

2023 BUDGET ADDRESS BY HONOURABLE DR. SITUMBEKO MUSOKOTWANE,
MP, MINISTER OF FINANCE AND NATIONAL PLANNING DELIVERED
TO THE NATIONAL ASSEMBLY



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ASSEMBLY ON FRIDAY, 30TH SEPTEMBER, 2022**

1. Madam Speaker, I beg to move that the House do now resolve into Committee of Supply on the Estimates of Revenue and Expenditure for the period 1st January, 2023 to 31st December, 2023 presented to the National Assembly on Friday, 30th September, 2022. This is pursuant to Article 202 of the Constitution of Zambia (Amendment) Act No. 2 of 2016.

2. Madam, I am a bearer of a message from the President of the Republic of Zambia, Mr. Hakainde Hichilema, recommending favourable consideration of the motion that I now lay on the Table.

3. Madam Speaker, this is the second budget that the UPND Administration is presenting to this House. During the first year of being in office, the Administration has achieved significant socio-economic milestones. From being

a country known for negative narratives such as crushing debt, worst performing currency in the world, rising inflation and stagnating growth. Our country has now regained respect, hope and admiration among other nations of the world for the strong efforts we are making to improve the economy and the livelihoods of our people.

4. Madam Speaker, the UPND Government has laid a firm foundation for restoring debt sustainability. The stability of the exchange rate of our currency has convincingly been restored. On top of that, we have lowered inflation and, of course, there is now budget credibility. In simple terms, this means that Government is now spending in accordance with what Parliament approves with only minimal deviations.

5. Madam, in the social sector, we are providing free education up to

Grade 12 as we have always promised in our manifestos. We recruited an unprecedented number of teachers and frontline medical personnel. In addition, we increased the number of beneficiaries and the transfer value under the Social Cash Transfer Programme. Further, we cleared all outstanding pension arrears under the Public Service Pensions Fund which were due as at end-2021.

6. Madam Speaker, we have delivered a bankable blue print for national development, the Eighth National Development Plan covering the period 2022 to 2026. Our commitment to economic, social and structural reforms contained in the Plan helped us secure an arrangement under the Extended Credit Facility from the IMF. The Programme with the IMF has enabled Government to make progress in resolving the debt crisis. It has also helped to unlock resources from bilateral and multilateral development partners to support our development agenda.

7. Madam, achieving so much over so short a time period has not happened by chance. Rather, it reflects the character of the UPND and its leadership. The UPND is methodical in its approach and it is a goal getting organisation. The progress that Government has made over the past year should therefore give hope to our citizens that the outstanding development challenges will be confronted with similar zeal and dedication.

8. Madam Speaker, now that the economy has stabilised, this Government will turn its attention to addressing some of the critical outstanding developmental issues in our country. Among these are job creation, better incomes and infrastructure, especially roads. To achieve these, it is imperative that our economy grows bigger. Growth, not just in one year, but growth continuously every year, forever.

9. Madam, during the official opening of the Second Session of the Thirteenth National Assembly, the President of the Republic of

Zambia, Mr. Hakainde Hichilema, emphasised the need to achieve socio-economic transformation by implementing measures to stimulate growth and ultimately improve the livelihoods of our people. It is in this regard, that the theme for the 2023 Budget is “*Stimulating Economic Growth for improved livelihoods*”.

10. Madam Speaker, the 2023 Budget, therefore, provides the policy framework, resources and incentives to drive growth. The policies, strategies and measures contained in this Budget will go a long way towards unlocking local and foreign investment, promoting value addition and enhancing trade. This will stimulate economic growth, create jobs and improve livelihoods of our citizens.

11. Madam, this Budget Address is in four parts. Part One highlights the global and domestic economic developments in 2022. Part Two presents the macroeconomic objectives, policies and strategies for the 2023 Fiscal Year. Part Three provides details on the estimates of

revenue and expenditure as well as the borrowing requirements for 2023. In Part Four, I will conclude my Address.

Part I

GLOBAL AND DOMESTIC ECONOMIC DEVELOPMENTS IN 2022

Global Economic Developments

12. Madam Speaker, in 2022, three notable events have dragged global growth down, namely, the Russia–Ukraine conflict, partial lockdowns in China related to COVID-19, and tighter financial conditions in advanced economies. These developments have led to the downward revision of global growth to 3.2 percent from 6.1 percent recorded in 2021. Consequently, prices of commodities such as copper weakened to an average of US \$7,422 per metric tonne in September from US \$9,550 per metric tonne in December 2021.

13. Madam, the spill-over from the Russia–Ukraine conflict has led

to supply-side disruptions. One of the consequences has been an increase in prices of critical commodities such as petroleum products and fertiliser. The average crude oil price in the first half of 2022 rose to US \$104.97 per barrel from US \$69.00 per barrel recorded during the same period in 2021. This led to higher domestic petroleum pump prices, with diesel price peaking at K28.01 per litre in July. Similarly, the international price of fertiliser as measured by the Fertilisers Price Index, increased by 60.5 percent per metric tonne between August 2021 and August 2022.

Domestic Economic Developments

Economic Growth

14. Madam Speaker, the economy has continued to grow albeit at a slower rate. By the end of this year, GDP is projected to grow by 3.0 percent compared to a recovery of 4.6 percent in 2021. The slowdown in growth is mainly attributed to lower output in agriculture due to

late onset of rain, drought and flash floods in some parts of the country. Weak performance was also recorded in the construction sector.

Budget Performance

15. Madam Speaker, the overall budget performance in 2022 is set to be one of the most favourable in many years. Revenues have so far exceeded the target while expenditures have been contained within the target. A very important aspect of the budget so far is that there has been a high degree of credibility and certainty in release of funds. Deviations from the Budget are within the permissible 15 percent variation. Unlike in the past, Government has consistently been making monthly budgetary releases in accordance with the requirements of Ministries, Provinces and Agencies.

16. Madam, a budget with less credibility diverts quite significantly from what Parliament approves. With the deviations, it is often the social sectors that lose out. Indeed, for many years, Zambian budgets

have suffered from lack of credibility. As an example, year after year this House would approve and appropriate Constituency Development Fund. But for nine consecutive years, from 2011 to 2019, the money was not fully released.

17. Madam Speaker, total revenues and grants for the period January to August 2022 amounted to K72.1 billion and were 3.5 percent above the budget target of K69.7 billion. Tax revenue stood at K54.4 billion, non-tax revenue at K13.5 billion, while grants were at K4.2 billion. The positive performance was mainly attributed to increased collections in corporate tax and Pay as You Earn. By the end of the year, total revenues and grants are expected to be K101.04 billion against the budget target of K100.7 billion.

18. Madam, total expenditure for the period January to August 2022 amounted to K94.3 billion against the target of K110.2 billion. Of the total expenditure, K85.1 billion was financed from domestic resources

while K9.2 billion was foreign financed. Notable expenses were the 2022 Census of Population and Housing, Constituency Development Fund, and dismantling of arrears. Others were payment of retirement benefits and Government contributions under the Public Service Pensions Fund and the Local Authorities Superannuation Fund.

19. Madam Speaker, the budget deficit for 2022 was projected at 6.7 percent of GDP. The year-end deficit is, however, now projected to be higher at 9.8 percent of GDP.

Debt Position

20. Madam Speaker, Zambia's unsustainable debt has been in the news for a long time. At a personal level, the national indebtedness has hit most people through the depreciation of the Kwacha, rising inflation and poor funding for essential services.

21. Madam, when I presented the budget last year, Government undertook to resolve this problem and not leave it hanging as it had

been since 2016. We are almost there. Given the extent of the debt problem, its resolution required engagement with the creditors to restructure the debt so that it becomes affordable to service.

22. Madam Speaker, while the creditors recognised that it was necessary to restructure our debt, they were also alive to the risk that Zambia might not take steps to prevent the re-occurrence of another debt crisis. Debt restructuring cannot be useful if shortly afterwards, Zambia once again got into yet another unsustainable debt situation.

23. This is where the IMF comes in, Madam Speaker. Zambia is a member of the IMF. We partly own it. And it is part of the IMF's mandate to provide assurance to creditors that an indebted country has put in place measures to better manage its economy. To undertake this task, the IMF itself needed to be convinced that the indebted country has got its act together. Through the policy pronouncements contained in the

8th National Development Plan and its implementation, the IMF and other creditors have been convinced that Zambia is worthy supporting. They are now supporting us.

24. With the IMF supported programme in place, Zambia is now engaging the creditors to conclude debt restructuring which will then result in debt reducing to affordable levels.

25. In the meantime, Madam Speaker, the stock of public external debt amounted to US \$14.87 billion as at end-June 2022. Of this amount, Central Government external debt was US \$13.25 billion while guaranteed and non-guaranteed external debt for State Owned Enterprises was US \$1.50 billion and US \$113.69 million, respectively.

26. Madam, Central Government external debt increased by 1.6 percent to US \$13.25 billion as at end-June 2022 from US \$13.04 billion as at end-December 2021. This was on account of

disbursements mainly from multilateral creditors. Loans from multilaterals are obtained on very concessional terms, meaning around five years grace period, very low interest rates and are repayable over long time periods. The stock of Central Government external debt includes US \$1.8 billion principal arrears and US \$868.4 million interest arrears arising from the ongoing debt service standstill.

27. Debt levels are still rising for two reasons. Firstly, there are some projects carried over from the previous Government which were being financed by loans. Whereas many were cancelled, it was deemed necessary to carry on with some because the projects were at an advanced stage. Secondly, the concessional loans I mentioned earlier are needed to revive key sectors of the economy so that the country has capacity to service debt once restructured. These funds are also needed to finance essential services such as education and health.

28. Madam Speaker, the stock of Government guarantees was US \$1.50 billion as at end-June 2022. ZESCO and Kafue Gorge Lower Hydropower Project accounted for 93 percent of these guarantees.

29. Madam, the stock of domestic debt, that is, Treasury bills and Government bonds, increased by 5.3 percent to K203.9 billion as at end August 2022 from K192.9 billion as at end-December 2021. The funds raised were used to finance the budget.

Domestic Arrears

30. Madam Speaker, the stock of audited central Government domestic arrears or pending bills, excluding fuel and electricity, decreased by 8.4 percent to K44.0 billion as at end-June 2022 from K48.1 billion as at end-December 2021. The reduction is due to Government paying suppliers of goods and services and curbing the accumulation of new arrears. By doing so, we have begun addressing the injustice of Government impoverishing its

people by delaying to pay for goods and services provided.

31. Madam, when fuel arrears and outstanding ZESCO bills to independent power producers are included, the stock of domestic arrears decreased by 4.4 percent to K76.4 billion as at end-June 2022 from K79.9 billion as at end-December 2021.

32. Madam Speaker, to halt the accumulation of domestic arrears and reduce the stock, Government will continue to implement the Dismantling of Domestic Arrears Strategy. The Strategy will among others, link procurement commitments to the approved budget and provide funds to dismantle arrears.

