

**BUDGET ADDRESS BY THE HON. NG'ANDU P. MAGANDE, MP**  
**MINISTER OF FINANCE AND NATIONAL PLANNING**  
**DELIVERED TO THE NATIONAL ASSEMBLY ON 25<sup>TH</sup> JANUARY 2008**

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1. Mr. Speaker, I beg to move that the House do now resolve into Committee of Supply on the Estimates of Revenue and Expenditure for the year 1<sup>st</sup> January 2008 to 31<sup>st</sup> December 2008, presented to the National Assembly in January 2008.

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

3. Mr. Speaker, over the past five years, the nation has achieved macroeconomic stability characterised by growth in the real Gross Domestic Product (GDP) in excess of 5 percent per annum, the reduction of inflation to single digit, a stable exchange rate, declining interest rates, a stable financial system, the removal of the external debt burden, and a substantial build-up in foreign exchange reserves. These achievements have resulted in notable successes in the creation of jobs and wealth, and the reduction in poverty levels.

4. Sir, our cherished and chosen vision is to be a prosperous middle income country by 2030. This will be achieved by creating a nation of dynamic, self confident and vibrant entrepreneurs. Our foremost challenge, this year and in the medium-term, is to create the fiscal space that will allow us to marshal both human and financial resources. This will enable us to accelerate the implementation of the Fifth National Development Plan.

5. Mr. Speaker, to realise this vision, the theme of this year's budget is

**“Unlocking Resources for Economic Empowerment and Wealth Creation.”**

6. Mr. Speaker, the preparation of this Budget has benefited from broad-based consultations with various stakeholders. This is in line with this Government's policy of openness and transparency. I, therefore, wish to express my utmost gratitude for the valuable contributions made by various organisations and individuals.

7. Mr. Speaker, my address this afternoon comprises five parts. In Part one, I give an overview of the performance of the global economy during the past year. In Part Two, I discuss developments in the Zambian economy during the same period and this is followed, in Part three, by an outline of the Government's economic policies for 2008. In Part Four, I present details of the 2008 Budget. Finally, in Part Five, I conclude my address.

**PART 1**

**PERFORMANCE OF THE GLOBAL ECONOMY IN 2007**

8. Mr. Speaker, preliminary estimates indicate that the world economy registered a robust real GDP growth of about 5.0 percent, largely driven by strong expansion in China, India and Russia. These favourable developments mitigated the lower growth recorded in the advanced economies, especially the United States, which experienced a significant reduction in investments in residential property.

9. Mr. Speaker, this sustained growth in the world economy continued

to drive the price of commodities upwards, with oil prices reaching record levels. Further, lower oil production by the Organization of Oil Producing and Exporting Countries (OPEC), and a smaller rise in oil output in non-OPEC countries contributed to the high oil prices.

10. Sir, the prices of non-fuel commodities similarly increased during the year, with copper prices rising by 12.6 percent to US \$3.15 per pound.

11. Sir, in 2007, Africa posted real GDP growth of 5.7 percent, a modest 0.1 percentage points above the growth recorded in 2006. However, Sub-Saharan Africa recorded a robust real GDP growth rate of 6.1 percent, which was 0.4 percentage points above the 2006 level.

12. Sir, on balance, these global developments had a positive impact on Zambia's terms of trade.

## **PART II**

### **PERFORMANCE OF THE DOMESTIC ECONOMY IN 2007**

#### **MACROECONOMIC PERFORMANCE**

13. Mr. Speaker, preliminary estimates indicate that the macroeconomic outturn was satisfactory. The growth in real GDP continued to be positive at a preliminary estimate of around 6.2 percent, which was lower than the target of 7 percent. This was mainly on account of the lower than projected growth in the primary and secondary sectors of the economy.

14. Mr. Speaker, despite the adverse external shocks associated with high international oil prices, an end of the

year single digit inflation rate was achieved for the second year running. As at end-December 2007, annual inflation was 8.9 percent, which was consistent with the revised target of 9 percent but was above the 8.2 percent achieved in December 2006.

15. Mr. Speaker, with regard to the fiscal outturn, a strong revenue performance and the slow utilisation of resources by Government institutions explains the lower domestic borrowing. Preliminary estimates indicate that in 2007, domestic borrowing amounted to K437 billion or 0.95 percent of GDP against the target of 1.2 percent.

16. Mr. Speaker, Zambia's external position remained positive during the year under review. This was reflected in the strong build-up of Gross International Reserves (GIR) to US \$1,080.2 million or 3.6 months of import cover against the target of 2.5 months.

#### **EXTERNAL SECTOR DEVELOPMENTS**

17. Mr. Speaker, preliminary information indicates that, in 2007, external sector developments were largely positive. The overall balance of payments recorded a positive balance of US \$266.3 million compared to US \$821 million in 2006. The current account balance recorded an estimated deficit of US \$856 million, compared to a surplus of US \$120 million in 2006. This was largely accounted for by a higher deficit in the income account.

18. Sir, the current account deficit was financed by increased external capital inflows in the form of foreign direct and portfolio investments of US \$853.5 million and project grants of US \$153.6 million.

19. Sir, although the trade surplus declined to US \$686.4 million from US \$1,183 million in 2006, both total exports and imports increased. Total exports increased by 11.9 percent to US \$4,273.4 million compared to the US \$3,819 million recorded in 2006. However, imports rose at a higher rate of 37.4 percent to US \$3,622.3 million, largely on account of increased investment in the mining sector.

20. Sir, metal exports rose by 10.2 percent to US \$3,400.3 million whilst non-traditional exports were 24.5 percent higher, at US \$924.4 million, largely due to the growth in the economies of our trading partners.

#### **EXTERNAL DEBT**

21. Mr. Speaker, preliminary information indicates that the stock of external debt increased by 9.5 percent to US \$2,035.2 million in 2007 from US \$1,859.0 million in 2006. The increase was largely accounted for by the 16.7 percent growth in private sector external debt to US \$980.7 million, related to investment in plant and machinery by mining companies. The stock of Government external debt increased by 3.5 percent to US \$1,054.5 million in 2007 from US \$1,019.0 million in 2006, mainly due to new disbursements to support the budget.

22. Sir, the amount of US \$635 million reported in last year's Budget was adjusted upwards during the year. This adjustment was to reflect undelivered HIPC Initiative debt relief from some of the bilateral creditors with whom we have not yet reached agreement.

