



Brief on the Green Paper on the 2026- 2028 Medium Term Budget Plan and 2026 Budget

**Parliamentary Budget Office
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1. INTRODUCTION

This Policy Brief has been prepared by the Parliamentary Budget Office (PBO) for the Expanded Planning and Budgeting Committee. The Brief unpacks the Green Paper on the 2026-2028 Medium Term Budget Plan (MTBP) and the 2026 Annual Budget. The Green Paper on the Medium-Term Budget Plan has been presented to the Expanded Planning and Budgeting Committee in line with Section 37 of the National Planning and Budgeting Act of 2022. The MTBP is a three-year projection of the resources of the Government and their allocation across Heads of Expenditure and functions to finance the operational and development expenditures of the Government in line with a National Development Plan.

2. MACROECONOMIC PERFORMANCE

The MTBP proposes to focus on preserving the progress made to date while promoting private sector investment in key sectors aimed at fostering growth, including agriculture, manufacturing, mining, tourism, and energy.

The developments in the global and domestic economy are highlighted below.

2.1 Global Economic Developments

Global economic activity over the period 2023–2024 was positive, albeit at a slower pace, reflective of the existence of supply chain disruptions, geopolitical tensions and ongoing trade wars. Global growth in 2025 is anticipated to largely remain unchanged at around 3.3 percent compared to 3.2 percent and 3.3 percent registered in 2024 and 2023, respectively. Growth will mainly be supported by improved economic activity in advanced and Euro area economies on account of robust demand reflecting strong wealth effects which will push consumption up, less restrictive global monetary policy, supportive financial conditions and continued fiscal support.

In advanced economies, growth is projected at 1.9 percent in 2025 compared to 1.7 percent recorded both in 2024 and 2023. The growth will be largely driven by expected growth in the USA economy as demand remains strong, and improved economic activity in the United Kingdom and the Euro area as uncertainty recedes.

Growth in emerging markets and developing economies in 2025 is expected to remain at 4.2 percent recorded in 2024 but slightly lower than the 4.4 percent growth registered in 2023. Growth in these economies will mainly be driven by increase in economic activity in the Middle East and Central Asia and Sub-Saharan Africa¹.

Sub-Saharan Africa Growth is expected to edge up to 3.7 percent in 2025 and average 4.2 percent in 2026–27, assuming the external environment does not deteriorate further, inflation declines as expected, and regional conflicts subside. Despite weakening growth among emerging market and developing economies (EMDEs) globally, SSA is one of two regions expected to see growth acceleration in the forecast period. However, this projected growth remains below the region's long-term average and is insufficient to make substantial progress in reducing extreme poverty. Growth forecasts have been revised downward by 0.4 percentage point for 2025 and 0.2 percentage point for 2026. The regional outlook has deteriorated following worsening global conditions amid the rise in trade barriers, heightened policy uncertainty, and weakening confidence. The outlook for SSA is also affected by global spill overs from these shocks, primarily through lower global commodity demand².

¹ MTBP MoFNP

² World Bank Global Economic Prospects, June 2025

2.2 Domestic Economic Developments

The performance of some of the key macroeconomic indicators is discussed below. Emphasis is given to those that may have significant impact on budget performance.

2.2.1 Gross Domestic Product Growth Rate

Real Gross Domestic Product (GDP) growth in 2025 is expected to remain robust following the improvement of weather conditions as the *El Niño* induced drought eases. Growth is expected to increase to 5.8 percent in 2025 from 4.0 percent recorded in 2024 and 5.4 percent registered in 2023³. Growth will mainly be driven by significant improvements in industries such as agriculture, mining, construction, wholesale and retail trade, information and communication technology, as well as financial and insurance industries among others. Further, improvements in the electricity supply are expected to propel economic activities in most of the key sectors. Notwithstanding these positive prospects, the domestic growth projection remains susceptible to external economic shocks and the prevailing domestic macroeconomic vulnerabilities. Inflationary pressures, if not effectively mitigated, together with volatility in the exchange rate are likely to exert downward pressure on economic performance. Notably, the Kwacha has remained strong against major currencies in the second quarter of 2025, classified as the second-best performing currency against the United States Dollar since May 2025⁴

Over the Medium-Term, the World Bank projects that Zambia's economic growth in 2025 will be 5.8 percent, 6.4 percent in 2026 and 6.5 percent in 2027

³ World Bank Global Economic Prospects, June 2025

⁴ Bloomberg

respectively⁵, while the International Monetary Fund (IMF) projects the growth to be 6.2 per cent in 2025 and 6.8 percent in 2026⁶.

2.2.2 Status of Macroeconomic Objectives against Targets

Table 1 shows the status of selected macroeconomic objectives against the 8NDP targets from 2022 to 2026.

Table 1: Macroeconomic Targets, 2022-2026

	2022		2023		2024		2025		2026
	8NDP Target	Outturn (Annual)	8NDP Target	Outturn (Annual)	8NDP Target	Outturn (Annual)	8NDP Target	Budget (proj)	8NDP Target
Average Inflation Rate (%)	7	9.9	6 to 8	13.2	6-8	16.5	6-8	6-8	6-8
GDP Growth Rate (%)	3.60	4.7	3.6	5.8	4.3	4.0	4.2	6.6	4.5
Domestic Revenue (% of GDP)	>18	20	21.8	21.8	22.3	23.4	22.9	21.3	23
Fiscal Deficit (% of GDP)	6.7	7.8	6.3	5.7	5.2	3.5	4.6	3.1	3.6
Domestic Borrowing (% of GDP)	5.9	4.8	5.6	3.2	5.8	1.1	5.9	≤1.9	4.8
IR (Months Import Cover)	>2	3.8	>3	3.7	≥3.0	3.7	≥3.0	≥3.0	≥3.0

Source: PBO construct Using Data from BoZ and MoFNP

⁵ World Bank Global Economic Prospects, June 2025

⁶ International Monetary Fund IMF World Economic Outlook, 2025.

Table 1 above highlights the alignment between 8NDP macroeconomic targets and the actual or projected annual outturns from 2022 to 2026. In 2024, inflation reached 16.5 percent (well above the 6–8 percent target) indicating continued price instability. However, most other indicators performed relatively well. The fiscal deficit stood at 3.5 percent of GDP, slightly above the <3 percent target but lower than the previous year, suggesting progress in fiscal consolidation. Domestic revenue outperformed expectations at 23.4 percent, while domestic borrowing dropped significantly to 1.1 percent, well below the 5.8 percent target. Import cover remained steady at 3.7 months, meeting the target. These trends reflect a degree of budgetary realignment, likely in response to the economic effects of the drought. The Medium Term Budget Plan runs up to 2028, but it will be interesting to know how many of the listed macroeconomic variables will be achieved as set out in the 8NDP which comes to an end in 2026.

2.2.3 Inflation Rate

Similar to preceding years, in 2024, inflation exceeded the projected range of 6–8 percent. End year inflation at 16.5 percent was higher than the 6–8 percent target band. Annual average inflation was recorded at 15.0 percent compared to 10.4 percent in 2023. The higher inflation was mainly attributed to the low supply of maize amidst sustained demand, and reduced hydropower generation exacerbated by increased imports of food and electricity.