Monetary and Financial Performance

33. Madam Speaker, the growth in consumer prices, as measured by the inflation rate, has slowed to single digits. For September 2022, inflation was recorded at 9.9 percent from 22.1 percent in September last year. The key drivers

of lower inflation have been the appreciation of the Kwacha and improved supply of food items.

34. Madam, the amount of money lent by the banking system grew by 13 percent in the first half of 2022 against a contraction of 5.4 percent in the second half of 2021. The increase was largely due to accelerated disbursements to eligible financial service providers from funds provided by the Bank of Zambia under the Targeted Medium-Term Refinancing Facility. The Facility was established in 2020 to strengthen and enhance financial sector resilience as well as support economic recovery during the COVID-19 pandemic. We recognise, however, that financing remains a challenge especially for SMEs.

35. Madam Speaker, the performance of the banking sector remained strong, supported by growth in capital through retained earnings. Liquidity conditions were also favourable on account of high stock of liquid assets and

disbursements from the Targeted Medium-Term Refinancing Facility. Asset quality improved as the non-performing loans ratio continued to be below the 10.0 percent prudential benchmark, at 6.4 percent at end-August 2022. The improvement in the credit performance was largely attributed to recoveries, restructuring of credit facilities and bad loan write-offs.

36. Madam, the performance of the non-bank financial institutions sector has also improved. The ratio of non-performing loans reduced to 13.8 percent at end-August 2022 from 23.1 percent at end-August 2021. This is attributed to Government clearance of third-party arrears and remaining current in remitting loan instalments for civil servants to the non-bank financial institutions.

External Sector Performance

37. Madam Speaker, preliminary data indicate that exports were US \$5.964 billion during the first half of 2022 compared to US \$5.216 billion during the same period last

year, a growth of 14.3 percent. This outturn was largely explained by the increase in copper exports earnings that rose by 12 percent to US \$4.4 billion, driven by higher copper prices. Imports also increased by 41.5 percent to US \$4.3 billion, supported mostly by the appreciation of the Kwacha against the US dollar and improved economic activity. Most of the imports were capital items and raw materials used in production. Overall, the trade balance remained in surplus, at US \$1.6 billion.

38. Madam, as at end-August 2022, gross international reserves were US \$3.0 billion, representing 3.5 months of import cover. This is above the target of at least 3 months of import cover for 2022.

39. Madam Speaker, on a year-to-date basis, the Kwacha has appreciated by 5.2 percent to K15.79 per US dollar. The gain has largely been on account of improved supply of foreign exchange mainly owing to increased inflows from the mining sector and greater confidence in the

Government, particularly commitment to reforms. The exchange rate of the Kwacha against major currencies has been relatively stable over this period.

Part II

MACROECONOMIC OBJECTIVES

40. Madam Speaker, the New Dawn Administration has laid a solid foundation to stimulate growth, create jobs and improve the livelihoods of our people. This will help us attain the Vision 2030 of becoming a prosperous middle-income nation.

41. Madam, to consolidate and build on the achievements on the economic front, the following macroeconomic objectives will be pursued in 2023:

- (a) Attain a real GDP growth rate of at least 4.0 percent;
- (b) Reduce inflation to within the target band of 6-8 percent by the end of the year;
- (c) Maintain international reserves

above 3 months of import cover;

(d) Mobilise domestic revenue to at least 20.9 percent of GDP;

(e) Achieve a fiscal deficit of not more than 7.7 percent of GDP; and

(f) Limit domestic borrowing to not more than 3.0 percent of GDP.

POLICIES AND STRATEGIES FOR 2023

42 Madam Speaker, I will now present the policies and strategies that underpin the allocation of resources in the 2023 Budget. These are prescribed according to the strategic development areas of the Eighth National Development Plan, namely: Economic Transformation and Job Creation; Human and Social Development; Environmental Sustainability; and Good Governance Environment.

ECONOMIC TRANSFORMATION AND JOB CREATION

43. Madam Speaker, the problems we have faced in the past emanate from debt unsustainability. These

will now be under control. The discussions with creditors for restructuring our debts have started, the exchange rate of the Kwacha is stable, inflation is falling and we have stepped up expenditure on social services for our people.

44. However, serious issues remain outstanding. These include limited job opportunities at all levels, from the most educated to the uneducated. For those in employment, average earnings are generally low. Our infrastructure such as roads, railways, energy, schools and hospitals requires a lot of attention. I must also add that even where infrastructure exists, a lot of it requires attention in terms of maintenance and repairs. These issues come out very often and with lots of passion from MPs.

45. Madam Speaker, whilst there have been attempts by past administrations to address these development challenges, it is clear that little progress has been made, particularly in creating decent job opportunities. This is due, in part, to the fact that the population is

expanding much faster than the few jobs that get created. But the issues of providing jobs, better incomes, better infrastructure and better social services are issues where we must succeed at all costs.

46. Madam Speaker, Zambia will not fail. We take inspiration from countries that were poorer than us, with less natural resources than ourselves and yet they have transformed themselves into prosperous and progressive economies. In the process they have provided millions of jobs, upgrading their infrastructure to first world class standards and providing decent livelihoods to their people.

47. The success stories of the South East Asian countries have been told over and over again. The formula for their success is not rocket science. Economic success requires creating an enabling macroeconomic environment, embracing the private sector, creating a conducive legal and administrative environment that is friendly to business, educating the

people and keeping them healthy. Once these conditions are established, it becomes easy to attract investment. These are all things that we are capable of emulating provided we are willing to change our perceptions about the development process. And this is what we shall do.

48. It is clear that it is only through stimulating and sustaining economic growth that we can create enough jobs to reduce poverty and generate sufficient tax revenue to fund infrastructure, pay for social services, improve the livelihoods of our people and thereby reduce inequality.

49. Madam, growing the economy must also be explained. It simply means that each year, Zambia's production of most goods and services must increase from what was produced the previous year. Not just a bit but significantly so. Also, not just from one year to the next but every year's production must exceed that of the previous year and continuously so for ever and ever. To achieve this, we must

love and promote investments. This is what has changed Asia.

50. To achieve what I have just described Madam, it is necessary that social partners collaborate and work together. The private sector has to take centre stage in the economic transformation journey. It is the private sector to invest in and manage enterprises that engage in the ever-expanding production.

51. Government's role is to design and implement, together with partners, policies and strategies to attract and secure investment in sectors such as agriculture, mining, tourism, and manufacturing that will drive growth of our economy. Further, Government must maintain an economic and business environment that supports growth. It must also invest in supporting infrastructure and manpower development. This must be done without corruption while ensuring judicious use of public funds.

52. Private citizens also have a very important role to play. Each one of us must appreciate our responsibilities as citizens. Above

all, we must understand that the common good can only be so because we have, as individuals, contributed to it to the best of our ability.

53. The principles I have just outlined are what will guide us as we implement policies and strategies to attract investment in sectors such as agriculture, mining, tourism, and manufacturing that will drive growth of our economy. This will in turn raise economic performance.

54. Madam Speaker, I will now present the specifics of performance, policies and strategies in the Economic Transformation and Job Creation strategic development area.

Agriculture, Livestock and Fisheries Sector

55. Madam Speaker, agriculture, livestock and fisheries sector remains the main source of livelihood for the majority of our people. It is the largest employer of our population, provides food, raw materials to industry and earns the

country foreign exchange.

56. Madam, in the crop subsector, the performance was generally weak during the 2021/2022 agricultural season. The production of crops such as maize, rice, sorghum and cassava declined due to the late onset of rains as well as drought and flash floods in some parts of the country.

57. Madam Speaker, to increase crop productivity among small-scale farmers, Government is improving extension service delivery. This year, Government has commenced recruitment of 256 extension officers and additional officers will be recruited in 2023. Government will procure 1,623 extension kits, 1,000 tablets, 621 motorbikes and rehabilitate over 536 camp houses. With all these measures, 1.5 million smallholder farmers will be provided with extension services through physical visits and e-extension platforms.

58. Madam, with regard to irrigation development, Government will construct a total of forty dams

across the country over the medium term. In 2023, sixteen dams will be constructed. To actualise the Chiansi Irrigation Scheme in Kafue District, Government has secured financing of US \$10 million from the African Development Bank (AfDB) to cover 600 hectares in-field irrigation by smallholder farmers. The financing will also be used to establish storage facilities and a youth skills development centre. This project will benefit over 12,000 people.

59. Madam Speaker, there is need to improve agricultural productivity and we will do this through undertaking comprehensive reforms. I am duty bound to provide clarity on a false matter that was at one time circulating in some social media to the effect that Farmer Input Support Programme (FISP) will no longer be available because of the IMF supported Programme. To the contrary, FISP continues in 2022/2023 farming season with the same strength as before.

60. However, Madam, in addition to providing input support, FISP will be reformed to include extension service support; irrigation development; access to finance; support to value addition; and storage and logistics. The programme will also ensure better targeting and equity in the provision of subsidies and services. The new expanded programme will be called Comprehensive Agriculture Support Programme.

61. Under this comprehensive agriculture support programme, what is, however, true is that Government will be scrutinising the beneficiaries in detail to ensure that only the targeted and deserving people receive subsidised fertilisers. My colleague, the Minister of Agriculture, will elaborate as he presents the budget for his Ministry.

62. When I come to the Budget section of my speech, I will provide the full details of the financial outlay that Government is proposing for the programme for the 2023/2024 farming season.

63. Madam Speaker, this new approach is important as it will contribute to our national food security especially at a time like now when the global food supply is tight. It also helps to uplift many of our small-scale farmers who, in any case, produce most of our food.

64. As we continue with FISP under the new programme, it is important that we understand its limitations in the development process. Earlier on, I spoke about the paramount importance of the need for the economy to grow, including in agriculture. With the tightness in the global food supplies arising from the war in the Ukraine, the world is looking towards parts of Africa with appropriate agronomical conditions to step in and grow more food for export. And the markets are there. Our Government has already secured market access to the European Union, United Arab Emirates, South Africa, and China for various crops and livestock such as cattle and goats.

65. It is in that vein that in 2023, the Government is set to aggressively

revive the development of farm blocks. This time, we must get it right. The main objective is to promote diversification, sustainability and jobs in the agri-food sector in the country, especially for exports

66. A farm block is a large area of intensive agriculture. A farm block will typically be between 50,000 and 100,000 hectares of land. The block will have one or two core or main ventures which produce a given agricultural product at large scale. The agricultural product may be input into a processing factory on site like the way Nakambala Estate is for sugar. Along with the core venture there will be other farms of different sizes, including small scale out-growers also producing for the on-site factory.

67. Madam, in advancing the revival of farm block development, I am pleased to report that we have secured US \$300 million from the World Bank for the development of farm blocks such as Nansanga in Central Province, Luswishi in Copperbelt Province and Luena in

Luapula Province. This financing is concessional with a maturity period of 30 years and a grace period of 5 years.

68. This is money we are borrowing on very soft terms to create jobs and make money for Zambia. The main objective of this programme is to promote diversification, value addition and jobs in the agri-food sector in the country. The massive production on industrial scale that will happen in farm blocks will satisfy the export markets in Africa and beyond as mentioned earlier.

