1. Mr. Speaker, I beg to move that the House do now resolve into Committee of Supply on the Estimates of Revenue and Expenditure for the fiscal year 1st January to 31st December 2021, presented to the National Assembly on Friday, 25th September 2020.

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

3. Mr. Speaker, during the official opening of the Fifth Session of the Twelfth National Assembly, His Excellency, Dr. Edgar Chagwa Lungu, President of the Republic of Zambia, outlined the policy direction that the Patriotic Front Government will take in steering our country to greater heights amidst numerous socio-economic and environmental challenges exacerbated by the COVID-19 pandemic.

4. Sir, over 32 million people globally have contracted the coronavirus and close to one million have sadly succumbed to the disease. This has stressed health systems in most countries across the world, resulting in an unplanned and an escalation in health related expenditure.

5. Mr. Speaker, Zambia has not been spared from the pandemic. To date, more than 14,000 people have contracted the virus and over 300 deaths have been recorded.

6. Sir, the COVID-19 pandemic has not only been a health crisis but has also adversely impacted the economy. Global business activity has contracted as supply and value chain disruptions dampened demand for goods in general and commodities in particular. The consequence has been loss of jobs and livelihoods for millions of people as countries implemented containment and mitigating measures. Domestically, economic activity has also contracted, impacting negatively on the cost of living and employment levels. In addition, revenue collections have been lower than projected, resulting in expenditure realignments.

7. Mr. Speaker, to mitigate the negative effects of the pandemic, the
Patriotic Front Government has instituted specific health, fiscal and monetary policy measures. These measures are expected to contain the spread of the virus and place the economy on the road to recovery. To this end, Government has developed a medium-term Economic Recovery Programme as a successor to the Economic Stabilisation and Growth Programme which ended in 2019. The Economic Recovery Programme provides incentives to reinvigorate growth and build resilience while safeguarding livelihoods and protecting the vulnerable. It also contains measures to restore debt sustainability.

8. Sir, as stressed by His Excellency, Dr. Edgar Chagwa Lungu, President of the Republic of Zambia, the success of the Economic Recovery Programme will require a mindset change, innovation, entrepreneurship, dedication, endurance and resilience of our people in the face of the current challenges.

9. Mr. Speaker, above all, we require to entrench national values and principles that include hard work, good governance, integrity, patriotism and national unity as enshrined in our Constitution. These values are fundamental in helping us, as a nation, to navigate through economic headwinds.

10. Sir, to overcome the challenges we face, and drawing inspiration from the Address by His Excellency, the theme for the 2021 Budget is “Stimulate Economic Recovery and Build Resilience to Safeguard Livelihoods and Protect the Vulnerable.”

11. Mr. Speaker, the 2021 Budget, therefore, aims at stimulating economic recovery through practical and tangible support to businesses. The Budget also enhances our social protection response programmes to prevent the worsening of poverty levels despite constrained fiscal conditions.

Part I

GLOBAL AND DOMESTIC ECONOMIC DEVELOPMENTS IN 2020

Global Economic Developments

13. Mr. Speaker, the global economy is projected to contract by 4.9 percent due to the adverse effects of the COVID-19 pandemic. Advanced economies are expected to contract the most by 8.0 percent this year compared to the growth of 1.4 percent in 2019. Emerging markets and developing economies are forecast to decline by 3.0 percent after growing by 3.7 percent in 2019. China is the only economy expected to register a positive growth of 1.0 percent in 2020 compared to 6.1 percent in 2019.

14. Sir, in Sub-Saharan Africa, economic activity is projected to contract by 3.2 percent from a positive outturn of 3.1 percent in 2019. The larger economies of Nigeria and South Africa are projected to contract by 5.4 percent and 8.0 percent, respectively.

15. Mr. Speaker, commodity prices have been volatile in 2020. For instance, during the first half of the year, copper prices averaged US$5,500 per metric tonne compared to US$6,200 in the corresponding period in 2019. Over the same period, crude oil prices averaged US$41 per barrel compared to US$66. The fall in copper and crude oil prices was mainly on account of reduced global demand. For crude oil, excess supply and lack of storage capacity exacerbated the decline in prices.

16. Sir, copper prices have since risen, peaking at US$6,840 per metric tonne in September. Crude oil prices have also started rising, reaching US$46 per barrel. This is as a result of the easing of lockdown measures in most economies. In addition, production disruptions at key mining operations in South America have contributed to the recovery in copper prices.

17. Mr. Speaker, let me now turn to domestic economic developments in 2020.

Domestic Economic Developments

Economic Growth

18. Mr. Speaker, real GDP growth is projected at negative 4.2 percent in 2020, the first recession since 1998. Almost all the sectors are expected to record negative growth. Disruptions in supply chains and containment measures have had a severe impact on sectors such as tourism, construction, wholesale and retail trade as well as manufacturing.
In addition to the effects of the COVID-19 pandemic, electricity rationing has contributed to the contraction of overall economic activity.

19. Sir, despite the negative growth in most sectors, the agricultural as well as information and communications technology sectors are projected to register positive growth. Favourable weather conditions and early distribution of farming inputs in the 2019/2020 agricultural season boosted crop production. The information and communication technology sector is also projected to grow mainly driven by increased demand for data services and mobile money transactions in the wake of the COVID-19 pandemic.

**Budget Performance**

20. Mr. Speaker, execution of the 2020 Budget has been challenging mainly due to the impact of COVID-19 pandemic.

21. Sir, revenues and grants amounted to K42.8 billion during the period January to August 2020 which was 7.7 percent below the target of K46.4 billion. The underperformance is on account of subdued economic activity. Revenues and grants are now projected at K65.9 billion by the close of 2020, which is 12.0 percent below the target of K75.0 billion.

22. Mr. Speaker, for the period January to August 2020, total expenditure, including amortization, amounted to K72.1 billion and was 27.2 percent below the target of K99.0 billion. This outturn was due to the underperformance on revenues and lower disbursements on foreign financed projects.

23. Sir, by the end of year, total expenditure is projected to be K111.9 billion, representing 5.6 percent above the target of K106.0 billion. The higher than programmed expenditure is mainly attributed to COVID-19 mitigating measures and agricultural related expenditures.

24. Mr. Speaker, due to the fall in revenues and grants and the increase in spending, the fiscal deficit, on a cash basis, is expected to rise to 11.7 percent of GDP by the end of 2020 against the target of 5.5 percent.

**External Sector Performance**

25. Mr. Speaker, over the first half of 2020, preliminary figures indicate that the current account recorded a surplus of US$656.5 million or 2.9 percent of GDP. This was against a deficit of US$5.0 million or 0.02 percent of GDP.
during the same period in 2019. This outturn was due to a significant drop in imports relative to exports.