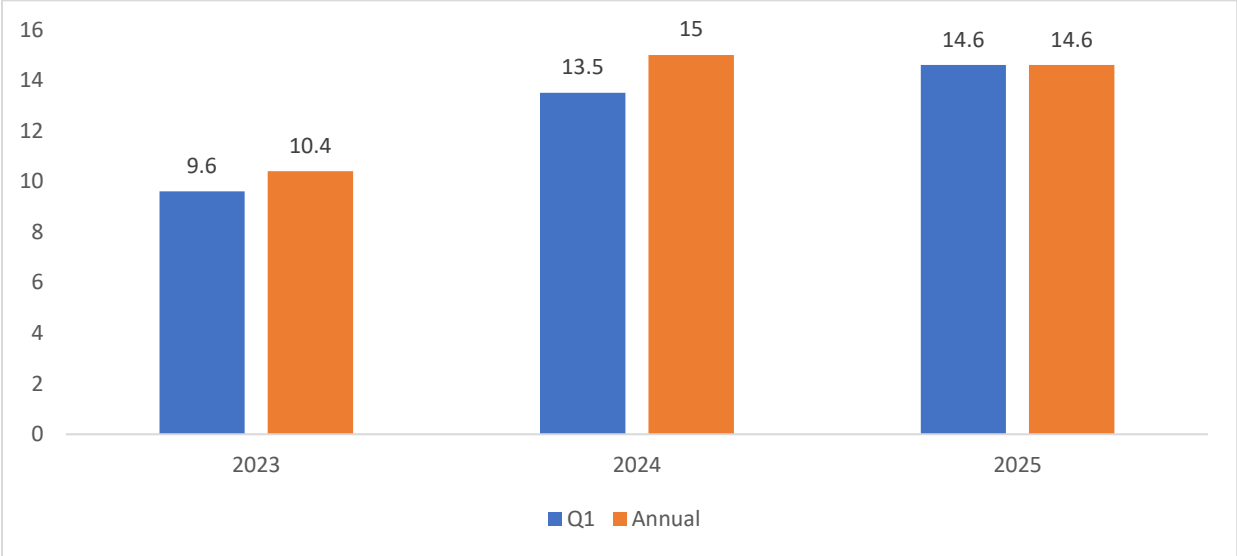
Over the forecast horizon covering the first quarter of 2025 to the fourth quarter of 2026, inflation is projected to remain outside the 6–8 percent target band⁷. It is expected to average 14.6 percent in 2025, higher than the 13.9 percent projected in November 2024.

⁷ Monetary Policy Report (BoZ, 2025).

The Central Bank forecasts that the balance of risks to the inflation outlook is now tilted to the downside suggesting that inflation outcomes could be lower than projected. The shift in the balance of risks is mostly prompted by the expected improvement in food supply, particularly maize grain, and improved electricity generation in view of the favourable rainfall. That notwithstanding, the external environment remains a source of upside risk to inflation as the shift in global trade policies evolve and geopolitical tensions rise.

Figure 1 below shows the average annual inflation rates for 2023 and 2024 and quarter one of both 2024 and 2025. The data shows that inflation continues to rise despite the monetary policy interventions by the Central Bank.

Figure 1: Average Annual Inflation Rate for 2023- 2024 and quarter one inflation for the period 2023-2025 (%)



Source: PBO computation using data from ZamStats

During the period 2026 to 2028, inflation has been projected to be on the downward trajectory. Notably, in the Medium-Term the inflation target band has been increased to 7-9 percent, a departure from the 6-8 percent target in the last three MTBPs. However, the projected increase in crude oil in the medium term may drive non-food inflation upwards, negatively affecting overall inflation.

2.2.4 Exchange Rate

In 2024, the Kwacha depreciated further against major currencies. Specifically, it depreciated against the United States Dollar (USD) and the British Pound Sterling. Between 2023 and 2024, the Kwacha depreciated against the Dollar by 29.4 percent from K20.23 to K26.19. The Kwacha also depreciated against the British Pound Sterling by 33.0 percent from K25.17 to K33.48⁸.

The depreciation of the Kwacha was due to elevated demand amidst lower foreign exchange supply. The devastating impact of the drought largely pressured the Kwacha to weaken but was partially offset by a series of developments, including tighter monetary policy, positive market sentiments from progress in restructuring external debt, and a favourable third review of the International Monetary Fund (IMF) Extended Credit Facility (ECF) arrangement.

In the first quarter of 2025, the Kwacha saw a loss of 3 percent compared to its post-debt restructuring levels in early 2024, trading in a very narrow range of about K27.95 to K28.80 per USD. More recently, in the second quarter of 2025, the Kwacha has been appreciating against major currencies. While this is a positive development, it also highlights the underlying volatility of the currency. The Green Paper does not specify a target for the exchange rate, which is consistent with the National Budget and broader macroeconomic policy. This is because most countries operating under a floating exchange rate regime avoid setting fixed targets for their currencies, allowing market forces to determine exchange rates while focusing policy efforts on inflation and fiscal stability.

2.2.5 International Reserves

In spite of the exchange rate pressures, exchange rate support and debt service, there was a modest build up in Gross International Reserves (GIR). GIR increased

⁸ Annual Economic Report (MoFNP, 2024)

by about US\$0.2 billion to US\$4.3 billion (equivalent to 4.6 months of import cover) at end-December 2024. The increase was due to inflows from the World Bank and African Development Bank, disbursement by the IMF under the Extended Credit Facility (ECF) arrangement and net purchases of mining taxes⁹.

2.2.6 Developments in the Commodities Market

This section highlights price movements in some commodities.

Crude Oil

Annual crude oil prices for 2024 averaged US\$80/barrel, a decrease from US\$82.6/barrel in 2023. This was on account of strong global growth in production of oil against a slower demand growth which put downward pressure on prices. Crude oil prices are projected to have declined further to US\$74.37 per barrel in the first half of 2025. The reduction in oil prices could lead to continued reduced prices of fuel on the domestic market and reduce inflationary pressures in the remaining period of 2025. However, the Green Paper projects oil prices to increase to US\$80.00 per barrel in 2026 and US\$81.00 per barrel in both 2027 and 2028. This could lead to fuel price increase in the medium - term.

Copper and Other Minerals

Performance of the mining sector is highly susceptible to global market prices as determined by the London Metal Exchange. In 2024, copper prices increased to an average of US\$9,144 per metric tonne (Mt) from US\$8,490/Mt in 2023, representing a 7.8 percent increase¹⁰. Similarly, the average price of copper increased to US\$9,142.9 per metric tonne in 2025, from US\$8,482.1 per metric tonne in 2024. This was attributed to increased global demand for copper resulting from rising demand in data centres and electric vehicle manufacturing,

⁹ Monetary Policy Report (BoZ, 2025)

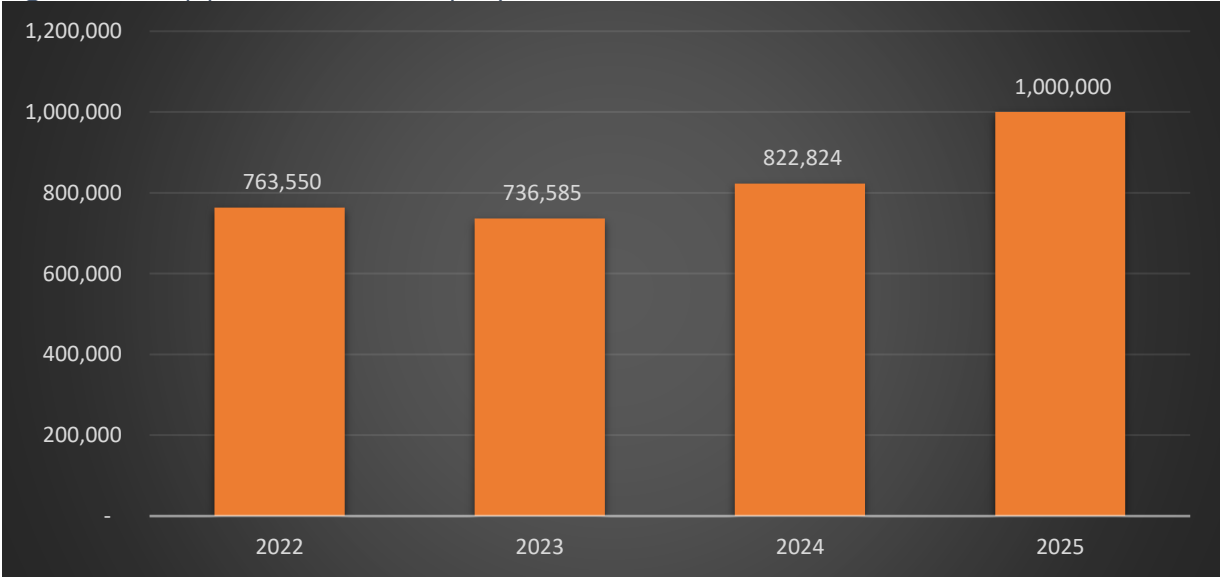
¹⁰ Annual Report (ZRA, 2024)

amidst production cuts by major Chinese copper smelters. Copper is currently in a robust position due to strong demand, limited supply, and increased investment in energy transition projects.

With regard to production in 2024, Copper production increased to 820,676 metric tonnes from 736,746.9 metric tonnes in 2023. The increase in production was largely attributed to the resumption of mining operations at some major mines following the coming on board of new shareholders. The increase in the price, coupled with higher production played a significant role in driving revenue collections from the mining sector particularly mineral royalty tax.

