

2017 Budget Address by Honourable Felix C. Mutati, MP
Minister of Finance
Delivered to the National Assembly on Friday, 11th November, 2016

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 2017 to 31st December 2017, presented to the National Assembly in November, 2016.

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, let me from the onset thank His Excellency the President of the Republic of Zambia, Mr. Edgar Chagwa Lungu for the trust and confidence he has bestowed on me to carry this enormous task of steering the economy during this turbulent time. I am humbled and elated by this great honour. I pledge to invest all my energies in this task.

4. Sir, in the same vein, I would like to pay tribute to my predecessor, Honourable Alexander B. Chikwanda, for his stewardship in managing the economic affairs of the country during an economically difficult global and domestic environment. Honourable Chikwanda is a man of immeasurable dedication to the development of this country. We honour him as one of Zambia's most accomplished public servants and as a respected private citizen. We wish him well.

5. Mr. Speaker, three months ago, the people of Zambia re-elected the Patriotic Front into Government which pledged to continue with its ambitious development agenda. The Patriotic Front Government under the able leadership of His Excellency the President Mr. Edgar Chagwa Lungu is a Government for all Zambians. As a demonstration of this

fact, resources in the 2017 Budget have been allocated to promote equitable development across the country.

6. Sir, the past decade has been turbulent to our development agenda. Five Presidential elections have been held. This made it difficult to implement long term policies for economic stability and growth.

7. Mr. Speaker, this new five year mandate that the Zambian people have given us provides ample time to achieve our set objectives. Accordingly, we shall ensure that we implement even those reforms that we could not previously undertake.

8. Sir, turning the economy around requires that we make hard choices and implement difficult reforms. We are all agreed that the task of restoring stability and accelerating growth will not be easy. We have to be bold and decisive.

9. Mr. Speaker, only unity and hard work will help us overcome the current challenges for shared prosperity.

10. Sir, we are alive to the fact that the hard choices we are making will have consequences on our society, especially the vulnerable. Thus, we commit to scale-up our social safety net programmes. This is in fulfilment of the Patriotic Front Government's commitment to alleviate the plight of the poor.

11. Mr. Speaker, the economic environment in which the 2017 Budget will be implemented will be challenging. Growth in the global economy is expected to remain subdued. Domestically, low water levels will continue to hamper electricity generation and thus constrain production.

12. Sir, this reality means that we have to act decisively to address the challenges we face.

13. Mr. Speaker, in order to restore economic stability, the Government has designed an Economic Recovery Programme dubbed “Zambia Plus”. This Programme is aimed at ensuring sustained and inclusive growth. I would like to reiterate that “Zambia Plus” is a home grown Economic Recovery Programme to be complemented by external support from our Cooperating Partners, including the International Monetary Fund (IMF).

14. Sir, I would like to clarify that Zambia has not yet discussed any programme with the IMF. Therefore, there are no conditions or financing arrangements that have been agreed upon. Discussions with the Fund will only be conducted in the first quarter of 2017 to augment our home grown programme.

15. Mr. Speaker, our Economic Recovery Programme, ‘Zambia Plus’, is built on five main pillars:

- (i) Enhancing domestic resource mobilisation and refocusing of public spending on core public sector mandates;
- (ii) Scaling-up Government’s social protection programmes to shield the most vulnerable in our society from negative effects of the programme;
- (iii) Improving our economic and fiscal governance by raising the levels of accountability and transparency in the allocation and use of public finances;
- (iv) Restoring credibility of the budget by minimising unplanned expenditures and halting the accumulation of arrears; and

- (v) Ensuring greater economic stability, growth and job creation through policy consistency to raise confidence for sustained private sector investment.

16. Sir, this programme will not be achieved in one year, but over the medium term. This budget therefore aims to set the foundation for success.

17. Mr. Speaker, I carry a message for my fellow Zambians this afternoon. The message is simple. We cannot spend what we do not have. We cannot borrow beyond our ability to repay.

18. Sir, on 30th September, 2016 during the official opening of the first session of the 12th National Assembly, His Excellency the President Mr. Edgar Chagwa Lungu addressed the nation through this august House on his vision for an inclusive vibrant and robust economy. It is in this context that the theme of the 2017 Budget is: **“Restoring Fiscal Fitness for Sustained Inclusive Growth and Development”**.

19. Mr. Speaker, my Address to this august House is in four parts. In Part One, I review the performance of the global and domestic economies during 2016 and present the outlook for 2017. Part Two sets out the macroeconomic objectives, policies and strategies for 2017. In Part Three, I present the details of the 2017 budget. In Part Four, I give my concluding remarks.

PART I

GLOBAL AND DOMESTIC ECONOMIC DEVELOPMENTS IN 2016 AND THE OUTLOOK FOR 2017

20. Sir, global economic growth in 2016 is projected at 3.1 percent, a rate slightly lower than the 3.2 percent recorded in 2015. This is on account of lower economic activity in the advanced economies. In the emerging and

developing economies, growth is projected to strengthen slightly to 4.2 percent in 2016 from 4.0 percent in 2015. This is despite lower growth in China. In Sub-Saharan Africa, growth is projected to fall to 1.4 percent in 2016 from 3.4 percent in 2015. This is largely on account of a slowdown in the larger economies of South Africa, Nigeria and Angola.

21. Mr. Speaker, world trade is projected to grow by 2.3 percent in 2016. This is lower than the 2.6 percent growth recorded in 2015. The main factors weakening world trade include sluggish global economic activity, waning pace of trade liberalisation and the recent increase in protectionist tendencies.

22. Sir, on the domestic front, the Zambian economy faced a number of challenges. These included low commodity prices including copper, electricity deficits, high inflation, a deteriorated external sector and Government's challenge to fully finance its commitments. Growth is therefore, projected to be just above 3 percent in 2016 against a target of 5.0 percent and to marginally rise to 3.4 percent in 2017.

Sectoral Performance

23. Mr. Speaker, agriculture recorded favourable performance, notably for maize, soya beans, sunflower and sorghum. Copper production was up by 8.2 percent to 575,780 metric tonnes in the first nine months of 2016, from 531,163 metric tonnes produced in the corresponding period in 2015.

24. Sir, there was improved performance in tourism, partly reflected in increased international passenger movements and higher entry into our major national parks. We recorded a 4.7 percent increase to over a million in international passenger movements during the first nine months of 2016,

compared to 957, 373 over the corresponding period in 2015.

25. Mr. Speaker, I am glad to note that we are increasing our usage of Information and Communication Technology (ICT). Our utilisation of mobile services including internet has increased. In the first nine months of 2016, mobile users increased to 11.5 million from 10.9 million recorded a year earlier.

26. Sir, we all know our situation with respect to electricity generation challenges. In the period up to September 2016, generation declined by 19.9 percent to 1,329.2 Megawatts compared to 1,658.6 Megawatts in the corresponding period in 2015. This constrained economic activity.

