REPUBLIC OF ZAMBIA

REPORT OF THE PLANNING AND BUDGETING COMMITTEE

ON THE

CONSIDERATION OF THE 2026 ANNUAL BORROWING PLAN

FOR THE

FIFTH SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

Printed by the National Assembly of Zambia

FOREWORD

Honourable Madam Speaker, the Planning and Budgeting Committee has the honour to present its Report on the 2026 Annual Borrowing Plan (ABP) for the Fifth Session of the Thirteenth National Assembly. The functions of the Committee are outlined in Standing Order 204 (4) of the National Assembly Standing Orders, 2024.

To familiarise itself with the contents of the 2026 ABP, the Committee sought both written and oral submissions from various stakeholders. A list of these stakeholders is included in Appendix 3 of the Report. The Committee held nine meetings to consider the 2026 ABP.

The Committee's Report comprises three parts: Part I highlights the Committee's findings from its deliberations, Part II presents the views of stakeholders and Part III contains the Committee's observations, recommendations, and conclusion.

Madam Speaker, the Committee is grateful to the stakeholders who submitted written contributions and appeared before it. It also wishes to thank you for granting it the opportunity to consider the 2026 ABP. Additionally, gratitude is extended to the Office of the Clerk of the National Assembly for its assistance and counsel throughout the Committee's deliberations.

Mr Fred C Chaatila, MP
CHAIRPERSON

October 2025
LUSAKA

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List of Acronyms and Abbreviations

Annual Borrowing Plan	ABP
Benchmark Bond Programme	BBP
Debt Sustainability Analysis	DSA
Extended Credit Facility	ECF
Farmer Input Support Programme	FISP
Gross Domestic Product	GDP
International Monetary Fund	IMF
Medium-Term Debt Strategy	MTDS
Ministry of Finance and National Planning	MoFNP
Net Domestic Financing	NDF
Public Debt Management Act, 2022	PDMA
Social Cash Transfer	SCT

COMPOSITION OF THE COMMITTEE

The Committee consisted of Mr Fred C Chaatila, MP (Chairperson); Ms Brenda Nyirenda, MP (Vice-Chairperson); Mr Machila Jamba, MP; Mr Koonwa Simunji, MP; Mr David Mabumba, MP; Mr Kalalwe Mukosa, MP; Mr Jeffrey Mulebwa, MP; Mr Anthony C Mumba, MP; Mr Mayungo Simushi, MP and Eng. Oliver Amutike, MP.

PART ONE

1.0 INTRODUCTION

The 2026 Annual Borrowing Plan (ABP) was presented to the National Assembly on Friday, 26th September 2025, alongside the 2026 Estimates of Revenue and Expenditure, in compliance with Section 8 of the Public Debt Management Act No. 15 of 2022, which mandates the Minister to submit the ABP for parliamentary approval. In accordance with Standing Order 175 (1) of the National Assembly of Zambia Standing Orders, 2024, the ABP was subsequently referred to the Planning and Budgeting Committee for detailed examination.

The 2026 ABP outlines a gross domestic borrowing target of K106 billion, of which K84.4 billion is intended for refinancing maturing debt securities and K21.6 billion for financing the budget deficit. The Plan was developed to address the projected K34.5 billion fiscal deficit in the 2026 national budget, to be financed through K21.6 billion from the domestic market and K12.9 billion from disbursements of existing external loans, with no new external borrowing. Overall, Government expenditure in 2026 is projected at K253.1 billion, to be funded through tax and non-tax revenues, grants, and debt, with total revenues and grants estimated at K218.6 billion, resulting in a financing gap of K34.5 billion.

2.0 OBJECTIVE OF THE 2026 ANNUAL BORROWING PLAN

The Committee was informed that the main objective of the 2026 Annual Borrowing Plan (ABP) was to obtain the approval of the National Assembly to finance the K34.5 billion budget deficit. Of this amount, K21.6 billion would be sourced from the domestic market, while K12.9 billion would come solely from disbursements of existing external loans, with no new external borrowing anticipated. Additionally, the Committee was informed that the Plan aims to strengthen and deepen the domestic debt market through portfolio optimisation and the re-introduction of a benchmark bond programme to extend maturities and smoothen redemption profiles. It also seeks to achieve a net reduction in external debt while effectively managing the higher domestic rollover and refinancing requirements.