Figure 2 below shows copper production for 2022, 2023, 2024 and the projection for 2025.

Figure 2: Copper Production (Mt) 2020 - 2024



Source: PBO construct using Data from MoFNP

The intention under the 8NDP is to achieve 1.5 million Metric Tonnes (MT) Copper production by 2026 which translates to an average increase of about 140, 000 MT per year in the period 2022 to 2026. Furthermore, the Government in 2022 projected to have copper production at 3 million MT by 2032. However, projections in the Green Paper indicates that copper output will fall short by more

than 50 percent of the 2032 target reaching only 1,069,055 MT in 2026, 1,206,410 MT in 2027, and 1,366,815 MT in 2028. These figures confirm that the 8NDP copper production target will not be close to being met in the medium-term planning horizon.

2.2.7 Other key Macroeconomic Observations

- a) The MTBP projects GDP growth rates of 6.4 percent in 2025, 6.5 percent in 2026, and a notable drop to 5.1 per cent in 2028. While the earlier years reflect strong growth momentum, the Plan does not provide any explanation or assumptions behind the projected slowdown in 2028. The Committee may wish to seek clarity from the Ministry of Finance and National Planning on the factors contributing to this projected deceleration in real GDP growth rate, and whether it reflects anticipated economic shocks, policy shifts, or changes in sectoral performance.
- b) Despite 2026 being an election year, the MTBP does not explicitly highlight or account for the typical macroeconomic risks associated with electoral cycles. Historical trends in Zambia show that inflation tends to rise during election years, while other indicators such as GDP may remain strong due to increased Government spending. The Committee may wish to ask what measures are in place to manage potential inflationary pressures and ensure fiscal discipline during this politically sensitive period.
- c) The inflation target has been adjusted in the MTBP from the 6–8 per cent target band (as stated in both the 8NDP and previous National Budgets) to a new range of 7–9. This represents a policy shift, yet no justification or explanation is provided. The Committee could seek clarity on what macroeconomic or policy considerations led to this upward revision, and whether this indicates a change in inflation tolerance or forecasting expectations.

3. REVENUE MOBILISATION STRATEGY

Over the medium term, total revenue and grants are projected to amount to K213.3 billion in 2026, K243.5 billion in 2027, and K274.8 billion in 2028, respectively. Tax revenue is expected to increase from K142.2 billion in 2025 to K218.1 billion in 2028, while non-tax revenue is projected to increase from K35.9 billion to K49.7 billion over the same period.

Table 2: Projected Revenue, 2025-2028

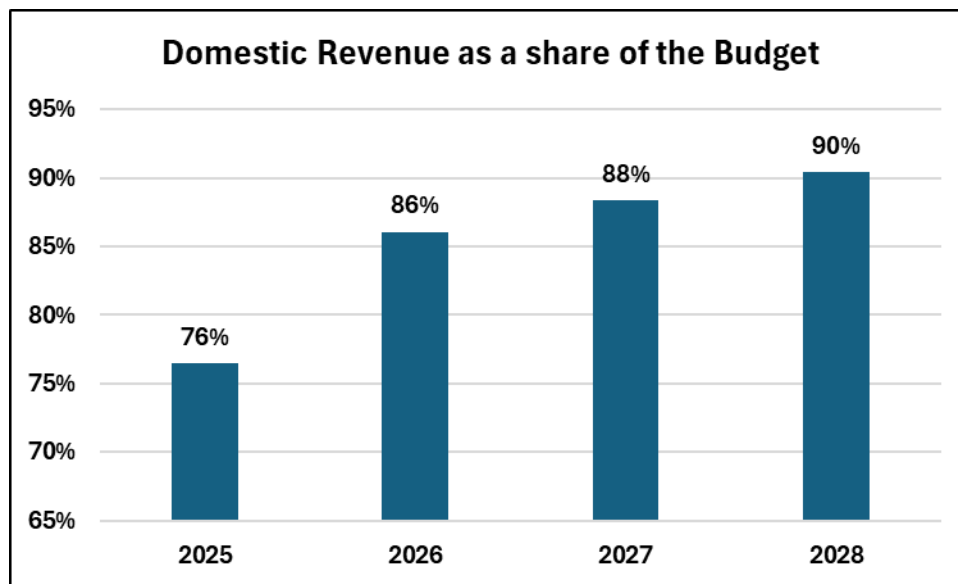
	2025		2026		2027		2028	
	K'000	% of Budget	K'000	% of Budget	K'000	% of Budget	K'000	% of Budget
Total Budget	232,980,673	100.0%	239,855,893	100%	268,204,449	100%	296,282,194	100%
Total Revenue and Grants	185,464,001	79.6%	213,261,421	88.9%	243,545,569	90.8%	274,817,767	92.8%
Domestic Revenue	178,112,370	76.4%	206,446,737	86.1%	236,905,631	88.3%	267,839,192	90.4%
Tax Revenue	142,195,701	61.0%	166,063,664	69.2%	192,482,659	71.8%	218,110,331	73.6%
Non-tax Revenue	35,916,669	15.4%	40,383,073	16.8%	44,422,972	16.6%	49,728,861	16.8%
Grants	7,351,631	3.2%	6,814,683	2.8%	6,639,938	2.5%	6,978,575	2.4%

Source: PBO Computation using 2026-2028 MTBP

During this period, the Government will increasingly rely on domestic revenue to finance the Budget. As illustrated in Figure 3 below, domestic revenue, comprising tax and non-tax revenue, as a share of the Budget, is projected to rise from 76 percent in 2025 to 90 percent by 2028. As a share of GDP, domestic revenue is expected to increase from 21.8 percent in 2025 to 22.8 percent in 2028. Although the tax-to-GDP ratio is anticipated to grow from 17.4 percent in 2025 to 18.5 percent in 2028, it remains significantly below the average tax to GDP ratio of 23.8 percent recorded by South Africa between 2019 and 2023¹¹.

¹¹ ZRA, OECD and World Bank

Figure 3: Projected domestic revenue as a share of GDP (2025-2028)



Source: PBO Computation using 2026-2028 MTBP

3.1 Revenue Mobilisation Policies, 2026–2028

The medium-term revenue strategy will focus on enhancing taxpayer compliance and maintaining a predictable and transparent tax policy environment.

PBO Comment

A predictable tax policy enhances compliance by providing certainty, reducing compliance costs, and fostering taxpayer confidence in the system. Enhancing compliance is therefore crucial for strengthening domestic revenue mobilisation (DRM), as it broadens the tax base and reduces losses from evasion. According to the 2024 Zambia Revenue Authority (ZRA) Annual Report, the overall tax return filing compliance rate in 2024 stood at 42 percent, a significant decline from 67 percent in 2023. The decline was mainly attributed to the significant drop in the filing rates for Turnover Tax, Pay-As-You-Earn (PAYE) and presumptive tax on Gaming and Betting.

Similarly, the payment compliance rate for selected tax types fell to 74.5 percent in 2024, from 85.6 percent in 2023. The decline was most notable in Company Income Tax, which significantly affected the overall compliance rate. Contributing factors included the failure of some taxpayers to make timely provisional payments, largely due to outstanding VAT refund offset requests.

To address these challenges, improve revenue collection, and promote a stronger investment climate, the tax policy in the medium term will be anchored on the below measures.

i. Rationalising Tax Incentives

The Government will review and limit new tax exemptions, requiring that any granted incentives be offset by corresponding revenue-generating measures.

PBO Comment

This approach is expected to increase revenue and create a level playing field for businesses. However, it may discourage new investment in sectors that depend on fiscal incentives, thereby reducing Zambia's competitiveness relative to countries offering more attractive tax regimes. It is important that revenue foregone through concessional measures is adequately offset by revenue gains from compensating interventions. Any shortfall would undermine fiscal consolidation efforts.

ii. Reforming the VAT Structure

The strategy aims to minimise zero-rating and exemptions to safeguard the VAT base.

PBO Comment

This reform will broaden the tax base and simplify administration. Consequently, it is likely to enhance the efficiency and revenue yield of VAT.

iii. Revising the Excise Tax Regime

The number of products subjects to excise duty and excise rates will be adjusted to discourage harmful consumption and increase revenue.