27. Mr. Speaker, the stock of Government's external debt as at end-September 2016 was US\$6.7 billion, representing 35 percent of GDP. The stock of domestic debt in the form of Government securities was K26.0 billion, representing 12 percent of GDP. Clearly, we are walking a tight rope. We therefore, have the responsibility to ensure debt sustainability. We must not burden the next generation with debt.

28. Sir, monetary policy has helped to anchor restoration of macroeconomic stability. Annual inflation declined significantly from a peak of 22.9 percent in February 2016 to 12.5 percent in October 2016. Inflation is now expected to fall to single digit by year end. The exchange rate has remained relatively stable.

29. Mr. Speaker, total export earnings declined in the first nine months of 2016 compared with the corresponding period in 2015. Earnings from copper fell to US\$3.2 billion from US\$4 billion. Non-traditional export earnings declined to US\$1.3 billion from US\$1.6 billion. This

outturn was mainly explained by unfavourable international commodity prices.

30. Sir, the cost of credit continued to be high with commercial banks average lending rates remaining elevated at around 28.9 percent in September 2016. This is not conducive to the growth of the Small and Medium Enterprises (SMEs) and the economy in general. Fiscal consolidation will help to lower the yield on Government securities and enable monetary policy to support growth.

31. Mr. Speaker, execution of the 2016 Budget has been daunting. The cash deficit is expected to close around 3 percent of GDP, largely on account of revenue shortfalls and planned external financing not coming through. The deficit on a commitment basis will be around 10 percent of GDP. This is largely on account of arrears arising from unplanned expenditures related to fuel and electricity subsidies.

PART II

MACRO ECONOMIC OBJECTIVES, POLICIES AND STRATEGIES FOR 2017

32. Sir, the gravity of the state of our economy requires that we immediately put in place bold measures that will stabilise and grow our economy. In this regard, our macroeconomic objectives for 2017 will be to:

- (i) achieve real GDP growth of at least 3.4 percent;
- (ii) attain end year inflation of no more than 9.0 percent;
- (iii) attain domestic revenue mobilisation of at least 18.0 percent of GDP;

(iv) limit the overall fiscal deficit to no more than 7.0 percent of GDP on a cash basis;

(v) maintain domestic borrowing to no more than 2 percent of GDP;

(vi) build up foreign exchange reserves to at least 3 months of import cover by end 2017; and

(vii) support the creation of at least 100,000 decent jobs.

Key Sector Policies and Interventions

33. Mr. Speaker, the Seventh National Development Plan is poised to give greater impetus to economic diversification and job creation. The underpinning macroeconomic objectives will therefore be supported by specific policy interventions related to the following:

(i) Agriculture;

(ii) Industrialisation;

(iii) Tourism; and

(iv) Mining.

34. Sir, allow me to now share with the House, specific policies that Government will put in place.

Agriculture

35. Mr. Speaker, to ensure greater economic stability and growth, we need to develop a sustainable, diversified and competitive agriculture sector. This will improve the livelihoods of our people.

36. Sir, in 2017, Government will promote diversification to cash crops such as cotton, cashew nuts, soya beans, cassava and rice. This will be done through the full migration to the E-Voucher System. The E-Voucher System will be used for all beneficiaries under the

Farmer Input Support Programme (FISP) in the 2017-2018 farming season. In addition, the E-Voucher System will help reduce excessive overheads and wastage associated with the current FISP arrangement. This will ensure prudent use of our resources in line with our Economic Recovery Programme.

37. Mr. Speaker, to further diversify the agriculture sector, we have launched the Cashew Nut Infrastructure Support Programme, valued at US\$55.4 million. The project will target 600,000 beneficiaries in Western Province. These will include 300,000 women and 100,000 youths.

38. Sir, to bridge the funding gap for emerging farmers, Government will create a Fund under the Emergent Farmer Support Programme. The target is to support 1,000 emergent farmers. We have secured US\$40 million from our Cooperating Partners for on lending to small holder farmers to promote mechanisation of crop production systems.

39. Mr. Speaker, to mitigate the effects of climate change, Government will continue with the construction of multipurpose dams and promotion of irrigation schemes. In 2017, Government will set up 20 irrigation schemes while scaling-up the sustainable utilisation of wetlands. In addition, irrigation projects will be undertaken using the Public Private Partnerships model, particularly in farm blocks.

40. Sir, extension services are a critical component of the agriculture sector. In this regard, Government will utilise ICT to improve the delivery of extension services to farmers.

41. Mr. Speaker, policy consistency is important in the agricultural sector as it facilitates stability and predictable access to wider markets. Policies such as export

bans and setting of prices above market rates have the effect of generating uncertainty which in turn negatively affects production. To redress this, Government will refrain from using these instruments to regulate agricultural markets.

42. Sir, in the livestock sector, Government will continue with the construction of 18 artificial insemination centres in 2017. To control animal disease, Government will scale up production of vaccines at the Central Veterinary Institute. To prevent trans-boundary disease transmission, Government will complete the construction of the cordon line from Shangombo to Jimbe.

43. Mr. Speaker, with regard to fisheries, Government will in 2017 complete the construction of fingerling centres in Rufunsa, Mungwi, Kasempa and Chipepo. In addition, Government will train farmers in fish feed production. To enhance productivity, let me challenge the private sector to participate in the establishment of fish feed plants, freezing facilities and hatcheries. Government will play its part by offering fiscal incentives to the aquaculture sub-sector in this budget. Further support to the sector will be provided through an expanded Fisheries Development Fund.

Industrialisation

44. Sir, Government will promote industrialisation as a means of diversifying the economy. This will be through facilitating value addition in the agriculture, mining and forestry sectors. In 2017, Government will facilitate the development of the Kafue Iron and Steel Economic Facility Zone and the Kalumbila Multi Facility Economic Zone. The private sector will invest US\$100 million in the Kalumbila Multi Facility Economic Zone. Government will also assist up-scaling of investment

projects at the Lusaka South-Multi Facility Economic Zone.

45. Mr. Speaker, industrialisation cannot take place without financing to SMEs that form the backbone of the economy. To address this, Government has accessed US\$50 million for on-lending to SMEs. This will create dynamic SMEs that will contribute to growth and generate jobs.

46. Sir, in 2017, Government will further develop financing instruments that will attract pension funds led by the National Pension Scheme Authority (NAPSA) and other investment companies to support industrialisation under the Industrial Development Corporation (IDC). Priority will be given to projects that add value to output of the agriculture, mining and other primary sectors.

47. Mr. Speaker, credit guarantee schemes are cardinal to alleviating the constraints facing SMEs in accessing finance. A significant number of our SMEs in Zambia demonstrate good commercial viability. However, they have limited access to conventional bank credit facilities. This is due to inadequacy of collateral and lenders' limited understanding of the SME business model.

