



MINISTRY OF FINANCE

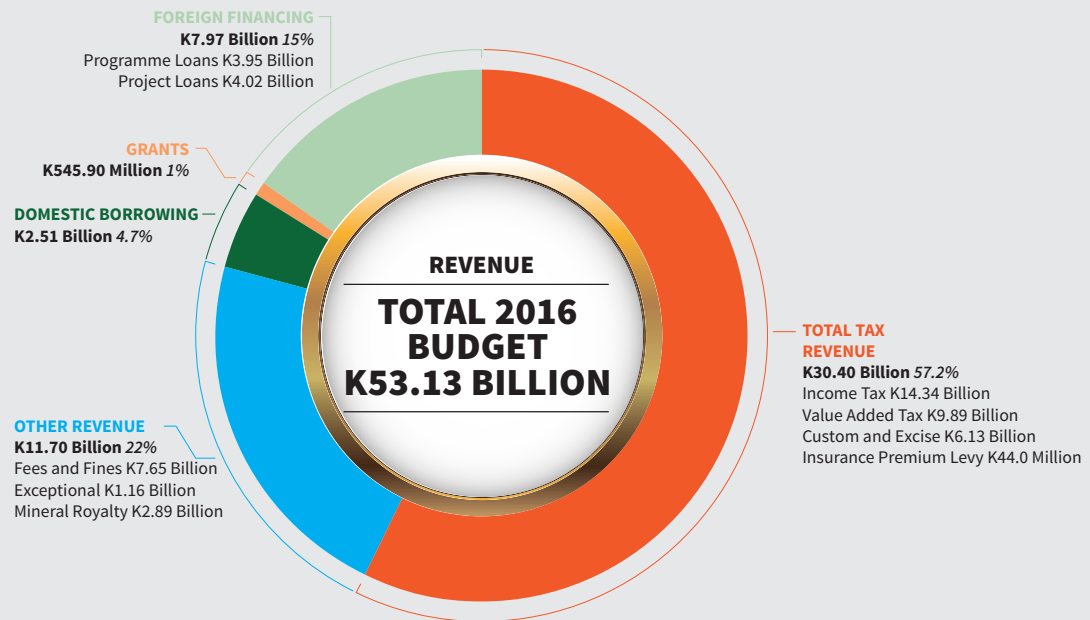


2016 CITIZENS' BUDGET

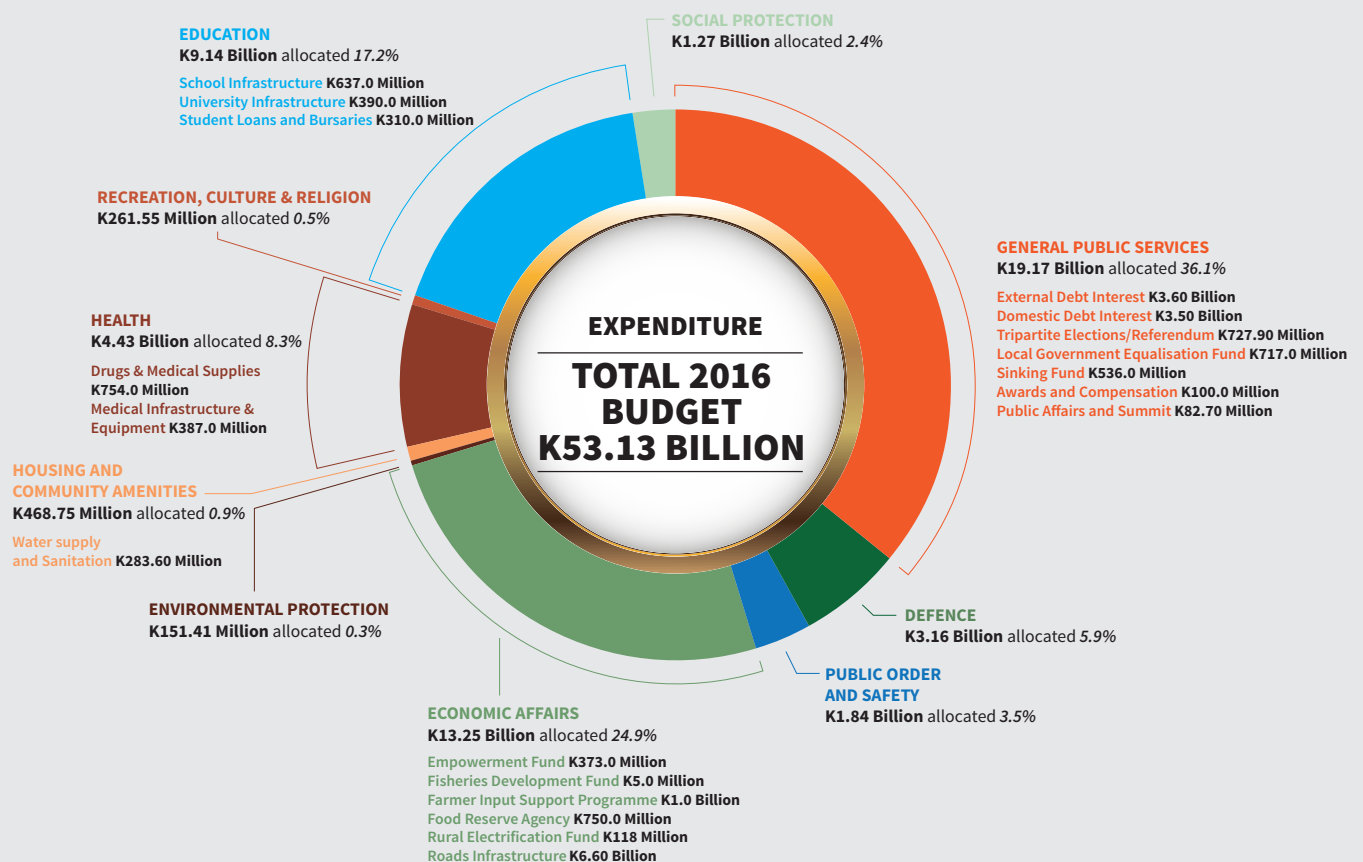
“FISCAL CONSOLIDATION TO SAFEGUARD OUR PAST ACHIEVEMENTS AND SECURE A PROSPEROUS FUTURE FOR ALL”