#### **FOREIGN FINANCING**

23. Mr. Speaker, in 2007, foreign financing continued to compliment our domestic resources. In this regard, our co-operating partners disbursed a total of US \$503.6 million. Of this amount, US \$356.1 million was disbursed as project support while US \$147.5 million was for direct budget support. Project support comprised US \$125.8 million for Sector Wide Approach Project Support (SWAPS), US \$153.6 million for project grants and US \$76.7 million for project loans.

24. Sir, on behalf of the Zambian people and, indeed on my own behalf, I wish to sincerely thank our cooperating partners for their continued support to our development agenda.

#### **DOMESTIC DEBT**

25. Mr. Speaker, preliminary figures show that the stock of domestic debt and other public liabilities declined by 7.1 percent to an estimated K8,885.5 billion in 2007. The decrease was primarily on account of a decline in the stock of domestic arrears to suppliers of goods and services and the Pension Fund.

26. Sir, domestic arrears to road contractors and other suppliers of goods and services fell by 16.5 percent to K370.5 billion while the stock of pension arrears were reduced by 31.9 percent from K396.5 billion in 2006 to K269.9 billion in 2007.

27. Mr. Speaker, the stock of Government securities increased by 11.6 percent to K6,966.1 billion in 2007, compared to an increase of 25.7 percent in 2006. The increase in the stock of Government securities was on account of the rise in the stock of Government bonds by 20.7 percent to K3,904.8 billion and Treasury bills, which rose by 1.8 percent to K3,061.3 billion. This partly reflects intensified monetary

operations by the Bank of Zambia to contain liquidity pressure arising from the accumulation of international reserves.

#### **MONETARY AND FINANCIAL SECTOR DEVELOPMENTS**

28. Mr. Speaker, monetary and financial sector developments continued to be favourable during the year. Inflation was contained within single digit, money supply growth slowed down, commercial bank lending rates continued to trend downwards, and the financial sector remained sound.

29. Sir, the 2007 single digit inflation was reflective of an appropriately firm monetary policy stance and a favourable fiscal outturn. In addition, the appreciation of the Kwacha against major international currencies further dampened inflationary pressures.

30. Mr. Speaker, preliminary estimates show that annual money supply growth slowed to 25.9 percent in December 2007 from 45.1 percent in December 2006. This was largely due to the reduction in the Government borrowing from the banking system by 21.6 percent. However, lending to the private sector registered a strong growth of 44.5 percent.

31. Sir, in an effort to further reduce the cost of funds, in October 2007, the Bank of Zambia significantly reduced the statutory reserve ratio on Kwacha and foreign currency deposit liabilities from 14 percent to 8 percent.

32. Mr. Speaker, the composite weighted average yield rates on Treasury bills and Government bonds rose to 13.4 percent and 15.6 percent, in December 2007 from 9.2 percent and 12.6 percent in December 2006, respectively. This was largely due to

efforts by the Bank of Zambia to contain money supply growth and inflationary pressures.

33. Sir, in line with falling inflation, commercial banks' lending rates fell to 24.4 percent in December 2007, from 27.9 percent in December 2006. However, commercial bank interest rates remained relatively high contrary to the Government's expectations. Lack of positive cooperation seems to indicate the failure of liberalisation and market forces.

34. Mr. Speaker, in 2007, the Bank of Zambia also continued to consolidate financial system stability by enhancing supervision of the financial sector. As a result, the performance of the banking sector remained sound and was well capitalised, profitable and liquid while the performance of the non-bank sector was fair.

35. Sir, other significant developments in the sector during the year included the commencement of operations by the first credit reference bureau early in the year. It is expected that once fully operational, the Bureau will assist in improving the credit culture in the country. Further, the National Payment Systems Act was enacted in June 2007.

#### **CAPITAL MARKET DEVELOPMENTS**

36. Mr. Speaker, the Lusaka Stock Exchange continued to record impressive gains in 2007. Market capitalization in Kwacha terms rose by 31.6 percent to K17,206.1 billion whilst in US dollar terms it rose by 41.2 percent to US \$4.5 billion.

37. Sir, the other notable development was the Government's introduction of longer dated bonds of 7, 10, and 15-year tenors. The introduction

of these longer dated securities will help deepen the financial markets, by extending the yield curve and providing benchmark rates for the market.

## **SECTOR PERFORMANCE**

### ***AGRICULTURE***

38. Mr. Speaker, preliminary data show that the agriculture sector grew by 2.8 percent in 2007 compared to a growth of 3.0 percent in 2006. The slower growth in the sector was due to poor prices for crops such as cotton and tobacco. Nevertheless, for the second consecutive year, a food surplus was achieved with cumulative stocks reaching 628,396 metric tonnes.

### ***MINING AND QUARRYING***

39. Mr. Speaker, the mining sector registered positive growth in 2007, albeit at a slower rate. Preliminary figures show that copper production increased by 1.5 percent to 523,435 metric tonnes from 515,618 metric tonnes in 2006. However, cobalt production declined by 9 percent, to 4,229 metric tonnes in 2007 from 4,648 metric tonnes in 2006. The slow down in the metal output was mainly on account of flooding at some of the mines in the first half of the year.

### ***CONSTRUCTION***

40. Sir, preliminary data indicate that the construction sector continued to register positive growth of 13.3 percent in 2007, slightly lower than the 14.4 percent recorded in 2006. The favourable performance in the sector continues to be driven by construction of residential housing, investments in the mines, road construction and other civil works, reflecting strong economic growth and rising incomes.

### ***MANUFACTURING***

41. Mr. Speaker, the manufacturing sector recorded a positive growth of 3.4 percent. This growth was broad-based with increased value addition in most of the sub-sectors. However, the growth was lower than the 5.7 percent recorded in 2006. This was mainly on account of the negative growth in the textiles and leather sub-sector.

### ***TOURISM***

42. Sir, the performance of the tourism sector was encouraging. The number of tourists coming into the country is estimated to have increased by 6.4 percent to 805,059 in 2007. This resulted in an increase in room and bed occupancy, number of beds and employment levels. In turn, the sector's earnings increased to an estimated US \$188 million from US \$177 million in 2006.

### ***ENERGY***

43. Mr. Speaker, the energy sector faced a number of challenges related to the supply of electricity and petroleum products in the face of increased demand. Electricity generation increased marginally to 9.7 million megawatt hours from 9.6 million megawatt hours in 2006. This was due to the power rehabilitation works being undertaken by ZESCO. In the petroleum sub-sector, supply was generally reliable despite the shutdown of the INDENI Oil Refinery for rehabilitation works. The move by the Government to allow oil marketing companies to import finished petroleum products eased disruptions in supply.