48. Sir, Government will in 2017 therefore establish an Agricultural and Industrial Credit Guarantee Fund for SMEs to facilitate access to affordable financing. These facilities will ensure SMEs contribute strongly to employment generation and economic growth.

Tourism

49. Mr. Speaker, in 2017, Government is set to implement the Tourism Development Fund as provided for in the Tourism and Hospitality Act. The Fund will support tourism product

development, tourism infrastructure and tourism marketing. This is intended to enhance the sector's contribution to employment and wealth generation. It will also enhance the capacity to safeguard our wildlife resources.

50. Sir, as part of our strategy to boost tourism in Zambia, Government will work with the private sector to come up with an integrated approach to develop the sector. This will ensure that initiatives that have commenced are completed before embarking on new ones. In this regard, Government will in 2017 work to transform Livingstone into a premier conferencing centre in Southern Africa to leverage on the infrastructure developments that have been undertaken.

Mining

51. Mr. Speaker, the mining sector contributes over 70 percent of Zambia's total export earnings. This sector will thus continue to play a pivotal role in the economy.

52. Sir, Government will ensure a stable and responsive mining tax regime. We will also fully implement effective mining monitoring mechanisms such as the Mineral Value Chain Monitoring Project to enhance transparency in the sector.

53. Mr. Speaker, Government will accelerate the promotion of a diversified mining output base to other minerals such as gemstones, gold, nickel, manganese and iron. Government will also promote the exploration for oil and gas. Mapping of the entire Zambian territory will be undertaken to update the geological database to support future investment in the sector.

54. Sir, in order to promote development in the key areas I have just highlighted, Government will put in place policies in the following support sectors.

Energy

55. Mr. Speaker, the energy sector has experienced a number of challenges. Pricing of fuel and electricity has not been cost reflective leading to unsustainable fiscal outlays. This has hampered investments in the sector.

56. Sir, in the electricity sub-sector, insufficient investment in generation capacity has led to power deficits. This has not been cost neutral on the economy. Going forward, Government will by the end of 2017 move to cost reflective tariffs to attract private sector investment while maintaining the life line tariff to protect poorer households. This, however, does not mean that consumers should end up paying for inefficiency.

57. Mr. Speaker, increasing electricity generation capacity and moving to a better energy mix is imperative given the risks associated with climate change. Government is proactively engaging with the private sector in delivering new generation facilities to increase on-grid and off-grid access to electricity. These include the Scaling-Up Solar Project and the development of the Kafue gorge, Batoka gorge and Kalungwishi. In addition, Government is continuing to expand the national grid.

58. Sir, in the same vein, Government has commenced discussions with mining houses and other bulk power consumers to ensure that they start migrating towards cost reflective tariffs in 2017.

59. Mr. Speaker, in moving towards cost reflective tariffs, Government will also consider options to improve both technical and commercial efficiency in the electricity supply industry. Government will further ascertain long term sustainability through a review of the overall structure, governance and

operations of the sector including generation, transmission and distribution.

60. Sir, the petroleum sub-sector is also embedded with inefficiencies and unsustainable Government involvement. In order to ensure efficiency and disengage Government from the sector, the procurement of finished petroleum products will with effect from 1st March, 2017 be undertaken by the private sector. Government's role will be limited to regulation. In the meantime, Government is examining the viability of Indeni and TAZAMA pipeline. Regarding pricing, the Government will adjust prices in line with changes in market conditions.

Transport

61. Mr. Speaker, over the past five years, the PF administration has been implementing road infrastructure projects such as the Link Zambia 8000, the Lusaka 400 and the Copperbelt 400.

62. Sir, these projects will continue with implementation being undertaken over a more realistic time frame. Emphasis will be on the construction of roads that support economic growth and foster regional trade. These include the Chingola-Solwezi, Kitwe-Chingola dual carriage way, Lusaka-Chirundu Link 4, Mpika-Chinsali, Chinsali-Nakonde and Solwezi-Kipushi.

63. Mr. Speaker, feeder roads and bridges will also receive attention to ensure connectivity for our farming communities to markets and essential social amenities. A total of 144 pre-fabricated bridges will be installed on feeder roads across the country. Access roads within game parks will be rehabilitated to lengthen the tourism period.

64. Sir, to ensure sustainable financing in the road sector, Government has embarked on the National Road

Tolling programme. Under this Programme, we will accelerate the construction of toll sites across the country in order to boost the revenue generation capacity of the road sector. In this regard, Government has commenced the construction of four additional toll gates at Shimabala, Chongwe, Mumbwa and Katuba.

65. Mr. Speaker, to ease pressure on the Treasury in financing road projects, Government will upscale the utilisation of Public Private Partnership (PPP) arrangements. The upgrading of Lusaka-Ndola and the Ndola-Kasumbalesa roads to dual carriage ways will be undertaken under the PPP arrangement. The Kasomeno-Mwenda road connecting Zambia to the Democratic Republic of Congo will also be upgraded under the PPP model.

66. Sir, the major bridge project under construction is the Kazungula Bridge. When completed, this will substantially enhance trade within the southern corridor. Government has also embarked on strengthening the Kafue Hook Bridge on the Lusaka-Mongu Road to enhance trade with Angola.

67. Mr. Speaker, rail transport continues to play a critical role in the socio-economic development of our country. In 2017, Government will attract equity partners to revamp the operations of Zambia Railways Limited and TAZARA. Further, inter-mine rail links operated by Zambia Railways will be rehabilitated to reduce strain on the roads.

68. Sir, Government will commence implementation of greenfield railway infrastructure projects. These will include the Chipata-Petauke-Serenje railway line and the Nseluka-Mpulungu railway line. These will be financed under the Forum on China-Africa Cooperation (FOCAC) arrangement. Others are the North-West

railway line and the Livingstone-Sesheke railway line where Government is seeking to partner with the private sector.

69. Mr. Speaker, the completion of these projects will also help to leverage Zambia's central location and make it a regional transport hub.

International Trade

70. Sir, we need to prioritise international trade as a tool for attaining inclusive growth and development. In 2017, Government will:

- (i) Operationalise the Bilateral Trade Agreements with the Democratic Republic of Congo and the Peoples Republic of Angola;
- (ii) Provide for advance ruling on rules of origin for goods originating from countries with which Zambia has signed trade agreements. These include SADC and COMESA member states as well as India and China;
- (iii) Implement a Single Window platform for various border agencies to enhance trade facilitation; and
- (iv) Establish trade centres at the borders of our major non-traditional export markets beginning with Kasumbalesa, Kipushi and Chirundu.

Information and Communication Technology (ICT)

71. Mr. Speaker, limited broadband infrastructure, low application of ICT in industries and inadequate skills among citizens are challenges to the attainment of socio-economic development and competitiveness.

72. Sir, to address these challenges, Government launched the Smart Zambia

Master Plan whose vision is to have “a prosperous and globally competitive knowledge based developed country”. In line with the Plan, Government intends to among other things, harmonize the construction of National ICT infrastructure.