SUMMARY OF THE 2016 BUDGET

WHERE GOVERNMENT WILL RAISE MONEY IN 2016

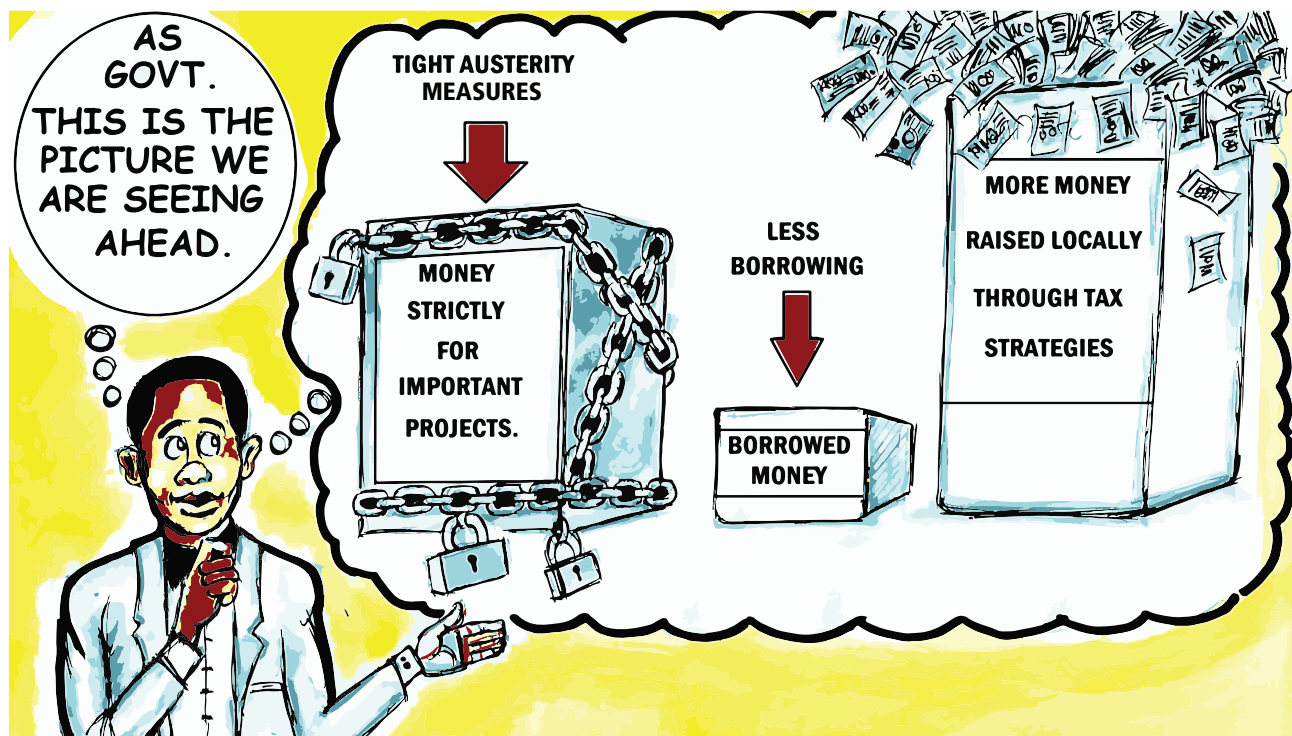


WHERE GOVERNMENT WILL SPEND MONEY IN 2016



THEME OF THE 2016 BUDGET

The theme of the 2016 Budget is **fiscal consolidation to safeguard our past achievements and secure a prosperous future for all**. This means that the Government will increase its efforts to collect more money and only spend money on priority public services so that borrowing can be minimised.



TO ACHIEVE THIS, GOVERNMENT WILL:

- Focus on the completion of on-going projects before starting new ones;
- Cut down on operational costs such as travel expenses and opening of new embassies;
- Reduce the amount of money borrowed by the Government;
- Raise more money through various tax adjustments so as to increase the amount of money collected by the Government from within the country from K35.1 billion in 2015 to K42.1 billion in 2016;
- Create job opportunities by continuing to grow sectors like tourism, energy, agriculture and manufacturing the economy and reduce the country's dependence on copper; and
- Improve the livelihood of Zambians by focusing on projects that will reduce poverty levels and create jobs.