## *TRANSPORT AND COMMUNICATIONS*

44. Mr. Speaker, the transport, storage and communications sector continued to perform positively, with output increasing by 22.5 percent compared to 22.1 percent in 2006. A robust expansion was recorded in all the sub-sectors, except for rail transport, which recorded negative growth, mainly on account of the poor state of the rail infrastructure.

## *SOCIAL SECTOR DEVELOPMENTS*

### *EDUCATION*

45. Mr. Speaker, in 2007, the Government recruited and placed 10,600 teachers in various schools in the country. This was augmented by a countrywide distribution of textbooks and other school requisites. In addition, the Government continued with the programme of rehabilitation and construction of class rooms and teachers' houses. In this regard, construction of 31 high schools commenced country-wide.

46. Sir, the Government also enrolled a total of 452,974 pupils in grade one, a 2 percent increase from the previous year. In relation to gender, more female children accessed education in the first grade than their male counterparts.

47. Mr. Speaker, with regard to tertiary education, the Mulungushi University was established as the third public university in the country. In addition, the Government continued with the programme of rehabilitation and development of infrastructure across the country. This programme included works at the University of Zambia, Copperbelt University, Evelyn Hone College and trades training institutes.

48. Sir, this is a true demonstration of the Government's commitment to improving the standard of education for the future generation.

### *HEALTH*

49. Mr. Speaker, the focus of the Government in 2007 was to provide access to quality health care. In this regard, the Government abolished user fees in 54 rural districts and recruited over 1,100 frontline medical personnel.

50. Sir, in addition, the Government continued with the programme of infrastructure rehabilitation and development. An x-ray theatre and maternity wing were completed at Samfya whilst construction works for the new hospitals in Chadiza and Mumbwa reached an advanced stage. Other programmes included the construction of 33 health posts in various districts across the country. Further, the Cancer Disease Hospital was commissioned and has currently over 300 patients on treatment. This number is expected to rise to 1,800 patients this year as more patients become aware of the availability of the facility.

51. Sir, the provision of essential drugs and medical supplies was scaled up in 2007 with Medical Stores Limited making 83.5 percent of its deliveries on time. However, there is an urgent need to institute effective measures to safeguard medicines and hospital equipment once they are delivered to health institutions.

### *HIV/AIDS*

52. Mr. Speaker, the HIV/AIDS pandemic continues to be a major challenge as it mostly affects the productive age groups. In 2007, the

number of cases diagnosed increased to 30,960 from 29,515 in 2006.

53. Sir, the Government continued to make headway in ensuring that more of our people living with HIV/AIDS have access to anti-retroviral therapy. In this regard, a total of 137,000 patients accessed free anti-retroviral therapy countrywide compared to 75,000 in 2006.

#### **STRUCTURAL REFORMS**

54. Mr. Speaker, the Government continued to implement reforms under the Public Expenditure Management and Financial Accountability (PEMFA), Public Service Management (PSM), Financial Sector Development Plan (FSDP) and the Private Sector Development (PSD) Initiative. With regard to PEMFA, progress has been made in providing the required environment and resources for the reforms. In 2007, the key milestones included the following:

- (a) The IFMIS Solution provider came on board and the design and implementation of the system started;
- (b) Data collection for the economic census commenced. This will improve the National accounts statistics compiled annually; and
- (c) Three provincial offices for the Auditor-General's Office were constructed and completed in Solwezi, Mongu and Kasama to increase audit coverage.

55. Mr. Speaker, under the Financial Sector Development Plan (FSDP), the Government launched the Rural Finance Programme last year to improve access to financial services particularly in the rural areas. The programme will be private sector driven.

#### **BUDGET PERFORMANCE IN 2007**

56. Mr Speaker, the overall budget outturn in 2007 was strong despite challenges in the execution of capital projects. Preliminary figures indicate that total resources mobilised, including borrowing to cover the budget deficit, amounted to K10,720.1 billion. Of this amount, revenues and grants accounted for K10,176.1 billion while K544.0 billion or 1.2 percent of GDP was borrowed. Total expenditure releases at K10,720.1 billion accounted for 89.7 percent of the Budget. An amount of K8,794.1 billion or 81 percent of the total expenditure releases were directed towards current expenditure while K1,926.0 billion or 19 percent was absorbed by capital expenditures.

57. Sir, domestic revenue collections at K8,522.1 billion were above target by K405.0 billion or 5 percent. Higher company tax and import VAT receipts largely accounted for this performance. Grant receipts from cooperating partners amounted to K1,654.1 billion, out of which K581.9 billion was direct budget support. Direct Budget Support receipts were above target by 10 percent, reflecting the support that this Government continues to enjoy from our cooperating partners.

58. Mr. Speaker, due to the slow absorption by the Ministries, Provinces and other Spending Agencies, the 2007 Budget allocations could not be disbursed in full. This was, in part, a reflection of capacity constraints within spending agencies and contractors in the private sector, delayed procurement, and structural factors associated with the Budget cycle.

59. Mr. Speaker, for domestically financed expenditures, General Public Services accounted for the largest share at 36.6 percent, followed by the social

sector at 33.8 percent and Economic Affairs at 14.5 percent. Other functions accounted for the balance.

60. Sir, General Public Service releases, which are primarily activities of an operational nature for the general running of Government, amounted to K3,487.3 billion, representing 93.5 percent of the target. Of this amount, K959.5 billion went towards the payment of domestic and external debt, reflecting the Government's commitment to meet its debt obligations.

61. Mr. Speaker releases towards the economic affairs function amounted to K1,384.4 billion, representing 98.3 percent of the target. Of this amount, K1,175.0 billion or 84.9 percent went to Agriculture, Forestry, Fishing, and Transport.

62. Sir, these releases covered the following main programmes; the Fertiliser Support Programme, Strategic Food Reserve Programme, Food Security Pack, Farm Mechanisation and Irrigation Fund. Other programmes included the construction and rehabilitation of roads, for which K419.8 billion was released.

63. Mr. Speaker, total releases to the social sectors amounted to K3,220.7 billion, representing 99.2 percent of the target. Out of this amount, Education accounted for 54.4 percent, Health 24.9 percent, Housing and Community Amenities 9.2 percent and Social Protection 8.2 percent.

### **PART III**

#### **ECONOMIC AND SOCIAL POLICIES FOR 2008**

##### **Macroeconomic Policies for 2008**

64. Mr. Speaker, having stabilised the macroeconomic environment, the key challenges are to transform these positive developments into improved living standards, more jobs and sustained broad based economic growth.