26. Sir, in the first half of this year, imports of goods declined to US$2.3 billion from US$3.3 billion in the corresponding period in 2019. This represented a decline of 30 percent. Subdued domestic economic activity, depreciation of the Kwacha and supply chain disruptions due to the COVID-19 pandemic largely underpinned the decline in imports. Similarly, export earnings were US$3.2 billion compared to US$3.8 billion realised over the same period in 2019, representing a decline of 15.8 percent.

27. Mr. Speaker, copper export earnings over the same period were lower by 14.8 percent at US$2.3 billion compared to US$2.7 billion on account of a drop in average realized prices. Copper export volumes, however, increased to 523,000 metric tonnes, which was 16.5 percent higher than the 449,000 metric tonnes achieved over the same period in 2019. This was as a result of higher production.

28. Sir, in the first half of 2020, non-traditional export earnings declined by 17.9 percent to US$762.4 million from US$929.5 million in the first half of 2019. The fall was largely due to reduced demand and trade disruptions.

29. Mr. Speaker, as at end July 2020, Gross International Reserves declined to US$1.38 billion from US$1.45 billion at end-December 2019. This level of reserves represents 2.3 months of import cover. The decline in reserves was largely on account of external debt service payments. However, mining tax receipts amounting to US$203.5 million and net direct purchases of foreign exchange from the market by the Bank of Zambia of US$126.6 million moderated the decline in reserves.

30. Sir, the Kwacha depreciated to K19.95 against the US dollar as at 22nd September, 2020 from K14.05 at end-December 2019. This represents a depreciation of 41.9 percent. The depreciation largely reflects supply constraints and increased demand for foreign exchange, particularly the importation of agricultural inputs, health related supplies and procurement of petroleum products.

Debt Position

31. Mr. Speaker, the external public debt stock increased to US$11.97 billion as at end-June 2020 from US$11.48 billion at the close of 2019, representing an increase of 4.3
percent. This increase is attributed to disbursements on existing loans which are financing various projects in the energy, education, road and health sectors.

32. Sir, the stock of Government guarantees, on a net basis, was US$1.58 billion as at end-June 2020. These guarantees are mostly for power projects in the energy sector.

33. Mr. Speaker, the stock of Government securities increased to K114.3 billion as at end August 2020 from K80.2 billion as at end-December 2019, and this includes the COVID-19 Bond. The increase of 42.5 percent was on account of the need to finance key expenditure areas such as Farmer Input Support Programme (FISP).

34. Sir, the COVID-19 Bond proceeds were used to stimulate economic activity through the dismantling of arrears, payment of Value Added Tax refunds and liquidation of outstanding pension arrears. In addition, National Savings and Credit Bank has been recapitalised to facilitate the provision of financing to small and medium enterprises. The proceeds were also used to finance youth empowerment programmes, procurement of medical equipment, drugs and medical supplies.

### Monetary and Financial Performance

35. Mr. Speaker, over the first 8 months of 2020, inflation exceeded the medium-term target range of 6-8 percent, averaging 15.0 percent. Inflation rose to 15.5 percent in August from 11.7 percent in December 2019. This was mainly driven by the upward adjustment in energy prices, higher food prices and the pass-through from the depreciation of the Kwacha.

36. Sir, the commercial banks’ average lending rate declined to 25.8 percent in August 2020 from 28.0 percent in December 2019. This was mainly driven by the reduction in the Monetary Policy Rate to 8.0 percent from 11.5 percent and the improvement in liquidity levels in the market.

37. Mr. Speaker, credit to the private sector grew by 10.4 percent to K38.4 billion in June 2020 compared to a growth of 17.2 percent in December 2019. Credit to Government grew by 46.9 percent, year-on-year, in June compared to 17.2 percent in December 2019.

38. Sir, the overall performance and condition of the banking sector was rated as satisfactory as at July 2020. This was largely explained by
the sector’s capital adequacy position, earnings performance and improvement in liquidity. However, profitability declined due to higher provisions for non-performing loans. The ratio of non-performing loans to total loans rose to 12.6 percent in July 2020 from 8.9 percent in December 2019, exceeding the prudential threshold of 10.0 percent. The increase in non-performing loans was attributed to the slowdown in economic activity which negatively impacted borrowers’ capacity to meet their loan obligations.

39. Mr. Speaker, as at end-July 2020, the overall performance of the non-bank financial institutions sector was rated as fair. This largely reflects satisfactory capital adequacy, earnings performance, liquidity position and foreign exchange exposure, but unsatisfactory asset quality. The ratio of non-performing loans to total loans remained above the prudential maximum benchmark of 10.0 percent at 24.9 percent.

40. Sir, to encourage the use of digital financial services, the Bank of Zambia in consultation with the industry, waived charges for electronic money transfer of up to K150 in April 2020. Transactions and balance limits for individuals and enterprises were also revised upwards. In addition, the processing fees under the Real Time Gross Settlement system were reduced, leading to a significant increase in the use of digital financial services.

Part II

MACROECONOMIC OBJECTIVES, POLICIES AND STRATEGIES FOR 2021

41. Mr Speaker, the COVID-19 pandemic has stifled economic growth worldwide, including ours. The focus in the medium-term will be on containing the spread of the virus, mitigating the effects of the pandemic and restoring macroeconomic stability as well as growth. In addition, priority will be to move towards attaining fiscal fitness and restoring debt sustainability, dismantling domestic arrears and safeguarding social protection spending. This Budget, therefore, sets a foundation for the achievement of these objectives in line with our Economic Recovery Programme.

42. Sir, the specific macroeconomic objectives for 2021 will be:

   a) Achieve a real GDP growth rate of at least 1.8 percent;
b) Reduce the inflation rate towards the 6-8 percent medium-term target;

c) Increase Gross International Reserves to at least 2.5 months of import cover;

d) Reduce the fiscal deficit to 9.3 percent of GDP; and

e) Achieve domestic revenue collections of not less than 18.0 percent of GDP.

43. Mr. Speaker, I will now review the performance of the various sectors under the pillars of the Seventh National Development Plan and present the key 2021 macroeconomic policy interventions.

PART I: ECONOMIC DIVERSIFICATION AND JOB CREATION

44. Mr. Speaker, economic diversification and job creation is a key pillar in supporting our economic recovery. In this regard, agriculture, mining, tourism and industrialisation are expected to drive growth while energy and infrastructure development will be key enablers.