69. Farm blocks will create thousands of jobs in agricultural production, in processing factories on site and in allied services. And the jobs are at all levels from engineers, technicians, agronomists, foremen, ordinary labour, accountants, and many others.

70. The Government's task in developing a farm block is to put in the key infrastructure like main access and internal roads, power reticulation, water development for irrigation where feasible and an

administrative centre so that as many approvals as feasible are available on site.

71. With the infrastructure in place, Madam Speaker, Government can then invite the best private sector actors from anywhere to invest alongside local investors in the farming operations using their own funding. The provision of infrastructure on the farm block is helpful to would be production investors because it enables them to get into production very quickly with little time wasted on preliminaries. It is expected that substantial progress will be made in 2023 to develop farm blocks. We are ready for the investors. Zambia is back in business.

72. As earlier stated, money for farm block development is available and the Ministry of Agriculture is currently evaluating a number of potential sites for development before making the final selection. The Government intends to implement the farm blocks with excellence and then rollout the programme as we gain experience.

73. Madam Speaker, the livestock subsector grew in the first half of 2022. Production of milk, eggs, chicken, beef and pork increased due to the increase in livestock population and improved animal husbandry practices. Notwithstanding the good performance, the sector experienced outbreaks of infectious diseases such as CBPP and African Swine Fever.

74. Government will enhance surveillance, prevention and control. Specific interventions will include the construction of bio-security infrastructure on trunk roads and completion of laboratories. Other interventions include establishment of an animal vaccine plant, promotion of veterinary public health and food safety and enhancement of animal health research and diagnostics.

75. Madam Speaker, Government will also develop a robust animal identification and traceability system. This will reduce the levels of stock theft. It will also enhance the country's potential to export as

it will meet the international standards that require identification and traceability of livestock products from “farm to fork”.

76. Madam, the fisheries subsector registered positive performance in the first half of the year. This is attributed to an increase in fish production under both capture fisheries and aquaculture. Capture fisheries increased on account of promotion and enforcement of sustainable fishing methods. The increase in aquaculture was due to the provision of credit to small scale fish farmers as well as access to inputs such as fingerlings and feed under the Aquaculture Seed Fund. In 2023, Government will continue to support the aquaculture value chain players through the Aquaculture Seed Fund as well as promotion and enforcement of sustainable fishing practices in the capture fisheries.

77. Madam Speaker, to improve service delivery in the fisheries and livestock subsector, Government will recruit extension officers as well as procure motor bikes and equipment.

78. Madam, to improve the policy and regulatory framework, Government will formulate the National Animal Health and National Aquaculture and Fisheries policies. Government will also review and amend the Animal Health Act No. 27 of 2010 and Animal Identification Act No. 28 of 2010. Further, to provide an enabling environment and promote livestock production and productivity, Government will develop the Livestock Development Bill. Government will also reduce the cost of doing business by automating applications and issuance of licenses, permits, certificates and other authorisations through the electronic single window.

Tourism Sector

79. Madam Speaker, the tourism sector is still recovering from the adverse effects of the COVID-19 pandemic. The number of international tourist arrivals increased to 496,456 during the first half of 2022 compared to 239,885 in the same period last year. This follows the easing of COVID-19 related restrictions partly attributed to improved vaccination rate globally.

80. Madam, the easing of COVID-19 restrictions has enabled us to host a number of meetings, international conferences and events. Notable among them was the Fourth Mid-Year Coordination Meeting of the African Union, Eastern and Southern Africa Anti-Money Laundering Group, the 8th African Federation of Institute of Internal Auditors and local events such as traditional ceremonies.

81. Madam Speaker, to stimulate growth in the sector, Government will continue to bid for hosting of meetings, international conferences and events. In 2023, Zambia will host the 45th Annual Meeting of the Association of African Central Banks. We will also continue to promote tourism development by providing incentives to attract more investment into the sector. I will outline specific incentives in Part Three.

82. Madam, to sustain the current jobs and create new ones in the sector, Government will invest in infrastructure in the Kasaba Bay, a growth pole that was abandoned ten

years ago. Liuwa National Park and other tourism sites will also receive attention to unlock opportunities for investment. To this end, Government is in the process of securing US\$100 million from the World Bank for this purpose.

83. Madam Speaker, to increase efficiency in processing applications, Government has introduced 26 services for the tourism sector on the Government Service Bus such as Bird Hunting Licence, Hotel Manager Practising Certificate, Casino Licence and Professional Hunter's Licence. Government will also streamline the legal framework by reviewing the Zambia Wildlife Act, Tourism and Hospitality Act and the National Heritage and Conservation Commission Act. The review will address the challenges of cumbersome regulatory frameworks and uncoordinated procedures among regulatory agencies. In this regard, Government is piloting the tourism single licence system in Livingstone.

Mining Sector

84. Madam Speaker, the mining sector continues to be a major driver of the economy, accounting for 17.5 percent of GDP and over 70 percent of foreign exchange earnings in 2021. Production has, however, stagnated at an annual average of 797,000 metric tonnes in the last 5 years.

85. While our mining output has stagnated, our northern neighbour, the Democratic Republic of Congo, has not only caught up with our production levels but has gone significantly well ahead of us. Ten years ago, Zambia was producing about 800,000 metric tonnes of copper while that of the DRC was about 400,000. While we are still hovering around 800,000 metric tonnes, DRC has expanded to 1.8 million metric tonnes, which is more than twice our production. All indications are that it won't be long before they hit close to 2.5 million tons per year.

86. The stagnation of copper mining in Zambia is a vivid example of what

happens when partnership between industry and Government fails. Zambia has been left behind this potential boom because of the unstable investment climate, especially the frequent arbitrary changes in taxation, that reigned in the past decade. This demotivated potential investments.

87. Attaining the 3 million metric tonnes production is very important for the future of our economy. More direct mining jobs will be created. Even more jobs in related and indirect areas such as transport, engineering and many more will be created. It will be a game changer. I am happy to note that some new mines are expected to come into production at Kitumba Copper Project in Mumbwa, Kashime in Mkushi and Mwekera Copper Mines in Ndola.

88. Madam, to boost production in the sector, this administration will avoid the pitfalls of the past decade and will therefore maintain policy and tax consistency for the sector. This will set the country into a powerful mining expansion drive in

pursuit of the 3 million metric tonnes of copper production in the next nine years.

89. In recognition of this change in approach, the UPND Government has already managed to secure an investment of US\$1.35 billion for the expansion of Kansanshi Project and development of the brand-new Enterprise Nickel Project by First Quantum Minerals. The Nickel Mine will be the largest in Africa. This is just the beginning.

90. As Government works towards the attainment of the production capacity of 3 million metric tonnes, we are working to urgently resolve the challenges at Konkola and Mopani Copper Mines. It has taken some time to resolve the challenges because of their complex nature. However, a lot of head way has been made and once we conclude soon, the Copperbelt will once again spring back to vigorous life of work, unity and joy.

91. Madam Speaker, diversification in the mining sector is gaining momentum. I have just mentioned

the nickel mine in Kalumbila District which is set to commence commercial production in 2023. Coal production at two sites in Southern Province and manganese production in Chipili District of Luapula Province have also commenced.

92. Madam, Government is also embarking on attracting exploration in the sector as part of the effort towards the 3 million metric tonnes production target. In this regard, private sector capital is being attracted to carry out aerial mapping of mineral resources to unlock the unexploited mining potential.

93. Madam, to enhance regulatory oversight in the sector, Government will establish a mining regulatory institution. Further, Government has enhanced reporting requirements of production, costs and mineral content. Given the importance of the mining sector to the economy, Government will enhance its strategic involvement by enhancing its participation through acquisition of golden shares. These measures will enhance participation of

Zambians in the mining sector while attracting vital large scale capital, technology and international experience.

94. Madam Speaker, to promote artisanal and small-scale mining, Government will implement measures to formalise their operations and support them with the necessary equipment and training to increase production. The formalisation will also assist artisanal and small-scale miners to access affordable capital and also to partner with potential foreign investors through joint ventures.

95. Further, Government will empower Zambians with mining licences, create offtake market opportunities and streamline the taxation system. Government will also licence buyers of gold and other precious minerals so that the trade is formalised. I will announce a simplified and lower rate tax regime that shall apply to artisanal and small-scale miners in Part Three of my Address. Let me urge the

small-scale miners to take advantage of the simplified regime and formalise their businesses because it is safer for them than operating in the underground economy.

Manufacturing

96. Madam Speaker, manufacturing is critical in stimulating growth and achieving value addition. However, the contribution of the sector, at 9.4 percent of GDP in 2021, remains low if we are to attain real economic transformation.

97. Madam, Government will continue to promote multi-facility economic zones as a way of expanding the country's industrial and manufacturing base. The Lusaka South Multi-facility Economic Zone has this year attracted more than 30 companies with a total pledged investment of US \$230 million and 4,000 jobs. Construction of production facilities has commenced for 6 companies while 21 companies are awaiting approval from the Zambia Environmental Management Agency.

98. Government has also facilitated the establishment of a multi-facility economic zone in Kalumbila to promote mining and non-mining linked manufacturing for both the Zambian and the Congolese markets. With this, Kalumbila will become an industrial city, grounded on supporting the mining industry. In addition, real estate development will be undertaken in Kalumbila so that there is orderly urbanisation. On the Copperbelt, Government is promoting the manufacturing of electric car batteries.

99. Madam Speaker, a fertiliser company has commenced operations in Chilanga District with an investment of US \$138 million. At full capacity, the company will produce 700,000 metric tonnes of Compound D and 300,000 metric tonnes of Urea per annum. This investment has created 300 jobs for our people, which will increase to 600 when fully operational. This investment will not only result in national self-sufficiency but also improve reliability of fertiliser supply and save the country much needed foreign exchange.

100. Madam, to improve the business environment, Government reviewed the Zambia Development Agency Act, which is the principal legislation to promote trade and investment in the country. The review has led to the subsequent development of two Bills namely, the Zambia Development Agency Bill and the Investment, Trade and Business Development Bill. The Zambia Development Agency Bill provides for the administrative and operational matters of the Agency while the Investment, Trade and Business Development Bill provides for the promotion of trade, investment and business development. The two Bills are currently under consideration by this august House.

101. Madam Speaker, to enhance the contribution of manufacturing, I will, in Part three of this Address, announce measures to stimulate growth in the sector.

Small and Medium Enterprise Development

102. Madam Speaker, SMEs make significant contribution to

production, employment and income generation for the majority of our people. SMEs represent over 90 percent of all businesses in the country and are the largest employer.

103. Madam, the growth of SMEs is largely constrained by lack of affordable finance, market access and inadequate business development skills. To ensure that SMEs access affordable finance from financial services providers, Government will continue to empower them through the Constituency Development Fund and Citizens Economic Empowerment Commission.