2.1. Domestic Financing

The Committee was informed that domestic financing under the 2026 Annual Borrowing Plan aims to provide budgetary support. Total domestic borrowing is projected at K106 billion, comprising K21.6 billion in net financing for the 2026 Budget deficit and K84.4 billion for refinancing maturing debt. The funds will be raised through the issuance of Government securities in local currency via public auctions, both competitive and non-competitive. Accordingly, Parliament is requested to approve a ceiling of K21.6 billion for net domestic financing in 2026.

It was further stated that the financing targets general budget support to address the widened fiscal deficit driven by higher debt service costs, election expenses, and increased funding to Farmer Input Support Programme (FISP) and Social Cash Transfer (SCT). However, raising the full K21.6 billion through auctions may elevate yields, raising borrowing costs and crowding out private investment.

2.2. External Financing

The Committee was informed that loan-financed project disbursements for 2026 are projected at US$494.9 million, aligned with project implementation schedules and quarterly milestones. The funds will support ongoing projects across various sectors, which are critical to achieving the economic transformation goals of the Eighth National Development Plan (8NDP). A detailed analysis is presented in the table below, with benefiting projects listed in Appendix 1. Table 1 below shows a description of external financing for the 2026 Annual Borrowing Plan.

Table 1: Description of External Financing - 2026 Annual Borrowing Plan

Item	ABP (2026) Figure/Statement
Total external financing (projected disbursements in 2026)	US$494,984,000.
Contraction of new external loans in 2026	The Government will not contract any new external loans. External financing in 2026 relates only to disbursements on already-contracted loans.
Net change in external debt stock in 2026	Net decrease of US$78.1 million (Principal repayments US$573 million vs disbursements US$494.9 million). This is useful for debt sustainability projections and the Medium-Term Debt Strategy.
Purpose of disbursements	Implementation of ongoing loan-financed projects across multiple sectors (water, roads, health, energy, education, agribusiness, etc.).

Source: Annual Borrowing Plans (2025 and 2026) - Ministry of Finance and National Planning

2.3. Net Change in Public Debt

The Committee was informed that total Government securities issuances for the 2026 financial year were projected at K106 billion. With maturities on domestic debt estimated at K84.4 billion, the net increase in the domestic debt stock was projected at K21.6 billion by end-December 2026.

On the external front, stakeholders submitted that loan disbursements were projected at US$494.9 million or K12.9 billion, while principal repayments were expected to amount to US$573 million or K14.9 billion, resulting in a net decrease of US$78.1 million or K2.03 billion in the external debt stock. Overall, it was reported that the combined effect of Central Government borrowing operations in 2026 (comprising both domestic and external financing) was projected to yield a net increase of K19.6 billion or US$509.4 million in the total stock of Central Government debt by end-December 2026.

3.0 COMPARATIVE ANALYSIS OF THE 2025 ABP (INITIAL AND REVISED)

Stakeholders stated that before commenting on the debt sustainability analysis of the 2026 ABP, it was important to conduct a review of the alignment of the 2025 ABP with the Medium-Term Debt Management Strategy of 2025-2027, thereby setting a foundation for conducting a contextual debt sustainability analysis of the 2026 ABP. Stakeholders further submitted that the 2025 ABP was revised mid-way through the year. The key changes between the initial ABP and the revised ABP are presented in table 2 below.

Table 2: Comparative Analysis of the 2025 ABP and the revised 2025 ABP

Item	Initial ABP (2025)	Amended ABP (2025)
Net Domestic Financing (NDF)	*ZMW15.359 billion* (no new external borrowing; External limited to disbursements on existing loans)	*ZMW30.198 billion* (increase of K14.839 billion)
Composition of additional borrowing	Net Domestic Financing is entirely from the issuance of government securities through auctions	• ZMW4.0 billion via government securities (budget support) plus • ZMW10.839 billion from local commercial banks (to liquidate fuel arrears (Liability Management Operations)
Purpose of additional borrowing	Finance 2025 budget (general budget support) and refinance maturities	• ZMW10.839bn for fuel arrears (Liability Management Operations) • ZMW4.0bn for widened budget needs, higher debt service and priority programmes (Farmer Input Support Programme, Social Cash Transfer)
Terms & limits	Maximum limit on new Net Domestic Financing is ZMW15,359,224,678	• The revised maximum limit on Net Domestic Financing is K30.198 billion (additional authority requested). • Commercial bank loan indicative terms: up to 7-year maturity; no grace period; interest up to 13.5% p.a. (USD-denominated); arrangement fees ≤1%
Net effect on the public debt stock	• Projected net domestic increase ZMW15.4bn. External net increases US$356.8m. • Total net increase ≈ US$909.4m (ZMW27.8/US$)	• Additional net addition from proposed extra borrowing projected at K14.5bn (ZMW4.0bn + K10.839bn less K381.3m principal repayment).