65. Sir, these developments have already started impacting on poverty levels. The statistics from the Living Conditions Monitoring Survey of 2006 indicate that poverty levels dropped to 64 percent in 2006 from 68 percent in 2004. The statistics also show that during this period, urban poverty dropped from 53 percent to 34 percent whilst there was an increase in rural poverty from 78 percent to 80 percent.

66. Mr. Speaker, these facts challenge us to consolidate the measures that have led to the significant reduction in urban poverty and to redouble our efforts to arrest and reduce the high levels of rural poverty. I want to assure you, Sir, that the Movement for Multi-Party Democracy (MMD) Government stands ready to meet this challenge. An immediate programme for this year is the rehabilitation of the damaged rural roads which will be done once we receive the road equipment in March. This should open up the rural areas for more and viable investments to uplift the living standards of our people.

67. Sir, the dramatic decline in urban poverty has taken place during the period in which annual economic growth has consistently been above 5 percent. Therefore, achieving higher levels of economic growth is an important weapon in the fight against



poverty. Further, the execution of the Budget needs to be improved. This is particularly relevant with respect to the programmes that focus on the development of the rural areas.

68. Mr. Speaker, against this background, the Government's macroeconomic objectives for 2008 are to:

- (a) achieve real GDP growth of at least 7 percent;
- (b) bring down end-year inflation to no more than 7 percent;
- (c) limit domestic borrowing to 1.2 percent of GDP; and
- (d) maintain the coverage of gross international reserves at no less than 3.6 months of import cover.

69. Mr. Speaker, attaining the growth objective in 2008 demands that the private sector must play a stronger role in economic development. It is also imperative that Zambians, through the Citizens Economic Empowerment Programme, participate fully in the various economic activities. In addition, availability and access to credit will need to be enhanced. On our part as Government, we will continue to focus on implementing structural reforms and providing infrastructure so as to lower the cost of doing business.

#### **FISCAL POLICIES**

70. Mr. Speaker, the objective of the Government in 2008 is to continue to consolidate fiscal discipline by maintaining lower levels of borrowing and prudent budget execution. This will entail improved cash and treasury management, enhanced domestic resource mobilisation and effective coordination with the monetary authorities.

#### **BUDGET EXECUTION**

71. Mr. Speaker, in 2008, the Government will improve capacities of Ministries, Provinces and other Spending Agencies to evaluate and implement capital projects on time.

72. Sir, the budget for 2008 is being presented one week before the end of January. This breaks our past tradition when the budget has been presented in February. This demonstrates the resolve of the Government to quicken the implementation of project execution. As we plan to improve the capacities of Ministries, Provinces and other Spending Agencies in project implementation, I wish to appeal that this august House also breaks a record by approving the estimates by end of February 2008.

#### **DEBT AND AID POLICIES**

73. Mr. Speaker, the Government's long-term debt management objective will be to raise adequate levels of financing at minimum cost and risk. In addition, we will pursue strategies to ensure that the national public debt is maintained at sustainable levels over the medium to long term.

74. Sir, with respect to domestic debt, the Government will place emphasis on settlement of domestic arrears, specifically to the Public Service Pension Fund and suppliers of goods and services. On the external debt front, the Government's strategy will be to source external funds, when required, on concessional terms and ensure that any new borrowing does not undermine debt sustainability. The Government will also intensify efforts to consolidate the legal framework governing the contraction and management of debt.

75. Mr. Speaker, the Government adopted the Aid Management Policy in 2007. The objective of the Policy is to ensure that the country has a clear, systematic and well co-coordinated approach to acquire, utilize and manage aid. This will involve regular reporting, monitoring and evaluation of the aid to ensure effective implementation of the Fifth National Development Plan. Through the Joint Assistance Strategy with our cooperating partners, we shall be receiving aid in a coordinated fashion and in a manner that will reduce the transaction costs of such aid to Government.

#### **MONETARY AND FINANCIAL SECTOR POLICIES**

76. Mr. Speaker, the overriding objective of monetary policy in 2008 will be to maintain single digit inflation for a third consecutive year. In this regard, a key challenge will be to enhance coordination between fiscal and monetary policies so as to effectively manage liquidity and maintain macroeconomic stability.

77. Sir, financial sector policy in 2008 will remain focused on maintaining financial system stability and on developing and deepening the financial sector. With regard to financial system stability, the Bank of Zambia will introduce risk based supervision. In addition, the Government will continue with the recapitalisation of state-owned non-bank financial institutions so as to enhance the stability of the financial system.

78. Sir, the external sector environment is projected to remain favourable and the foreign exchange market is expected to remain relatively stable. This will support the attainment of the foreign reserve target. However, external shocks such as high oil prices

and adverse weather conditions are likely to present a challenge in attaining the inflation and reserves objectives.

#### **KEY SECTOR POLICIES AND INTERVENTIONS**

##### *ECONOMIC SECTORS*

##### *AGRICULTURE*

79. Mr. Speaker, agriculture remains a key sector for the nation's economic development. The focus in 2008 will be on improved cash crop production, livestock and fisheries development. Programmes that enhance crop production such as the Fertilizer Support Programme and irrigation development will continue to be supported. In livestock development, key programmes will include active disease monitoring and control, and restocking of livestock.

80. Mr. Speaker, under fisheries development, the key strategy is to ensure compliance with fisheries regulations so as to reduce the depletion of fish in our main water bodies. In addition, aquaculture development, especially by women, will be encouraged.

##### *MINING*

81. Mr. Speaker, investment in the mining sector, on the back of the high global commodity prices, has been an important engine of economic growth for Zambia. This investment has involved not only the establishment of new mines but has also attracted additional investments in mineral exploration, with very promising results.

82. Sir, in 2008, the role of the Government in the mining sector will continue to be that of providing an enabling environment for private sector led investment. In this regard, as

announced by His Excellency the President during the opening of the 2<sup>nd</sup> Session of the 10<sup>th</sup> National Assembly, the Government will be introducing a new fiscal and regulatory framework for the mining sector.

83. Mr. Speaker, the mining sector under this framework will begin to adequately contribute to the advancement and the social and economic welfare of the people of Zambia. At the same time, the new regime will secure an appropriate return on investment by mining companies. The additional revenues arising from the new mining tax regime will be set aside and a clear and transparent mechanism for their utilisation will be established.

84. Sir, the proposed framework will also ensure transparency in the accounting and utilisation of mineral revenues and also protect the rights of all those investing in the mining sector.