Agriculture, Fisheries and Livestock

45. Mr. Speaker, the agricultural sector performed very well in the 2019/2020 farming season. In most crops, the country recorded an increase in production. For instance, maize production recorded a 69 percent increase to 3.4 million metric tonnes from 2.0 million in the 2018/2019 farming season. This was on account of early distribution of farming inputs and favourable weather conditions.

46. Sir, notwithstanding the increase in output, productivity among small-scale farmers remains low. Government will, therefore, strengthen extension services and is committed to see to it that all Farmer Input Support Programme beneficiaries adopt climate smart agriculture technologies and practices.

47. Mr. Speaker, Government will migrate all beneficiaries under the Farmer Input Support Programme to the cost effective e-voucher system. In this regard, the proportion of beneficiaries on the e-voucher system will be increased to 100 percent over the medium-term.

48. Sir, to promote the livestock sub-sector, Government will
continue with the Livestock Stocking and Restocking Programme out of which at least 30 percent of the beneficiaries are youths. In the first half of 2020, a total of 3,100 households benefitted from the Programme. With regard to animal health, a total of 283,000 animals have been vaccinated out of the 2020 target of 290,000 under the Livestock Vaccination Programme.

49. Mr Speaker, Government is implementing the Zambia Aquaculture Enterprise Development Project aimed at stimulating a viable aquaculture subsector. In 2020, the Project, through the Citizens Economic Empowerment Commission, has disbursed loans worth K6.3 million to 637 aquaculture entrepreneurs. These loans are targeted at empowering youths and women.

50. Sir, in Part Three of my Address, I will outline specific measures to attract more investment in the agricultural sector.

Tourism

51. Mr. Speaker, the tourism sector is the hardest hit by the COVID-19 pandemic with virtually no international tourist arrivals since March 2020 due to travel restrictions and subdued domestic tourist activity. To revive the sector, Government has implemented relief measures such as time to pay agreement covering Income Tax and Value Added Tax. I will later announce additional relief measures that Government will implement to revive the sector.

52. Sir, I am pleased to note that domestic tourism has started to rise. I wish to encourage all citizens to continue supporting the tourism industry while observing the COVID-19 health guidelines.

Mining

53. Mr. Speaker, Government will continue to diversify the mining sector from copper to other minerals particularly gold. In this regard, the Zambia Gold Company Limited has been established to spearhead gold mining and trading activities in the country. Further, Government will continue to enhance the regulatory framework in order to optimise returns from our mineral wealth.

54. Sir, Government is actively working towards finding a strategic investor to improve operations and production at Konkola Copper Mines. The investor will be expected to make firm commitments to develop the Mine and support domestic supply chains. With regard
to Mopani Copper Mines, Government has been offered to acquire additional shares in the Mine through ZCCM-IH. Further, Government is in the process of negotiating with Glencore on the terms of purchase of the shares. To this end, the Nation will be updated on the progress made in due course.

Energy

55. Mr. Speaker, in the energy sector, electricity generation has been constrained by the adverse effects of climate change over the last few years. To mitigate this, Government has been investing in additional electricity generation capacity, including solar energy. So far, the Musonda Falls Hydro Power Station has been upgraded to 10 mega-watts from 5 mega-watts and has been commissioned.

56. Sir, the construction of Kafue Gorge Lower Power Station is almost complete and will add 750 mega-watts to the national grid. It is expected that 300 megawatts will come on board by the end of the year. This should significantly reduce load shedding.

Information and Communication Technology

57. Mr. Speaker, in order to increase access to information and communication technology services for people in unserved and underserved areas, Government continued with the construction of communication towers. So far, 774 communication towers out of a target of 1,009 have been constructed, bringing the total network coverage to 91 percent.

58. Sir, in my last Address to this august House, I indicated that Government, through the SMART Zambia Institute, would connect 28 public services to the Government Service Bus. I am glad to report that the 28 services have been connected resulting in reduced transaction costs and enhanced delivery of public services. By the end of 2021, a total of 100 services are expected to be made online on the Government Service Bus.

Road Transport Infrastructure

59. Mr. Speaker, a key milestone in the road sector has been the completion of the US$298 million Kazungula Bridge linking Zambia and Botswana. The Bridge will facilitate increased regional trade and reduce transit time for freight and passengers.

60. Sir, the performance of the National Road Tolling Programme has been satisfactory. As at end-
August 2020, a total of K911.1 million was collected compared to K767.3 million over the same period in 2019. The increase was due to the coming on board of additional Toll Plazas.

Air Transport

61. Mr. Speaker, air transport has been adversely affected by the COVID-19 pandemic. In the first half of the year, domestic and international passenger movements at the four major airports declined by more than half a million. This was on account of the suspension of international flights by all the airlines except one. Following the easing of lockdown measures, it is gratifying to note that some international airlines have since resumed flights to Zambia.

62. Sir, with regard to air transport infrastructure, the upgrading of Kenneth Kaunda International Airport is at 90 percent completion, while the construction of the Copperbelt International Airport, renamed Simon Mwansa Kapwepwe International Airport, is at 76 percent. The delay in the completion of Kenneth Kaunda International Airport was exacerbated by the impact of COVID-19. Both airports are now scheduled to be opened in 2021.

Industrialisation

63. Mr. Speaker, to support industrialisation, Government is promoting the procurement of locally produced goods. To enhance the market opportunities for the local industry, Government has presented a Bill to this august House to repeal and replace the Public Procurement Act No. 12 of 2008.

64. Sir, the construction of industrial yards across the country to further promote industrialisation has advanced. Construction of Chipata, Kasama and Mongu industrial yards has been completed and will be operationalised in 2021. The remaining industrial yards in Kafue, Kitwe, Ndola and Solwezi will be completed in 2021. When operational, the yards are expected to create at least 4,000 employment opportunities.

65. Mr. Speaker, to promote linkages between agriculture and manufacturing, the Industrial Development Corporation will establish a tomato and fruit processing plant in 2021. I urge our farmers to take advantage of this development.

66. Sir, with regard to youth empowerment, Government launched the Youth Empowerment
Fund with an allocation of K470 million. This demonstrates the commitment of the Patriotic Front Government to creating an environment in which the youths can participate and benefit from the economic development agenda. In 2021, Government will continue with various youth empowerment programmes.

67. Mr. Speaker, to support the growth of small medium scale enterprises, Government will provide financing through a facility at the National Savings and Credit Bank and continue to dismantle arrears to local contractors and suppliers.

68. Sir, with the coming into force of the Africa Continental Free Trade Area Agreement in 2021, Zambia will reposition herself to take advantage of the expanded market to the rest of Africa. Let me urge the private sector to harness the opportunity of the Agreement, to grow their business and access the market.

