members of the Expanded Committee on Estimates on the proposed OBB pilot. More consultative and sensitisation meetings will be held with members of this august House and other key stakeholders before progressively rolling-out the OBB to all Ministries, Provinces and other Spending Agencies.

Public Sector Reforms

106. Mr. Speaker, in order to strengthen governance and operational efficiency of State Owned Enterprises (SOEs), the Government has incorporated the Industrial Development Corporation (IDC). The IDC will be the holding company for all SOEs and will become the main vehicle for investment in strategic sectors where the private sector is not able to venture.

107. Sir, the Government is concerned about the low levels of efficiency, high level of liabilities and poor financial management practices in some Grant Aided Institutions. In order to address these concerns, Government has commenced a review to assess their viability and sustainability. Institutions that will be found unsustainable will either be abolished or reverted to Central Government.

Fiscal Decentralisation

108. Mr. Speaker, I am pleased to announce that the review of the Intergovernmental Fiscal Architecture has been completed and work to

implement the results of this review has commenced. Consequently, in 2015, a Local Government Equalisation Fund (LGEF) will be established to provide a stable, buoyant and predictable source of revenue from Central Government, to supplement Local Government revenues. This will enable councils to deliver better municipal services and invest in local development projects.

109. Sir, financing of the Fund will be based on a revenue sharing arrangement, where Central Government will allocate a minimum of 5 percent of total income taxes. Allocations to individual councils will be formula-based to ensure equity and transparency. The release of grants to councils will be conditional on observance of good public financial management practices and delivery of essential municipal services.

Private Sector Development Reforms

110. Mr. Speaker, in order to reduce the cost of doing business for the private sector, Government will operationalise the provisions of the Business Regulatory Act of 2014 to ensure that the principles of the law are complied with when introducing licences. In this regard, Government will work towards institutionalising regulatory impact assessments to rationalise licences and streamline procedures.

PART III THE 2015 BUDGET

111. Mr. Speaker, in 2015, Government proposes to spend K46.7 billion or 24.6 percent of GDP. This will be financed from domestic revenues of K35.1 billion which is 75.2 percent of the total Budget and 18.5 percent of GDP. Grants from cooperating partners of K1.2 billion or 2.6 percent of the total budget will complement domestic revenues. Domestic borrowing is projected to be 2.0 percent of GDP translating to K3.8 billion while K4.2 billion is a combination of foreign programme and project financing. The balance of K2.4 billion is earmarked proceeds from the 2014 Eurobond.

2015 Expenditure Allocations by Function

112. Sir, in line with the sector policies outlined in Part II, I now discuss the supporting expenditure allocations by functions of Government.

2015 EXPENDITURE BY FUNCTION

Function	2015 Budget	
	K'million	Percentage of Budget
General Public Services	12,040.18	25.80%
Public Affairs and Summit	68.86	
Constitution Making Process	29.26	
Constituency Development Fund	210	
Local Government Equalisation Fund	586.76	
Domestic Debt Interest	2,896.16	
External Debt Interest	2,391.68	
Compensation and Awards	100	
Defence	3,247.21	7.00%
Public Order and Safety	2,180.02	4.70%
Economic Affairs	12,746.64	27.30%
Empowerment Funds	123.7	
Sovereign Wealth Fund	100	
Farmer Input Support Programme	1,083.17	
Strategic Food Reserve	992.9	
Rural Electrification Fund	70.71	
ZESCO Power Rehabilitations	600	
Roads Infrastructure	5,626.51	
O/W GRZ Contribution	3,226.34	
Environmental Protection	174.96	0.40%
Housing and Community Amenities	798.71	1.70%
Water Supply and Sanitation	540.99	
Health	4,464.09	9.60%
Drugs and Medical Supplies	753.52	
Medical Infrastructure and Equipment	268.24	
Recreation, Culture and Religion	323.63	0.70%
Education	9,433.33	20.20%
School Infrastructure	1,069.53	
University Infrastructure	650	
Social Protection	1,257.80	2.70%
Public Service Pension Fund	805	
Social Cash Transfer	180.59	
O/W GRZ Contribution	150	
Food Security Pack	50	
Grand Total	46,666.56	100.00%

General Public Services

113. Mr. Speaker, K12.0 billion or 25.8 percent of the budget has been allocated for General Public Services. To ensure that Government meets both its domestic and external debt obligations, K2.9 billion and K2.4 billion have been provided respectively. Other notable expenditure allocations under this category include

K669.4 million for grants to Local Authorities of which K586.8 million is for the Local Government Equalisation Fund.