Water Supply and Sanitation

73. Mr. Speaker, Government has continued to support the development of water and sanitation infrastructure across the country. To improve access to safe and clean drinking water in rural areas, Government in 2016 constructed 944 boreholes and rehabilitated 400 existing boreholes. Further, 11 small water schemes are under construction. These interventions have given 341,500 people access to a safe and clean water supply. In addition, Government continues to promote community-led approaches to sanitation which has resulted in about 760,000 people in rural districts having access to improved sanitation.

74. Sir, other works include; the Lusaka Water Supply, Sanitation and Drainage Project; Lusaka Sanitation Programme; Kafue Bulk Water Supply Improvement Project; Kafubu Water Supply and Sanitation Project; and the Mulonga Water and Sewerage Company Project. In addition, water supply and sanitation services will be improved in selected towns in Western, Luapula, Muchinga and Northern provinces under the Integrated Small Towns Water Supply and Sanitation Programme.

75. Mr. Speaker, in 2017, Government will target to increase access to clean and safe drinking water from the current 51 percent to 55 percent and access to sanitation from 44 percent to 47 percent in rural areas. This will be done through construction of 2,000, and the rehabilitation of 1,000 water points. Government will also continue to promote community-led approaches to

sanitation and will construct 300 sanitary facilities.

76. Sir, to improve solid waste management, Government will continue to procure solid waste equipment and construct engineered landfills to better manage waste and ensure a clean environment. Government will also promote more research in sustainable solid waste management through recycling and waste-to-energy innovations. These interventions will be complemented by the Keep Zambia Clean and Healthy Programme.

Education and Skills Development

77. Mr. Speaker, increasing access to education is key to ensuring emancipation from poverty. As such, in 2016, Government recruited 2,289 primary and 3,410 secondary school teachers. Government completed the construction of 62 new secondary schools out of the targeted 115 while the first phase of upgrading 220 day secondary schools was finalised.

78. Sir, in 2017, Government will focus on completion of various school infrastructure projects currently under construction at both primary and secondary levels. In addition, teacher recruitment and retention at all levels will continue in order to reduce the pupil-teacher ratio, enhance the quality of lesson delivery as well as increase teacher-pupil contact time.

79. Mr. Speaker, at tertiary level, Government in 2016 undertook construction of new universities and expansion of existing ones. The Kapasa Makasa University, which was recently completed, is already offering programmes under the auspices of the Copperbelt University. To improve the quality and relevance of tertiary education provided by public and private universities, the Higher Education Authority and the Zambia Qualifications Authority were operationalized in 2016.

80. Sir, as an effort towards reducing the financial challenges in our public universities, Government will in 2017 work towards the operationalisation of the Higher Education Loans Scheme. The objective is to provide an efficient, effective and self-sustaining financing mechanism for university education. This loan scheme will replace the current bursary scheme, which has proved to be unsustainable. In 2017, Government will continue with the bursaries scheme as we develop the loan scheme system, especially on disbursement, bonding and recovery.

81. Mr. Speaker, in order to address the challenges of inadequate skills among our craftsmen and artisans, Government will in 2017 introduce a Skills Development Fund. This is part of the long term financing solution for technical, entrepreneurial and vocational education. The Fund will be jointly managed with the private sector in order to ensure that the skills that are being developed are relevant to the requirements of industry. This is particularly critical at this moment when our country is embarking on a path towards meaningful industrialisation.

Health

82. Sir, Government's resolve is to achieve universal health coverage in line with the Sustainable Development Goal Number 3. This goal aims at ensuring healthy lives and promoting well-being for all by 2030. The focus will therefore, be on strengthening health systems with emphasis on primary health care, promoting innovative health financing strategies and rehabilitation of health facilities and training schools.

83. Mr. Speaker, we will continue prioritising procurement and distribution of drugs as well as medical supplies, medical equipment, infrastructure and human resource development. In order to ensure that drugs are readily available in

all medical facilities, Government shall create more regional hubs. Further, Government will roll out the Essential Medicines Logistics Improvement Programme and the Electronic Logistics Management Information System.

84. Sir, in order to ensure that health infrastructure developed in recent years is fully operational in 2017, Government will recruit up to 2,000 frontline medical personnel. In addition, Government will focus on completion of ongoing health infrastructure works. This will include completion of the remaining 350 health posts. Work will continue on construction of 35 district hospitals. Levy Mwanawasa Hospital will also be upgraded from 120 to 850 bed spaces. Further, higher level hospitals namely; the University Teaching Hospital, Ndola Central, Livingstone General, Kitwe Central and Arthur Davison Children's Hospitals will be modernised.

85. Mr. Speaker, Government completed the construction of a modern 252-bed capacity Cancer Diseases Hospital in June 2016. This facility has state of the art radiotherapy and chemotherapy services. In 2017, Government will commence the establishment of satellite cancer treatment centres at provincial level to complement the Cancer Diseases Hospital in Lusaka. Through these satellite centres, Zambians will be effectively attended to during the early stages of cancer and most importantly, avoid reaching advanced stages by the time patients are referred to Lusaka.

86. Sir, Government's policy is to achieve universal health coverage where all citizens have access to affordable and quality health services. Government will therefore table the Social Health Insurance Bill in this session of Parliament to facilitate the implementation of a compulsory social health insurance scheme.

Social Protection

87. Mr. Speaker, Government is aware that the Economic Recovery Programme being embarked on is likely to have negative effects on society. Consequently, as a caring Government, we will up-scale our social protection programmes in 2017.

Social Cash Transfer Scheme

88. Sir, to mitigate the adverse effects on vulnerable households, Government will in 2017, scale-up social cash transfers. This will be in terms of both the coverage and monthly amounts to be given to each beneficiary household in all the 105 districts. The number of beneficiary households will increase from 242,000 to over 500,000. The monthly amounts given to each household will rise by 28 percent.

Food Security Pack

89. Mr. Speaker, Government will also continue to implement the Food Security Pack Programme in all the ten provinces in order to alleviate hunger and poverty among vulnerable but viable farmers. Government will scale-up this programme from the current 30,000 to 40,000 beneficiaries in 2017.

Public Welfare Assistance Scheme

90. Sir, in 2017, Government will increase its support to incapacitated households through the Public Welfare Assistance Scheme, to enable the poor and vulnerable have access to health care and education. This will also provide resources for the repatriation of stranded persons throughout the country. To demonstrate this commitment, Government will support 134,000 beneficiaries in 2017.

Home Grown School Feeding Programme

91. Mr. Speaker, Government will scale-up the Home Grown School Feeding Programme to enhance the learning abilities of school going children, increase their attendance rates and combat malnutrition. Government will increase the support to the programme from one million learners in 2016 to 1.25 million learners in 2017.