PILLAR II: POVERTY AND VULNERABILITY REDUCTION

69. Mr. Speaker, as we steer the economy towards recovery, Government will continue to safeguard livelihoods and protect the vulnerable by scaling up social protection programmes and climate change interventions.

Social Protection Programmes

70. Sir, in 2020, the country experienced the unfortunate confluence of floods and the COVID-19 pandemic which required an emergency response over and above the traditional social protection programmes. In this regard, a total of 90,202 households were supported under floods and droughts emergency cash transfers in 23 districts while 258,000 households were supported under the COVID-19 emergency cash transfers across the country.

71. Mr. Speaker, the number of beneficiaries under the traditional social cash transfer programme will be increased to 994,000 households in 2021 from the current 700,000 households. Further, the amount per household will be increased to K110 from the current K90 per month.

72. Sir, to enhance household food security, Government will increase the number of beneficiaries under the Food Security Pack Programme to 288,492 vulnerable but viable households in 2021 from 80,000 in 2020.

73. Mr. Speaker, Government has been implementing the Girls
Education and Women’s Empowerment and Livelihood Programme aimed at increasing access to livelihood support for extremely poor women and access to secondary education for disadvantaged girls. To date, 129,400 women and girls have benefited from this Programme, of which 54,780 are under the Keeping Girls in School component and 74,620 are under the Women Empowerment and Livelihood component. Government has secured additional funds for the Programme which will increase the number of beneficiaries to 208,400 over the medium-term.

**Climate Change**

74. Mr. Speaker, Government will accelerate the implementation of climate change programmes. One such programme is the US$100 million Transforming Landscapes for Resilience and Development Programme which will enhance resilience among communities to climate change shocks.

75. Sir, to strengthen national response to the effects of climate change, Government is developing legislation on climate change. This will provide a legal framework for the implementation of the National Climate Change Policy of 2016.

**PILLAR III: REDUCING DEVELOPMENTAL INEQUALITIES**

76. Mr. Speaker, Government is undertaking various interventions aimed at reducing developmental inequalities. Key interventions include the construction of roads to facilitate market linkages between urban and rural areas and the electrification of rural areas.

77. Sir, with regard to rural roads, the Improved Rural Connectivity Project is being implemented and will cover 3,375 kilometres across the country over a period of 5 years. To date, 501 kilometres have been contracted out of which 82 kilometres have been rehabilitated.

78. Mr. Speaker, under rural electrification, 12 grid extension projects have been completed out of the 25 that are being implemented. The construction of Kasanjiku Mini Hydro Power Station in North-Western Province as well as the Lunga and Chunga Solar Mini Grids in Luapula and Central Provinces, respectively, have also been completed.

**PILLAR IV: ENHANCING HUMAN DEVELOPMENT**

79. Mr. Speaker, human development remains important in
improving the quality of life and livelihoods of the citizens. In this regard, Government will continue to prioritize education and skills development, health and water and sanitation in 2021.

**Education and Skills Development**

80. Mr. Speaker, the education and skills development sector has not been spared by the COVID-19 pandemic. Schools and higher learning institutions were closed resulting in the loss of learning time. It is, however, gratifying to note that, on 11th September, 2020, His Excellency, Dr. Edgar Chagwa Lungu, the President of the Republic of Zambia, announced the re-opening of learning institutions.

81. Sir, with regard to Technical Education, Vocational and Entrepreneurship Training, Government will aim at enhancing development of requisite skills for the labour market.

82. Mr. Speaker, in order to increase science literacy and promote the next generation of innovators and critical thinkers, Government has established Science, Technology, Engineering, and Mathematics (STEM) schools of excellence in all the 10 provinces. Further, to improve quality and increase the number of teachers, STEM programmes have been introduced at Mukuba, Chalimbana and Kwame Nkrumah Universities.

83. Sir, Government will continue to improve the provision of equitable services in learning institutions by rolling out Home Grown School Meals Feeding Programme and the Keeping Girls in Schools Initiative to 18 and 22 additional districts, respectively. Further, the infrastructure development programme will continue.

84. Mr. Speaker, to enhance access to tertiary education, Government will focus on increasing the number of students accessing loans in higher learning institutions.

**Health**

85. Mr. Speaker, Government has continued to prioritise the health of the people of Zambia through interventions aimed at achieving Universal Health Coverage.

86. Sir, the COVID-19 pandemic has strained the health care system in the country. To address the situation, Government had to realign the 2020 Budget to provide more resources to the health sector so as to strengthen the health care system and make it
more resilient. To this end, 2,232 health workers were recruited and deployed.

87. Mr. Speaker, allow me to commend our Cooperating Partners and the private sector who came on board to compliment Government efforts in combating the pandemic whilst maintaining support in other essential areas of health care.

88. Sir, in order to reduce the prevalence and impact of communicable and non-communicable diseases, Government continued to invest in health promotion programmes and made available critical health system inputs.

89. Mr. Speaker, to increase access to quality health care, 439 health posts out of 650 have been completed and are operational. Further, 24 mini hospitals out of 108 have also been completed. To strengthen the referral health system, Chinsali and the Kalindawalo General Hospitals as well as the upgraded Levy Mwanawasa University Teaching Hospital have been operationalised.

90. Sir, other notable projects under construction include the Lusaka Specialist Hospital, surgical wards at the University Teaching Hospital, Bangweulu General Hospital and the expansion and modernisation of Maina Soko Military Hospital.

91. Mr. Speaker, in order to have sustainable financing to the health sector and ultimately achieve Universal Health Coverage, the National Health Insurance Scheme has been operationalised. So far, 540,000 beneficiaries have been registered on the Scheme and 126 health facilities have been accredited. Let me urge all citizens, stakeholders and health providers to take advantage of this Scheme.

Water Supply and Sanitation

92. Mr. Speaker, to improve coverage, quality and efficiency of water supply and sanitation services, Government is implementing the National Urban and Rural Water Supply and Sanitation Programmes. Major projects under these Programmes include the Kafue, Nakonde, Chinsali, and Chongwe Water Supply Projects as well as the Lusaka Water Supply Sanitation and Drainage Project. These projects are all above 90 percent completion and will benefit an additional 90,000 residents once completed.

93. Sir, other water supply and sanitation projects are being
implemented in Kafulafuta, Serenje and Mufumbwe. The Kafulafuta Water Supply System Project will be completed in 2021, and will supply water to more than one million people in Ndola, Luanshya, Masaiti and Mpongwe.