The Committee was informed that, based on the analysis of the 2025 Annual Borrowing Plan (ABP) as a foundation for the effective implementation of the 2026 ABP, the Government should prioritise concessional and long-term external financing to reduce borrowing costs and rollover risks while limiting dependence on costly commercial bank loans. It was further stated that the Government should expedite liability management operations (LMO) and negotiations with suppliers to prevent rollover into 2026, thereby addressing challenges related to budget credibility and execution such as unsettled arrears and delays in implementing liability management activities that have increased borrowing needs.

Other stakeholders submitted that the Government should strengthen contingency measures, including building fiscal buffers and adopting conservative revenue forecasts, to reduce the need for mid-year borrowing adjustments. In addition, the Committee was informed that cash-flow management and project implementation should be enhanced through the development of a comprehensive cash-flow forecasting system, streamlined procurement and project approval processes to speed up implementation. It should also explore alternative financing options such as attracting external investments and issuing longer-term bonds to reduce over reliance on domestic borrowing.

3.1. Comparative Analysis of the 2025 and 2026 Annual Borrowing Plan

The Committee was informed that although the 2026 National Budget is 16.6 per cent larger than the 2025 national budget, the financing gap has slightly narrowed in absolute terms. Stakeholders submitted that net domestic financing in the 2026 Annual Borrowing Plan is projected to rise by K6.3 billion, representing a 40.8 per cent increase, while projected external disbursements are expected to decline by 29 per cent.

Table 1: Comparison of the 2025 and 2026 Annual Borrowing Plan

Details	2025 ABP	2026 ABP
Total budget (K)	K217.1 billion	K253.1 billion
Revenue and Grants (K)	K182.4 billion, with financing gap of K34.7 billion	K218.6 billion, with financing gap of K34.5 billion
Net Domestic Financing	Net Debt Financing limit at K15.4 billion (domestic financing for budget)	Net Debt Financing limit at K21.6 billion (domestic financing for budget)
Planned External Borrowing (New)	No new external loans; disbursements from contracted loans US$697.4 million	No new external loans; disbursements from contracted loans US$494.9 million
Gross Domestic Borrowing (issuances planned)	Projected gross domestic issuances K78.6 billion (to cover refinancing + Net Debt Financing).	Projected gross domestic issuances K106. Billion (to cover refinancing +Net Debt Financing).
Portfolio/market development	Status quo: regular issuance calendar; monthly bonds, fortnightly Treasury Bills	Adds domestic debt portfolio optimisation, benchmark bond programme (aim to elongate maturities).

Source: Annual Borrowing Plans (2025 and 2026) - Ministry of Finance and National Planning