HOW GOVERNMENT WILL RAISE ADDITIONAL MONEY IN 2016



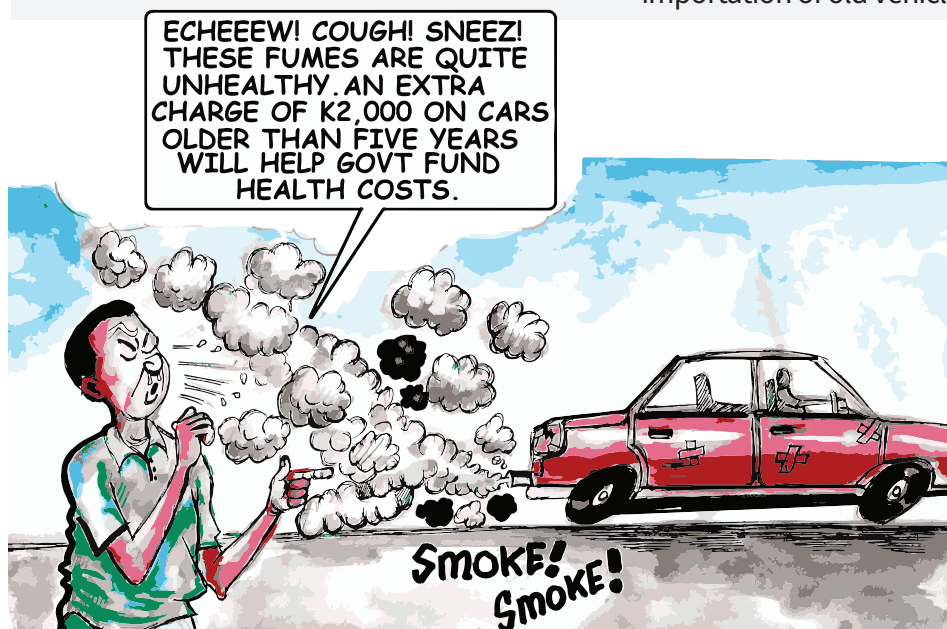
1. In the manufacturing sector Government has:

- a) Increased the specific customs duty rate on imported refined edible oil from K2.2 per litre to **K4.0 PER LITRE**;
- b) Increased the specific excise duty rate on cigarettes from K90 per mille (1,000 cigarettes make a mille) to **K200 PER MILLE**;
- c) Introduced a tax on exports of unprocessed wood at **40 PERCENT** and semi-processed wood at **20 PERCENT**;
- d) Introduced a tax on imports of wood and all wood products such as tables, sofas, chairs, desks at **40 PERCENT**; and
- e) Increased the excise duty payable on plastic shopping bags from 10 percent to **20 PERCENT**.



2. In the transport sector Government has:

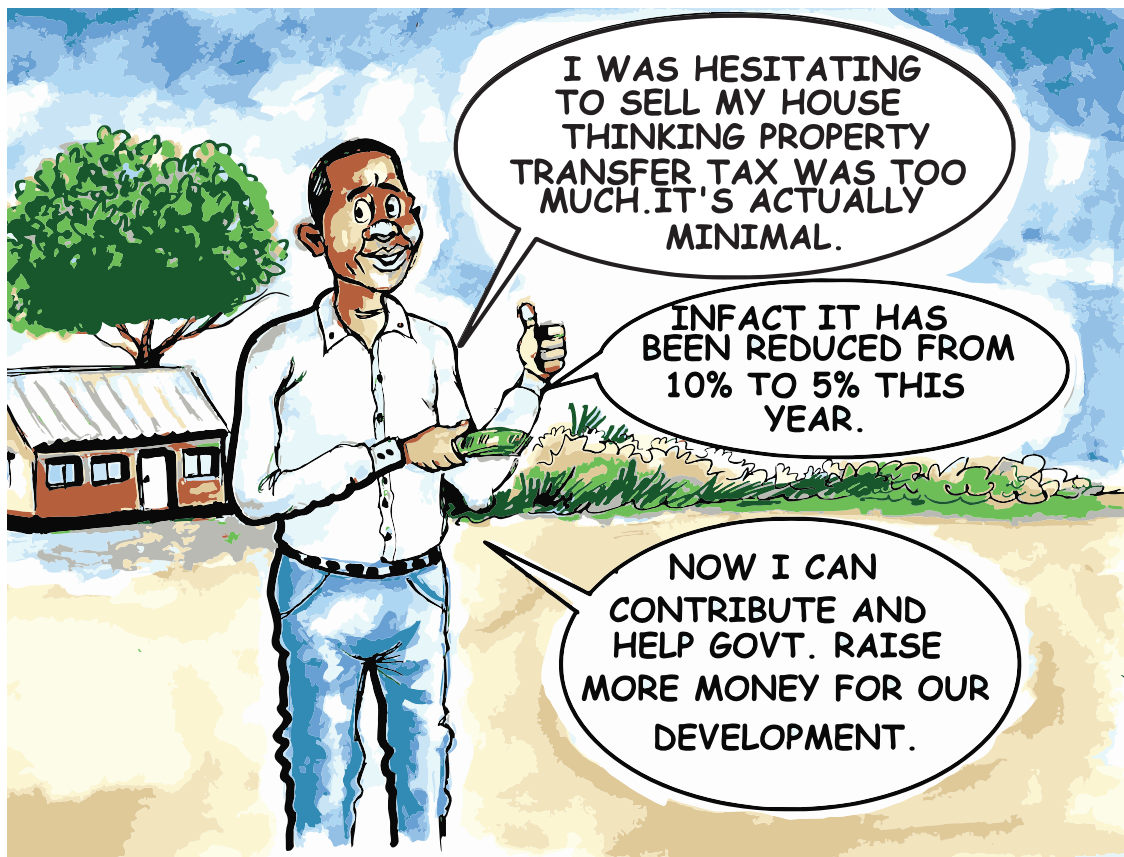
- a) Increased the minimum specific duty rate on motor vehicles, excluding buses and trucks from K2,000 to **K6,000**;
- b) Increased the customs duty rate on all motor vehicles excluding buses, trucks, ambulances, prison vans and hearses to **30 PERCENT**; and
- c) Introduced an extra charge of **K2,000** on all imported motor vehicles older than 5 years from the year of manufacture to discourage the importation of old vehicles.