94. Mr. Speaker, with regard to the Rural Water and Sanitation Programme, six piped water schemes in Central, Southern, Luapula and Western Provinces have been completed, benefiting more than 155,000 people. In addition, 432 boreholes have been drilled and 107 rehabilitated. Government will in 2021 continue with this programme.

PILLAR V: CREATING A CONducive governance environment FOR a diversIfIed and inclusive economy

Policy, Regulatory and Structural Reforms

95. Mr. Speaker, achieving economic recovery and building resilience to safeguard livelihoods and protect the vulnerable, especially in the wake of the COVID-19 pandemic, requires us to undertake policy, regulatory and structural reforms. Government will, therefore, undertake reforms in the areas of domestic resource mobilization, debt management and public procurement, among others.

Domestic Resource Mobilization

96. Mr. Speaker, Government will continue to implement measures aimed at enhancing the domestic resource envelope. To this end, the following measures will be undertaken in the medium-term:

   a) Modernising tax administration by providing innovative technological solutions such as Tax-On-Phone, Tax-On-App and WhatsApp payment to reduce the cost of compliance;

   b) Improve tax compliance through enforcement of mechanisms for identifying tax evaders, stiffen the reprimand for tax offenders and strengthen the penalty regime to deterrent levels;

   c) Improve compliance levels of tax payers in identified risk areas by developing centralised data analysis and segmentation;

   d) Appoint local authorities as tax agents to collect
turnover tax, base tax and withholding tax, on a commission basis, in their areas of jurisdiction;

e) Enforce the mandatory use of Electronic Fiscal Devices from accredited suppliers following the issuance of Statutory Instrument No. 33 of 2020; and

f) Digitise more public services to run on the Government Service Bus (GSB) and the Payment Gateway to provide efficiency, accountability and monitoring of revenues.

97. Sir, to support the domestic resource mobilisation measures, the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia will be amended to improve tax administration. Further, the Government will provide for the establishment of a Fund that will improve and develop infrastructure at our borders to enhance trade facilitation and border processing efficiency. The Government will put in place measures to manage container scanners in a sustainable manner in order to effectively fight smuggling among other vices.

98. Mr. Speaker, Government will conduct a thorough review of existing tax incentives to make them more effective in reinvigorating economic activity.

Debt Management Policy

99. Mr. Speaker, Government remains committed to restoring public debt sustainability and has embarked on a number of initiatives to achieve this objective. These include cancellation, postponement and re-scoping of projects. Further, contraction of new commercial external debt has been stopped.

100. Sir, so far, US$1.1 billion pipeline loans have been cancelled and US$280.0 million has been saved from the re-scoping of projects. Further, Government with the help of international financial and legal advisors is devising a liability management strategy aimed at putting our public debt on a sustainable trajectory.

101. Mr. Speaker, Government has taken steps to benefit from the G20’s Debt Service Suspension Initiative. In this regard, a Memorandum of Understanding has been entered into with the Paris Club creditors. In addition, negotiations with G20 members are on-going. This Initiative is expected to provide
debt service relief during the suspension period which currently runs from May to December 2020. Government has also made similar debt service suspension requests to all external commercial creditors, including international capital market investors.

102. Mr. Speaker, the Strategy on Domestic Debt will be to:

   a) Alter the domestic debt portfolio from shorter to long-term instruments;

   b) Reduce domestic arrears; and

   c) Broaden investor participation in the Government securities market.

103. Mr Speaker, Government remains committed to enhancing efficiency, price discovery and transparency in the secondary market for Government bonds. I am, therefore, pleased to report to this august House that, the Bank of Zambia launched the E-Bond Electronic Trading Platform in August this year. This allows for the trading of Government bonds electronically, initially between banks. The trading of bonds on this platform will be rolled out to other investors in 2021.

Public Procurement Reforms

104. Mr. Speaker, Government remains committed to promoting good financial governance, value for money and participation of local suppliers. To this effect, Government has presented before this august House, the Public Procurement Bill to repeal and replace the Public Procurement Act No. 12 of 2008. The Bill will, among others, give priority to citizens to participate in the supply of goods and services, introduce price benchmarking, penalise fronting and selling of contracts, improve contract management, make it mandatory to use the Electronic Procurement System and penalise offenders.

Energy Sector Reforms

105. Mr. Speaker, to enhance efficiency and attract investment in the energy sector, Government is implementing key structural reforms. In the electricity subsector, Government has this year issued a commencement order for the Electricity Act No. 11 of 2019 which regulates generation, transmission, distribution and the supply of electricity so as to enhance the security and reliability of supply of electricity. The implementation of further reforms will be informed by the results of the Cost of Service Study. These include a
comprehensive review of the electricity supply chain and the renegotiation of tariffs with Independent Power Producers.

106. Mr. Speaker, with regard to the petroleum subsector, Government policy is that fuel pricing should be cost reflective through periodic reviews of pump prices. Government will prioritise getting value for money in the procurement of petroleum products for the benefit of the consumers.

Monetary and Financial Sector Policies

107. Mr. Speaker, Government is mindful of the adverse effects of the current high inflation rate on our citizens, particularly the most vulnerable. In the recent past, food inflation has been a key driver of inflation. In this regard, improved food supply, following the policies we have implemented to improve agriculture production, will help reduce the current high level of inflation towards the medium-term target of 6-8 percent.

108. Sir, the health of the financial sector is key to economic stability and growth. The Bank of Zambia will continue to pursue regulatory policies that strengthen the resilience of the financial sector in the wake of the COVID-19 pandemic. In this regard, the Bank of Zambia has adopted financial stability and financial inclusion as two focus areas in its 2020 to 2023 Strategic Plan.

109. Mr. Speaker, to strengthen the resilience of the financial sector, the Bank of Zambia introduced the Targeted Medium-Term Refinancing Facility with an initial amount of K10 billion. The Facility allows Financial Service Providers under the supervision of the Bank of Zambia to access funds at relatively low interest rates, currently at 8.0 percent, for on-lending to businesses and households. The Facility is being reviewed and adjusted to address identified implementation challenges so that it achieves the intended objectives.

110. Sir, to achieve universal access to and usage of a broad range of financial services, Government will continue to implement the National Financial Inclusion Strategy and the National Strategy on Financial Education. Increased use of digital financial services is a critical component of the measures being implemented to address the COVID-19 pandemic.
External Sector Policies

111. Mr. Speaker, Government will maintain a flexible and competitive exchange rate regime. In this regard, the Government will continue to pursue measures that support relative stability in the exchange rate such as the diversification of exports, attraction of foreign direct investment, import substitution and securing balance of payments support. Further, measures will be undertaken to improve domestic production capacity and local value addition.