114. Sir, to ensure the continuation of infrastructure development in the newly created provinces and districts, K500 million has been provided in 2015. Further K210 million has been allocated for the Constituency Development Fund. I have

also provided K100 million to cater for court cases decided against Government.

115. Sir, the constitution making process has continued keenly and in earnest, as the Government discusses the matter with all interest groups to achieve consensus on both the process and content. I have allocated K29.3 million towards this process.

Economic Affairs

116. Mr. Speaker, Government proposes to spend K12.7 billion or 27.3 percent of the total budget to support the economic sectors and lay the basis for further prosperity for our people. In this regard, an allocation of K5.6 billion has been set aside for road infrastructure, including the Link Zambia 8000 and the Pave Zambia 2000 projects.

117. Mr. Speaker, diversification from maize remains paramount in attaining more inclusive growth and economic independence. In this regard, K254.9 million has been allocated towards the E-Voucher System which will allow farmers more flexibility of choice in the inputs they receive. A further, K1.1 billion has been allocated to the Farmer Input Support Programme (FISP). In 2015, it is expected that 1,000,000 farmers will access inputs through the E-Voucher and FISP programmes.

118. Sir, Government will continue promoting private sector participation in grain marketing by limiting grain purchases by the Food Reserve Agency to the 500,000

metric tonnes required for the strategic food reserve. In this regard, I have provided K992.9 million for strategic food reserves.

119. Mr. Speaker, to promote irrigated agriculture and increased access to water resources, I have allocated K164.5 million towards the construction and rehabilitation of dams to achieve our target of an additional 17,500 hectares under irrigation by 2016.

120. Sir, to promote livestock and fisheries, I have allocated K307 million for livestock disease control measures and aquaculture development.

121. Mr. Speaker, to address the challenges posed by the ever growing demand for electricity, I have provided K600 million to ZESCO for power generation, transmission and distribution. A further K70.7 million has been allocated to increase the number of rural communities across the country connected to the national grid under the Rural Electrification Programme.

122. Mr. Speaker, to continue nurturing the entrepreneurial spirit of our people by empowering them with required finances so as to increase their effective participation in the economy, I have allocated K123.7 million to various empowerment funds that cater for the youth, women and SMEs.

123. Mr. Speaker, a culture of living hand-to-mouth does not safeguard the interest of posterity. We have the duty and

responsibility to secure the future of the next generations. In this regard, I have allocated K100 million for the establishment of a sovereign wealth fund. Going forward, a significant proportion of the dividends from state-owned enterprises that will fall under the Industrial Development Corporation will form part of the fund.

Education and Skills Development

124. Mr. Speaker, I propose to spend K9.4 billion or 20.2 percent of the total budget in the education sector. In an effort to reduce the pupil teacher ratio, 68 percent of this amount will go towards the recruitment of 5,000 teachers and sustaining the current establishment. I have also provided K1.1 billion for infrastructure development for early childhood, primary and secondary education.

125. Sir, K650 million has been allocated to commence construction of additional student accommodation at the University of Zambia, Copperbelt University, Mulungushi University and Evelyn Hone College, and to continue the construction of new universities. The new Universities that are earmarked for completion in 2015 are Paul Mushindo, Chalimbana and Palabana.

126. Mr. Speaker, Government will embark on the construction of King Lewanika and Luapula Universities in 2015. I wish to inform this august House that Robert Kapasa Makasa, Mukuba and Kwame Nkrumah Universities are almost completed.

127. To supplement the budgetary allocation, the Government will continue to explore opportunities for Public Private Partnerships as an alternative form of financing of tertiary education infrastructure.

128. Sir, a further K79.6 million has been allocated towards the construction of nine trades training institutes across the country of which three will be completed in 2015 in Isoka, Kalabo and Mwense. In addition, K28.5 million has been allocated towards the procurement of research and development equipment as well as the commencement of the construction of a National Science Centre in Chongwe, a Fisheries Centre in Samfya and a Mineral Research Centre in Solwezi.