PBO Comment

Although this measure has potential to raise revenue, it is worth noting that the Government has already introduced several excise taxes in recent years for similar purposes. Excessive taxation could incentivise smuggling, encourage illicit markets, and adversely affect legitimate businesses, potentially leading to job losses and reduced economic activity.

iv. Automating Government Payments

The strategy includes expanding the use of the Government Service Bus (GSB) and the Unified Payment Gateway to enhance revenue collection and improve access to public services.

PBO Comment

This represents a low-hanging fruit for increasing non-tax revenue, improving service delivery, reducing corruption, and enhancing revenue transparency. However, progress on this project has been slow despite the initiative being in place for some time. The Committee may need to be informed on the current status of automation and the timeline for achieving full implementation.

v. Rolling Out the Digital National Registration Card System

The Government will prioritise the rollout of a digital National Registration Card (NRC) system to strengthen compliance through integrated identity and tax systems.

PBO Comment

While the digital NRC system can support tax compliance by linking citizens to government databases, the project has faced delays and was halted in 2024 by the Ministry of Home Affairs and Internal Security. It would be beneficial for the Committee to ascertain when the project will resume and the expected date it will be commissioned.

vi. Harmonizing Corporate Income Tax Rates

The strategy proposes to simplify and harmonisation of corporate income tax (CIT) rates to promote fairness, close loopholes, and attract investment.

PBO Comment

The standard CIT rate in Zambia is 30 percent. However, the current tax structure includes differentiated CIT rates (, zero percent, 10 percent, 35 percent) that apply to different sectors such as agriculture, telecommunications, and businesses in Multi-Facility Economic Zones. A harmonised CIT rate structure could enhance the investment climate and improve compliance. However, the transition could disrupt affected sectors, and initial rate adjustments might reduce revenue before the tax base is broadened. Additionally, it is important to safeguard critical sectors like agriculture to ensure continued food security.

vii. Taxing the Informal Sector

The strategy includes introducing simple systems to bring informal businesses into the tax net.

PBO Comment

This measure promotes equity and has the potential to significantly broaden the tax base and increase revenue while encouraging business to formalise. However, enforcement is challenging and costly due to the nature of the informal sector. Therefore, as recommended by the Planning and Budgeting Committee in its Report titled *Domestic Resource Mobilisation: The Case of VAT*, the

Government should consider integrating the informal sector through cooperatives, which can be taxed under the presumptive or turnover tax regime. Group-based registration and tax payment would simplify administration and reduce the burden on the ZRA to monitor thousands of individual small-scale traders.

viii. Development of a Medium-Term Revenue Strategy

There is an undertaking to develop a comprehensive Medium-Term Revenue Strategy (MTRS) over the medium term.

PBO Comment

Some development commentators have expressed concern about the country's limited ability to fully benefit from its natural resource endowment. As the MTRS is being developed, the Committee may wish to advise the Government to explore options for participating in the marketing and sale of its natural resources - both mineral and non-mineral, such as timber - through state-owned enterprises or joint ventures. Solely relying on taxation has proven to be challenging.

Other policy measures in the medium term include:

- i) reviewing non-tax charges by aligning fees with the actual cost of service delivery to enhance financial sustainability;
- ii) reforming property tax by expanding the compliance base and reducing avoidance through improved cadastral records and valuation systems; and
- iii) curbing profit shifting by strengthening transfer pricing regulations and enhancing audit capacity to ensure that profits are taxed where economic activity takes place.

4. FINANCING STRATEGY

The contribution of debt financing towards the Budget is expected to decline significantly, from K37.8 billion in 2025 to K10.6 billion in 2026, representing a 72 percent reduction. Over the medium-term period, total financing is projected to decrease by 84 percent, from K37.8 billion in 2025 to K6 billion in 2028 indicating reduced reliance on borrowing to finance the Budget. Table 3 below presents projected financing over the medium term.

Table 3: Projected Financing in '000 Zambian Kwacha, 2026-2028

	2022	2023	2024	2025	2026	2027	2028
Financing	39,540,065	30,200,868	22,270,728	37,849,847	10,550,472	7,216,881	6,045,046
Fiscal Deficit	7.8%	5.7%	3.5%	4.6%	1.1%	0.7%	0.5%
Primary Balance	-2.0%	-0.7%	-0.3%	0.6%	3.2%	2.3%	2.8%

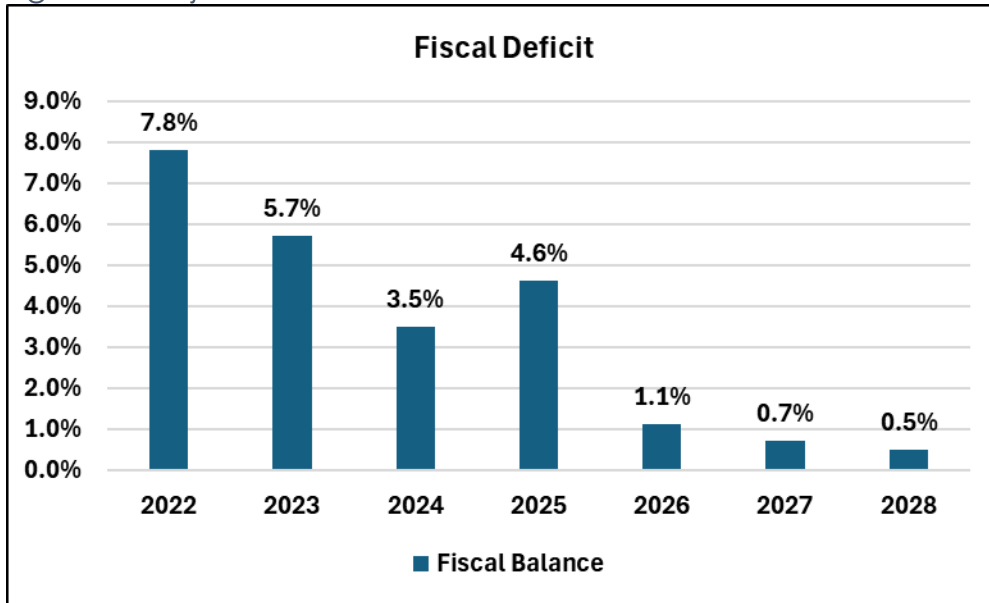
Source: PBO computation using 2026-2028 MTBP and Annual Economic Reports

The financing strategy will focus on maintaining the moratorium on commercial loans, prioritising concessional external financing, raising domestic debt through public auctions of bonds and treasury bills, and undertaking liability management operations to smooth debt repayments. The potential ramifications of this strategy are analysed hereunder.

4.1 Fiscal Deficit

In 2026, the fiscal deficit is projected at K10.6 billion, equivalent to 1.1 percent of GDP. This is well within the Eighth National Development Plan (8NDP) target of reducing the deficit to 3.6 percent of GDP by 2026. Over the medium-term, the fiscal deficit is projected to narrow from 4.6 percent of GDP in 2025 to 0.5 percent in 2028 reflecting the impact of fiscal consolidation measures to be implemented in the medium-term period.

Figure 4: Projected Fiscal Deficit 2026-2028¹²



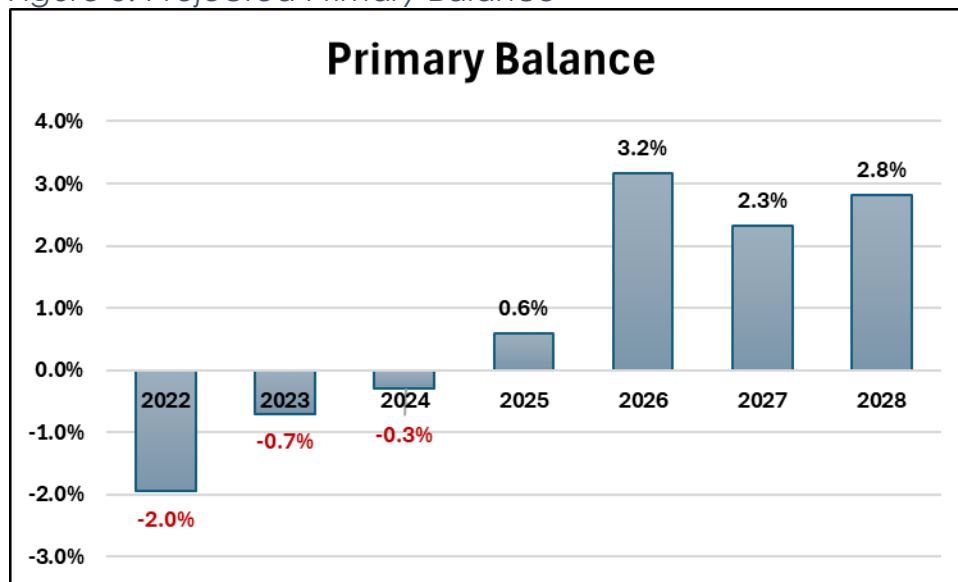
Source: PBO Computation using 2026-2028 MTBP and Annual Economic Reports