104. Madam Speaker, once the administrative teething problems of the CDF have been overcome, SMEs throughout the country will have a lot of business building schools, teachers' houses, clinics, and constructing water wells, among others. On top of this, the Citizens Economic Empowerment Commission has developed seven empowerment products valued at K365 million targeting citizens, SMEs and cooperatives.

105. Madam, to facilitate access to affordable loans by SMEs from financial institutions, we have increased budgetary allocation to the Zambia Credit Guarantee Scheme. The Bank of Zambia is also collaborating with stakeholders to provide credit guarantee for SMEs. The scheme will commence in 2023 on a pilot basis. Further, Cooperating Partners have provided a US \$20 million Loan Guarantee Scheme for SMEs through the financial sector.

106. Madam Speaker, to contribute to increased market access for SMEs, Government is implementing the Zambia Agri-business and Trade Project with the World Bank. The principal objective of the Project is to link emerging farmers and agri-business SMEs to larger markets. This is being done by structuring support for off-take opportunities.

Energy Sector

107. Madam Speaker, a stable and sustainable energy sector is critical for fostering growth in the economy. Government will,

therefore, continue to undertake reforms in the sector to make it more viable and supportive to the economic transformation agenda.

108. Madam, to enhance efficiency in the fuel supply chain, the Government has withdrawn from the importation and supply of petroleum products. This business will now be undertaken by the private sector. This will not only provide business opportunities to Zambians to take part in the petroleum supply chain and create jobs, but will also lower the transaction costs because middlemen will be eliminated. The role of Government will be limited to that of being a regulator and ensuring cost reflective pricing. In addition, Government will ensure the maintenance of strategic reserves.

109. Madam Speaker, to improve efficiency in the petroleum sub-sector, Government is in the process of converting TAZAMA Pipeline from a petroleum feedstock carrier to a carrier of finished products, particularly

diesel. This will reduce the cost of transporting diesel in the country which is currently brought in dearly by trucks. In this regard, INDENI Refinery will no longer process feedstock but will play other roles in the petroleum supply chain.

110. Madam, in the electricity subsector, the country has achieved a surplus in electricity generation capacity of 1,156 megawatts. This follows the coming on board of 600 megawatts generation capacity at the Kafue Gorge Lower Hydro Power Station. This has enabled the country to increase exports of electricity to the Southern Africa Power Pool worth over US \$100 million during the first half of this year. Maamba Collieries will also be engaged to increase generation to 600 megawatts to improve the energy mix.

111. Madam Speaker, to facilitate export of power to the East African region, Government is in the process of securing financing to complete the remaining in-country circuits for the Zambia-Tanzania-Kenya interconnector.

112. Madam, the aspiration of the New Dawn Administration is to provide access to electricity to all Zambians. In this regard, Government has continued implementing the Rural Electrification Master Plan which targets to electrify 1,217 rural growth centres by 2030. So far, 525 rural growth centres, representing 43.1 percent have been electrified. In 2023, Government will significantly increase the allocation to the Rural Electrification Programme to accelerate the electrification of more rural growth centres.

Transport and Logistics

113. Madam Speaker, the transport sector plays an important role in economic growth. It facilitates commerce and trade in goods and services as well as the movement of people. In this regard, Government has prioritised the development and maintenance of transport and logistics infrastructure.

114. Madam Speaker, in the road sub sector, there is a lot of outstanding work to be done. To

overcome the limitations imposed by scarce financial resources, roads with good traffic volumes will be undertaken using the Public Private Partnership mode. In other words, the private sector will fund the roads and get their money back through toll fees. Many of the roads are already at the stage of final negotiations with potential partners and some work is likely to start this year and then progress into the next year and beyond. These include Lusaka-Ndola dual carriageway, Chingola-Solwezi, Ndola-Mufulira, Chingola-Kasumbalesa and the Lumwana-Kambimba roads.

115. Further, Government will maintain, rehabilitate and upgrade critical economic roads. Government will also rehabilitate and maintain rural roads across the country to improve access to communities using the Zambia National Service that will be re-equipped. I also appeal to my fellow Honourable Members of Parliament and their councils, where appropriate, to invest into road maintenance equipment for fixing rural roads.

116. Madam Speaker, to improve efficiency and reduce time spent at the border, Government will construct and upgrade access to and infrastructure at key border posts. These include the Sakania, Chalwe, Mokambo, Kambimba, Kipushi, Katima-Mulilo, Mpulungu, Chanida, Mwami, and Nakonde. The roads leading to Namafulo and Zombe will be rehabilitated. In addition, pontoons will be stationed at Luangwa and Namafulo.

117. Madam, Government will expedite the establishment of the Kazungula Bridge Authority in collaboration with the Government of Botswana. The Authority will manage the bridge and associated infrastructure to foster regional trade and operationalise the 24-hour working schedule at the border.

118. Madam Speaker, to enhance transport by air, Government will commence the upgrading of aerodromes. The improvements at these aerodromes will promote tourism and trade in the country.

119. Madam, in the rail subsector,

Government is in discussion with our neighbouring countries to improve the rail network to facilitate trade in the region. This is in recognition of the critical role rail transport plays in transforming and developing our country.

***Information and
Communication Technology
Sector***

120. Madam Speaker, information and communication technology (ICT) is pivotal in socio-economic development and employment creation as it cuts across all sectors. ICTs are also vital for enhancing trade through provision of e-commerce platforms as well as deepening financial inclusion.

121. Madam, to accelerate the development of a digital economy, Government will implement the National Digital Transformation Strategy and review the Information and Communication Technology Act No. 15 of 2009. This will create an enabling environment for uptake of digital services by enhancing opportunities for investment in

infrastructure and use of digital platforms. Further, Government will formulate policies to encourage the uptake of ICTs by persons with disabilities.

122. Madam Speaker, the Postal Services Act No. 22 of 2009 will also be reviewed to adequately address the current challenges with courier services. The objective is to stimulate and ensure fair competition in the provision of postal and courier services.

123. Madam, the New Dawn Government has recognised science, technology and innovation as catalysts for development. In this regard, Government is reviewing the existing legislation to create an enabling environment for the adoption and application of science, technology and innovation. This will improve development planning, electronic communication, data collection, environmental management and agricultural production.

HUMAN AND SOCIAL DEVELOPMENT

124. Madam Speaker, investment in human capital is critical to stimulating growth and improving livelihoods. Therefore, investment in education, skills, health and water and sanitation as well as social protection is essential if we are to attain meaningful development.

Education and Skills Development

125. Madam Speaker, education and skills development is a powerful vehicle for reducing intergenerational poverty and inequality. It also increases productivity and sets a foundation for sustainable growth.

126. Madam, allow me to tick the checklist of the promises we made to this august House last year in my Budget Address regarding education and skills development.

‡ First was the provision of free education up to Grade 12. This we have achieved through the elimination of tuition, Parent-Teacher Association and examination fees, resulting in overwhelming enrolment.

‡ Second was the recruitment of 30,000 teachers. This we have achieved with 30,496 teachers recruited and deployed. So far, 27,645 teachers have been placed on the payroll after completing reporting formalities. The rest will be introduced on the payroll once they complete the reporting formalities.

‡ Third was providing bursaries for vulnerable learners. Again, this we have achieved by making these resources available using the Constituency Development Fund.

127. Madam, Government will continue to implement measures to improve the quality of education. To this end, an additional 4,500 teachers will be recruited in 2023. Priority for the deployment of these teachers will be given to rural areas which are more deprived. Further, Government will upgrade teachers who are currently serving in positions that are lower than their qualifications, including those who have been acting in higher positions for a long time without confirmation.

128. Madam Speaker, while we have made some headway in teacher availability, challenges remain in the sector. The problem of teachers shunning

remote areas and earning salaries designated for remote schools while actually not being there is real. The curriculum also needs to change to include, courses on financial literacy and anti-corruption, among others. It must make education responsive to skills needs of industry, as well as investing in ICT infrastructure and use of innovative methods of delivering education. Finally, many of our schools are not adequately supervised and inspected to ensure adherence to standards. In 2023, we are providing money specifically for ensuring, without fail, that schools are visited by standards compliance personnel.

129. Madam, to increase access to education, Government will next year complete the construction of 56 Early Childhood Education Centres. Madam Speaker, you may be aware that there are many high schools, some going as far back as 2010, which were abandoned midstream in the past twelve years. Government will embark on completing them in 2023, 115 secondary schools in total. Further,

Government will commence the construction of 120 new secondary schools with the support of the World Bank.

130. Madam Speaker, with regard to tertiary education, Government will establish polytechnics to increase access to skills training for the youth. Government will in 2023 commission Lundazi, Nsumbu and Mporokoso Trades Training Institutes.

131. Madam Speaker, last year, Government undertook to provide technical skills to youths in each constituency. It was envisaged that in time, the graduates from the skills colleges would be the ones to be contracted to undertake CDF projects in their areas for jobs like constructing classroom blocks, teachers' houses, among others. Local people being turned into local contractors. I am happy to report that this Programme has made progress and some youths have already graduated. District Councils are being encouraged to link them with on-going contract work so that they deepen their practical skills

before they can be contractors in their own right. Going forward, new intakes will be admitted and the training scheme will continue.

132. Madam Speaker, Government will continue to modernize TEVET institutions with state-of-the-art training equipment through the Skills Development Fund. Focus will also be directed towards the rehabilitation of workshops, building capacity of trainers, reviewing curricula and syllabi as well as upgrading the level of training offered by institutions.

133. Madam Speaker, you may recall that last year we made an undertaking to revisit the issue of meal allowances to improve the welfare of our students in public universities who are on the loan scheme. I can now confirm that meal allowances will be re-introduced in 2023.

Health

134. Madam Speaker, health is wealth. We cannot stimulate growth without investing in the health of our people. Government will continue

to improve the provision of quality healthcare services through recruitment of health personnel, infrastructure development and provision of drugs and medical supplies.

135. Madam, Government has fulfilled its promise of recruiting more than 11,000 health personnel. So far, 8,563 health personnel have been placed on the payroll. I am delighted to inform this august House that Government will in 2023 recruit an additional 3,000 personnel.

136. Madam Speaker, to ensure a resilient healthcare system and attain universal health coverage, Government has increased allocations for the purchase of drugs and medical supplies. This will result in improved availability of essential medicines and medical supplies. In addition, Government will equip and re-equip health facilities with modern medical equipment.

137. Madam, to improve access to healthcare facilities Government will

complete the construction of a specialized hospital in Lusaka for women and children. In addition, 36 district hospitals, 16 mini hospitals and 83 health posts will be completed across the country. We will also commence the construction of the second phase of mini hospitals. Rehabilitation and maintenance of health facilities will also be undertaken.

Water and Sanitation

138. Madam Speaker, to increase access to clean and safe water and sanitation services, Government will accelerate the completion of construction and rehabilitation of water supply and sanitation infrastructure. To enhance hygiene in public places, such as, markets and bus stations, Government will commence the construction of water borne sanitation infrastructure across the country.