3. For Property (Land, Buildings and Rent) Government has:

- a) Reduced the tax that is paid to the Zambia Revenue Authority (ZRA) when property is sold or transferred from one person to another to **5 PERCENT** from 10 percent. This tax is called Property Transfer Tax. The reduction will raise more money for Government because it will motivate more people to pay Property Transfer Tax based on property valuations; and



- b) Introduced the option for the Commissioner General to allow a landlord to pay the tax on his/her rental income directly to ZRA instead of the tenant.



4. To ensure that more people are paying VAT, Government has:

- a) Introduced mandatory use of cash registers that will be connected to ZRA for all businesses that are required to charge, collect and pay Value Added Tax (VAT) to ZRA. These cash registers will replace the old cash registers that cannot be linked to the ZRA tax online system.

WHAT GOVERNMENT IS DOING TO IMPROVE CITIZENS' LIVING STANDARDS



1. Money for Electricity Generation and Production (Energy Sector)

In order to reduce the problem of load shedding as well as ensure availability of power in rural areas to support productivity, Government has put in place temporal and long term solutions, which include the following:

- a. Encouraging more companies to set up businesses that produce electricity using other sources of energy such as solar and thermal. This has been done by giving investors tax relief;
- b. Speeding up the construction of on-going projects in the energy sector such as the Kalungwishi hydro power station; and
- c. Increasing the allocation to the Rural Electrification Programme from K55.60 million in 2015 to **K118.2 MILLION** in 2016 to ensure that rural areas have increased access to electricity.



2. Money for Local Councils

Government has increased the allocation to the Local Government Equalisation Fund (LGEF) to **K717.0 MILLION** from K586.8 million in 2015 to help councils provide better services to the public. The amount that will be given to each local council will be based on the number of people living in each council area and poverty levels.



3. Money for Police and Prisons (Public Order and Safety)

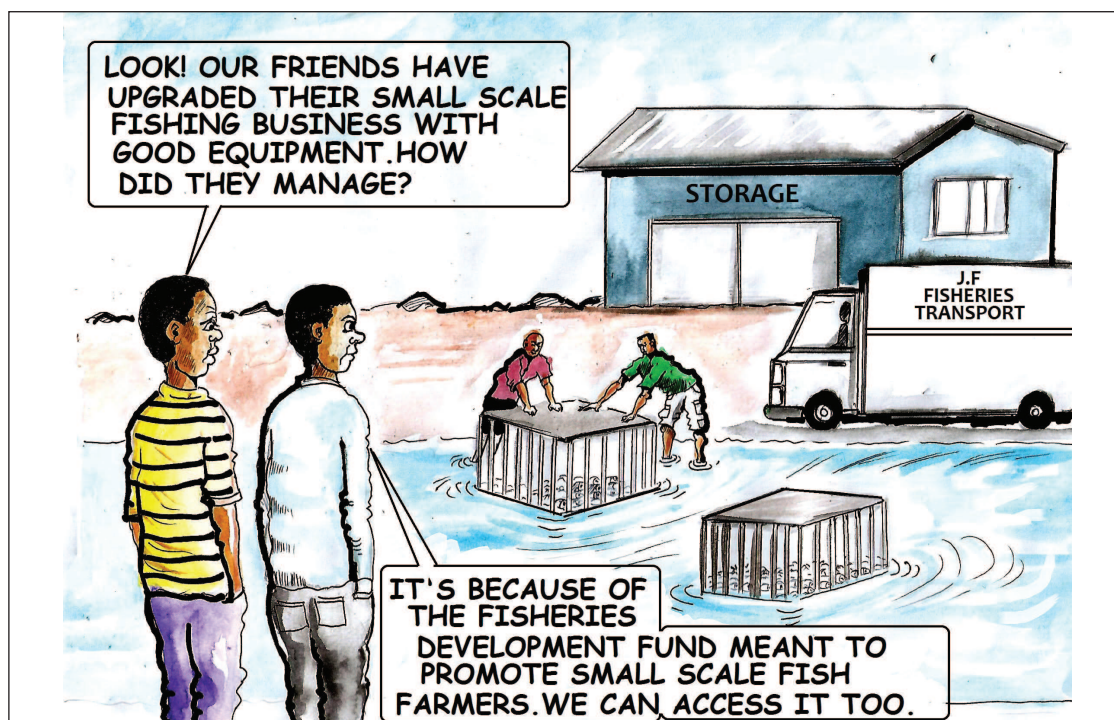
Government will continue to make sure that there is peace and order in the country. Therefore, **K1.8 BILLION** will go to providing funds for the police to operate and for the rehabilitation and construction of prison infrastructure and police stations.



4. Money for Agricultural Farming and Fish Farming

Government has allocated a total of K3.10 billion to increase production of different kinds of agricultural products. Some of the important activities under agriculture are:

- a. Buying seed and fertilizer for farmers (Farmer Input Support Programme - FISP): Every year, the Government sets aside money to buy farming inputs such as seed and fertiliser and sells to farmers at a cheaper price. In 2016, **K1.0 BILLION** has been provided to buy farming inputs for at least 1,000,000 farmers of which 480,000 farmers will be given e-vouchers to allow them to select farm inputs of their choice.
- b. Food Reserve Agency (FRA): Government has also allocated **K750.0 MILLION** for buying crops that can be stored and used in times when there is a shortage of food, such as in the case of a drought; and
- c. Loans for Fish Farmers (Fisheries Development Fund): Government has put aside **K5.0 MILLION** to establish the Fisheries Development Fund. The Fund will allow small scale fish farmers to borrow money in order to set up and grow their fish farming businesses.