85. Sir, another major policy intervention in 2008 will be to review the Petroleum (Exploration and Production) Act of 1985. Recent developments in this area have highlighted the inadequacy of this legislation in securing our national interests in the sector. The objective is to lay the groundwork for the eventual prospecting and production of oil.

#### *TOURISM*

86. Mr. Speaker, the Government will continue to undertake infrastructure development in the sector so as to improve accessibility to tourist destinations. In addition, resources will be made available to enhance the sustainability and conservation of Zambia's wildlife and its eco-systems. In particular, in 2008, we will begin the recapitalisation of the Zambia Wildlife

Authority so as to improve its operations.

87. Sir, investment by both domestic and foreign investors will also be enhanced by implementing the provisions of the new legislation with respect to the tourism sector. The legislation provides for the creation of a one-stop shop to licence investors in the sector, and thus reduce the cumbersome licensing procedures.

#### *ENERGY*

88. Mr. Speaker, addressing the looming energy deficit is a major challenge facing our nation. In this regard, expanding electricity generation is critical in order to support private sector growth and to counterbalance the expected power shortage in the country and the region as a whole.

89. Sir, works on the Kariba-North Bank Extension and the Itezhi-Tezhi Projects are due to commence this year. In addition, the finalisation of the Rural Electrification Master Plan will help identify energy options in rural areas and provide a framework to increase accessibility.

90. Mr. Speaker, in the petroleum sub-sector, the Government will continue with measures aimed at further stabilising the supply of petroleum products. In this regard, a mechanism to supply crude feed stock to the INDENI Oil Refinery over the next two years has been put in place and will be fully operational this year.

#### *SOCIAL SECTORS*

##### *EDUCATION*

91. Mr. Speaker, the Government's focus in the education sector will continue to be on the recruitment of

teachers and infrastructure development. As a retention strategy, the Government will develop a number of schemes to improve the environment for teachers in rural areas. Further, to increase enrolment of children in schools, the Government will construct more classrooms both at basic and high school levels.

### **HEALTH**

92. Mr. Speaker, it is critical to improve the provision of health services so as to raise and sustain the productivity of our people. The Government will, therefore, continue to invest in the sector in order to improve the supply, distribution and management of drugs and other medical supplies.

93. Sir, the Government will focus on the recruitment of frontline medical personnel and infrastructure development. One of the key strategies in infrastructure development will be the expansion of the capacity of training institutions to increase their enrolment levels.

### **STRUCTURAL REFORMS**

94. Mr. Speaker, implementation of structural reforms will be stepped up in order to support private-sector-led growth and strengthen public sector management. The slow pace in the implementation of structural reforms in the recent past has compromised the ability of the Government to effectively drive the development agenda. In addition, it has impeded the development of the private sector.

95. Sir, implementation of the Financial Sector Development Plan (FSDP), Public Service Management (PSM), Public Expenditure Management and Financial Accountability (PEMFA), and the Private Sector Development

(PSD) Initiative will be quickened. Under the PEMFA programme, the Integrated Financial Management Information System (IFMIS) pilot sites will “go live” in 2008. In addition, the Treasury functions will be strengthened in order to improve cash and expenditure management by introducing more efficient payment systems. This will improve overall budget execution.

96. Sir, the Financial Sector Development Plan aims to address weaknesses in the financial sector. In 2008, a key milestone under this programme will be to obtain a sovereign credit rating for Zambia. This will, among other advantages, aid in deepening the financial market by enhancing access to the international capital markets by both the Government and the private sector. In addition, the Government is reviewing legislation in an effort to strengthen the financial sector.

## **PART IV**

### **THE 2008 BUDGET**

97. Mr. Speaker, in 2008, the Government proposes to spend a total of K13,761.4 billion or 26.7 percent of the GDP estimated at K51,559.0 billion. Of this amount, K9,828.4 billion or 71.4 percent will be financed by domestic revenues while K2,278.9 billion or 16.6 percent will be grants from our cooperating partners.

98. Sir, the balance of 12.0 percent is the deficit of K1,654.0 billion or 3.2 percent of GDP. This will be financed by domestic borrowing of K618.8 billion or 1.2 percent of GDP and external financing of K1,035.3 billion or 2.0 percent of GDP.

99. Mr. Speaker, I now present details of expenditure and revenue measures for the 2008 Budget.

#### EXPENDITURE MEASURES

100. Mr Speaker, expenditures under the General Public Services, Education and Health functions will remain high in 2008. As a percentage of the total expenditure, General Public Services

will account for 32.8 percent, Education 15.4 percent and Health function 11.5 percent. The allocation to the Economic Affairs function is projected at 16.7 percent while that to Defence and Public Order and Safety is 7.1 percent and 4.2 percent, respectively.

101. Sir, the summary of the 2008 expenditure is as follows:

#### Expenditure by Functional Classification

	2008		2007	
	Allocation (K' Billion)	% of Total Budget	Allocation (K' Billion)	% of Total Budget
<b>General Public Services</b>	<b>4,514.2</b>	<b>32.8</b>	<b>3,809.5</b>	<b>31.7</b>
General Government Services	2,691.9	19.6	2,543.2	21.1
Legislation	655.0	4.8	451.8	3.8
Centralised Administrative Services	535.6	3.9	493.9	4.1
Executive	361.6	2.6	320.6	2.7
<b>Defence</b>	<b>981.3</b>	<b>7.1</b>	<b>798.2</b>	<b>6.6</b>
<b>Public Order and Safety</b>	<b>581.8</b>	<b>4.2</b>	<b>455.8</b>	<b>3.8</b>
Police Services	437.0	3.2	342.9	2.8
Other ( Law Courts, Prisons, immigration etc)	144.8	1.1	112.8	0.9
<b>Economic Affairs</b>	<b>2,300.8</b>	<b>16.7</b>	<b>2,370.6</b>	<b>19.7</b>
Transport	1,181.4	8.6	919.4	7.6
Agriculture Forestry Fishing and Hunting	800.5	5.8	1,064.8	8.8
General Economic Commercial	145.5	1.1	184.9	1.5
Other ( Mining, Tourism, Fuel & Energy)	157.0	1.1	201.4	1.7
<b>Environmental Protection</b>	<b>95.7</b>	<b>0.7</b>	<b>103.3</b>	<b>0.9</b>
<b>Housing and Community Amenities</b>	<b>830.6</b>	<b>6.0</b>	<b>802.7</b>	<b>6.7</b>
Water Supply and Sanitation	399.4	2.9	331.1	2.8
Other Housing & Community Amenities	431.1	3.1	471.6	3.9
<b>Health</b>	<b>1,586.6</b>	<b>11.5</b>	<b>1,289.5</b>	<b>10.7</b>
<b>Recreation and Culture</b>	<b>174.1</b>	<b>1.3</b>	<b>137.1</b>	<b>1.1</b>
<b>Education</b>	<b>2,118.5</b>	<b>15.4</b>	<b>1,807.0</b>	<b>15.0</b>
<b>Social Protection</b>	<b>577.7</b>	<b>4.2</b>	<b>460.6</b>	<b>3.8</b>
<b>TOTAL</b>	<b>13,761.4</b>	<b>100.0</b>	<b>12,034.4</b>	<b>100</b>