139. Madam, Government remains committed to providing clean and safe water for our people. In this regard, Kafulafuta Dam Project on the Copperbelt is expected to be

completed in 2023, connecting water supply to over a million households in Masaiti, Luanshya, Mpongwe and Ndola Districts. The Lusaka Water and Sanitation Project in Matero and industrial area will also be completed in 2023.

140. Madam Speaker, other water and sanitation projects which are ongoing include the Integrated Small Towns Water Supply and Sanitation Project in Nakonde and Mpika Districts; Transforming Rural Livelihoods in Western Zambia; Nkana Water and Sanitation Project; Chipata Water Supply and Sanitation Project; and the Zambia Sanitation Project on the Copperbelt.

141. Madam, Government launched the Zambia Water Investment Programme to increase access to clean water and sanitation services especially in the rural areas. Development partners will be engaged to mobilise resources to finance the Programme.

Social Protection

142. Madam Speaker, in addition to the good stories I have already told

you this afternoon, I have a few more in the area of social protection. First, Government will continue to scale up and enhance social protection programmes with improved targeting and selection mechanisms to uplift the wellbeing of the vulnerable. To this end, Government has scaled up the Social Cash Transfer Programme by increasing the number of beneficiaries and transfer value. As at July 2022, the number of beneficiaries rose to 973,323 from 880,539 in August 2021. By the end of this year, the number of beneficiaries will increase to 1,021,000. In 2023, the number of beneficiaries will be 1,374,500.

143. Second, Madam Speaker, Government will continue providing education grants for girls in social cash transfer beneficiary households under the Keeping Girls in School Initiative. Third, Government will continue with the Food Security Pack Programme and the Public Welfare Assistance Scheme.

144. Fourth, Madam, you will recall

that for many years people were waiting for up to three years to access their terminal benefits under the Public Service Pensions Fund. Going forward, not any more. I am pleased to inform this august House that we are now meeting pension obligations as they fall due. You retire today, three months later, which is provided for processing your papers, you get paid. We are walking the talk.

145. Madam Speaker, now that we are current with the Public Service Pensions Fund, beginning 2023, Government will focus on reducing the waiting period of pensioners under the Local Authorities Superannuation Fund.

ENVIRONMENTAL SUSTAINABILITY

146. Madam Speaker, to promote green growth, Government will promote sustainable management of the environment, eco-systems and natural resources. To this end, climate change mitigation and adaptation will be strengthened through the development of climate resilient infrastructure.

147. Madam, Government, in collaboration with cooperating partners, will continue implementing projects aimed at sustainable management of the environment through projects such as Transforming Landscapes for Resilience and Development; Zambia Integrated Forestry Landscape Programme; and Strengthening Climate Resilience of Agricultural Livelihood in Agro-Ecological Regions.

148. Madam Speaker, concern has been raised about the rate of deforestation. This reflects lack of transparency in the exploitation of our forestry resources and poor returns to the loggers for the timber they sell. In a quest to increase the value for loggers, Government will, in 2023, commence the setting up of timber exchanges which will enable many buyers and sellers to meet in one place at pre-announced times. These exchanges will provide better transparency, and with many buyers available, it is anticipated that our timber will fetch better value.

149. The first exchange is targeted

for Nangweshi in Sioma District. Its location in a timber producing area, along an excellent high way to the sea ports in the south and availability of accommodation, makes it an attractive location for the purpose. When this first timber exchange is successful, more exchanges will be opened.

150. Madam Speaker, Government will extend and enhance coverage of early warning systems to facilitate preparedness and prompt response to adverse weather events. A total of 120 automatic weather stations will be installed across the country in 2023 in addition to the 120 installed this year.

151. Madam, to enable the participation of project developers in the carbon market through the United Nations Framework Convention on Climate Change, Government signed a green growth compact worth £1billion with the UK Government. This will facilitate foreign direct investment from the United Kingdom in renewable energy, urban planning and trade connectivity, among others.

152. Madam Speaker, to support low carbon development pathways, Government is pursuing innovative sources of financing such as green bonds. In this regard, Government has developed guidelines and listing rules for green bond trading. Further, we have commenced sensitization among potential green bond issuers and investors across the country. Additionally, we are undertaking development of a pipeline of potential developmental projects to be financed through green bonds. I will be announcing incentives to support the development of the green bond market in Part Three of my Address.

153. Madam, carbon trading has emerged as a promising source of financing while contributing to address the global challenge of climate change. In this regard, Government is developing legislation to regulate the carbon market in line with the Kyoto Protocol on climate change.

GOOD GOVERNANCE ENVIRONMENT

154. Madam Speaker, the New Dawn Government is committed to

the fight against corruption and building strong governance systems. Government will, by the end of the year, publish the Governance Diagnostic Assessment Report. The Assessment will identify the main governance weaknesses and corruption vulnerabilities as well as measures to address them.

155. Madam, Government will also implement fiscal, debt management, monetary and external sector policies that will stimulate growth and improve the livelihoods of our people. Government undertakes to adhere to transparency and accountability in the management of public resources.

156. Madam Speaker, to demonstrate our commitment to these reforms and the fight against corruption, Government will increase funding to law enforcement agencies and oversight institutions.

Fiscal Policy

157. Madam Speaker, fiscal policy is anchored on the Eighth National Development Plan objective of attaining fiscal sustainability and

creating a platform for inclusive growth. In 2023, the focus will be on improving the fiscal position by reducing the overall deficit to 7.7 percent of GDP from the projected 9.8 percent in 2022.

158. Madam, to attain this objective, Government is strengthening compliance and administrative capabilities to generate more revenue while keeping the tax policy environment stable and predictable.

159. Madam, Government will focus on containing public expenditures within sustainable levels. This will be achieved by ensuring strict adherence to priority projects, doing away with wasteful subsidies and improving procurement procedures. Government will also curb the accumulation of new arrears by enforcing the use of the Commitment Control System for procurement of goods and services.

Domestic Revenue Mobilization

160. Madam Speaker, revenue mobilisation will focus on strengthening compliance and

improving trade facilitation.

161. Madam, to enhance compliance, Government will implement the following measures:

(a) Use of Electronic Fiscal Devices. Government will expand the use of Electronic Fiscal Devices with enhanced functionality to all eligible taxpayers and shall be extended to turnover tax and the gaming and betting industry;

(b) Interface of Government Systems. The ZRA Taxonline System will be interfaced with the Integrated Financial Management Information System and the Land Management System; and

(c) Mandatory verification of tax liabilities. Government will make it mandatory for all public bodies to verify with ZRA any tax liabilities and withhold amounts owed to ZRA before making payment to suppliers of goods and services.

162. Madam, to improve trade facilitation, Government will implement the following measures:

(a) Border Management and

Trade Facilitation. Government will fully operationalise the Border Management and Trade Facilitation Act. This will include the implementation of the Coordinated Border Management Concept that will streamline the number of regulatory agencies stationed at the border to six (6) from the current maximum of eighteen (18). The remaining agencies at borders must ensure that there is orderliness, cleanliness and efficient service delivery;

(b) Zambia Electronic Single Window. Government will accelerate the linking of the other agencies that will not be operating physically at the borders to the Single Window. This will enable them perform their regulatory functions remotely; and

(c) Electronic Cargo Tracking. Government will implement the Electronic Cargo Tracking System to curtail transit fraud.

Debt Management

163. Madam Speaker, the country is under debt distress. This means

that we are unable to meet our debt obligations as they fall due. As I have already indicated, Government has secured an Extended Credit Facility arrangement with the IMF which will anchor the debt restructuring process under the G20 Common Framework for debt treatment. To this end, Government is engaging all the creditors to negotiate and agree the terms and conditions of the debt restructuring.

164. Madam, successful debt restructuring will create fiscal space to enable us provide support to developmental programmes and also to spend more on those of our people who are vulnerable. In this regard, I wish to acknowledge the support of all our Cooperating Partners and creditors in securing the Extended Credit Facility. I, therefore, request all creditors to work with us to expeditiously conclude debt restructuring.

165. Madam Speaker, to show our commitment to prudent debt management, the Public Debt Management Act No. 15 of 2022

was enacted in August. The Act has strengthened public debt management as well as enhanced transparency and accountability. It has also enhanced Parliamentary oversight on public debt contraction. Government will by the end of this year finalise the regulations.

Public Financial Management

166. Madam Speaker, to strengthen fiscal controls and governance, Government is developing a Public Financial Management Strategy for the period 2023-2026. The overall objective of the strategy is to enhance internal controls in the payroll system; improve functionality of IFMIS; and improve the coverage and timeliness of financial reporting.

167. Madam, in 2020, Government enacted a new Public Procurement Act and regulations to enhance public procurement. However, new challenges have emerged, such as procurement delays, which require further review of the law and attendant processes.

168. Madam Speaker, to enhance commitment controls, Government will ensure that ministries register purchase orders and other financial commitments in the IFMIS. This will facilitate the link between procurement commitments and the budget to curtail the accumulation of arrears.

169. Madam, to improve the efficiency of non-tax revenue collection and service delivery to the public, Government will integrate various ICT systems to the Government Service Bus platform to facilitate data matching and workflow. Further, an additional 100 services from 20 institutions will be automated and introduced onto the platform. This will bring the total number of public services on the Bus to 362 by the end of 2023. To mitigate revenue leakages, payments for public services will be made through electronic channels.

170. Madam Speaker, in line with our decentralisation agenda, more resources are going to local authorities. This necessitates the strengthening of good financial

governance in local authorities by enhancing internal controls and timely reporting. To achieve this, Government will develop the Local Government Financial Management System. In addition, all local authorities currently on activity-based budgeting will migrate to output based budgeting system in 2023.

171. Madam, to enhance internal controls in the management of the payroll, Government will introduce work flows on the Payroll Management and Establishment Control System aimed at segregating duties. Government will also decentralise management of the payroll to the respective controlling officers. This is meant to address incidences of ghost workers and other payroll anomalies that result in loss of funds by Government.

Decentralization

172. Madam Speaker, Government in this year's Budget significantly increased the Constituency Development Fund. So far K3 billion, representing 75 percent of

the allocation, has been released. However, utilisation has been unsatisfactory as less than 10 percent of the released amount has been utilised. The underutilisation has been due to administrative challenges such as highly centralised approval processes required under the law; cumbersome procurement procedures; and limited capacity in project preparation, among others.

173. Madam, to address these challenges, Government will amend the Constituency Development Fund Act to streamline the approval processes and give more decision-making powers to the local communities. We have realised that while we decentralised the funds, we did not decentralise decision making processes. This, we will change. Further, Guidelines relating to the management of the CDF budget will be simplified while capacity building and awareness in communities will also be undertaken.

174. Madam Speaker, I am happy to inform the nation that the

Treasury will not recall any unutilised funds under CDF by the end of the year. Our expectation is that all Constituencies will continue with project selection and procurement in line with the CDF guidelines.

175. Madam, from 2024, allocation to the CDF will take into account population and poverty levels of each constituency and disbursements will be based on utilisation.