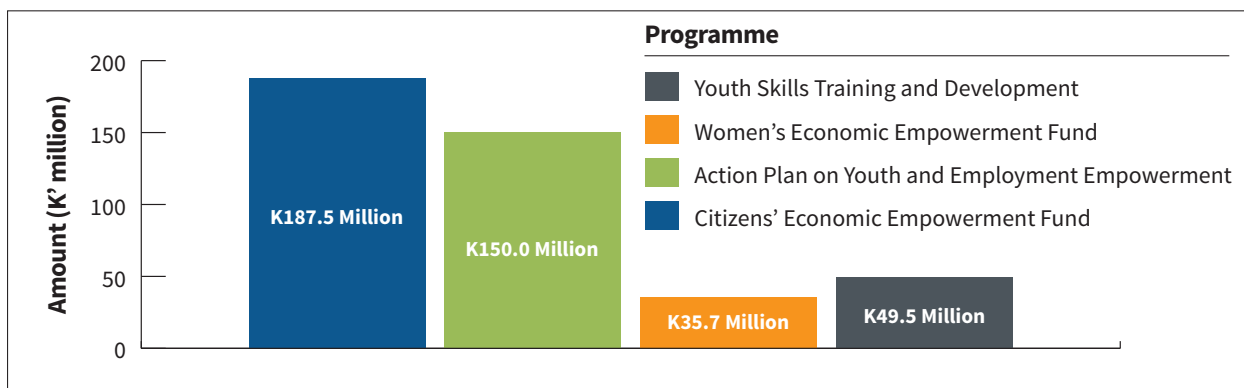
- d. Reducing dependency on Rain (Irrigation Farming): Government has set aside **K56.7 MILLION** to pay for the construction of irrigation facilities so as to make it possible for farmers to grow crops throughout the year, even when there is no rain.



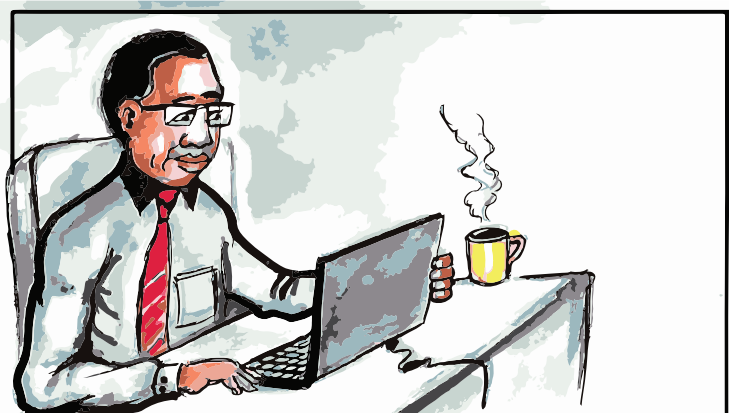
5. Loans for Businesses (Empowerment Funds)

To make it easier for people/citizens to find money to start and continue operating their businesses, that can create opportunities for more jobs, Government has increased the amount of empowerment funds available for businesses to borrow. The allocation has been divided as follows:

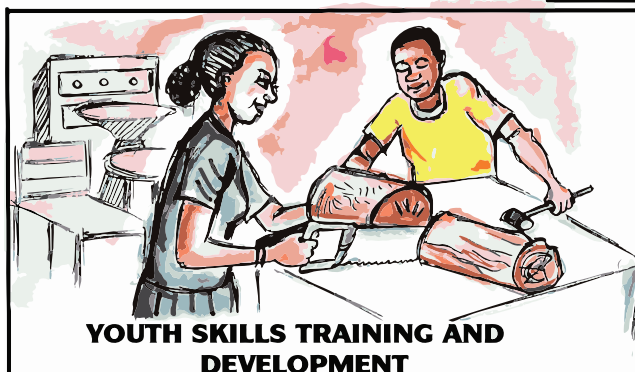
TABLE 1: Summary of allocation towards empowerment funds