## **GENERAL PUBLIC SERVICES**

102. Mr. Speaker, under the General Public Services function, the Government has made a provision of K4,514.2 billion. Of this amount, General Government Services will account for 59.6 percent, Legislation 14.5 percent, Centralised Administrative Services 11.8 percent and Executive 8.0 percent.

103. Sir, one of the key programmes under this function is debt management. As such, the Government has provided K720.0 billion to meet domestic and external debt payments. A provision of K350.5 billion has also been made for payment of arrears. This is in line with the Government's policy to dismantle a substantial amount of arrears owed to suppliers of goods and services so as to free resources for developmental programmes. Further, an allocation of K100.0 billion has been provided for Awards and Compensation for payment of court judgements and litigations against Government.

104. Sir, other key provisions include K309.4 billion for facilitating the constitutional review process, K103.0 billion for grants to Local Authorities and K60.0 billion for Constituency Development Fund. A further K90.7 billion has been provided for contingency reserve meant to cater for unforeseen and unavoidable expenditures. The balance will go towards regular Government operations.

## **PUBLIC ORDER AND SAFETY**

105. Mr. Speaker, the Government proposes to spend K581.8 billion or 4.2 percent of the total budget on the Public Order and Safety function. Of this amount, K437.0 billion will be for police services. Other sub- functions

such as law courts, prisons, immigration, passports and national registration function will account for K144.8 billion.

106. Sir, an amount of K60.0 billion has been provided for construction of houses for the police and K24.0 billion for prison infrastructure development and rehabilitation. Further, in order to enhance policing, the Government has provided K15.0 billion for the recruitment of 1,500 police officers.

## **ECONOMIC AFFAIRS**

107. Mr Speaker, expenditure on Economic Affairs is projected to be K2,300.8 billion. Of this amount, the Transport sub-function will account for 51.4 percent, Agriculture, Forestry and Hunting 34.8 percent, General Economic, Commercial and Labour Affairs 6.3 percent while the balance will be accounted for by Fuel and Energy, Tourism and Mining sub-functions.

108. Sir, under Transport, the Government has provided K1,181.4 billion. Of this amount, K1,110.7 billion is for road construction, rehabilitation and maintenance, K40.0 billion for the up-grading of Solwezi and Kasama airports and K10.0 billion for the completion of the Chipata-Mchinji rail line.

109. Sir, under the Agriculture, Forestry, Fishing and Hunting sub-function, K185.0 billion has been provided for the Fertilizer Support Programme to small scale farmers to mitigate the high cost of farming inputs. An amount of K10.0 billion has been set aside for the Food Security Pack to assist the vulnerable but viable rural farmers and K80.0 billion has been provided for purchase of agricultural

products by Food Reserve Agency, particularly from outlying areas. Further, the Government has provided K24.4 billion and K38.0 billion for fisheries development and control of livestock diseases, respectively.

110. Mr. Speaker, out of the K145.0 billion allocated under the General Economic Affairs function, K50.0 billion has been set aside for the Citizens Economic Empowerment Fund to facilitate entrepreneurship development in the country. This is in addition to last year's provision, which is still available with the Fund.

111. Other programmes under the Economic Affairs function include K23.0 billion for the recapitalisation of the Zambia Wildlife Authority, K21.5 billion for Rural Electrification Fund and K6.8 billion to facilitate the development of Lusaka-South Multi Facility Economic Zone.

#### **EDUCATION**

112. Mr. Speaker, under the Education function, Government has provided K2,118.5 billion or 15.4 percent of the budget. Some of the key activities to be undertaken are the recruitment of teachers, procurement of educational materials and construction of classrooms and teachers' houses. It is estimated that the Government will recruit 5,000 teachers in 2008.

113. Sir, in addition K350.0 billion has been set aside for infrastructure development. Among the major projects will be the construction of 31 high schools and an extra 1,500 classrooms in line with the Government's policy of enrolling all seven year old children in grade one.

114. Sir, the Government will also provide resources to upgrade

infrastructure and support operations at the newly established Mulungushi University. Additional resources will be provided to upgrade Nkrumah and Copperbelt Secondary School Teacher Training Colleges so that they are able to offer degree programmes.

#### **HEALTH**

115. Mr. Speaker, total expenditure on health will amount to K1,586.6 billion or 11.5 percent of the total Budget. This allocation is essential to improve the provision of quality health care. Sir, Government has allocated K117.5 billion for infrastructure development. Key programmes will be the expansion, construction and rehabilitation of district hospitals and health centres as well as housing for the rural medical personnel. In addition, K113.5 billion has been allocated for the procurement of essential drugs. Further, K24.7 billion has been provided for the recruitment of 1,700 health workers.

#### **HOUSING AND COMMUNITY AMENITIES**

116. Mr. Speaker, the Government plans to spend K830.6 billion on the Housing and Community Amenities function. A key element of this function is the improvement of water supply and sanitation. In this respect, the Government has allocated K399.8 billion to improve access to safe drinking water, particularly in rural and peri-urban areas. Other programmes such as resettlement, community development, street lighting and the administration of these programmes have been allocated K431.0 billion.

#### **SOCIAL PROTECTION**

117. Mr. Speaker, the Government proposes to settle all pension arrears in 2008. This will be achieved by

increasing the allocation to Social Protection to K577.7 billion. Of this amount, K435.9 billion will be for the complete payment of pension arrears and meeting the current obligations to the Public Service Pension Fund. The balance of K141.8 billion will go towards other social protection programmes such as the care for the aged, orphaned and vulnerable children.

## REVENUE ESTIMATES AND MEASURES

### REVENUE ESTIMATES

118. Mr. Speaker, over the past years, the MMD Government has made significant progress in modernising tax policy and administration. The Government remains committed to establishing a broad-based tax structure that is predictable, simpler, fairer and efficient. This will help deliver lower taxation levels while at the same time securing more resources to finance development programmes.