Women's Development Programme

92. Sir, Government will continue to implement the Women's Development Programme especially the micro credit component which has proved to be viable and sustainable. The micro credit scheme will be scaled up over the next three years by adding 25,000 women beneficiaries each year. With the number of beneficiaries in 2016 being 7,000, the total number of beneficiaries in 2017 will be over 30,000.

93. Mr. Speaker, in 2017, this programme will for the first time, support 14,000 girls from vulnerable households in 16 districts by providing requisites to retain them in school.

94. Sir, our country like in many parts of Africa, reproductive health matters are treated as a taboo and with silence. This limits girls' access to education as some fail to go to school due to lack of proper sanitary towels. In order to increase and retain attendance of girls in schools, Government will in 2017 commence distribution of free sanitary towels to girls in rural and peri-urban areas.

Youth Empowerment

95. Mr. Speaker, in line with the National Youth Policy and the Action Plan for Youth Empowerment and Employment, Government will focus on equipping the youth with vocational and

entrepreneurial skills. The youths will also be provided with affordable start-up capital. This will enable them engage in meaningful economic activities. In addition, Youth Resettlement Schemes will be established through which land and start-up kits will be provided to the youth to enable them engage in agriculture and agri-business for their livelihood.

Fiscal Targets and Policies

96. Sir, in line with the theme for this year's budget and the Economic Recovery Programme pillars that aim to restore budget credibility, transparency and policy consistency, the fiscal targets and policies for 2017 are designed to rebalance Government's fiscal position. To this end, Government will implement the following measures:

- i) Target public spending to activities that directly support our Economic Recovery Programme, increase spending on social protection and deliver core public services to our people;
- ii) Realign the implementation strategy for the Farmer Input Support Programme and restrict the role of the Food Reserve Agency to procurement and management of the strategic food reserve;
- iii) Dismantle arrears to suppliers and contractors and immediately prevent the accumulation of new arrears through effective implementation of commitment control systems;
- iv) Restrict new capital projects and major equipment procurements until all on-going projects are completed;
- v) Implement the phased removal of electricity subsidies so as to

reduce pressure on public finances;

- vi) Restrict new public sector recruitments to only frontline workers in the health and education sectors; and
- vii) Restore budget credibility and enhance transparency and accountability in accordance with the provisions of the Constitution relating to supplementary and excess expenditure.

Debt Management Policy

97. Mr. Speaker, the composition of the external debt portfolio has substantially changed over the past few years. This is on account of the contraction of private commercial debt that accounts for more than 50 percent of the stock. Similarly, a larger portion of the domestic debt portfolio comprises short term debt in the form of treasury bills. Our capacity as a country to carry and service our debt has been threatened especially in the face of the macroeconomic readjustments that our economy has recently experienced.

98. Sir, in order to ensure debt sustainability, Government will undertake the following measures:

- (i) Develop, publish and implement a robust Medium Term Debt Management Strategy in 2017. The Strategy will guide Government in coming up with an optimal composition of public debt. This is necessary to address refinancing, interest rate and exchange rate risks associated with the current debt portfolio;
- (ii) Use Government Securities as the main instrument for domestic financing as they offer competitive prices. In doing this, Government will focus on longer

dated instruments in the form of bonds;

- (iii) Slow down on capital infrastructure projects which are debt financed through costly borrowing; and
- (iv) Utilise PPPs and Joint Ventures to finance Government projects. This will ensure a diversified financing base in 2017 and over the medium term.

99. Mr. Speaker, in line with Article 207 of the Constitution which provides for parliamentary oversight over the contraction of public debt, I will soon table before this august House, proposed amendments to the Loans and Guarantees (Authorisation) Act.

Aid Policy

100. Sir, as espoused under our Economic Recovery Programme, it is essential that Government re-engages with Cooperating Partners to increase the level of assistance from 2017 onwards. The Economic Recovery Programme will attract commitments for direct budget support from Cooperating Partners after a number of years of limited support. Government has in this regard commenced bilateral discussions with Cooperating Partners.

Monetary and Financial Sector Policies

101. Mr. Speaker, monetary policy will remain focused on maintenance of price and financial system stability in order to support restoration of macroeconomic stability and growth. During 2017 and the medium-term, monetary policy will be re-aligned accordingly as Government consolidates its fiscal position.

102. Sir, in the medium-term and beyond, the Bank of Zambia will adopt a target range for inflation of 6-8 percent from 2018. This will support the current

implementation of a forward looking monetary policy framework.

103. Mr. Speaker, the exchange rate will continue to be market driven. Stability in the foreign exchange rate is essential for maintaining low and stable domestic prices as well as ensuring the international competitiveness and development of Zambian exports. In this regard, the Bank of Zambia will continue to support the operations of the foreign exchange market by smoothing short-term volatility. It will also build up Gross International Reserves.

104. Sir, access to credit is necessary to grow the agriculture sector and hasten the pace of industrialisation. Government through the Bank of Zambia will embark on a process of de-risking lending to the agriculture sector and put in place measures to provide affordable and long term finance to support SMEs. This will strengthen the country's resilience to external shocks.

105. Mr. Speaker, coordinated fiscal and monetary policy will spur economic activity and support financial system stability. Fiscal consolidation will not only reduce crowding-out the private sector but also increase liquidity in the economy through dismantling of domestic arrears. The easing of liquidity coupled with price stability is expected to contribute towards lower lending rates. In addition, Government will put in place a number of measures expected to enhance the resilience of the financial system to internal and external economic and financial shocks.

106. Sir, Government is developing a national financial inclusion policy and strategy that will provide a framework for coordinating efforts of both public and private sector players towards achievement of effective financial inclusion. The policy and the strategy are

expected to be finalised and launched by mid-2017.

Structural Reforms

107. Mr. Speaker, improving transparency and accountability is one of the pillars in our Economic Recovery Programme. To attain this, I will be tabling before this House, revisions to the Public Finance Act of 2004. This will involve strengthening of laws and regulations to make them more punitive to abusers. To ensure adherence to planned programmes, I will also table before this House the Planning and Budgeting Bill.

108. Sir, the fight against corruption, money laundering and drug trafficking is a key tenet to good economic governance. National resources will be managed diligently, prudently and with accountability.

109. Mr. Speaker, the accrual of arrears over the past years is in part due to weak controls in terms of commitment to expenditures. With the expected full rollout of Integrated Financial Management Information System by end 2017, no Ministry, Province or Spending Agency shall be allowed to spend outside the system. This will curb the accumulation of arrears.

110. Sir, in order to enhance cash management and reduce short-term borrowing and bank charges, Government will accelerate the rolling out of the Treasury Single Account to major Ministries by end 2017. This will also facilitate timely disbursements and payment of funds to implementing agencies to meet their financial obligations.

111. Mr. Speaker, in order to minimise revenue leakages associated with manual processes, Government will ensure that major revenue collection processes are automated by June 2017. This system has

already been successfully implemented at the Passport Office.