CITIZENS' ECONOMIC EMPOWERMENT FUND



ACTION PLAN ON YOUTH AND EMPLOYMENT EMPOWERMENT



YOUTH SKILLS TRAINING AND DEVELOPMENT

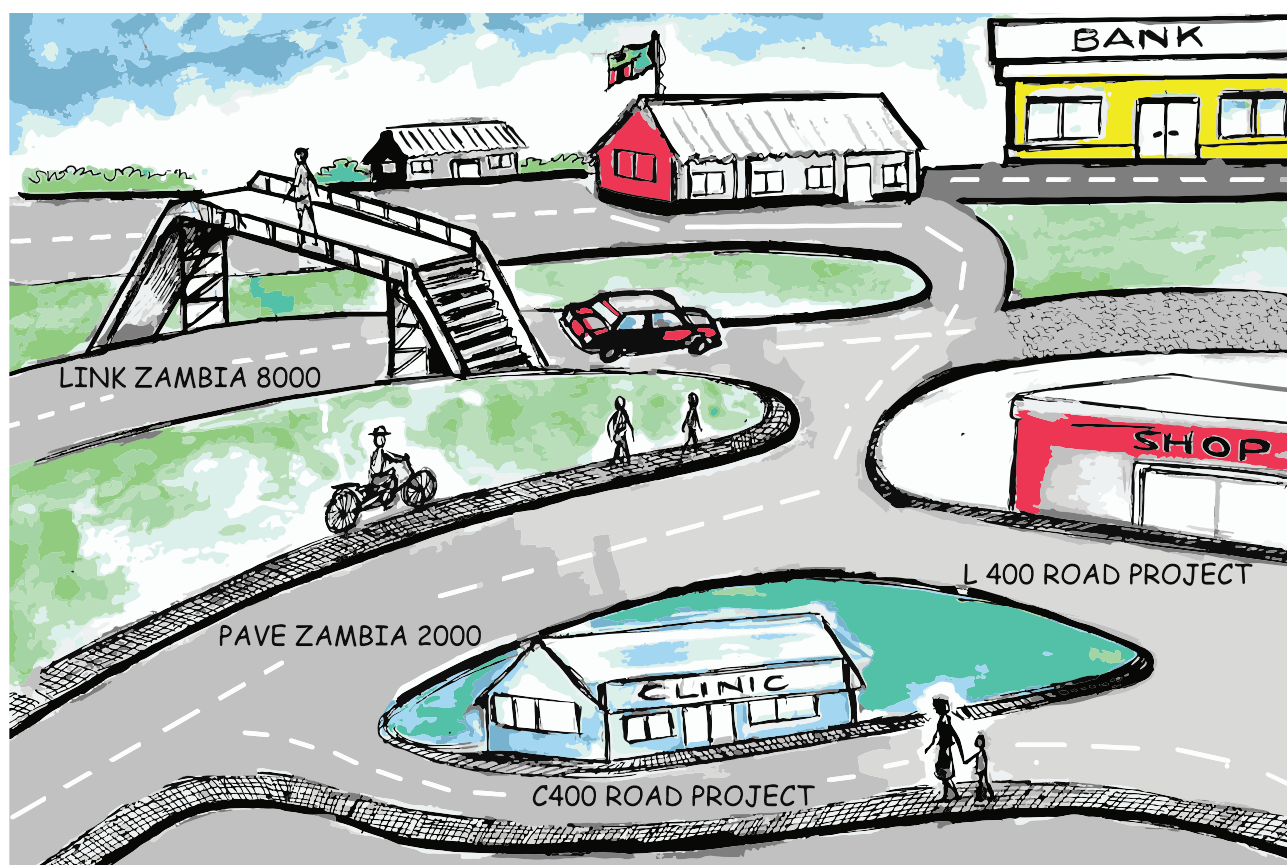


WOMENS ECONOMIC EMPOWERMENT FUND



6. Money for Roads

A good road network opens up more parts of the country to economic activities and makes it easy to do business. Therefore, Government has allocated **K6.6 BILLION** towards the building, repairing and resurfacing of roads.



7. Money for Housing Units

Government has set aside **K60,000** for housing units and office Headquarters.



8. Money for E-Governance

In order to increase productivity and reduce the cost of doing business, Government has set aside **K7.40 MILLION** for Information Communication and Technology infrastructures for a centralized and standardized government.



9. Money for Development of Constituencies (Constituency Development Fund)

To make it easier for the development needs of local communities to be met through their area Members of Parliament working with their councils, Government has allocated a total of **K210.0 MILLION** for the Constituency Development Fund (CDF). Each constituency office will get **K1.4 MILLION**.



10. Money for Protection of our Environment

Government has set aside **K151.0 MILLION** to discourage activities that cause damage to the environment such as cutting down trees and poaching.



11. Money for Piped Water and Sewerage Systems

In order to continue increasing the availability of safe drinking water and improving sanitation facilities such as toilets and drainage systems in the country, **K468.7 MILLION** has been set aside, of which **K283.6 MILLION** will go towards safe water supply and sanitation infrastructure, and the rest will go towards markets and housing resettlement.