119. Sir, in 2008, domestic revenues are projected at K9,828.5 billion or 71.4 percent of the budget. Tax revenues estimated at K9,133.6 billion represent 66.4 percent of the total Budget, while non-tax revenues at K694.9 billion represent 5 percent.

120. Mr. Speaker, the summary of the estimated revenue, grants and financing is as follows:

### Estimates of Revenues for 2008

	(K' billion)	
<b>Total Tax Revenues</b>		<b>9,133.6</b>
<b>Income Tax</b>	<b>4,153.4</b>	
<i>Company Income Tax</i>	1,352.0	
<i>PAYE</i>	2,352.3	
<i>Withholding &amp; other</i>	377.1	
<i>Mineral Royalty</i>	72.0	
<b>Value Added Tax</b>	<b>2,641.0</b>	
<i>Domestic VAT</i>	358.0	
<i>Import VAT</i>	2,283.0	
<b>Customs and Excise</b>	<b>2,339.2</b>	
<i>Customs duty</i>	945.2	
<i>Excise duty</i>	1,394.0	
<i>o/w Fuel Levy</i>	245.3	
<b>Non-Tax Revenues</b>		<b>694.9</b>
<i>Fees &amp; Fines</i>	567.7	
<i>Exceptional</i>	105.2	
<i>Medical Levy</i>	9.0	
<i>Dividends</i>	12.9	
<b>Domestic Borrowing</b>		<b>618.7</b>
<b>Total Domestic Revenue and Financing</b>		<b>10,447.2</b>
<b>Total Foreign Grants and Loans</b>		<b>3,314.2</b>
<b>Grants</b>	<b>2,278.9</b>	
<i>General Budget Support</i>	733.3	
<i>Project Grants</i>	1,545.6	
<b>Foreign Financing</b>	<b>1,035.3</b>	
<i>Programme Loans</i>	203.3	
<i>Project Loans</i>	832.0	
<b>TOTAL REVENUE AND FINANCING</b>		<b>13,761.4</b>

### REVENUE MEASURES

#### *DIRECT TAXES*

121. Mr Speaker, there has been an understandable concern that the tax burden is high. As a responsible Government, we are mindful of the burden of taxation on our workers especially those in the lower income groups. In order to reduce the tax burden, I propose to revise the Pay-As-You-Earn by increasing the non-taxable monthly threshold income from



K500,000 to K600,000. The following is the proposed Pay-As-You-Earn regime:

**Current System**

<b>Income Bands</b>	<b>Rate %</b>
0 – K500,000 per month	0
K500,001 – K1,200,000 per month	25
K1,200,001 – K5,200,000 per month	30
Above K5,200,000 per month	35

**Proposed System**

<b>Income Bands</b>	<b>Rate %</b>
0 – K600,000 per month	0
K600,001 – K1,235,000 per month	25
K1,235,001 – K4,000,000 per month	30
Above K4,000,000 per month	35

122. Sir, this measure will give tax relief to workers in formal employment earning below K4,535,000 per month. The measure will result in a revenue loss of K64.8 billion, which will go in the pockets of the workers.

123. Mr. Speaker, currently, the interest paid on mortgage for residential property is not tax deductible. The Government fully recognises the aspiration of most families to construct or purchase their own houses. I, therefore, propose to allow mortgage interest to be deductible for tax purposes to any Zambian individual who obtains a mortgage for residential property. It is envisaged that this concession will encourage home ownership.

124. Mr. Speaker, I also propose to increase the low cost housing unit capital expenditure limit for tax purposes from K2 million and K10 million to K20 million. This is meant to encourage employers to build decent housing units for their employees, particularly, in the agriculture sector.

This measure will have a minimal revenue loss.

125. Mr. Speaker, in an effort to encourage savings and streamline the collection of withholding tax on interest earned on savings and deposit accounts, I propose to reduce the withholding tax rate applicable from 25 percent to 15 percent. I also propose to abolish the exempt portion of the interest, which is not subject to withholding tax. This measure has minimal revenue impact.

126. Mr. Speaker, last year, this august House approved the proposal to increase the tax credit applicable to persons who are differently-abled from K36,000 per annum to K144,000 per annum. The Government believes that this increase was insufficient. I, therefore, propose an additional increase so that the threshold will now be K600,000 per annum.

127. Sir, I further propose to increase the allowable deduction for any employer who employs a differently-abled person from K500,000 per annum to K1,000,000 per annum for each such person employed. There will be minimal revenue loss as a result of this measure.

128. Mr. Speaker, all the above measures will take effect on 1<sup>st</sup> April, 2008.

**CUSTOMS AND EXCISE**

129. Mr. Speaker, in order to support the manufacturing sector, I propose to reduce customs duty on the following: (a) dyestuffs under HS code 3204, glycerine under HS code 1502 from 5 percent to free; and (b) mechanical horses for semi-trailers from 15 percent to 5 percent.

130. Mr. Speaker, in 2006, the Government reduced customs duty on

pancakes in order to promote the music industry. This year, I propose to give further concessions to the industry by reducing duty on other musical instruments and art equipment falling under tariff heading 32, 92 and 96 from 15 percent to zero, and those under heading 85 from 15 percent to 5 percent.

131. Sir, the two measures above will result in an estimated revenue loss of K2.2 billion.

132. Sir, in order to encourage local value addition, I propose an export levy of 15 percent on the export of copper concentrates and cotton seed. This is in recognition of the availability of local capacity to process these products. This measure will result in an estimated revenue gain of K148.7 billion.

133. Mr. Speaker, all the above measures will become effective from midnight, tonight.

#### *VALUE ADDED TAX*

134. Sir, currently books are exempt from VAT. This means that local manufacturers of books cannot claim input VAT and this makes local manufacturers less competitive. I, therefore, propose to zero rate books for VAT purposes to make the local manufacture of books less costly. The measure will result in a revenue loss of K1.7 billion.

135. Mr. Speaker, infant formula is a major nutritional supplement for babies. Given that infant formula attracts VAT, it makes the product unaffordable to many families. I, therefore, propose to exempt infant formula for VAT purposes. The measure will result in a revenue loss of K2.1 billion.

136. Mr. Speaker, Zambia is becoming a premier international tourist

destination offering a wide range of spectacular tourist activities. In order to attract more tourists, I propose to extend the list of zero rated supplies to include new activities such as elephant back safaris, steam train excursions and walking with lions. The revenue loss is minimal.