112. Sir, to ensure that Government gets value for money when procuring goods and services, the Zambia Public Procurement Authority has been directed to finalise and implement a price benchmarking framework. The framework provides a guide on the optimal pricing for goods, works and services. In addition, Government is piloting an e-Government Procurement System to enhance efficiency and effectiveness in the procurement of goods, works and services. The e-Government Procurement System is an automation of the procurement process to facilitate supplier registration, tender advertisement, bid submission and evaluation, and contract management

113. Mr. Speaker, since 2015, Government has piloted Output Based Budgeting in the Ministries of General and Higher Education. This system has recently been evaluated and useful lessons learnt, especially relating to the necessary preconditions that need to be in place before further roll-out in 2018. In particular, starting January 2017, my Ministry will strictly enforce commitment controls so that Ministries, Provinces and Spending Agencies adhere to approved budgets. Only then will this House be able to hold Ministries accountable for delivering the outputs that their budgets support.

114. Sir, most of the land in Zambia is not on title as only about 200,000 parcels of land are on title. In order to redress this, the Government will in 2017 commission a pilot programme in Lusaka that will commence the process of titling all land in the Province. The exercise is aimed at:

- (i) giving citizen's titled assets for credit extension;
- (ii) enhancing collection of land rates to finance Government activities;

- (iii) establishing an integrated and sustainable land registry on the status of land and its use;
- (iv) protecting vulnerable groups such as women; and
- (v) resolving challenges among parties involved in disputes.

115. Mr. Speaker, lessons learnt from this pilot will inform the extent and timing of the roll-out of this programme to the rest of the country.

Business Reforms

116. Sir, a conducive policy, regulatory and business environment is important for businesses to thrive. In order to ensure a favourable environment, Government will put in place a legal and institutional framework that will give struggling businesses greater chance of survival. This will be done through the introduction of bankruptcy related protection aligned to international best practice. Government will also expand the use of Cooperatives as a business model for many of our peri-urban and rural entrepreneurs to come together, participate in economic activity and become the new frontier for employment creation.

117. Mr. Speaker, my message to the private sector is straight forward. Government is not in the business of doing business. Its role is that of facilitation and regulation.

Pension Reforms

118. Mr. Sir, pension reforms have always been about giving people more freedoms and more choices. To move our reforms forward, the Government will in 2017 present legislation that will allow new entrants into public schemes, revise the employer and employee contributions upwards, facilitate private sector management of pension funds and revise

the benefit scheme to ensure longer-term protection for pensioners.

National Statistics

119. Sir, as we embark on our economic recovery, timely and quality statistics will be critical in order for us to monitor and evaluate the progress we are making. In this regard, I implore all Government Agencies to compile and maintain credible statistics. In 2017, Government will bring before this august House, a Bill that will enhance the Central Statistical Office's ability to collect pertinent statistics from public and private entities.

State Owned Enterprises

120. Mr. Speaker, Government is concerned at the poor performance and low contribution to the Treasury and economy of many State Owned Enterprises (SOEs). The IDC has been directed to conduct a situational analysis of all SOEs under its portfolio with a view to recapitalise those that have a good business case and hiving off those that are not viable. In 2017, SOEs to be reviewed include Zesco, Zamtel, Zambia National Building Society, Indeni, TAZAMA Pipeline, Zambia Railways and Zambia State Insurance Corporation.

121. Sir, the structural reforms I have alluded to provide a basis for a well-functioning accounting and public financial management system. This will underpin Governments' capacity to allocate and use resources efficiently and effectively and support Government's economic recovery programme.

PART III

THE 2017 BUDGET

Mr. Speaker, I now present the 2017 National Budget, which lays out revenue and expenditure measures aimed at

achieving the objectives of our Economic Recovery Programme.

122. Sir, Government proposes to spend a total of K64.5 billion or 27.7 percent of GDP. In terms of financing the budget, K42.94 billion will be through domestic revenues, K2.23 billion through grants from our Cooperating Partners and K19.33 billion through debt financing from domestic and external sources.

123. Mr. Speaker, resources have been allocated to ensure that we:

- (i) accelerate the dismantling of arrears to suppliers of goods and services to unlock the crunch in the economy;
- (ii) support growth in the key sectors of the economy;
- (iii) sustain and enhance the critical services of health, education and public order and safety; and
- (iv) mitigate the effects of the Economic Recovery Programme on the vulnerable in our society.

General Public Services

124. Sir, for General Public Services, I propose to allocate a total of K18.0 billion. Of this amount, K11.5 billion will go towards external and domestic debt payments.

125. Mr. Speaker, to ensure that resources follow functions, a key tenet in any decentralisation strategy, I have allocated a total of K887.9 million to the Local Government Equalisation Fund. Further, K218.4 million has been allocated to the Constituency Development Fund to enhance community participation in development.

Economic Affairs

126. Mr. Speaker, to support growth in the key sectors of the economy, I propose to spend a total of K20.1 billion. This is to ensure growth in the economy and job creation.

127. Sir, to enhance agricultural production and productivity, I have allocated a total of K2.9 billion to FISP which will be fully implemented through the e-Voucher system. This programme will target one million small scale farmers.

128. Mr. Speaker, I have further allocated a total of K428.5 million for irrigation development to support crop production all year round.

129. Sir, to enhance the development of fisheries, I propose to spend a total of K18.3 million to facilitate aquaculture entrepreneurship.

130. Mr. Speaker, in order to effectively plan for livestock development interventions, I have allocated a total of K50 million to carry out a livestock census in 2017.

131. Sir, to promote animal health and prevent the transboundary transmission of diseases, I have allocated K30 million for construction of dip tanks and K10 million for the cordon line.

132. Sir, to assure national food security, I have allocated K942.5 million for maintaining strategic food reserves.

133. Mr. Speaker, in order to ensure that the economic diversification agenda succeeds, the aspect of road connectivity is a critical component that will continue to be addressed. I have, therefore, allocated a total of K8.6 billion for road infrastructure projects.

134. Sir, I have allocated a total of K3.3 billion in the 2017 Budget to pay down arrears owed to suppliers of goods and services.

135. Sir, to facilitate rural access to electricity, and therefore provide a platform for rural development, I propose to spend a total of K114.5 million for the Rural Electrification Programme.

136. Mr. Speaker, I have allocated a total of K219.0 million for the economic empowerment of our citizens. In addition, I have allocated an initial amount of K20.0 million for the Agriculture and Industrial Credit Development Fund. This is aimed at facilitating enhanced access to credit from the financial sector and ensure growth for SMEs.

Education and Skills Development

137. Mr. Speaker, in the area of education and skills development, I propose to spend K10.6 billion. Of this amount, K1.0 billion is earmarked for various infrastructural projects, such as schools, universities, colleges and trades training institutes.