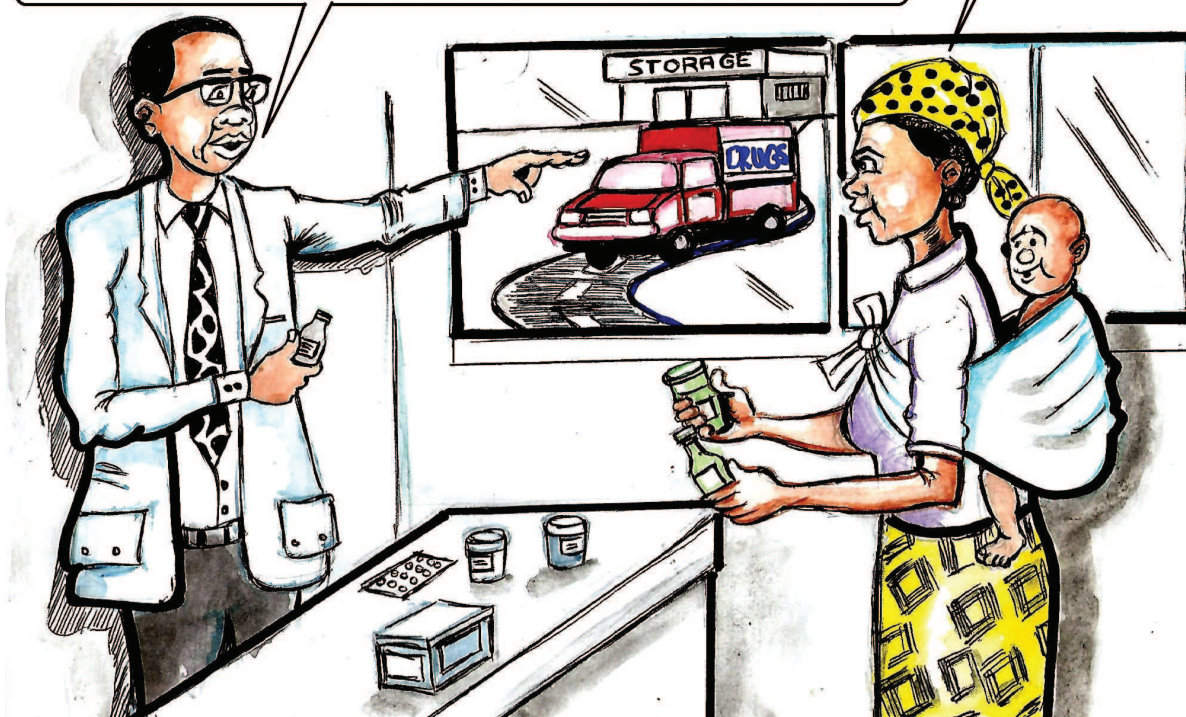
12. Money for Hospitals and Clinics

In order to improve health care service delivery and ensure that all citizens have easy access to hospitals and clinics, a total of **K4.4 BILLION** has been allocated in the 2016 Budget of which:

- a. **K754.0 MILLION** is for buying medicines and medical supplies in the country;
- b. **K340.7 MILLION** is for completion of building of clinics, district hospitals and health training institutions. This amount will also be used for the construction of store houses or storage buildings, close to hospitals and clinics, from which medicines will be distributed (regional drug supply hubs), throughout the country;
- c. **K73.8 MILLION** will go towards employing more hospital workers, especially doctors and nurses; and
- d. **K6.3 MILLION** will be used to set up a health insurance scheme that will provide a continuous source of money for the operations of clinics and hospitals.

WOW! HOW DID THIS HAPPEN? ALL THE HEALTH FACILITIES ARE FULLY STOCKED WITH ESSENTIAL MEDICINES.

GOVT. HAS MADE SURE THAT THE STORAGE HUBS ARE NEAR NOW. NO NEED TO COVER LONG DISTANCES.

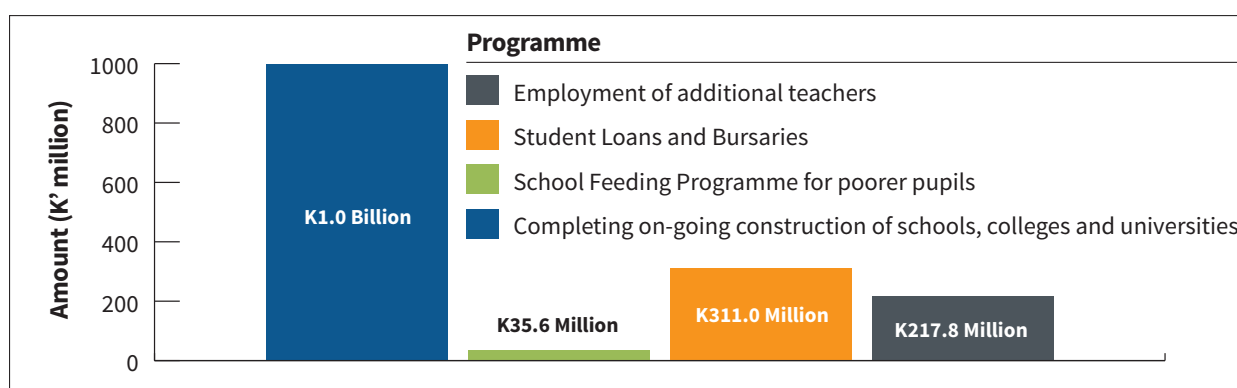




13. Money for Education and Development of Skills

Government has set aside **K9.1 BILLION** to provide quality education and training to children and youths. Some of the main areas where this money will be spent are shown in the table below:

TABLE 3: Summary of allocations under Education and Skills Development Programme



14. Money for the Old, Disadvantaged and Retired Persons in our Communities

To help the poorest and vulnerable people in society such as the old, retirees and children living without adult care, **K1.3 BILLION** has been set aside to ensure that these people can meet their minimum basic needs such as food and water. The allocations are as follows:

- a. **K805.0 MILLION** for the payment of retired Government workers; and
- b. **K302.0 MILLION** for the monthly money payments, under the Social Cash Transfer Scheme to people such as the elderly looking after dependents. The Scheme is operated by the Social Welfare Department under the Ministry of Community Development and Social Welfare.

OTHER IMPORTANT AREAS WHERE GOVERNMENT WILL SPEND MONEY IN 2016



1. Paying back of Loans and Paying Interests on these Loans

A total of **K7.1 BILLION** has been set aside for paying back of money borrowed for various programmes and paying interests on these loans.



2. Elections for Councillors, Members of Parliament (MPs) and the President

Government has set aside **K727.9 MILLION** to cover the costs related to the Elections that will take place on 11th August 2016.

OTHER INFORMATION

WHY THE KWACHA IS FALLING AGAINST THE DOLLAR



Many of the goods that we buy from shops and various supermarkets are bought from other countries using the dollar. This means that one has to buy dollars from banks or bureaus using the Kwacha. Zambia gets dollars by selling mainly copper and other goods such as electricity, roses, cement and sugar to other countries. When the amount of dollars coming into the country through the sale of exports is more than the dollars going out to buy goods outside the country, the value of the kwacha goes up. Therefore, it is good for Zambia to export different kinds of goods to other countries.