Public Private Partnerships

176. Madam Speaker, in these times when financial resources are limited and yet the need for infrastructure remains critical, Public Private Partnership (PPP) approaches are an alternative source of financing for key developmental projects without overburdening the fiscus. To enhance the effectiveness of PPPs, Government will bring a Bill to repeal and replace the Public Private Partnership Act. Later in my Address, I will announce specific incentives to make PPPs more attractive for private sector participation.

177. Madam, to further strengthen collaboration between the public and the private sector, Government launched the Public Private Dialogue Forum with the support of Cooperating Partners. This forum will provide an opportunity for Government to interact with the private sector and provide practical solutions to the challenges hindering private sector growth. This underscores Government's conviction that the private sector has a pivotal role to play in our economic transformation agenda.

Public Investment Management

178. Madam Speaker, to ensure value for money in public investments, Government will strengthen capacity in public institutions to develop projects and undertake appraisals. Public investment projects will undergo appraisal and only viable ones will be included in the Public Investment Plan. This will serve as a basis for prioritization of projects for inclusion in the Budget.

179. Madam, to enhance efficiency

in the development of public investment projects, appraisal and information management, Government is developing a Public Investment Management Information System.

Monetary and Financial Sector Policies

180. Madam Speaker, to stimulate growth and improve the livelihoods of our people, Government will continue to pursue policies aimed at maintaining price and financial system stability.

181. Madam, monetary policy will, therefore, continue to rely on the forward-looking framework anchored on the Policy Rate as a key signal for the policy stance.

182. Madam Speaker, with regard to financial stability, the focus will be on strengthening the macroprudential function to limit disruptions in the provision of financial services. To this end, the Bank of Zambia will operationalise the Financial Stability Committee in accordance with the Bank of

Zambia Act No. 5 of 2022. The Committee will, among other responsibilities, formulate policies aimed at maintaining overall stability of the financial system.

Financial Inclusion

183. Madam Speaker, the level of financial inclusion at 69.4 percent is still low. Government will, therefore, step up efforts to increase financial services to unserved and underserved areas, particularly among the rural population. To this end, Government is developing a 2023-2027 National Financial Inclusion Strategy, which will provide interventions to increase financial inclusion.

External Sector Policies

184. Madam Speaker, Government will maintain a flexible exchange rate regime while mitigating excessive volatility. To cushion the economy against external shocks, accumulation of international reserves will be enhanced through increased export earnings and promotion of sustainable foreign

investment flows. Government will also enhance the compilation of balance of payments statistics through the full operationalisation of the Electronic Balance of Payment Monitoring System.

State-Owned Enterprise Management

185. Madam Speaker, the Government is concerned about the performance of our state-owned enterprises. In this regard, Government is developing a state-owned enterprise policy to strengthen their governance and improve performance. The policy will also provide a framework for conducting periodic assessment of state-owned enterprises to ensure appropriate interventions.

186. Stronger governance is also required because of some questionable investment decisions that were made by state enterprises. In particular, cash rich state enterprises shall not be allowed to buy businesses that are of no strategic value or being made to buy

existing businesses where the vendors believe only a state-owned enterprise can agree to pay an inflated price.

Gaming and Lotteries

187. Madam Speaker, the gaming and lotteries industry has grown over the years. Despite this growth, the regulatory framework is fragmented thereby hindering the smooth oversight and collection of revenue from the industry. To address this, Government is in the process of developing the gaming and lotteries policy that will facilitate the harmonisation of the various pieces of legislation governing the industry.

PART III

THE 2023 BUDGET

188. Madam Speaker, Government proposes to spend K167.3 billion or 31.4 percent of GDP. To support this expenditure, K111.6 billion or 20.9 percent of GDP will be raised as domestic revenue; K1.7 billion or 0.3 percent of GDP as grants from Cooperating Partners; and

K54.0 billion or 10.2 percent of GDP as financing. Accounting for amortisation of K13.1 billion or 2.5 percent of GDP, financing translates into a fiscal deficit of K40.9 billion

or 7.7 percent of GDP.

189. Madam, I now present details of the proposed expenditure, revenue and the borrowing plan for the 2023 Budget.

2023 EXPENDITURES BY FUNCTIONS OF GOVERNMENT

FUNCTION	2023 BUDGET	SHARE OF BUDGET
	K	
General Public Services	66,172,293,432	39.5%
O/w Domestic Debt	30,530,000,000	
External Debt (Interest and Principal)	18,234,338,486	
Dismantling of Arrears	6,823,755,000	
Local Government Equalization Fund	1,339,252,754	
Compensation Fund	500,000,000	
Defence	8,147,475,655	4.9%
Public Order and Safety	5,188,570,932	3.1%
O/w Intergrated National Registration Information System (INRIS)	200,000,000	
Economic Affairs	35,013,401,599	20.9%
O/w Agriculture, Fisheries & Livestock Interventions	11,209,692,002	
O/w Farmer Input Support	9,119,154,149	
Extension Services	789,528,363	
Irrigation & Farm Block Development	426,611,657	
Animal Disease Control	274,397,833	
Road Infrastructure	5,156,017,706	
O/w Feeder Roads - ZNS	250,000,000	
Constituency Development Fund	3,545,520,001	
Rural Electrification Programme	743,578,629	
Empowerment Funds for SMEs	397,410,644	
Provincial Aerodromes Infrastructure	355,000,000	
Tourism Marketing & Infrastructure	366,293,198	
Credit Guarantee Scheme	150,000,000	
Border Infrastructure	150,000,000	
Environmental Protection	1,059,981,064	0.6%
Housing and Community Amenities	2,584,283,569	1.5%
O/w Water Supply & Sanitation	2,269,481,977	
O/w Milenium Challenge Account	135,851,359	
Health	17,394,799,887	10.4%
O/w Drugs and Medical Supplies	4,584,345,181	
Health Infrastructure	1,123,002,011	
Medical Equipment	900,000,000	
Recreation, Culture and Religion	444,422,530	0.3%
O/w Sports, Sporting Infrastructure & Equipment	165,000,000	
Education	23,188,742,594	13.9%
O/w School Infrastructure	1,504,847,894	
Secondary School & Skills Development Bursaries (CDF)	871,448,712	
Skills Development Fund	220,830,254	
Social Protection	8,127,762,301	4.9%
O/w Social Cash Transfer	3,720,898,131	
Public Service Pension Fund	2,398,000,031	
Local Authorities Superannuation Fund	300,000,000	
Food Security Pack	1,206,855,784	
TOTAL	167,321,733,563	100.0%

Note: The Table highlights only some of the notable expenditure items under each Function of Government.

General Public Services

190. Madam Speaker, I propose to spend K66.2 billion or 39.5 percent of the budget on the General Public Services function. Of this amount, K30.5 billion will go towards domestic debt service while K18.2 billion is for external debt service.

191. Madam, the allocation towards debt service does not take into account debt restructuring and will be subject to change once agreement is reached with creditors. We appeal to our creditors to support us so that, together, we can expeditiously conclude the debt restructuring.

192. Madam Speaker, to accelerate the dismantling of arrears owed to various suppliers of works, goods and services, I propose to increase the allocation to K6.8 billion from K3.1 billion this year. The increase is in line with Government's strategy to dismantle arrears and unlock liquidity in the economy.

193. Madam, to support the operations of local authorities in the delivery of public services, I

propose to allocate K1.3 billion to the Local Government Equalization Fund.

Economic Affairs

194. Madam Speaker, to stimulate economic growth and improve livelihoods of our people, I propose to spend K35.0 billion or 20.9 percent of the budget on the Economic Affairs function.

195. Madam, I propose to spend K11.2 billion on various interventions in the agriculture, fisheries and livestock sub-sectors in line with the Comprehensive Agriculture Support Programme. The Programme will provide farming inputs, enhance extension services, improve market access, financing to farmers and develop irrigation systems.

196. Madam Speaker, I therefore, propose an allocation of K9.1 billion for farming inputs, K789.5 million for extension services including the procurement of motor bikes, extension kits, electronic tablets and rehabilitation of camp houses across the country. I also

propose to spend K426.6 million on farm block development and irrigation to reduce dependence on rain-fed agriculture and support agricultural activities all year round. Further, I have allocated K52.7 million for the recruitment of at least 500 extension officers in the livestock, fisheries and agriculture sub-sectors.

197. Madam, I further propose to spend K274.4 million on animal disease control. This will facilitate the procurement of animal vaccines as well as the construction of an animal vaccine plant at Balmoral in Chilanga District.

198. Madam Speaker, to scale up economic activity, I propose to spend K5.2 billion on construction, maintenance and rehabilitation of various roads across the country. I also propose an allocation of K355.0 million for upgrade of aerodromes.

199. Madam, I propose to allocate K150.0 million towards the improvement of border infrastructure in various parts of the country. This will facilitate trade and

reduce the cost of doing business.

200. Madam Speaker, I propose to increase the allocation to the Constituency Development Fund to K4.4 billion, an increase of K401 million from this year's allocation. This means that each constituency will now get K28.3 million, an increment of K2.6 million.

201. Madam, to address the challenges faced by communities especially in rural areas, priority will be on improving water and sanitation at health and education facilities, procurement of school desks, electrification of schools and hospitals as well as provision of maternity services at health centres.

202. Madam Speaker, it is our resolve that, by the end of our first term in office, no learner will be sitting on the floor, every health facility across the country should have a maternity ward with reticulated water. Every Government facility in education, health, judiciary as well as local markets should have access to clean water supply and sanitation.

203. Madam, to accelerate rural electrification, I have doubled the allocation to the Rural Electrification Programme to K743.6 million. This will support the development of local businesses and create employment opportunities in rural constituencies as they respond to the increased demand for goods and services under the Constituency Development Fund.

204. Madam Speaker, to promote local and international tourism, I propose to spend K366.3 million on tourism marketing and infrastructure development. This amount will cater for the upgrading of tourism infrastructure in various areas, including Kasaba Bay and Liuwa National Park. The funds will also be used to enhance the visibility of Zambia as a tourist destination.

205. Madam, to continue supporting entrepreneurship development especially among the youth and women, I propose to spend K397.4 million on citizen economic empowerment programmes. I have also allocated K150.0 million to the Zambia Credit Guarantee Scheme

to support micro, small and medium enterprises access affordable financing.

206. Madam Speaker, I propose to allocate K50.0 million towards the support of artisanal and small-scale mining to enable them access the necessary equipment and training. This will increase the participation of our citizens, especially the youth and women, in the sector.

Education

207. Madam Speaker, I have allocated K23.2 billion or 13.9 percent of the total budget to the education function. The allocation reflects Government's continued commitment to facilitating the empowerment of our people with the knowledge and skills necessary to fight poverty and illiteracy. Of this amount, K1.5 billion is for construction, rehabilitation and completion of ongoing school infrastructure while K358.4 million is for the recruitment of 4,500 additional teachers.

208. Madam, in light of the high premium that this Government

places on education, I have allocated K930.2 million to the Higher Education Loans and Scholarship Board. I am pleased to state that this allocation will cater for student bursaries and the re-introduction of student meal allowances in line with the promises of the New Dawn Administration.