138. Sir, to enhance the learning ability of vulnerable children and encourage school attendance, I propose to allocate K35.6 million to the rolling out of the School Feeding Programme, which has been a success so far. A total of K314.9 million has been allocated towards the implementation of the Loans Scheme for university students. The Skills Development Fund has been allocated K233.5 million to enhance technical and vocational skills.

Health

139. Mr. Speaker, I propose to spend a total of K5.8 billion to facilitate health service delivery. This allocation will be utilised on preventive health care, opening up of cancer screening centres in each district and recruitment of frontline medical personnel.

140. Sir, I propose to spend K267.5 million for medical equipment and infrastructure as well as K769.1 million for drugs and medical supplies.

Housing and Community Amenities

141. Mr. Speaker, to facilitate the provision of various amenities, including the provision of water and sanitation, I propose to spend a total of K822.8 million. The resources in this area will mainly be directed towards the rehabilitation and construction of water supply and sanitation infrastructure, investment in solid waste management systems and the implementation of housing development programmes.

Public Order and Safety

142. Mr. Speaker, I have allocated K2.3 billion for the maintenance of public order and safety to guarantee our country as a safe haven.

Social Protection

143. Mr. Speaker, I have substantially increased the allocation for social protection by 85 percent, to K2.7 billion in order to cushion the vulnerable. This will include K552 million for the Social Cash Transfer Scheme and K1.7 billion for the payment of pension benefits under the Public Service Pension Fund.

2017 Budget by Function of Government

FUNCTION	2017 BUDGET	
	K' Million	Share of Budget
General Public Services	17,970.34	27.9%
Domestic Debt Payment	4,969.31	
External Debt Payment	6,497.23	
Public Affairs and Summit	100.00	
Constituency Development Fund	218.40	
Local Government Equalisation Fund	887.85	
Compensation and Awards	100.00	
Defence	3,204.45	5.0%
Public Order and Safety	2,342.97	3.6%
Economic Affairs	20,132.60	31.1%
Farmer Input Support Programme	2,856.40	
Strategic Food Reserve	942.50	
Rural Electrification Fund	114.52	
Roads Infrastructure	8,644.50	
Dismantling of Arrears	3,269.51	
o/w Fuel Imports	500.00	
Electricity Imports	661.80	
Empowerment Funds	219.03	
o/w Agriculture & Industrial Credit Guarantee Fund	20.00	
Environmental Protection	616.47	1.0%
Climate Change Resilience	347.99	
Housing and Community Amenities	822.81	1.3%
Water Supply and Sanitation	391.70	
Health	5,762.03	8.9%
Drugs and Medical Supplies	769.09	
Medical Infrastructure and Equipment	267.51	
Recreation, Culture and Religion	323.50	0.5%
Education	10,641.93	16.5%
Schools Infrastructure	638.04	
University and College Infrastructure	368.58	
Student Loan Scheme	314.85	
School Feeding Programme	35.55	
Skills Development Fund	233.50	
Social Protection	2,693.21	4.2%
Public Service Pension Fund	1,655.00	
Social Cash Transfer	552.00	
o/w GRZ Contribution	500.00	
Grand Total	64,510.30	100.0%

Revenue Estimates and Financing

144. Mr. Speaker, in coming up with the proposed revenue measures, I have sought to increase the level of

domestically raised resources while at the same time ensuring that the burden of taxation is borne equitably. The proposed domestic revenue measures are expected

to raise a total of K42.9 billion, representing 18.4 percent of GDP.

145. Sir, the summary of revenue estimates and financing to support the 2017 expenditure estimates is as follows:

Resource Envelope for the 2017 Budget			
	(K'million)	(K'million)	% share of GDP
TOTAL DOMESTIC REVENUE, GRANTS & FINANCING		64,510.30	27.7%
A.Total Domestic Revenue and Domestic Financing		46,775.99	20.1%
I.Total Domestic Revenues		42,939.79	18.4%
Total Tax Revenue		37,622.46	16.1%
Income Tax		19,647.92	8.4%
<i>Company Income Tax</i>	4,858.31		
<i>PAYE</i>	9,815.29		
<i>Withholding & Other</i>	3,083.38		
<i>Mineral Royalty</i>	1,890.94		
Value Added Tax		9,463.34	4.1%
Customs and Excise		7,992.62	3.4%
<i>Customs Duty</i>	3,224.20		
<i>Excise Duty</i>	4,700.00		
<i>Export Duty</i>	68.41		
Other Revenues		518.58	0.2%
Non Tax Revenues		5,317.33	2.3%
II. Domestic Financing		3,836.20	1.6%
B.Total Foreign Grants & Financing		17,734.31	7.6%
<i>Project Grants</i>	2,231.47		
<i>Programme Loans</i>	8,033.33		
<i>Project Loans</i>	7,469.51		

Revenue Measures

Direct Taxes

146. Mr. Speaker, many of our citizens and stakeholders have implored the Government to take measures to ensure that the tax base is broadened, made fairer and enhances domestic resource mobilisation. In this regard, I propose the following measures:

- (i) Mandate all statutory bodies to pay tax on rental income at the rate of 10 percent;
- (ii) Require every person changing ownership of a motor vehicle to obtain a tax clearance

certificate from the Zambia Revenue Authority;

- (iii) Increase the Advance Income Tax rate paid at importation of goods from 6 percent to 15 percent. Members of the House may wish to note that the Advance Income Tax is not a final tax. It is refundable at the end of the year upon proof of a person being a compliant taxpayer; and
- (iv) Restructure the current Turnover tax regime by introducing bands and presumptive amounts as follows:

Monthly Turnover Category	Proposed Regime
K1-K4,200.00	K100 per month+3% of monthly turnover above K3,000
K4,200.01-K8,300.00	K225 per month+3% of monthly turnover above K4,200
K8,300.01-K12,500.00	K400 per month+3% of monthly turnover above K8,300
K12,500.01-K16,500.00	K575 per month+3% of monthly turnover above K12,500
K16,500.01-K20,800.00	K800 per month+3% of monthly turnover above K16,500
Above K20,800.00	K1,025 per month+3% of monthly of turnover above K20,800

147. Sir, to support economic diversification and promote capital investment, I propose to increase the capital allowance for plant, equipment and machinery used in farming and agro-processing to 100 percent from 50 percent.

148. Mr. Speaker, in line with the social protection pillar under the

Economic Recovery Programme, I propose to increase the exempt threshold for Pay As You Earn (PAYE) from K3,000 to K3,300 per month and adjust the income bands accordingly. To mitigate the revenue loss, I propose to increase the top marginal tax rate from 35 percent to 37.5 percent. Under the new system, a person's income will now be taxed as follows:

Proposed PAYE Regime	
Amounts	Rate
K0 – K3,300.00	0%
K3,300.01 – K4,100.00	25%
K4,100.01 – K6,200.00	30%
Above K6,200.00	37.50%

Value Added Tax

149. Sir, under the Value Added Tax regime, I propose the following:

- (i) Make input VAT non-claimable for all supplies acquired by an entity prior to their registration for VAT;
- (ii) Make input VAT on petrol non-claimable and limit the claimable threshold on diesel to 90 percent;
- (iii) Make input VAT on domestic refrigeration equipment, air conditioners, mobile phones, motor vehicle parts, digital satellites, television sets, decoders, video players, curtains,

and construction of dwelling houses for staff, non-claimable.