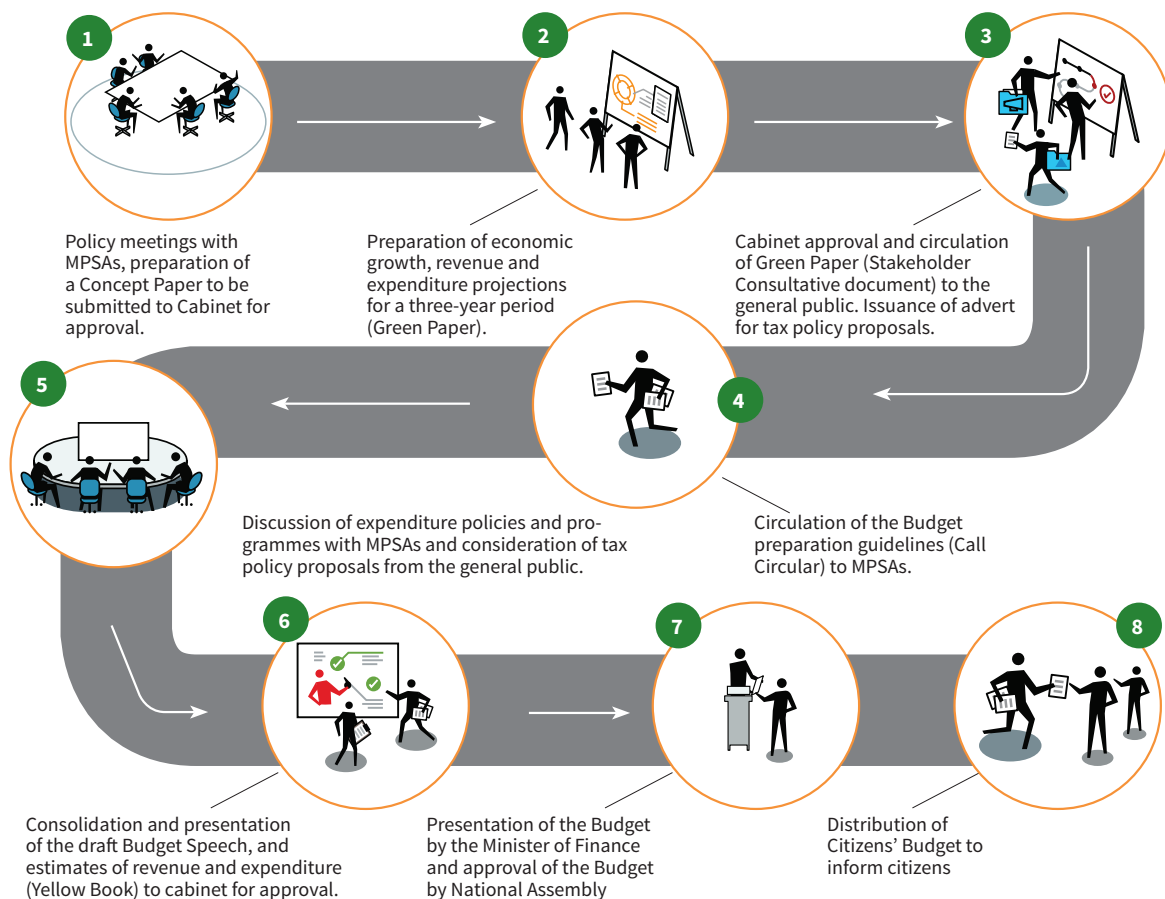
In the recent past, Zambia has sold less copper and other goods to other countries. Therefore, the amount of dollars coming into the country has reduced and the value of the kwacha has gone down and goods that come from other countries have become more expensive. One of the things that Government is doing to increase the amount of dollars in Zambia is reducing dependency on copper and support companies to make different types of goods and supply different types of services that can be sold to other countries.

CITIZENS' BUDGET, BUDGET PROCESS AND GLOSSARY

CITIZENS' BUDGET - It is a simplified version of the National Budget, which aims at making it easy for all citizens to understand how the Government raises and spends its money. The citizens' budget also helps citizens to monitor the plans and activities that Government has for the year.

STEPS IN FORMULATING THE NATIONAL BUDGET

The Constitution requires Government to prepare the national budget every year and submit it to the National Assembly for approval. The steps it takes to do this are summarised in the following figure:



CASH REGISTER - A machine used in places of business for regulating money transactions with customers.

CONCEPT PAPER - This is a consultative document that the Ministry of Finance uses to seek guidance from Cabinet on the revenue and expenditure policy direction for the next budget.

E-GOVERNANCE - is the application of information and communication technology (ICT) for delivering government services, exchange of information communication transactions.

E-VOUCHER - A ticket that a farmer can use to exchange for agricultural inputs such as seed and fertiliser, worth the price of the ticket.

INTEREST - This is the amount of money that is paid on top of what has been borrowed.

MINERAL ROYALTY - A payment to the Government (owner of mineral rights) for the privilege of extracting the mineral from the ground based on a lease agreement. The royalty payment is based on a portion of earnings from production.

MPSAs - Ministries, Provinces and other Spending Agencies.

OTHER REVENUE - This is money that the Government raises through the charge of fees for the provision of various public services.

TAX - A necessary and unavoidable contribution to the Government of Zambia charged on consumption of goods and services, money earned as profits from business, importation and exportation of goods.

TAX ON-LINE SYSTEM - This is a system that a tax payer can use to pay taxes to Zambia Revenue Authority using the internet.



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