Public Investment Management Reforms

112. Mr. Speaker, I wish to report that the Public Investment Board is now operational. Ministries, Provinces and other Spending Agencies are now mandated to submit their public investment proposals to the Board for approval prior to inclusion in the Budget. This will entail that only public investments projects that help achieve developmental objectives and are viable are included in the Budget for implementation.

National Development Plan

113. Mr. Speaker, the Seventh National Development Plan comes to an end in 2021. In this regard, Government has commenced the preparation of the Eighth National Development Plan covering the period 2022 to 2026. The Plan will provide a clear development agenda towards the attainment of the National Vision 2030. Let me urge all citizens and stakeholders to actively participate in the preparation of the Plan in line with the National Planning and Budgeting Policy.

Census of Population and Housing

114. Mr. Speaker, the preparation of the 2020 Census of Population and Housing encountered a number of challenges including the outbreak of the COVID-19 pandemic. As a result the Census will now be conducted in 2021. Let me urge the citizens and all stakeholders to cooperate and actively participate in this very important exercise.

PART III

THE 2021 BUDGET

115. Mr. Speaker, Government proposes to spend K119.6 billion in 2021 which translates to 32.6 percent of GDP. Of this amount, K68.0 billion, representing 18.5 percent of GDP, will come from domestic revenues and grants. The balance of K51.6 billion will be raised through financing.
116. Sir, the fiscal deficit is targeted to reduce to 9.3 percent of GDP in 2021 from the 11.7 percent projected outturn for 2020.

117. Mr. Speaker, let me inform this august House that all Ministries, Provinces and Spending Agencies have now migrated from Activity Based Budgeting to Output Based Budgeting. This budgeting system is more performance oriented and enhances transparency and accountability.

2021 Expenditure by Functions of Government

118. Mr. Speaker, the allocation of resources in this Budget is based on priority areas identified in the Economic Recovery Programme, which is aligned to the rescoped Seventh National Development Plan and further reflects Government response to the COVID-19 pandemic.
## 2021 Budget Allocations by Functions of Government

<table>
<thead>
<tr>
<th>Function</th>
<th>2021 Budget (K)</th>
<th>Share of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Public Services</strong></td>
<td>57,819,227,707</td>
<td>48.3%</td>
</tr>
<tr>
<td>Domestic Debt Interest</td>
<td>18,338,481,000</td>
<td></td>
</tr>
<tr>
<td>External Debt (Interest &amp; Principal)</td>
<td>27,745,178,541</td>
<td></td>
</tr>
<tr>
<td>Dismantling of Arrears</td>
<td>2,762,080,579</td>
<td></td>
</tr>
<tr>
<td>Local Government Equalization Fund</td>
<td>1,164,567,612</td>
<td></td>
</tr>
<tr>
<td>General Elections and Voter Registration</td>
<td>598,112,678</td>
<td></td>
</tr>
<tr>
<td>Constituency Development Fund</td>
<td>249,600,000</td>
<td></td>
</tr>
<tr>
<td>MPs Gratuity</td>
<td>202,073,000</td>
<td></td>
</tr>
<tr>
<td>Public Affairs and Summit Meetings</td>
<td>200,000,000</td>
<td></td>
</tr>
<tr>
<td>Contingency</td>
<td>125,000,000</td>
<td></td>
</tr>
<tr>
<td>Compensation Fund</td>
<td>100,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Defence</strong></td>
<td>5,642,820,724</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Public Order and Safety</strong></td>
<td>3,078,694,172</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Economic Affairs</strong></td>
<td>21,499,987,741</td>
<td>18.0%</td>
</tr>
<tr>
<td>Road Infrastructure</td>
<td>6,214,145,268</td>
<td></td>
</tr>
<tr>
<td>Farmer Input Support Programme</td>
<td>5,701,404,933</td>
<td></td>
</tr>
<tr>
<td>International Airports</td>
<td>567,334,377</td>
<td></td>
</tr>
<tr>
<td>Strategic Food Reserves</td>
<td>517,500,000</td>
<td></td>
</tr>
<tr>
<td>Rural Electrification Fund</td>
<td>307,199,557</td>
<td></td>
</tr>
<tr>
<td>Empowerment Funds</td>
<td>266,285,212</td>
<td></td>
</tr>
<tr>
<td>o/w Youth Empowerment Funds</td>
<td>155,237,025</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Protection</strong></td>
<td>955,530,142</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Housing and Community Amenities</strong></td>
<td>2,221,524,168</td>
<td>1.9%</td>
</tr>
<tr>
<td>Water Supply and Sanitation</td>
<td>2,172,274,286</td>
<td></td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>9,653,313,513</td>
<td>8.1%</td>
</tr>
<tr>
<td>Infrastructure Projects</td>
<td>1,731,846,564</td>
<td></td>
</tr>
<tr>
<td>Drugs and Medical Supplies</td>
<td>1,392,443,990</td>
<td></td>
</tr>
<tr>
<td>Operations for Hospitals</td>
<td>627,263,831</td>
<td></td>
</tr>
<tr>
<td><strong>Recreation, Culture and Religion</strong></td>
<td>151,357,265</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>13,772,752,981</td>
<td>11.5%</td>
</tr>
<tr>
<td>Infrastructure Projects</td>
<td>1,216,937,500</td>
<td></td>
</tr>
<tr>
<td>Skills Development Fund</td>
<td>178,857,469</td>
<td></td>
</tr>
<tr>
<td><strong>Social Protection</strong></td>
<td>4,820,803,202</td>
<td>4.0%</td>
</tr>
<tr>
<td>Social Cash Transfer</td>
<td>2,344,175,162</td>
<td></td>
</tr>
<tr>
<td>Public Service Pension Fund</td>
<td>1,067,955,725</td>
<td></td>
</tr>
<tr>
<td>Food Security Pack</td>
<td>1,100,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>119,616,011,615</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
General Public Services

119. Mr. Speaker, I propose to spend K57.8 billion on General Public Services. Of this amount, domestic debt interest will account for K18.3 billion while external debt service will be K27.7 billion. In addition, K598.1 million is for the 2021 General Elections while K1.2 billion has been allocated to the Local Government Equalization Fund.

120. Sir, K2.8 billion will be spent on dismantling of arrears owed to suppliers of goods and services as well as personnel. This will help improve liquidity and stimulate economic activity.