137. Sir, all the above measures will take effect from midnight, tonight.

138. Mr. Speaker, the issue of the 17.5 percent standard rate of the Value Added Tax is a matter on which I have received numerous representations for many years. I have always promised that I will respond when the economic conditions were appropriate. As part of the Government's 2008 theme, which is **"Unlocking Resources for Economic Empowerment and Wealth Creation"**, I propose to reduce the Value Added Tax standard rate from 17.5 percent to 16 percent. This is a wealth creating measure that will give the consumers K21.6 billion, which the Government will forego in revenues. The measure will take effect on 1<sup>st</sup> April, 2008.

#### *NON-TAX REVENUES*

139. Mr. Speaker, I propose to lift the waiver on visa fees under tour packages. This will level the playing field for all tourists visiting the country. In addition, I propose to increase the visa fees by 100 percent. The Government will raise an estimated amount of K35.4 billion from this measure.

140. Sir, this measure will take effect at midnight, tonight.

141. Mr. Speaker, I propose to revise the fees payable under the Passport and Citizenship Act. For the fees on passports, the current rates will continue to apply until the introduction of the new passports with extra features. This

measure will result in a revenue gain of K161.9 billion.

142. Mr. Speaker, I also propose to revise the road user fees payable under the Road Traffic Act. This will bring the fees to appropriate cost recovery levels for providing these services. The measure will result in a revenue gain of K76.3 billion and will come into effect on 1<sup>st</sup> March 2008.

#### ***HOUSEKEEPING MEASURES***

143. Mr. Speaker, I propose to amend the Customs and Excise Act, the Value Added Tax Act, and the Income Tax Act so as to update, strengthen, and remove ambiguities in certain sections of tax legislation in order to make tax administration more effective. The measures are revenue neutral.

#### **CHANGES TO THE MINING FISCAL AND REGULATORY REGIME**

144. Mr. Speaker, in my 2007 Budget Address to this august House, I proposed new tax measures for the mining sector. I also informed the nation that the Government would engage mining companies, with whom we had signed Development Agreements, as part of the process of introducing the new tax regime for the mining sector.

145. Sir, given the complexity of the mining sector, a team of experts was appointed to study this matter in great detail. The findings of the study show that:

- (a) the Development Agreements in their current form are lopsided; and
- (b) even if mining companies were to move to the 2007 tax regime, the country would still not get a fair share from its mineral resources.

146. Sir, the Government has, therefore, decided to introduce a new fiscal and regulatory regime in order to bring about an equitable distribution of the mineral wealth between the Government and the mining companies.

147. Mr. Speaker, effective 1st April 2008, the new fiscal regime for the mining sector will include the following:

- (a) The corporate tax rate will be 30 percent;
- (b) Mineral royalty rate on base metals will be 3 percent of gross value;
- (c) Withholding tax on interest, royalties, management fees and payments to affiliates or subcontractors in the mining sector will be at the rate of 15 percent;
- (d) Withholding tax on dividend will be at zero percent;
- (e) A variable profit tax of up to 15 percent on taxable income, which is above 8 percent of the gross income, will be introduced;
- (f) A windfall tax will be introduced to be triggered at different price levels for different base metals. For copper, the windfall tax shall be 25 percent at the copper price of US \$2.50 per pound but below US \$3.00 per pound, 50 percent at price for the next 50 cents increase in price and 75 percent for price above US \$3.50 per pound;
- (g) Hedging as a risk management mechanism shall be treated as a separate activity from mining;
- (h) Capital allowance, that is a depreciation of capital equipment, shall be reduced from 100 percent to 25 percent per year;

- (i) A reference price, which shall be the deemed arms length price, shall be introduced for the purposes of assessing mineral royalties and any transaction for the sale of base metals, gemstones or precious metals between related or associated parties. The reference price shall be the price tenable at the London Metal Exchange, metal Bulletin or any other commodity exchange market recognised by the Commissioner General; and
- (j) Capital expenditures on new projects shall be ring fenced and only become deductible when the projects start production.

148. Mr. Speaker, the new mining regulatory framework will be provided for in the Mines and Minerals Act. The framework will also have a modern licensing system based on transparent procedures.

149. Sir, these measures are competitive, reasonable and balanced. The expected additional revenues, in 2008, as a result of these new measures are estimated at US \$415 million.

## **PART V**

### **CONCLUSION**

150. Mr. Speaker, over the past few years, the MMD New Deal Government has delivered macroeconomic stability and growth, removed Zambia's debt burden and articulated a clear long-term economic vision, with concrete plans on how this is to be achieved. Further, in the detailed new measures on the mining sector, the Government has laid a firm foundation for the people of Zambia to fully benefit from the exploitation of their natural resources.

151. Mr. Speaker, by increasing investments in education, health and skills in 2008, we choose to enhance the capabilities and capacities of our people. By increasing and encouraging investments in infrastructure such as roads and communications, we choose to facilitate connectivity and the movement of goods and our people.

152. Mr. Speaker, by developing an information exchange forum under Culture Re-modelling, we take the vital step to freely share the rich backgrounds, values and experiences of role models in our nation and the immense and available opportunities. This is with a strong belief that, the knowledge will assist individuals to re-orient their attitudes, refocus their actions towards results, and establish meaningful relationships, to create wealth and build strong communities.

153. Sir, in this year's budget, the Government has given fundamental tax concessions which will result in taxpayers retaining some K100 billion in their pockets. In addition, the Citizens' Empowerment Fund will have over K120 billion. Furthermore, retired public workers will receive a total of K269 billion in terminal benefits. To complement the above, banks and other financial institutions will provide further opportunities for our people to access funds.

154. Mr. Speaker, by reducing the tax burden of individuals, clearing the domestic payments arrears, capitalizing the Empowerment Fund and reducing the Government's borrowing from the banking system, we choose to financially empower our people with funds to engage in productive pursuits.

155. Mr. Speaker, by these deliberate and calculated measures, the New Deal

Government has chosen to create an environment that supports individual initiatives and ingenuity. For the first time in a generation, we stand today, with our destiny, truly in our own hands. Before each one of us, is the opportunity to choose and follow, the path to future prosperity. Each Zambian has the choice, to realise their fullest potential by applying their God-given talents and capabilities.

156. Mr. Speaker, by listening to, and learning from the views, experiences and achievements of others, whether this be, in the important area of constitutional reform, economic excellence, or indeed, how best to marshal our mineral wealth, together, we choose to build a strong and prosperous One Zambia One Nation.

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