4.2 Primary Balance

The primary balance, an indicator of the Government's fiscal position excluding interest payments, is expected to improve from a deficit of 0.3 percent in 2024 to a surplus of 2.8 percent in 2028. This is an important measure of fiscal sustainability, as it reflects the Government's ability to meet its current obligations from domestic revenue without resorting to further borrowing, and indicates whether the debt burden is likely to stabilise or decline over time. In the medium-term, the fiscal position will move from a primary deficit in 2024 to a growing surplus, increasing fiscal space for investment. Figure 3 below shows the projected primary balance.

¹² 2022 to 2024 figures are actual outturns

Figure 5: Projected Primary Balance¹³



Source: PBO Computation using 2026-2028 MTBP and Annual Economic Reports

PBO Comment

Notably, as the fiscal deficit narrows, the primary balance improves, indicating an improved fiscal position and reduced reliance on borrowing to meet expenditure needs.

4.3 Domestic Borrowing

Net domestic borrowing is projected at K16.6 billion in 2026, K16.5 billion in 2027, and K17.3 billion in 2028.

PBO Comment

The projected net domestic borrowing of K16.6 billion in 2026, representing 1.8 percent of GDP, remains well within the 8NDP target of limiting domestic borrowing to below 4.8 percent of GDP.

¹³ 2022 to 2024 figures reflect actual outturns

4.4 Compliance with the Public Debt Management Act, 2022

To promote debt sustainability, the *Public Debt Management Act, 2022*, prescribes statutory limits on the stock of nominal debt and the level of debt service payments. These provisions are expected to take effect in 2027, five years after the enactment of the Act.

i. Stock of Nominal Debt

In accordance with Section 11(2)(a) of the *Public Debt Management Act, 2022*, the nominal debt stock must not exceed 65 percent of GDP in order to safeguard debt sustainability.

PBO Comment

The 2025–2027 Medium-Term Debt Strategy projects that nominal debt will amount to 72.7 percent of GDP in 2027. This suggests a likely breach of the statutory limit, raising concerns about potential non-compliance with the Act.

ii. Debt Service Costs

Section 11(2)(b) of the Act provides that the total external debt service (covering both interest and principal payments) must not exceed 20 percent of the average annual recurrent revenue, for the three preceding financial years.

PBO Comment

In 2027, when this provision comes into effect, external debt service payments are projected at K24.3 billion. Meanwhile, 20 percent of the average annual recurrent revenue for the preceding three years (2024 -2026) is projected at K35.7 billion. Based on these projections, the external debt service in 2027 is expected to remain within the prescribed legal threshold.

4.5 Current Status of Debt Sustainability

Despite progress made through ongoing debt restructuring efforts, the March 2025 Debt Sustainability Analysis (DSA) published by the Ministry of Finance and National Planning indicates that Zambia remains at high risk of debt distress. The country's debt-carrying capacity, as measured by the Composite Indicator (CI) score, stands at 2.62, placing Zambia in the category of weak debt-carrying capacity. This is largely driven by low foreign exchange reserves and modest economic growth. As such, even with debt restructuring, Zambia's ability to absorb shocks or sustainably manage its debt burden remains limited in the absence of effective fiscal consolidation measures or continued dependence on external support.

5. EXPENDITURE

Public expenditure remains vital for implementing Zambia's fiscal and development agenda. It is also central to implementing national plans like the Eighth National Development Plan (8NDP), particularly in targeting support for vulnerable groups and catalysing economic transformation.

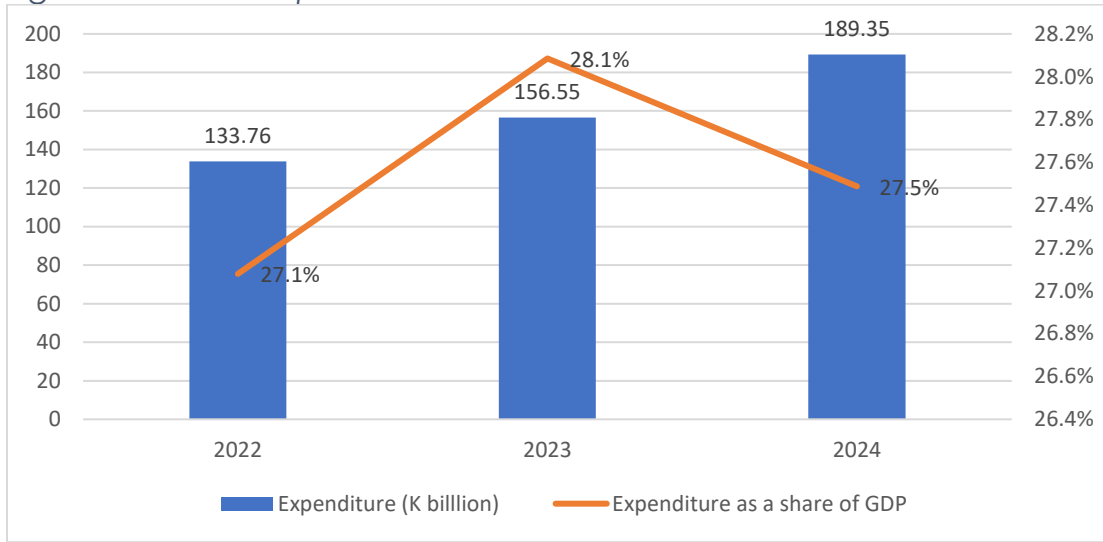
Over the 2026–2028 medium term, the Government aims to achieve fiscal and development objectives through continued fiscal consolidation, while directing public spending toward economic recovery, climate resilience, and social equity.

5.1 Expenditure Performance 2022 - 2024

In the last three years, expenditure has been on the rise. Figure 7 shows the trend in expenditure in the period 2022 – 2024

5.1.1 Aggregate Trends

Figure 6: Overall Expenditure 2022-2024



Source: PBO Construction using MoFNP Data

Between 2022 and 2024, actual public expenditure in Zambia rose markedly in nominal terms, increasing from K133.76 billion in 2022 to K189.35 billion in 2024, a cumulative growth of 41.5 per cent. This escalation reflects the Government's expanding fiscal commitments, particularly in areas such as debt servicing, social protection, infrastructure, and service delivery. However, in terms of GDP share, actual expenditure fluctuated slightly, from 27.1 per cent in 2022 to 28.1 per cent in 2023, before reducing to 27.5 per cent in 2024. This suggests relatively stable expenditure levels in proportion to the economy, despite mounting fiscal pressures.

5.2 Expenditure by Functional Classification

The Table below shows expenditure by functional classification

Table 4: Expenditure Performance (K Bil) 2022 – 2024

Function	2022		2023		2024	
	Allocation	Share of Budget	Allocation	Share of Budget	Allocation	Share of Budget

General Public Service	66.74	49.9%	61.84	39.5%	98.45	52.0%
Defence	5.89	4.4%	7.67	4.9%	10.09	5.3%
Public Order and Safety	2.66	2.0%	4.85	3.1%	5.08	2.7%
Economic Affairs	26.08	19.5%	32.72	20.9%	22.58	11.9%
Environmental Protection	0.80	0.6%	0.94	0.6%	0.27	0.1%
Housing and Community Amenities	1.88	1.4%	2.35	1.5%	5.94	3.1%
Health	10.70	8.0%	16.28	10.4%	16.30	8.6%
Recreation, Culture and Religion	0.27	0.2%	0.47	0.3%	0.45	0.2%
Education	13.91	10.4%	21.71	13.9%	20.45	10.8%
Social Protection	4.82	3.6%	7.67	4.9%	9.74	5.1%

Source: PBO Construction using Financial Reports

5.2.1 General Public Services

This function dominated spending due to escalating debt service costs. In 2024, actual debt service spending reached K65.4 billion, exceeding the target by 68 per cent. This underscores how debt obligations continue to crowd out developmental expenditure.