Economic Affairs

121. Mr. Speaker, the Economic Affairs function has been allocated a total of K21.5 billion. Notable expenditures include K5.7 billion on the Farmer Input Support Programme (FISP), targeting one million farmers across the country. Further, for the country to be food secure, I have set aside K517.5 million for the national strategic food reserve.

122. Sir, I propose to spend K6.2 billion on roads and K567.3 million on the Simon Mwansa Kapwepwe and Kenneth Kaunda International Airports.

123. Mr. Speaker, to increase access to electricity in rural areas and contribute to improved quality of life, I propose an allocation of K307.2 million to the Rural Electrification Programme.

124. Sir, to support women, youth, and small to medium enterprises, I propose to spend K266.3 million on various empowerment programmes. Out of this amount, K155.2 million will be allocated specifically to the youth.

Education

125. Mr. Speaker, to increase access to, and improve quality of education, I propose an allocation of K13.8 billion to the education sector. Of this amount, K7.1 billion will go towards early childhood and primary education, K2.7 billion to secondary education and K1.9 billion to tertiary education.

Health

126. Mr. Speaker, to provide for equitable and quality healthcare services, I propose to allocate a total of K9.7 billion to the health sector. Out of this amount, K3.2 billion is for primary health care while K5.1 billion is for hospital services. Of the allocations to primary health care and hospital services, K1.4 billion is earmarked for the procurement of
essential drugs and medical supplies. This amount includes a provision for the COVID-19 vaccine once it is developed and made available.

**Housing and Community Amenities**

127. Mr. Speaker, in order to enhance the quality of life of our people, I propose to allocate K2.2 billion towards housing and community amenities. The bulk of this amount is for improving water supply and sanitation systems.

**Public Order and Safety**

128. Mr. Speaker, I propose an allocation of K3.1 billion to public order and safety. Key interventions under this allocation will include modernisation and digitalisation of systems as well as construction and rehabilitation of infrastructure.

**Social Protection**

129. Mr Speaker, to mitigate the impact of COVID-19 and further enhance social protection, I propose to allocate K4.8 billion to this function. Out of this amount, K2.3 billion is for the social cash transfer which is more than the K1.0 billion allocated in the 2020 Budget. Further, I propose to increase the allocation for the Food Security Pack Programme to K1.1 billion from K100 million. Other allocations under this function include K1.1 billion to the Public Service Pension Fund.

**Other Functions**

130. Mr. Speaker, I propose an allocation of K6.7 billion on other functions of Government such as Defence, Environmental Protection as well as Recreation, Culture and Religion.

**Revenue Estimates and Financing**

131. Mr. Speaker, I expect to raise a total of K119.6 billion to finance this Budget. Out of this amount, K53.3 billion will be raised from taxes while K12.7 billion will be from non-tax revenues. In addition, K2.0 billion will be grants from our Cooperating Partners. The balance of the total amount will be financed through borrowing K17.4 billion from the domestic market and K34.2 billion will be from external sources.

132. Sir, the estimates of revenue, grants and financing to support this Budget are summarised as follows:
Resource Envelope for the 2021 Budget

<table>
<thead>
<tr>
<th>TOTAL DOMESTIC REVENUES, GRANTS &amp; FINANCING</th>
<th>Amount (K)</th>
<th>Share of Budget</th>
<th>Share of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Domestic Revenue and Domestic Financing</td>
<td>119,616,011,615</td>
<td>100%</td>
<td>32.6%</td>
</tr>
<tr>
<td>I. Total Domestic Revenues</td>
<td>83,412,994,252</td>
<td>69.7%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>65,982,526,252</td>
<td>55.2%</td>
<td>18.0%</td>
</tr>
<tr>
<td>Income Tax</td>
<td>53,273,038,520</td>
<td>44.5%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Company Income Tax</td>
<td>27,064,518,652</td>
<td>22.6%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Personal Income Tax (Incl PAYE)</td>
<td>9,114,550,496</td>
<td>7.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Withholding and Other</td>
<td>12,867,197,154</td>
<td>10.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>5,082,771,002</td>
<td>4.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Customs and Excise</td>
<td>16,937,964,272</td>
<td>14.2%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Customs duty</td>
<td>9,270,555,596</td>
<td>7.8%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Excise duty</td>
<td>4,088,334,024</td>
<td>3.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Export Duties</td>
<td>177,554,692</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-Tax Revenues</td>
<td>12,709,487,732</td>
<td>10.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Fees and Fines</td>
<td>6,613,304,157</td>
<td>5.3%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Skills Development Levy</td>
<td>178,857,469</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Tourism Levy</td>
<td>18,902,963</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Motor Vehicle Fees</td>
<td>95,416,549</td>
<td>0.8%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Insurance Premium Levy</td>
<td>116,901,948</td>
<td>0.9%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Mineral Royalty</td>
<td>5,686,104,646</td>
<td>0.4%</td>
<td>0.1%</td>
</tr>
<tr>
<td>II. Total Domestic Financing</td>
<td>17,430,468,000</td>
<td>14.6%</td>
<td>4.8%</td>
</tr>
<tr>
<td>III. Total Foreign Financing and Grants</td>
<td>36,203,017,363</td>
<td>30.3%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Programme Loans</td>
<td>20,608,103,500</td>
<td>16.3%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Project Loans</td>
<td>13,608,714,695</td>
<td>10.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Foreign Grants</td>
<td>1,986,199,168</td>
<td>0.7%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Direct Taxes

133. Mr. Speaker, to increase disposable income of employees, I propose to raise the exempt threshold for Pay-As-You-Earn to K4,000 from K3,300 per month and adjust the income tax bands accordingly. This measure will result in K455.6 million additional income in the pockets of the Zambian workers. The tax bands are now as follows:

<table>
<thead>
<tr>
<th>Current Regime</th>
<th>Proposed Regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Band</td>
<td>Tax Rate</td>
</tr>
<tr>
<td>0 – K3,300 per month</td>
<td>0%</td>
</tr>
<tr>
<td>K3,301 – K4,100 per month</td>
<td>25%</td>
</tr>
<tr>
<td>K4,101 – K6, 200 per month</td>
<td>30%</td>
</tr>
<tr>
<td>Above K6,200</td>
<td>37.50%</td>
</tr>
</tbody>
</table>
134. Mr. Speaker, in order to encourage employment of differently abled persons, I propose to increase the amount allowed for deduction by an employer for employing a person with disability to K2,000 per annum from K1,000 per annum.

135. Sir, in order to cushion the suffering of the differently abled persons in our society, I propose to increase the tax credit for individuals to K500 per month from the current K250 per month.