PART TWO

4.0 VIEWS BY STAKEHOLDERS

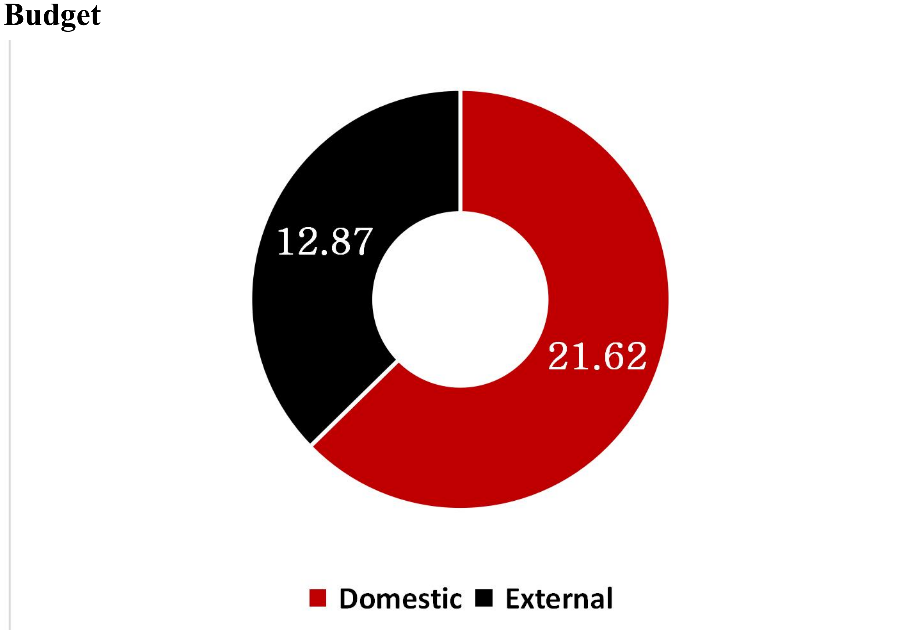
All the stakeholders who appeared before the Committee supported the 2026 ABP, due to its alignment with the 2025-2027 Medium Term Debt Strategy (MTDS) and risk mitigation measures that have been put in place such as the proposed Benchmark Bond Programme. Stakeholders also acknowledged that the 2026 ABP reflected Government's commitment to prudent and sustainable borrowing for strategic national development, as it largely conformed to the 2025-2027 MTDS as well as the commitments under the IMF Programme. The views and concerns raised are set out below.

4.1. Implications of the 2026 Annual Borrowing Plan

The Committee was informed that the 2026 Annual Borrowing Plan is designed to address the fiscal deficit through a mix of domestic and external borrowing. Domestic borrowing is projected at K21.6 billion, while external borrowing is expected to amount to K12.9 billion. The domestic component will be raised through gross issuance of Government securities valued at K106.0 billion, of which K84.4 billion will be used to refinance maturing debt. On the external side, principal repayments are projected at K14.9 billion, resulting in a net increase in Central Government debt of K19.6 billion in 2026.

It was further submitted that the 2026 ABP is anchored on the 2025–2027 Medium-Term Debt Strategy (MTDS), which targets a financing mix of 30.0 per cent external and 70.0 per cent domestic borrowing. This marks a strategic shift from previous plans that emphasised concessional external borrowing while gradually reducing domestic borrowing.

Figure 2: Fiscal Deficit Financing Mix (K billion) - 2026 National Budget



Source: 2026 Annual Borrowing Plan-Ministry of Finance and National Planning

The Committee was informed that the initial 2025 ABP envisaged financing the K34.7 billion fiscal deficit through K15.4 billion in domestic borrowing or 44.0 per cent and K19.3 billion in external borrowing or 56.0 per cent which is consistent with the 2024–2026 MTDS. However, the amended 2025 ABP, introduced under the K33.6 billion Supplementary Budget, increased domestic borrowing to approximately K30.2 billion. This adjustment was attributed to the need to clear fuel arrears and accommodate higher external debt service obligations following debt restructuring agreements under the G20 Common Framework.

In 2026, the fiscal deficit is projected at K34.5 billion, to be financed through K12.9 billion in external borrowing and K21.6 billion in domestic borrowing, reflecting a financing mix of 37.0 per cent external and 63.0 per cent domestic. Stakeholders were of the view that while external borrowing offers long-term financing, it exposes the economy to exchange rate risks and potential disbursement delays. Domestic borrowing, though shorter in maturity, mitigates such external vulnerabilities. The adopted 30:70 borrowing ratio under the MTDS is intended to strengthen reliance on domestic financing and reduce exposure to foreign currency risks.

The Committee was further informed that the progression from the original 2025 ABP to the revised 2025 Budget and subsequently to the 2026 ABP demonstrates Government's responsiveness to changing financing conditions. The 2025–2027 MTDS underscores the need to deepen the domestic financial market, particularly for longer-dated securities, to sustain this approach.