5.2.2 Economic Affairs

Spending rose in 2023, signalling a focus on growth sectors, but dropped sharply in 2024 due to the realignment of priorities in response to the 2023/2024 drought. The compression of spending in productive sectors raises concerns over long-term growth prospects.

5.2.3 Education and Health

While both sectors saw relatively stable allocations, they remain below international targets, 20 per cent for education and 15 per cent for health. Investments supported free education, bursaries, and infrastructure in both sectors, but sustainability will require increased financing and efficiency gains.

5.2.4 Social Protection

Spending rose steadily, reflecting expansion of programmes like the Social Cash Transfer. In 2024, social benefits exceeded budget targets, highlighting strong commitment to mitigating drought-induced vulnerabilities.

5.2.5 Other Sectors

Allocations to Defence, Public Safety, Housing, and Environmental Protection remained marginal or declined. Particularly concerning is the drop in environmental spending to 0.1 per cent in 2024, despite Zambia's climate vulnerability—exposing a disconnect between climate discourse and budgetary commitment.

5.3 Expenditure Performance First Half 2025

In the first half of 2025, Zambia's budget execution reflected mixed performance, with overall expenditure amounting to K104.5 billion, which was 5.2 percent lower than the projected K110.2 billion. This shortfall was largely driven by underperformance in capital expenditure, particularly in the acquisition of assets. Only K8.3 billion was disbursed for assets, representing less than half of the K16.9 billion target. The shortfall was primarily due to delays in the recording of disbursements related to foreign-financed capital projects, as well as the postponement of substantial funding to the Food Reserve Agency (FRA), which was rescheduled for the third quarter of the year.

Despite this, the Government exceeded budget targets across several key expenditure categories. For instance, K30.3 billion was allocated to personal emoluments, surpassing the projected K29.2 billion by 3.6 percent. This was attributed to the depreciation of the Zambian Kwacha, particularly in the first quarter, which increased the cost of overseas allowances paid to civil servants and foreign missions. Similarly, debt servicing payments reached K28.6 billion, slightly above the K27.8 billion projection, reflecting Zambia's ongoing commitment to honour debt obligations amid fiscal consolidation efforts.

Spending on transfers and subsidies also outperformed expectations, totalling K17.4 billion compared to a projected K17.0 billion. This was mainly due to enhanced funding to the Cash for Work Programme and the Farmer Input Support Programme (FISP), with the latter receiving additional resources to clear outstanding costs from the 2024/2025 farming season. In the terms of social protection, the Government released K7.8 billion for social benefits, exceeding the planned K7.3 billion, as part of its expanded support for the Social Cash Transfer (SCT) initiative, which remains a cornerstone of the country's social safety net. In addition, K3.1 billion was disbursed towards settling liabilities, above the target of K2.8 billion, with funds directed at clearing contractor arrears, consistent with the government's plan to reduce domestic arrears and boost liquidity in the private sector.

While Zambia's fiscal execution in the first half of 2025 saw some shortfalls in capital spending, key social and economic expenditure categories performed above expectations, reinforcing Government priorities outlined in the Eighth National Development Plan (8NDP).

5.4 Medium Term Expenditure Strategy

The 2026–2028 Medium-Term Budget Strategy builds upon the lessons of recent years and signals a deliberate shift toward growth-enhancing, climate-resilient,

and fiscally sustainable public investment. It reflects the Government's commitment to fostering economic transformation while safeguarding livelihoods and maintaining fiscal discipline.

At the macro level, the strategy aims to maintain total public expenditure at approximately 30 per cent of GDP, with a stronger focus on capital formation, rural development, and resilience building. To contain fiscal risks, a key objective is to reduce the public sector wage bill to no more than 35 percent of domestic revenue, down from the previous target of 42 percent under the 2024–2026 framework. The 2024 ratio stood at 34.5 percent. This will be achieved through targeted recruitment and more efficient deployment of existing personnel. This adjustment in the wage bill ceiling may warrant clarification from the Ministry of Finance and National Planning regarding how it will be implemented.

The Government also intends to prioritise debt service payments in order to avoid default and reinforce debt sustainability. Similar to previous strategies, adjustments to Constituency Development Fund (CDF) allocations will be capped at the rate of annual inflation and applied using a formula to promote equitable resource distribution across constituencies. However, the allocation of CDF using a formula has not been actualised despite its appearance in previous MTBPs. It may be necessary to seek clarification on the progress on this pronouncement.

To complement public financing, the strategy underscores the use of alternative financing mechanisms such as Public-Private Partnerships (PPPs), while committing to careful monitoring of related contingent liabilities. This reflects a continued effort to catalyse investment in infrastructure and productive sectors without imposing unsustainable pressure on the national budget.

The Government's expenditure strategy prioritises economic transformation, with agriculture, energy, and tourism as key sectors for recovery and diversification. In response to the 2023/2024 drought, agriculture has been earmarked for

revitalisation through targeted investments and policy reforms aimed at transitioning to a modern, market-oriented, and climate-resilient sector.

The Medium-Term Budget Plan projects average annual growth of 4.3 per cent in agriculture, largely driven by a rebound in maize production, with the 2024/2025 harvest estimated at 3.65 million metric tonnes up from 1.5 million the previous year. Small and medium-scale farmers, who produce 93 per cent of this output, remain central to food security and rural development.

Key interventions include the nationwide rollout of the e-voucher system under FISP by 2025/2026 to enhance efficiency, transparency, and crop diversification toward climate-resilient varieties such as soya beans, millet, and cassava. Mechanisation and irrigation have also been prioritised, with the establishment of provincial mechanisation centres and expanded extension services supported by digital outreach tools.

Irrigation development is critical to achieving ambitious production targets of 10 million metric tonnes of maize, and one million metric tonnes each of soya beans and wheat to ensure year-round farming and climate resilience.

Additionally, the strategy increases investment in the livestock and fisheries sub-sectors. Planned projects include livestock service centres, veterinary and vaccine laboratories, and aquaculture infrastructure, all aimed at boosting productivity, reducing the national fish deficit, and expanding export potential.

5.4.1 Functional Allocations and Sector Priorities: 2026 - 2028

Over the medium term, the Government spending will be distributed as follows: 30.7 per cent on General Public Services, 24.5 per cent on Economic Affairs, 14.6 per cent on Education, 10.7 percent on Health, and 8.1 percent on Social Protection. The remaining 11.4 per cent will cover other functions such as Public Order and Safety, Defence, Environment, Housing, and related areas.

Table 5: 2026-2028 MTBP Allocations by Functions of Government

Function	2025 Approved	2026 Projection	2027 Projection	2028 Projection	2026 - 2028 Average
General Public Service	34.0%	35.3%	28.9%	27.9%	30.7%
Defence	4.8%	4.7%	4.8%	4.7%	4.7%
Public Order and Safety	3.9%	3.5%	3.6%	3.7%	3.6%
Economic Affairs	22.4%	22.8%	25.4%	25.3%	24.5%
Environmental Protection	0.7%	0.7%	0.8%	0.9%	0.8%
Housing and Community Amenities	1.4%	2.1%	1.7%	1.6%	1.8%
Health	10.7%	9.9%	11.2%	11.0%	10.7%
Recreation, Culture and Religion	0.3%	0.4%	0.4%	0.5%	0.4%
Education	14.5%	13.2%	15.2%	15.4%	14.6%
Social Protection	7.4%	7.3%	8.0%	9.0%	8.1%

Source: 2026 - 2028 MTBP

5.4.1.1 General Public Services

Over the medium term, the Government plans to allocate an average of 30.7 per cent of total expenditure to General Public Services. This category, which includes debt servicing, the Local Government Equalisation Fund (LGEF), and arrears dismantling, remains the largest functional allocation. While this level of spending reflects a commitment to maintaining fiscal obligations and restoring liquidity in the domestic economy, it also underscores the significant burden posed by Zambia's debt stock. In 2024 alone, debt service accounted for K65.40 billion against a target of K38.92 billion, crowding out allocations to growth-enabling sectors. The continued high share of spending under this function highlights the critical need for prudent debt management and efficient public sector reforms.