136. Mr. Speaker, to provide relief to the horticulture and floriculture subsectors, I propose to increase the number of years for claiming the 10 percent development allowance to 5 years from the existing 3 years. This allowance is applicable to persons growing rose flowers, tea, coffee, banana plant or citrus fruit trees or other similar plants or trees.

137. Mr. Speaker, to harmonise the presumptive tax structure for the gaming and betting industry, I propose to increase the tax rate on betting to 25 percent from 10 percent of gross takings. This measure will generate an extra K59.3 million.

Value Added Tax

138. Mr. Speaker, to support the scaling up of agricultural productivity through mechanisation, I propose to zero rate all tractors for Value Added Tax purposes. Currently, only tractors up to 90 Horse Power are zero rated.

139. Sir, to combat the spread of COVID-19, I propose to zero rate equipment used for full body sanitisation for a period of one year. This measure will take effect from midnight tonight.

140. Mr. Speaker, the Value Added Tax measures will result in a revenue loss of K5.1 million.

Customs and Excise

141. Mr. Speaker, to revamp the horticulture and floriculture subsectors and to promote other non-traditional exports, I propose to:

   a) Suspend import duty on biological control agents;
   b) Remove import duty on greenhouse plastics;
   c) Reduce import duty to 15 percent from 25 percent on selected bulb plants and seedlings;
   d) Reduce import duty on secateurs and pruners to 5
percent from the current 15 percent and 25 percent, respectively;

e) Remove import duty on selected agricultural clippers; and

f) Remove export duty on crocodile skin.

142. Mr. Speaker, to stimulate economic activity in other sectors, I propose the following measures:

a) Remove import duty on copper ores and concentrates to encourage local processing;

b) Suspend import duty on importation of refrigerated trucks to support the domestic and export markets;

c) Reduce import duty to 5 percent from 25 percent on selected trimmings to promote the local garments and textile industry; and

d) Lower import duty to 15 percent from 30 percent on electric motor vehicles to reduce the use of fossil fuel.

143. Sir, to support local production, build resilience and mitigate the revenue loss arising from the aforementioned measures, I propose the following:

a) Increase import duty to 40 percent from 25 percent on agro products such as beef and beef processed products, pork and pork processed products, chicken and chicken processed products as well as fish imported from outside the SADC and COMESA regions;

b) Introduce excise duty at the rate of K1.50 per litre on reconstituted milk;

c) Harmonize import duty rate on reconstituted milk with other forms of milk at 15 percent;

d) Adjust the specific excise duty rate on cigarettes to K302 per mille from K265;

e) Introduce a surtax at the rate of 20 percent on imported un-denatured ethyl alcohol of an alcoholic volume strength of 80 percent or higher;

f) Introduce excise duty on plastic flat bags at the rate of 30 percent; and
g) Harmonize the import duty rates of cotton and polyester fabric at 15 percent ad valorem rate or K1.82 per kilogram whichever is higher.

144. Mr. Speaker, I propose to exclude high value motor vehicles from the definition of used motor vehicles and subject them to ad valorem import duty.

145. Sir, to resuscitate the tourism sector and promote local tourism, I propose the following measures:

a) Reduce corporate income tax rate to 15 percent from 35 percent on income earned by hotels and lodges on accommodation and food services;

b) Suspend import duty on safari game viewing motor vehicles, tourist buses and coaches;

c) Suspend license of renewal fees paid by hotels and lodges;

d) Suspend the retention fees paid by tourism enterprises; and

e) Suspend registration fees for hotel managers.

146. Mr. Speaker, I propose further tax incentives as follows:

a) Introduce a local content allowance for income tax purposes for utilisation of selected local raw materials to encourage local content and value addition; and

b) Reduce the investment threshold for a Zambian citizen to qualify for tax incentives under the Zambia Development Agency Act No.11 of 2006 to US$100,000 from US$500,000 for those intending to operate in a priority sector, a multi facility economic zone or industrial park.

147. Sir, the measures I have announced are in addition to the existing incentives and those granted in response to COVID-19 earlier this year.

Housekeeping Measures

148. Mr. Speaker, I propose to amend the Income Tax Act, Customs and Excise Act, Property Transfer Tax Act, Value Added Tax Act, Zambia Revenue Authority Act and Zambia Development Agency Act so as to update, strengthen and remove
ambiguities in certain provisions of the tax laws and make tax administration more effective. The details of the proposed changes will be contained in the respective legislation that I will later introduce in the House.

**Non-Tax Revenue Measures**

149. Mr. Speaker, I propose to increase various immigration permit fees to cost recovery levels whilst remaining competitive. Further, I propose to remove the discount granted to the public on fees where payment for online registration of a private company limited by shares and the filing of annual returns made online on the e-PACRA System.

150. Sir, the non-tax revenue measures will result in a revenue gain of K173.0 million.

151. Mr. Speaker, the measures that I have outlined will take effect on 1st January, 2021.

**PART IV**

**CONCLUSION**

152. Mr. Speaker, in the face of our current adversities, His Excellency, Dr. Edgar Chagwa Lungu, President of the Republic of Zambia, enjoined us to change the way we think and the way we do things so that we are able to seize the opportunities that the COVID-19 challenge presents to us.

153. Sir, the mindset change called for by His Excellency should drive us to channel our energies in the pursuit of local solutions to our economic challenges. In this light, the 2021 Budget is formulated to support innovation in order to achieve greater value addition, establish sustainable domestic value chains, diversify production and expand our export base. This will enable us become a more productive nation.

154. Mr. Speaker, the 2021 Budget clearly lays a foundation for economic recovery, build resilience, safeguard livelihoods and protect the vulnerable. The thrust and priority for 2021 and the medium term will, therefore, be to re-invigorate growth, restore macroeconomic stability, attain fiscal fitness, restore debt sustainability and dismantle domestic arrears and at the same time safeguard social protection spending.

155. Sir, the Patriotic Front Government remains committed to creating a prosperous Zambia. To this end, this Budget has been developed as a step towards restoring economic growth and enhancing the welfare of our people.
156. Mr. Speaker, as I conclude, let me quote the words of His Excellency, Dr. Edgar Chagwa Lungu, President of the Republic of Zambia when addressing this august House two weeks ago, and I quote “As a nation, together, in unity, we can and we must win the war...Now is the time to hold our hands together and ride over a situation we find ourselves in as one people” end of quote.

157. Sir, allow me to also quote an African proverb which says “If you want to go fast, go alone. If you want to go far, go together.” This entails that as a nation, we need to be united in the face of adversity. If we all put our hand to the plough, there is no limit to how far we can go as a people.

158. Mr. Speaker, I beg to move.