209. Madam Speaker, I have allocated K40.0 million for regular inspection and supervision of schools to ensure that learners are receiving quality education.

Health

210. Madam Speaker, I propose to spend K17.4 billion or 10.4 percent of the budget on health to improve the provision of quality health care. Of this amount, K4.6 billion has been allocated for the procurement of drugs and medical supplies, representing an increase of K1.2 billion or 35.7 percent. I have also allocated K1.1 billion for the construction, completion and rehabilitation of health facilities across the country.

211. Madam, a further K900.0

million has been allocated for the procurement of medical equipment and ambulances, an increase of 383 percent from K186.4 million this year. This is in response to the unjustifiable challenges that our people continue to face in accessing basic services such as X-Rays, which have often resulted in the loss of lives. This intervention will not only prevent the loss of lives, but will also minimize the stress that our people experience in seeking medical attention.

212. Madam Speaker, recruitment in the health sector must continue. I, therefore, propose to spend K307.5 million on the recruitment of 3,000 additional health personnel.

Housing and Community Amenities

213. Madam Speaker, to improve the provision of safe and clean water, adequate sanitation and decent housing, I propose to spend K2.6 billion or 1.5 percent of the budget on housing and community amenities. Of this amount, K2.3 billion is for various water supply

and sanitation projects, including the construction of water dams and boreholes across the country.

Public Order and Safety

214. Madam Speaker, to promote public order and safety, I have allocated K5.2 billion or 3.1 percent of the budget. The allocation is for operations, construction and rehabilitation of infrastructure as well as recruitment of 2,000 police officers.

Social Protection

215. Madam Speaker, we value our people especially the vulnerable. In the 2022 Budget, I allocated K6.3 billion towards social protection. For 2023, I propose to increase the allocation by 29.1 percent to K8.1 billion. Of this amount, K2.4 billion is for payment of retirees under the Public Service Pensions Fund while K300.0 million is for retirement benefits under the Local Authorities Superannuation Fund.

216. Madam, with these allocations, Government will remain current with pension obligations under the Public Service Pensions Fund. We will also clear the backlog of arrears under the Local Authorities Superannuation Fund up to end-December 2021. Currently, arrears date back to December 2018.

217. Madam Speaker, to support the

vulnerable in our society, I propose to increase the allocation to Social Cash Transfer Programme by 19.8 percent to K3.7 billion from K3.1 billion this year. I have further allocated K1.2 billion for the Food Security Pack to support the vulnerable but viable farmers and K133.5 million towards the Keeping Girls in School Programme.

Environmental Protection

218. Madam Speaker, to promote sustainable environmental and natural resource management across the country, I propose to allocate K1.1 billion to the Environmental Protection function. These funds will be used to implement various projects and programmes aimed at strengthening climate change adaptation, resilience and mitigation. Regarding the proposed first timber exchange in the country at Nangweshi, I propose to spend K70 million.

Other Functions

219. Madam Speaker, I propose to allocate a total of K8.6 billion to the functions of Defence; and Recreation, Culture and Religion. Of this amount, K165 million has been allocated for the purchase of various sports equipment as well as support to the football national teams and other sports disciplines.

REVENUE ESTIMATES AND MEASURES

Resource Envelope for the 2023 Budget

220. Madam Speaker, to meet the proposed expenditure, Government expects to raise K167.3 billion. Of this amount, K111.6 billion will come from domestic revenues out of which K93.6 billion will be tax revenues while K18.1 billion will be

non-tax revenues. Grants from Cooperating Partners will be K1.7 billion.

221. Madam, the balance of K54.0 billion will be financing. This will be raised in accordance with the Annual Borrowing Plan as provided for under Section 8 of the Public Debt Management Act No.15 of 2022. Of this amount, K15.6 billion will be domestic and K38.4 billion external financing.

2023 TOTAL RESOURCE ENVELOPE

	AMOUNT (ZMW)	SHARE OF BUDGET	SHARE OF GDP
TOTAL DOMESTIC REVENUE, GRANTS & FINANCING	167,321,733,563	100.0%	31.4%
I. TOTAL DOMESTIC REVENUES & GRANTS	113,348,735,718	67.7%	21.3%
II. DOMESTIC REVENUE	111,643,321,261	66.7%	20.9%
Tax Revenue	93,556,303,634	55.9%	17.5%
a. Income Tax	50,427,134,700	30.1%	9.5%
Company Tax	21,195,997,244		
Pay As You Earn (PAYE)	19,319,235,335		
Withholding Tax and Other Revenues	9,911,902,121		
b. Value Added Tax (VAT)	29,209,212,374	17.5%	5.5%
c. Customs and Excise Duties	13,810,455,588	8.2%	2.6%
Customs Duties	6,879,990,144		
Excise Duties	6,930,465,444		
d. Export Duties	109,500,972	0.1%	0.02%
Non Tax Revenue	18,087,017,627	10.8%	3.4%
o/w Mineral Royalty	8,986,242,157		
Total User Fees, Fines and Charges	8,517,282,387		
Skills Development Levy	220,830,254		
Insurance Premium Levy	210,719,586		
Motor Vehicle Fees	127,299,182		
Tourism Levy	24,644,061		
III. GRANTS	1,705,414,457	1.0%	0.3%
IV. TOTAL FINANCING	53,972,997,845	32.3%	10.2%
Domestic Financing	15,575,869,900		
External Financing	38,397,127,945		
o/w Programme Loans	31,488,496,390		
Project Loans	6,908,631,555		

**2023 TOTAL RESOURCE
ENVELOPE**

Revenue Measures

222. Madam Speaker, I now present the 2023 revenue measures.

Direct Taxes

223. Madam Speaker, to mitigate the cost of living for our people, I propose to increase the Pay-As-You-Earn threshold to K4,800 per month from K4,500. In addition, I propose to adjust the tax bands and

reduce the rate in the second band to 20 percent from 25 percent.

224. Madam, the measure will add 21,509 more workers to those who do not currently pay this tax on account of being below the PAYE threshold. The measure will also increase disposable income for salaried households by **K1.0 billion**. The proposed regime is as follows:

Current regime		Proposed regime	
Income Band (per month)	Tax Rate	Income Band (per month)	Tax Rate
0 – K4,500	0%	0 - K4,800	0%
K4,501 – K4,800	25%	K4,801 – K6,800	20%
K4,801 – K6,900	30%	K6,801 – K8,900	30%
Above K6,900	37.5%	above K8,900	37.5%

225. Madam Speaker, to strengthen the administration of Pay-As-You-Earn, Government will enforce legal provisions for employers to submit employees Taxpayer Identification Numbers in their monthly returns.

226. Madam, I also propose the following concessions:

(a) Increase tax credit for persons with disabilities to K600 per month from the current K500 per month;

(b) Abolish the current two-tier taxation system in the telecommunication subsector, which provided for 30 percent tax on profit of up to K250,000 and 40 percent on profit above K250,000, and replace it with a single tax rate of 35 percent;

(c) Introduce a threshold on turnover tax and rental income at K12,000 per annum to be taxed at zero percent and the balance at the applicable turnover tax rate. This measure exempts income of K1,000 or less per month from the turnover tax bracket;

(d) Reduce income tax rate for the lapidary and jewellery facilities in the gemstone industry to 25 percent from 30 percent to promote value addition and attract more investment;

(e) Reduce presumptive tax to 15 percent from 25 percent on land-based (brick and mortar) betting companies. I also propose to reduce withholding tax on winnings from gaming and betting to 15 percent from 20 percent. These measures are aimed at improving compliance for the industry and will be for the charge years 2023 and 2024;

(f) Remove 20 percent withholding tax on re-insurance including retrocession to support the growth of the local insurance industry;

(g) Exempt from withholding tax interest income earned on green bonds listed on the securities exchange in Zambia with maturity of at least 3 years to encourage investment in projects with environmental benefits;

(h) Remove the 15 percent withholding tax on investment income on life insurance funds to encourage individuals to save or take out investment products with a life insurance component;

(i) Reduce the rate of withholding tax to zero percent from 15 percent on interest earned by individuals from loans advanced by members under the savings groups such as co-operatives and village banking. The measure is meant to stimulate the growth of SMEs by enabling them have access to affordable capital;

(j) Increase the threshold for the allowable expenditure incurred in the construction of employee housing to K100,000 from K20,000 to encourage the provision of accommodation for employees of the farming entity and any other employer; and

(k) Extend the local content allowance at the rate of 2 percent, for income tax purposes to encourage value addition to tomato. This is in addition to mango, pineapple and cassava.

227. Madam Speaker, the total revenue loss from these concessions is estimated at **K1.06 billion**.

228. Madam, I also propose the following revenue generating measures:

(a) Increase property transfer tax rate to 7.5 percent from 5 percent;

(b) Extend the turnover tax regime to service providers in the gig economy. This measure is aimed at improving tax compliance for small businesses in the digital economy; and

(c) Replace the current corporate income tax regime with a presumptive tax for artisanal and small-scale mining. The presumptive tax will be based on the gross turnover less mineral royalty paid at the applicable turnover tax rate.

229. Madam Speaker, the total gain from revenue generating measures under direct taxes is estimated at **K196.9 million**.

Value Added Tax

230. Madam Speaker, I propose the following concessions under Value Added Tax:

(a) Zero rate the supply of milk cans and milking machines to encourage the growth of the dairy sub-sector and promote utilisation of appropriate milk handling equipment;

(b) Zero rate the supply of selected information and communications technology (ICT) and telecommunications equipment;

(c) Exempt from VAT, gaming, betting and lotteries to simplify the taxation of this industry and to align with international good practice; and

(d) Exempt from VAT, game animals imported as breeding stock to encourage purchasing of breeding stock.

231. Madam, the total loss from these concessions is estimated at **K3.1 million.**

232. Madam Speaker, I propose the following revenue generating measures:

(a) Standard rate the supply of petrol and diesel effective midnight tonight. This measure is intended to redirect resources from inefficient subsidies that benefit the rich more than the poor. It is this measure that has enabled me allocate more resources to critical areas such as free education, increased CDF and medical equipment, among others; and

b) Standard rate selected energy saving appliances and equipment to rationalise the zero-rated supplies for value added tax purposes.

233. Madam, the total gain from revenue generating measures under Value Added Tax is estimated at **K6.8 billion.**

234. Madam Speaker, goods imported by the Republican President are currently zero-rated.

This means that the President does not pay VAT on imports that are subject to VAT. As a demonstration of our commitment to ensure that every citizen pays their fair share of tax, I propose to standard rate goods that are subject to VAT at importation.

Customs and Excise

235. Madam Speaker, agriculture remains a key driver for poverty reduction in our county. To promote productivity in the sector, I propose to remove customs duty on:

(a) Biological control agents used in agriculture;

(b) Crop growing media (peat moss) used in the production of vegetable seedlings; and

c) Selected tree crop seedlings.