5.4.1.2 Economic Affairs

This function will receive an average of 24.5 per cent of the total budgeted expenditure over the medium term, amounting to K65.9 billion per annum. This allocation reflects the Government's prioritisation of economic transformation in line with Pillar I of the 8NDP. Key interventions include investments in Food Strategic Reserves, small and medium enterprises (SMEs) empowerment funds, credit guarantees, and the CDF. Infrastructure development, particularly in the transport and energy sectors, will be scaled up to enhance productivity and resilience. However, this is a moderate recovery from the 2024 decline, where the Economic Affairs share fell to just 12 per cent from 20.9 percent in 2023, indicating previous fiscal compression in capital spending. The renewed focus on this function is essential for stimulating job creation and improving rural livelihoods, especially in the wake of climate-induced shocks such as the 2024 drought.

5.4.1.3 Education

Education is projected to receive 14.6 per cent of the National budget per annum over the medium term, equivalent to approximately K39.4 billion. This allocation underscores Government's continued support for the free education policy, school feeding programmes, and bursary support for vulnerable learners. It will also fund the construction and completion of infrastructure projects such as student accommodation, alongside ongoing recruitment and upskilling of teachers. Despite this positive trajectory, education spending remains below the Incheon Declaration's 20 per cent benchmark, indicating room for improvement in aligning financing with sectoral needs.

5.4.1.4 Health

The Health sector is set to receive an average of 10.7 per cent of the National Budget, translating to K28.8 billion annually. Funds will support the procurement of

essential drugs, medical supplies, and equipment, as well as the construction and completion of health infrastructure and the recruitment of health personnel. Although this allocation falls short of the 15 per cent Abuja Declaration benchmark, it remains consistent with Zambia's recent trend of allocating 9–10 per cent of the total Budget to health, as seen in 2023 and 2024. Given Zambia's disease burden and challenges with drug stockouts, the success of this allocation will depend not only on the quantum but also on improvements in supply chain management and service delivery systems.

5.4.1.5 Social Protection

This function will receive an average of 8.1 per cent of the budget between 2026 and 2028, an increase from 7.4 per cent in 2025 and well above earlier allocations such as 5 per cent in 2024. This increased allocation reflects the expansion of flagship programmes like the Social Cash Transfer, Cash-for-Work, and support to the Public Service Pension Fund (PSPF), which aims to reduce pension processing delays. The scaling up of these programmes demonstrates a strong commitment to reducing vulnerability, protecting livelihoods, and promoting social equity—especially crucial amid rising poverty and climate-related shocks.

5.4.2 Public Order and Safety

An average of 3.6 per cent of the National Budget will be allocated to this function, amounting to K9.6 billion annually. This function supports the operations of security wings responsible for maintaining law and order. This level of spending is consistent with previous years and underscores the Government's commitment to governance and institutional stability, especially under the ongoing decentralisation programme.

5.4.2.1 Housing and Community Amenities

This function is expected to receive an average allocation of 1.8 percent, equivalent to approximately K4.8 billion per year. This represents a continued emphasis on expanding access to clean water and sanitation, particularly in underserved communities, which received only 1.4 percent in the 2025 budget. The funding will support the construction and rehabilitation of community-based infrastructure, aligning with broader initiatives under the Constituency Development Fund (CDF) and the decentralisation strategy aimed at strengthening service delivery at the local level.

5.4.2.2 Other Functions (Defence, Environmental Protection, Recreation, Culture and Religion)

The remaining sectors, including Defence (4.7 per cent), Environmental Protection (0.8 per cent), and Recreation, Culture and Religion (0.4 per cent), collectively account for 14.1 per cent of the medium-term budget. These allocations will fund key interventions such as the Defence Force's operational readiness, climate change mitigation, and cultural preservation initiatives. Of concern, however, is the relatively low average allocation to Environmental Protection, coming at just 0.8 per cent, despite Zambia's vulnerability to climate change and the stated commitment to building climate resilience. In comparison, the 2024 allocation to environmental protection fell to 0.1 per cent, suggesting a continued misalignment between policy pronouncements and actual budgetary support.

The functional allocations proposed in the 2026–2028 MTBP reflect a government strategy that balances fiscal obligations with targeted investments in human capital and economic resilience. However, high allocations to General Public Services, largely driven by debt service, continue to limit fiscal space for developmental sectors. While increased spending on Economic Affairs, Education, and Social Protection signals a shift toward inclusive growth,

challenges remain in areas such as Environmental Protection and Health, which require sustained and scaled-up investment to meet national and global targets. Ensuring efficient execution of planned allocations, timely disbursement of funds, and improved monitoring systems will be critical to translating budgeted resources into meaningful development outcomes.

Table 6: Expenditure by Economic Classification (K Billion) 2025 - 2028

	2025 Approved	2025 Revised	2026 Projection	2027 Projection	2028 Projection	2026 - 2028	
						Total	Average
Total Expenditure (Incl Amortisation)	217.11	232.98	239.85	268.20	296.28	804.34	268.11
Expenses	178.91	190.29	204.36	225.75	249.56	679.37	226.46
Personal Emoluments (PEs)	58.54	58.92	64.50	74.10	83.71	222.31	74.10
Use of Good and Services	19.15	15.65	21.40	24.68	25.67	71.76	23.92
Debt Service Payments	53.99	61.97	71.90	66.43	69.97	208.29	69.43
Transfers and Subsidies	33.18	38.15	32.79	39.44	44.03	116.27	38.76
Social Benefits	14.05	15.61	13.76	21.10	25.87	60.73	20.24
Assets	32.92	26.57	30.19	34.53	35.60	100.33	33.44
o/w Non Financial Assets	30.07	23.72	27.35	31.27	31.98	90.60	30.20
Financial Assets	2.85	2.85	2.84	3.27	3.62	9.72	3.24
Liabilities	5.27	16.11	5.30	7.92	11.43	24.65	8.22

Equation 1 Source: 2026 - 2028 MTBP

5.5 Alignment to the 8NDP

The 2026–2028 MTBP demonstrates a high degree of alignment with the 8NDP, particularly in expenditure priorities that support socio-economic transformation. Government has reaffirmed its commitment to the four strategic development pillars of the 8NDP: Economic Transformation and Job Creation; Human and Social Development; Environmental Sustainability; and Good Governance Environment, which are intended to guide fiscal and sectoral priorities over the medium term.

This alignment is evident in several sectoral strategies. For example, under the pillar of Economic Transformation and Job Creation, the Government intends to scale up agricultural investments through initiatives such as the Comprehensive Agricultural Transformation Support Programme (CATSP), mechanisation centres in all provinces, and the expansion of irrigation infrastructure to build resilience against climate shocks. Similarly, the adoption of the E-voucher system under the

Farmer Input Support Programme (FISP) across all districts is aimed at empowering small-scale farmers and promoting crop diversification, in line with the 8NDP's rural development agenda.

In the mining sector, reforms like the enactment of the Minerals Regulation Commission Act and the roll-out of the Zambia Integrated Mining Information System (ZIMIS) are designed to improve transparency, accountability, and investor confidence. Efforts to formalise artisanal and small-scale mining and strengthen local content regulations also reinforce the plan's focus on inclusive economic growth.

In manufacturing, the Government's focus on agro-processing, SME development, and industrial value chains reflects a broader strategy to boost employment and industrialisation.

The Green Paper also underscores the human and social development pillar of the 8NDP through ongoing commitments to education, health, social protection, and gender inclusion. Planned investments include the expansion of infrastructure, recruitment of frontline staff, and enhancements in service delivery. In social protection, government has pledged to continue supporting Social Cash Transfers and to mainstream the needs of youth, women, children, and persons with disabilities.

In addressing environmental sustainability, the Green Paper recognises the impact of the 2023/2024 drought and outlines measures to improve climate resilience through green energy investments, climate-smart agriculture, and tourism projects. However, persistent low allocations to the Environmental Protection function suggest a potential mismatch between stated intentions and actual funding, which could undermine the effectiveness of these climate interventions.

In terms of governance, the Plan includes proposals to enhance decentralisation, strengthen public investment management, and improve fiscal transparency. These measures are intended to foster accountability, efficiency, and citizen participation in development planning.