129. Sir, to address the challenges facing our vulnerable school leavers to access tertiary education at our colleges and universities, I have raised the allocation to bursaries by 27.9 percent to K200.2 million from the 2014 allocation of K156.5 million. The cost of publicly provided tertiary education per student is among the highest in the SADC region. There is need, therefore, to review the cost of providing tertiary education in Zambia.

130. Mr. Speaker, following the successful piloting of the school feeding programme, I have allocated K32 million to widen the roll-out of this programme further in 2015.

Health

131. Sir, in line with Government's objective of providing equitable access to quality health care, I have allocated K4.5 billion or 9.6 percent of the overall budget in 2015 to the Health Sector. Of this allocation, K268.2 million has been allocated for the construction and rehabilitation of health infrastructure in various parts of the country.

132. Mr. Speaker, an allocation of K753.5 million has been set aside for the procurement of essential drugs and medical supplies. Sir, I am pleased to inform this House that K52.5 million has been allocated for the net recruitment of over 2,000 health personnel.

Housing and Community Amenities

133. Mr. Speaker, Government has allocated K798.7 million for housing and community amenities, of which K541 million will be for the rehabilitation and construction of water supply and sanitation infrastructure in the rural, peri-urban and urban areas.

Public Order and Safety

134. Sir, K2.2 billion has been allocated to maintain public order and safety. Key

interventions will involve modernisation of our security wings; recruitment of security personnel including immigration and prison officers; rehabilitation of prison infrastructure; and construction and rehabilitation of staff houses.

Social Protection

135. Mr. Speaker, I have provided K1.3 billion for social protection of which K805 million is for the Public Service Pension Fund, K180.6 million for the social cash transfer scheme and K50 million for the food security pack. The allocation to social protection translates to 2.7 percent of the overall expenditure in 2015.

Other functions

136. Sir, K3.7 billion has been allocated to the remaining functions of Defence, Environmental Protection and Recreation, Culture and Religion. Of this amount, K3.2 billion is for Defence.

REVENUE ESTIMATES AND FINANCING

137. Mr. Speaker, to support the expenditure I have highlighted above, Government expects to raise a total of K46.7 billion in revenues and financing as detailed below:

Total Revenue and Financing for the 2015 Budget

	(K' million)		Percent of GDP	Percent of Budget
Total Tax Revenues		31,282.67	16.50%	67.00%
Income Tax	11,793.25		6.20%	25.30%
<i>Company Income Tax</i>	2,399.44			
<i>PAYE</i>	7,466.90			
<i>Withholding & other</i>	1,926.91			
Mineral Royalty	5,936.88		3.10%	12.70%
Value Added Tax	6,576.73		3.50%	14.10%
<i>Domestic VAT</i>	157			
<i>Import VAT</i>	6,419.73			
Customs and Excise	6,974.80		3.70%	14.90%
<i>Customs duty</i>	3,341.38			
<i>Excise duty</i>	3,633.42			
<i>o/w Fuel Levy</i>	903.13			
Non-Tax Revenues		3,822.68	2.00%	8.20%
<i>Fees & Fines</i>	468.58			
<i>Exceptional</i>	3,083.73			
<i>Dividends & On-lending</i>	270.37			
Domestic Revenue		35,104.35	18.50%	75.20%
Domestic Borrowing		3,771.95	2.00%	8.10%
Earmarked Bond Proceeds		2,417.95	1.30%	5.20%
Total Domestic Revenue and Financing		41,294.25	21.80%	88.50%
Total Foreign Grants and Financing		5,372.31	2.80%	11.50%
Grants	1,213.59		0.64%	2.60%
<i>General Budget Support</i>	0			
<i>Project Grants</i>	1,213.59			
Foreign Financing	4,158.72		2.20%	8.90%
<i>Programme Loans</i>	1,482.59			
<i>Project Loans</i>	2,676.13			
TOTAL REVENUE AND FINANCING		46,666.56	24.60%	100.00%

REVENUE ESTIMATES AND MEASURES

Revenue Measures

138. Mr. Speaker, the proposed revenue measures have been framed in the context of Government's aim to consolidate its fiscal position and make the tax system simpler and more effective. This entails, inter alia, accelerating the modernisation of tax administration and restructuring the current mining tax regime in order to capture more

resources to address public expenditure needs.