236. Madam, to encourage investment in various sectors, I propose relief on customs duty for a period of 3 years on the following:

(a) Selected equipment for the music and film industry;

(b) Selected information and communications technology and telecommunications equipment;

(c) Refuse compactor trucks, skip loader vehicles, road sweepers and skip bins;

(d) Equipment for baling waste;

(e) Prefabricated housing units;

(f) Greenhouse plastics used in agriculture; and

(g) Selected machinery, equipment and articles used in aquaculture.

237. Madam Speaker, I propose other concessions as follows:

(a) Suspend 15 percent customs duty on imported Automated Teller Machines for a period of one year to improve efficiency in the provision of financial services;

(b) Remove 15 percent customs duty on gas cylinders to make the use of liquefied petroleum gas affordable to safeguard the environment and diversify the energy mix;

(c) Reduce customs duty on electric vehicles to 15 percent from 30 percent. This is intended to encourage the use eco-friendly

motor vehicles. In addition, this will reduce heavy dependence on fossil fuels;

(d) Reduce customs duty to 15 percent from 25 percent on bicycles. This measure will directly benefit our people who rely on this mode of transportation; and

(e) Reduce excise duty on methylated spirit to 60 percent from 125 percent to harmonise the excise duty rates on methylated spirit and ethyl alcohol.

238. Madam, the total revenue loss on concessions under Customs and Excise is estimated at **K379.7 million**.

239. Madam Speaker, I propose the following revenue generation measures under Customs and Excise:

(a) Reinstate excise duty on petrol and diesel effective midnight tonight;

(b) Increase carbon emission surtax by 10 percent and introduce excise duty at the rate of 15 percent on various plastic articles to promote the green environment;

(c) Increase specific excise duty on cigarettes to K361 per mille from K355 per mille;

(d) Increase specific excise duty on unmanufactured tobacco, tobacco refuse, smoking tobacco whether or not containing tobacco substitutes, and water pipe tobacco to K361 per kg from K355 per kg;

(e) Introduce excise duty on electronic cigarettes and cartridges at the rate of 145 percent;

(f) Introduce surtax at the rate of 5 percent on imported PVC pipes and HDPE pipes; and

(g) Introduce surtax at the rate of 5 percent on imported coal and increase surtax on imported floor and wall tiles to 20 percent from 5 percent to support local production.

240. Madam, the total gain on revenue generating measures under Customs and Excise is estimated at **K2.2 billion**.

Incentives to Stimulate Growth

241. Madam, to stimulate growth and improve the livelihoods of our people, through unlocking of

investment in various sectors, I propose to introduce the following tax incentives:

Mining Sector

242. Madam Speaker, as I explained earlier, Zambia's mineral production has stagnated around 800,000 metric tonnes per annum while our neighbour DRC which was behind in production has surpassed us. To ensure increased production and reclaim our position as the continent's top copper producer, we need to attract more investment in the mining sector through creation of a conducive environment. It is with this objective, that I propose to restructure the mineral royalty regime with respect to copper. The tax will now apply on the incremental value in each adjusted price band as opposed to the aggregate value when the price crosses the respective price threshold. I further propose to reduce the lowest marginal rate to 4.0 percent from 5.5 percent. The revenue loss from this measure is estimated at **K2.8 billion**.

Current Mineral Royalty Tax Regime

Price Range	Taxable Amount	Rate (%)
Less than US\$4,500 per tonne	Full price amount	5.5
US\$4,500 per tonne or more but less than US\$6,000 per tonne	Full price amount	6.5
US\$6,000 per tonne or more but less than US\$7,500 per tonne	Full price amount	7.5
US\$7,500 per tonne or more but less than US\$9,000 per tonne	Full price amount	8.5
US\$9,000 per tonne or more	Full price amount	10

Proposed Mineral Royalty Tax Regime

Price Range	Taxable Amount	Rate (%)
less than US\$4,000 per tonne	The first US\$4,000	4.0
US\$4,001 per tonne or more but less than US\$5,000 per tonne	The next US\$1,000	6.5
US\$5,001 per tonne or more but less than US\$7,000 per tonne	The next US\$2,000	8.5
US\$7,001 per tonne or more	The balance	10

243. Madam, I also propose to reduce property transfer tax to 7.5 percent from 10 percent on mining rights held by exploration companies to encourage mining exploration.

Public - Private Partnership

244. Madam speaker, to address the infrastructure deficit while relieving pressure on the Treasury, I propose tax incentives to attract Public-

Private Partnership infrastructure investment as follows:

- (a) The tax payable by a Special Purpose Vehicle under the Public-Private Partnership shall be reduced by 20 percent for the first five (5) years that the project makes a profit;
- (b) Allow a Special Purpose Vehicle to claim wear and tear on a straight-line basis at an accelerated rate, up to 100 percent. This is in respect

of any implement, plant and machinery acquired and used by the project for the purposes of that project;

(c) Remove customs duty and exempt from Value Added Tax, at importation; plant, machinery and equipment acquired for use in a project; and

(d) Allow a Special Purpose Vehicle to claim input Value Added Tax, where applicable, before the commencement of commercial operations.

245. Madam, the revenue loss from this measure is minimal.

Tourism Sector

246. Madam Speaker, to stimulate growth in the tourism sector, I propose to suspend customs duty on imports of selected fixtures and fittings, capital equipment, machinery, and safari game viewing vehicles. This incentive will only apply on items that are not locally produced. These measures will be in effect for a period of three years, up to 31st December 2025. The revenue loss from these measures is estimated at **K60.4 million** in 2023.

247. Madam, to facilitate increase in tourist arrivals, I propose to waive visa requirement for tourists from the United Kingdom, United States of America, Canada, Norway, Australia, China, Japan, South Korea, the Gulf States and the European Union. This measure will take effect from midnight tonight. The revenue loss from this measure will be minimal.

Agro-Processing

248. Madam Speaker, to attract investment into corn starch processing, I propose to introduce income tax concessions for 15 years on income generated from local sales of corn starch by agro-processing businesses operating in Multi-Facility Economic Zones, Industrial Parks or rural area as follows:

(a) Zero percent corporate income tax for charge years 2023 to 2033;

(b) Fifty percent relief on corporate income tax for charge years 2034 to 2036;

(c) Twenty five percent relief on corporate income tax for charge years 2037 to 2038; and

(d) Zero percent withholding tax on dividends declared on profits for charge years 2023 to 2033.

249. Madam, currently there is no domestic production of corn starch and, therefore, the revenue loss will be minimal.

Manufacturing Sector

250. Madam Speaker, to continue promoting out-grower schemes, foster forward and backward linkages, value addition and job creation, I propose to suspend excise duty on locally produced clear beer from cassava to 5 percent from 10 percent. In addition, I propose to suspend excise duty on locally produced clear beer made from malt to 20 percent from 40 percent. These measures will apply to production levels over and above a specified threshold for a period of 3 years and will come into effect in the last quarter of 2023. This measure will have minimal revenue loss.

Improving business environment

251. Madam Speaker, to further enhance an enabling environment for the private sector to grow and

reduce the cost of doing business, I propose to revise the basis on which Environmental Impact Assessment fees are charged from the value of the investment to a graduated pollution-based classification charge. The revenue loss from this measure is estimated at **K20.5 million**.

Tax Amnesty on Penalties and Interest

252. Madam, to provide relief to individuals, businesses and other entities following the adverse effects of COVID-19, Government will implement a Tax Amnesty Programme on all Penalties and Interest accumulated up to 30th September, 2022 and will cover all tax types.

253. Madam Speaker, the programme will also provide amnesty to non-compliant taxpayers to regularise their tax affairs, appropriately register and make correct declarations without penalties and interest.

254. Madam, detailed guidelines regarding the modalities of the Amnesty programme will be published accordingly.

255. Madam Speaker, the Amnesty will run from midnight tonight to 31st March 2023. I, therefore, urge taxpayers to take advantage of this initiative before the penalties and interest are reinstated on 1st April 2023. Thereafter, enforcement will be stepped-up.

Non-Tax Measures

256. Madam Speaker, to encourage the growth of courier services, I propose to reduce the upfront licence fees for domestic courier operations to K10,000 from K15,000 and for local courier operations to K5,000 from K10,000. I also propose to reduce current fees for selected services that are offered by the Patents and Companies Registration Agency.

257. Madam, I propose to revise upwards various fees for services provided under the Department of Co-operatives to make them cost reflective.

258. Madam Speaker, the net revenue impact of non-tax measures is a minimal loss.

259. Madam, in summary the total revenue gain from the measures I have proposed is K9.2 billion while the total revenue loss is K4.3 billion. This gives a net revenue gain of **K4.9 billion.**

Housekeeping Measure

260. Madam Speaker, to update, strengthen and remove ambiguities in certain provisions of the tax laws and make tax administration more effective, I propose to amend the Income Tax Act, Property Transfer Tax Act, Customs and Excise Act, Value Added Tax Act, and the Local Government Act, among others.

261. Madam Speaker, all the measures I have outlined, unless otherwise stated, will take effect on 1st January, 2023.

PART IV

CONCLUSION

262. Madam Speaker, the New Dawn Administration is delivering on its promises to the people of Zambia. Our promise to fix the economy is on course. Growth has rebounded. Budget credibility has

been restored. Inflation has been lowered. The exchange rate has been stabilised. And, concrete steps are being taken to restructure our debt.

263. Madam, education is no longer a preserve of the rich because our promise of free education is now a reality. We promised to take resources closer to the people, and we have truly done so through increased constituency development funds. Our citizens are now, determining their own priorities and they are given money to attend to their needs. We promised to recruit teachers and health personnel. We have done so and now, we have deployed more than 41,000 of them, with the majority already placed on the payroll.

264. Madam Speaker, “Bally” is fixing it!

265. Madam, despite the achievements, challenges remain, especially in the areas of jobs, better incomes and roads. The New Dawn Government is determined to confront the challenges with the

same methodical zeal that it is known for.

266. Madam Speaker, the 2023 Budget has clearly outlined how jobs will be created in our special economic zones. We dream of an expanding mining sector leading towards the production of three million tons and thereby creating thousands of jobs directly and indirectly. Our small-scale farmers will continue to be busy as Government continues to support them and as they grow our food.

267. From the farm blocks that we shall establish in 2023 and beyond, jobs and business opportunities will arise as we produce food for neighbouring countries, the Gulf, China and the rest of the world. As a region with all the correct agronomical conditions, the world is offering us money if we grow food for them. Our farm blocks and farming in general will be the answer to this challenge and thereby create jobs for engineers, agronomists, accountants, mechanics and many others.

268. To realise these dreams, our people must take up business opportunities as they arise. We should also embrace investments from FDI as the Asians did three decades ago when they were poorer than us and are now much richer than us. Further public officials must be efficient, honest and quick to facilitate investments because our jobs are paid for by the private sector.

269. Madam, as individuals and as a nation, lets embrace these opportunities. It is, therefore, my duty, your duty, our duty to take center stage in our development agenda and together let us move Zambia forward.

270. Madam Speaker, I beg to move.