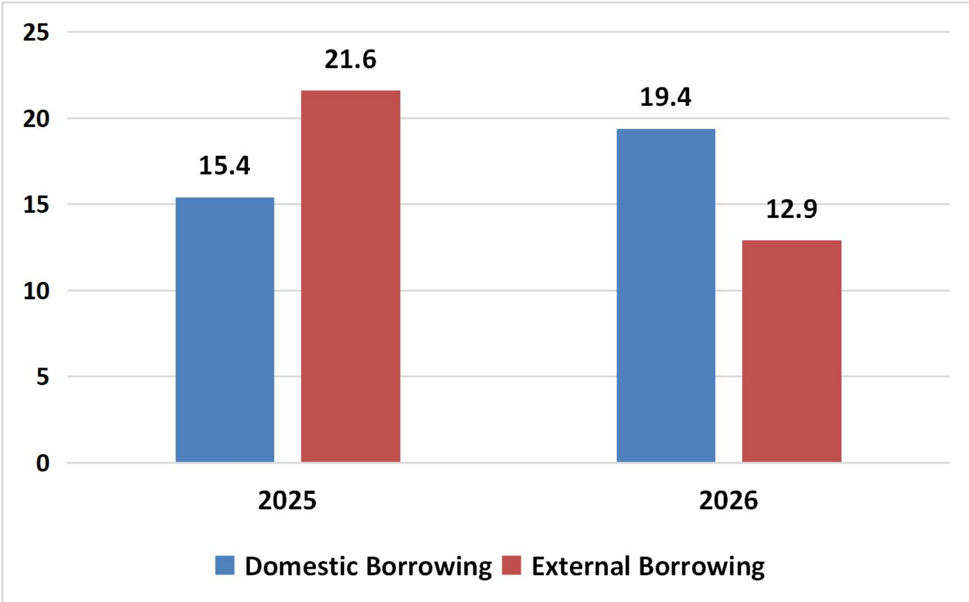
Other stakeholders also submitted that the 2026 ABP aligns with the 2022–2026 Eighth National Development Plan (8NDP), which prioritises socio-economic transformation through targeted investments in infrastructure, human capital, and economic diversification. The planned borrowing will support key projects in transport, energy, water and sanitation, healthcare, education, agriculture, and digital infrastructure. These are aimed at stimulating growth, improving public service delivery, and fostering private sector-led development.

4.2. Crowding Out of the Private Sector

The Committee was informed that Zambia's debt sustainability demonstrates a cautious yet strategic approach to fiscal management. Stakeholders submitted that in 2025, total borrowing was projected at ZMW34.7 billion or 4.3 per cent of GDP. This comprised ZMW15.4 billion in domestic borrowing or 1.9 per cent of GDP and ZMW19.4 billion in external borrowing or 2.4 per cent of GDP. It was noted that the relatively high reliance on external borrowing, while potentially cost-effective, exposed the country to exchange rate risks and external shocks.

The Committee was further informed that the 2026 budget reflects a reduction in total borrowing to ZMW34.5 billion, equivalent to 3.7 per cent of GDP. Stakeholders highlighted that domestic borrowing increased to ZMW21.6 billion equivalent to 2.3 percent of GDP, while external borrowing declined to ZMW12.9 billion or 1.4 percent of GDP (see figure below). Stakeholders also submitted that this shift indicates a deliberate strategy to mitigate exposure to external vulnerabilities, likely informed by Zambia's recent experience with debt restructuring under the G20 Common Framework.

Figure 2: The 2025 vs 2026 Borrowing plan.



Source: 2025 and 2026 Annual Borrowing Plans

Other stakeholders informed the Committee that the reduction in total borrowing from 4.3 per cent to 3.7 per cent of GDP signals improved fiscal discipline and commitment to consolidating public finances. However, stakeholders expressed concern that the increased reliance on domestic borrowing raises concerns about the cost of debt servicing and its impact on liquidity in the domestic financial market. It was stated that domestic debt typically carries higher interest rates and can crowd out private sector investment if not carefully managed.

4.3. Alignment with the Medium-Term Debt Management Strategy (2025-2027)

In commenting on the alignment of the 2026 Annual Borrowing Plan with the 2025–2027 MTDS, stakeholders submitted that the 2025-2027 MTDS articulates three primary objectives: (i) minimising borrowing costs, (ii) mitigating refinancing and exchange rate risks, and (iii) promoting the development of domestic debt markets.

The Committee was informed that the 2026 ABP broadly aligns with the 30:70 external-to-domestic debt mix. This aims to leverage the cost-benefit of concessional external funding while simultaneously addressing risk management and enhancing market development through structured domestic borrowing. It was stated that approximately 37.0 percent of the deficit financing is expected from external debt disbursements which was restricted to previously contracted flows while 63.0 per cent will be raised domestically. This approach has the potential to reduce debt servicing costs by hedging against exchange rate risks. The Committee was informed that for this strategy to be successful, it is essential that the domestic market for longer dated instruments is significantly developed, thereby enabling the Government to issue and effectively roll over long-term domestic debt.