- (iv) Put copper concentrates on the import VAT deferment schedule. This will promote local mineral processing; and
- (v) Abolish the VAT Group registration scheme to enhance the credibility of risk based tax audits.

Customs and Excise

150. Mr. Speaker, we are faced with numerous development challenges but they are not insurmountable. It remains imperative that we generate more resources from taxation to address these challenges. Therefore, under the customs

and excise category, the Government proposes the following revenue measures:

- (i) Increase excise duty on air time from 15 percent to 17.5 percent;
- (ii) Increase customs duty from 5 percent to 15 percent on spare parts for various machinery and equipment;
- (iii) Raise the specific excise duty on cigarettes from K200 per mille to

K240 per mille and remove the ad-valorem rate of 145 percent;

- (iv) Modify the excise duty collected on opaque beer to include presumptive rates;
- (v) Introduce import duty on copper concentrates at the rate of 7.5 percent; and
- (vi) Revise upwards the motor vehicle carbon tax rates as follows:

Engine Capacity	Current Rates (K)	Proposed rate (K)
Less than 1500cc including motor cycles	50	70
1501cc - 2000cc	100	140
2001cc - 3000cc	150	200
3001cc and above	200	275

151. Sir, diversification of our economy and job creation remain the key strategies for wealth creation and poverty reduction. To actualize this, we must institute interventions that will nurture our infant industries, foster resilience to external shocks and enable competitive private sector led growth. To this end, I propose to introduce a surtax at the rate of 5 percent on selected imported goods which are also locally produced. I also propose to increase customs duty on semi-processed edible oils from 5 percent to 15 percent.

152. Mr. Speaker, in the same vein, I propose to suspend customs duty on various aquaculture implements for a period of three years, and remove the 25 percent customs duty on fittings used for irrigation. I also propose to increase customs duty on plastic shopping bags from 25 percent to 40 percent.

153. Sir, I further propose to remove the 15 percent customs duty on lifting,

handling and loading machinery and various inputs used in the shoe industry.

154. Mr. Speaker, to promote value addition in the forestry sector, I propose to introduce specific rates on the export of unprocessed and semi-processed timber products at the rate of K10 per kg and K5 per kg respectively. I also propose to introduce an export duty at the rate of 10 percent on maize.

155. Sir, currently, the commencement date of the 5 day transit period, for goods in transit starts from the date of entry. In order to facilitate trade, I propose to move the commencement date to the date of release of goods from customs control. I also propose to provide for advance ruling on origin of goods from countries with which Zambia has signed trade agreements.

Non-Tax Measures

156. Mr. Speaker, I propose to introduce a skills development levy to be computed at the rate of 0.5 percent of total emoluments paid by an employer. The

revenues generated will be paid into the skills development fund, I alluded to earlier. This fund will be jointly managed with the private sector to ensure that skills being supported are pertinent to the needs of the industry.

157. Sir, I further propose to introduce fees to be applied on all motor vehicles exiting and entering Zambian borders as follows:

Motor Vehicle Description	Prescribed Fee (US\$) or Kwacha equivalent
Trucks with abnormal loads laden or empty	75
Commercial Truck laden or empty	60
Passenger buses	40
Passenger vehicles	20

158. Mr. Speaker, in order to ensure that charges to access public services provided by various Government departments are at cost recovery levels, I propose to adjust upwards, various user fees and charges.

serve as tax agents, to collect the tax at source.

Tax Administration Initiatives

161. Sir, given the need to maximise revenue collections, Government would like to implore the business community to be compliant as failure to do so will result in prosecution.

159. Sir, Government has noted with great concern that most business houses do not comply with the requirement to issue tax invoices resulting in significant revenue losses. To ensure compliance, Government will in 2017, make it mandatory for all VAT registered suppliers to use Electronic Fiscal Devices which will enable real time monitoring of business transactions. In addition, the Government will be able to ascertain the credibility of VAT refund claims.

162. Mr. Speaker, in order to enhance tax compliance and mitigate revenue leakages arising from a limited use of information technology solutions or platforms, I propose to introduce an electronic excisable goods management system and tax stamps on imported alcoholic beverages. In addition, an integrated border management system based on a Single Window will be introduced in order to streamline payments at border posts.

House Keeping Measures

160. Mr. Speaker, Government has noted that VAT charged by some suppliers is not remitted to Zambia Revenue Authority. To ensure that this fraudulent practice comes to an end, Government will appoint some companies and Government agencies to

163. Sir, I propose to carry out amendments to the Customs and Excise Act, the Value Added Tax Act and the Income Tax Act so as to update, strengthen and remove ambiguities in certain sections of these laws in order to make tax administration more effective. The proposed amendments to these Acts

are housekeeping in nature and are revenue neutral.

164. Mr. Speaker, the tax and non-tax measures I have announced today will take effect from 1st January, 2017.

PART IV

CONCLUSION

165. Sir, in formulating the 2017 Budget, I consulted widely before providing the allocations and taking the revenue measures that I have announced today. These measures form a firm foundation for our Economic Recovery Programme dubbed 'Zambia Plus'.

166. Mr. Speaker, although we face social and economic challenges, we remain masters of our own destiny. The Patriotic Front Government under the exceptional leadership of His Excellency the President of the Republic of Zambia, Mr. Edgar Chagwa Lungu, will continue to proactively address the difficulties that beset us.

167. Sir, with this Budget, Government will rebalance the economic and financial position of our country, thus setting conditions for sustained economic growth. This is our pledge and responsibility. Government will also play its full role in creating and sustaining the conditions needed for all Zambians to unleash their potential to develop themselves, their families and the nation.

168. Mr. Speaker, in these challenging times the need for national unity becomes even more pronounced and imperative if we are to cross the hurdles that threaten our prosperity today and in the future. Economic challenges affect all people of

this land. To succeed in achieving the emancipation we so desperately desire as a people, we need to summon our collective knowledge and wisdom as a nation.

169. Sir, I am confident that with the support of our people, together with the unwavering resolve and commitment of Government to implement our Economic Recovery Programme, Zambia's future is promising. The resilience of the Zambian people gives us the conviction that in the spirit of our founding father, Dr. Kenneth Kaunda's '*Tiyende Pamodzi*' we will be able to fly high above our challenges like the noble eagle. Like the confluence of the mighty Zambezi, Luangwa and Kafue rivers, we are stronger together. Together nothing is impossible. Together we can.

170. Mr. Speaker, I commend Government's Economic Recovery Programme and the Budget for 2017 to this august House.

171. **Mr. Speaker, I beg to move.**