Despite this broad policy coherence, significant concerns remain regarding the feasibility of full implementation. A critical gap in the Green Paper is the absence of detailed allocations toward the implementation of strategic development areas. This omission is concerning, particularly given the historical trend of underfunding during execution phases, which has repeatedly hindered the realisation of development targets. It underscores a persistent mismatch between the ambition of National plans and the actual fiscal resources made available, a gap that risks rendering many of the outlined strategies aspirational rather than actionable.

Table 7: Resource Allocation 8NDP (Billion 'K)

Strategic development Area	2022			2023			2024		
	8NDP Plan	Budget Allocation	Actual Expenditure	8NDP Plan	Budget Allocation	Actual Expenditure	8NDP Plan	Budget Allocation	Actual Expenditure
Economic Transformation and Job Creation	41.78	9.62	10.25	64.05	14.79	12.87	110.78	14.89	12.19
Human and Social Development	27.33	28.57	25.09	39.97	28.51	27.28	56.78	33.07	27.11
Environmental Sustainability	0.54	0.43	0.36	1.44	1.44	2.40	1.81	0.67	0.21
Good Governance Environment	0.36	1.70	1.66	1.58	3.57	3.56	2.42	2.32	1.95
Total	70.01	40.32	37.36	107.04	48.31	46.11	171.79	50.95	41.46

Source: PBO Construction Using 2022 - 2024 APR Annual Progress Reports

Additionally, the Green Paper provides limited costing and financing details for several large-scale interventions, particularly in infrastructure, irrigation, and energy. This creates uncertainties around execution, especially in a context where budget credibility challenges and fiscal constraints continue to affect service delivery. While decentralisation is emphasised as a means of improving service delivery, the lack of a clear roadmap for strengthening subnational

capacity may limit the ability of local authorities to deliver on development objectives.

Moreover, although poverty and inequality are acknowledged, there is limited elaboration on targeted interventions to address rising urban vulnerability, youth unemployment, and the transformation of the informal sector, areas prominently featured in the 8NDP. With the Green Paper spanning the final year of the 8NDP and transitioning into the Ninth National Development Plan (9NDP), questions also arise regarding continuity and the integration of multi-year programmes, especially given that many 8NDP objectives remain only partially achieved.

While the Green Paper reflects a strong strategic alignment with the 8NDP and lays out ambitious priorities, its success will ultimately depend on the government's ability to mobilise adequate resources, maintain fiscal discipline, and close the gap between planning and implementation. Without concrete budgetary allocations for strategic areas and mechanisms to ensure sustained investment, the risk remains that key objectives may once again be delayed or unrealised.

5.6 Macroeconomic and Fiscal Risks

The 2026–2028 Medium Term Budget Plan outlines several macroeconomic and fiscal risks that could undermine Zambia's development goals, including climate change, exchange rate volatility, fluctuating copper prices, delayed investments, global economic slowdowns, geopolitical tensions, and ineffective project funding. However, the risks are not prioritised or ranked, nor are they linked to specific institutions responsible for mitigation, which limits accountability and reduces the effectiveness of policy responses. The absence of concrete mitigation plans, especially for climate-related risks, which have already materialised in the form of recent droughts, further weakens Zambia's preparedness. While the Green Paper acknowledges the need for climate

resilience, it does not translate this into actionable commitments such as irrigation expansion, crop diversification, or agricultural insurance schemes.

The treatment of project funding risks does not provide clarity on which projects are most exposed or how delays in budget execution will be addressed. Given the Government's reliance on public investment and PPPs to stimulate growth, weak risk framing in this area could result in fiscal slippages or incomplete infrastructure delivery. Similarly, Zambia's dependence on copper revenues and external borrowing highlights the urgency of diversifying the economy and improving domestic revenue mobilisation, yet the Green Paper offers limited details on how these will be achieved through tax reforms or enhanced compliance measures.

To strengthen the risk management approach, the Green Paper would benefit from the introduction of a detailed risk register, clearly assigning risks to responsible institutions, defining likelihood and impact levels, and outlining concrete mitigation strategies. It should also include contingency plans and stress testing of macroeconomic assumptions to build fiscal resilience.

5.7 Key Observations

1. Devolved Functions to Local Authorities

In addition to the thirteen functions devolved in the past two years, the MTBP proposes four more: Early Childhood and Primary Education, Environmental Management, Forestry, and Investment Promotion. Notably, under Head 29: Ministry of Local Government and Rural Development, non-personal emoluments are projected to decline to K9.63 billion in 2027 from K9.65 billion in 2026, before increasing to K10.50 billion.

With respect to education, Non- personal emoluments allocation for Early Childhood and Primary Education account for over K1.50 billion in the 2025

Budget, signalling that the additional functions are not matched by corresponding allocations to Head 29. Clear resource allocations are needed to support the new functions and safeguard service delivery.

2. Risk Management

While the Green Paper successfully identifies these diverse risks across environmental, macroeconomic, and institutional domains, it falls short in providing a comprehensive risk management framework. The document lacks quantification of risks, such as how copper price declines or exchange rate shifts would affect fiscal performance, and it does not include scenario analysis or stress testing to assess the potential magnitude of these threats.

Additionally, the Green Paper raises important risk awareness but does not go far enough in equipping the Government or stakeholders with the tools to manage these risks effectively. Addressing these gaps would significantly improve the credibility of the Medium-Term Budget Plan and Zambia's capacity to navigate both domestic and global uncertainties.

3. Mismatch Between Strategic Ambition and Budgetary Allocation

While the Green Paper demonstrates broad policy coherence and strategic alignment with the 8NDP, it can be noted that there is a significant gap between stated ambitions and the resources allocated to achieve them. The absence of detailed budgetary allocations for strategic development areas is concerning, especially considering the recurring trend of underfunding during execution phases. This persistent mismatch risks rendering many of the outlined strategies aspirational rather than actionable.

4. Inadequate Costing and Financing Frameworks for Priority Interventions

The Green Paper provides insufficient costing and financing details for several large-scale interventions, notably in infrastructure, irrigation, and energy. These sectors are critical to economic transformation and resilience, yet uncertainties around how these programmes will be financed create doubts about their viability. Given Zambia's prevailing fiscal constraints and issues with budget credibility, this lack of financial clarity undermines confidence in implementation feasibility.

5. Unclear Transition Framework from 8NDP to 9NDP

The Green Paper covers the final year of the 8NDP and is expected to facilitate a transition to the Ninth National Development Plan (9NDP). However, the MTBP falls short of articulating how ongoing multi-year programmes will be integrated into the next Plan. This lack of clarity risks disrupting programme continuity and could result in duplication, inefficiencies, or the abandonment of partially implemented projects.

6. Update on the Ministerial Delivery Units

The previous MTBP (2025-2027) planned to ensure that all ministries, provinces and agencies have operational Ministerial Delivery Units (MDU) to monitor the implementation of 8NDP programmes. There is need for an update on the status of MDUs especially given weak monitoring mechanism highlighted in the Annual progress Report (2024) on the 8NDP.

6. CONCLUSION

The 2026–2028 Medium Term Budget Plan outlines an ambitious fiscal and development trajectory, with clear alignment to the 8NDP's strategic pillars. It reflects a renewed focus on economic recovery, resilience, and social equity while signalling a commitment to fiscal consolidation and debt sustainability. However, critical gaps remain in the areas of implementation feasibility, risk

management, and transition planning. The persistent mismatch between strategic ambition and actual budgetary allocations, especially in climate resilience, infrastructure, and human capital raises concerns about execution credibility. Furthermore, the limited costing and financing details, along with the absence of a robust risk mitigation framework, weaken the Plan's ability to anticipate and absorb shocks. As Zambia approaches the final year of the 8NDP and prepares for the next planning cycle, it will be imperative to bridge the divide between policy and practice, enhance institutional accountability, and ensure that budgetary commitments translate into measurable development outcomes. Strengthening oversight, transparency, and adaptive planning will be key to realising the transformative potential of the MTBP.

APPENDIX I

Summary of 2025 Authorized Expenditure and Projected Expenditure [2026 to 2028]

Authorized Expenditure-2025 [K]	Supplementary Budget-2025 [K]	Total authorized Expenditure-2025 [K]	Projected Ceiling [K]		
			2026	2027	2028
217,105,378,661	33,577,125,966	250,682,504,627	239,855,893,000	268,204,449,000	296,282,194,000