139. Mr. Speaker, to ease tax compliance Government in 2004 introduced a presumptive tax for individual operators of public service vehicles at specific amounts based on vehicle sitting capacity. However, these amounts have not been adjusted in the last ten years and have consequently been eroded by inflation. I therefore propose to

double the presumptive tax payable by these operators. This measure will raise additional revenue of K3.8 million.

140. Mr. Speaker, I further propose to increase the specific duty rate on refined edible oil to K2.20 per kilogram from 85 Ngwee per kilogram in order to bring it at par with the ad valorem rate of 25 percent charged on imported refined edible oil.

141. Sir, in order to stimulate the local manufacturing industry and sustain employment in the sector, I propose to increase customs duty on explosives to 25 percent and on roofing sheets to 30 percent.

142. Sir, I propose to increase excise duty on imported un-denatured spirits of alcoholic content of 80 percent or higher by volume to 125 percent from 0 percent. This proposed measure will only apply to importers who are not licensed to manufacture excisable products while the licensed manufacturers will continue to account for excise duty at the point of sale of the manufactured potable spirits at the current excise duty rate of 60 percent.

143. Sir, the combined revenue gain from these last three measures relating to changes in customs and excise duties is estimated at K40 million.

144. Sir, I propose to remove the 5 percent customs duty on aviation fuel in order to reduce costs in the aviation industry. This measure, together with the expansion of our international airports, are some of the practical steps Government is taking to make Zambia a regional hub for

air traffic. As a result of this measure Government will forego K6.3 million in revenue.

CHANGES TO THE MINING FISCAL REGIME

145. Mr. Speaker, last year I informed this House that we needed to increase our income from the mining sector. Since then, significant progress has been made towards the implementation of a multi-purpose and multi-stakeholder framework for monitoring the country's mineral value chain aimed at increasing transparency in the sector.

146. Sir, building on this framework and in order to achieve a more equitable distribution of the mineral wealth between the Government and the mining companies, I propose to redesign the mining fiscal regime by replacing the current two tier system with the following simplified mining tax structure:

- a) 8 percent mineral royalty for underground mining operations as a final tax;
- b) 20 percent mineral royalty for open cast mining operations as a final tax;
- c) 30 percent corporate income tax rate on income earned from tolling; and
- d) 30 percent corporate income tax rate on income earned from processing of purchased mineral ores, concentrates and any other semi-processed minerals, currently taxed as income from mining operations.

147. Mr. Speaker, the proposed changes to the mining tax regime will not apply to mining of industrial minerals.

148. Sir, the expected additional revenues, in 2015, as a result of these new measures are estimated at K1.7 billion.

HOUSE KEEPING MEASURES

149. Mr. Speaker, I also propose to carry out amendments to the Customs and Excise Act, the Value Added Tax Act, the Income Tax Act, the Property Transfer Tax Act and the Mines and Minerals Development Act so as to update, strengthen, and remove ambiguities in certain sections of tax legislation in order to make tax administration more effective. The proposed amendments to these Acts are housekeeping in nature and are revenue neutral.

150. Mr. Speaker all the above tax and revenue measures will take effect from 1st January, 2015.

PART IV CONCLUSION

151. Mr. Speaker, as I conclude my address, let me stress that we have in the recent years made some noteworthy achievements to grow the economy. To eradicate the insidious incidences of poverty which are a slur on our collective conscience we will need double digit growth rates. This will entail major changes

in our mind sets particularly as it relates to radical improvement in our work culture, sense of duty and responsibility.

152. Our modest achievements so far are a product of our collective wisdom of unflinching unity in diversity. We are an oasis of peace, stability and above all of human fellowship in a troubled world bedevilled by fratricidal feuds and wars

153. Let us continue to rally behind our President, Michael Chilufya Sata, whose transformative development agenda has in a very short time of three years changed Zambia in palpably significant ways. We are all equal stakeholders in Zambia and there is no room for by-standers. Sustainable development of Zambia makes it an inescapable moral imperative for each and every one of us to be active agents of development. However different our views may be, and this is the core and essence of a democratic society, the development of Zambia is our common and collective agenda.

154. We should all ardently pray that the Good Lord, in His infinite mercy and unfailing compassion, will preserve and guide our President and indeed the entire leadership of this great nation to always be a beacon of hope and human fellowship and to evolve into a role model country.

155. Mr. Speaker, I beg to move.