Other stakeholders also submitted that according to the 2026 ABP, the Government will undertake market-based domestic debt portfolio optimisation operations. The operations are intended to develop and deepen the domestic debt and capital markets through the re-introduction of the Government Bond Benchmark Programme while also improving debt management by extending the maturity profile and smoothing the repayment schedule of existing debt over the medium to long-term.

4.4. Risks and Mitigation Measures in the Proposed Borrowing

Stakeholders submitted that there are some inherent costs and risks associated with the proposed financing of the fiscal deficit. The key areas requiring consideration are set out hereunder.

4.4.1. Domestic Financing Risks

The Committee was informed that domestic financing is pivotal in the 2026 ABP because it offers opportunities to deepen and strengthen local capital markets. It also presents certain risks that require careful management as listed below.

- **Refinancing risk**

Stakeholders submitted that 63.0 percent of the national budget deficit will be financed through domestic borrowing. This poses a potential risk of rollover or refinancing, especially if investor appetite fluctuates. However, the Committee was informed that the planned re-introduction of the Government Bond Benchmark Programme serves as a significant mitigation strategy as it will provide longer-dated instruments, smooth the redemption profile, and reduce the frequency of large refinancing requirements. Furthermore, it was stated that constructing a broad-based and diversified investor base, comprising banks, pension funds, insurance companies, and retail investors will enhance market stability and reduce over reliance on a limited set of buyers of the instruments.

- **Interest rate risk**

Stakeholders submitted that increased domestic borrowing may present an opportunity to deepen local markets but could also exert upward pressure on yields. To effectively manage this, stakeholders emphasized the need for prudent liquidity management in close collaboration with the fiscal authorities. In addition, extending maturities through benchmark instruments will support more predictable interest cost over time, thereby reinforcing the resilience of the debt portfolio.

- **Subscription or demand risk**

The Committee was informed that there is a possibility that certain tenors for Government securities may not be sufficiently subscribed to, potentially hindering the ability to finance the deficit. Other stakeholders submitted that this risk can be mitigated by diversifying the investor base, improving market communication, and maintaining transparent and predictable issuance schedules. It was further stated that proactive engagement with investors through workshops, roadshows, and regular updates will foster a stable and broad-based demand for Government securities.

4.4.2. External Financing Risks

Stakeholders explained that external financing within the 2026 ABP is confined to disbursements from already contracted loans, effectively minimising exposure to new debt. However, it was also explained that the timely receipt of these funds remains crucial for the smooth implementation of targeted projects and adherence to the overall financing plan. It was therefore stated that external financing risks can be mitigated through close coordination with development partners, aligning drawdowns with project timelines, and regularly monitoring disbursement schedules.

4.5. Projects Supported by External Borrowing

Stakeholders were of the view that all external financing for 2026 would come from drawdowns on previously contracted loans for 34.0 projects (appendix 1). They were also of the view that the loan purposes were outlined only by project titles and expressed concern that the Annual Borrowing Plan lacked essential details, including lender identities, outstanding balances, currency denominations, interest rates, concessionality, maturity profiles, and grace periods. This is in addition to detailed information on the terms and conditions of external loans.

4.6. Debt sustainability

The Committee was informed that the 2026 ABP finances the K34.49 billion deficit with K21.62 billion Net Domestic Financing and K12.87 billion external disbursements restricted to already-contracted loans. It projects disbursements of US$494.98 million while making principal repayments that imply a small net external reduction. Stakeholders submitted that this stance limits new Foreign Exchange-denominated exposure, supports the 2025-2027 Medium Term Debt Strategy sustainability goal, and pushes the adjustment burden toward domestic issuance where risks can be managed with tenor strategy and benchmarks.

4.7. Adequacy of proposed risk-management strategies

Stakeholders submitted that on balance, the 2026 ABP is well-targeted, based on the following criteria: (i) benchmark bonds and optimisation operations address refinancing and liquidity risks; (ii) diversified demand supports coverage and pricing; and (iii) transparent issuance calendars reduce execution risk. The approach is consistent with the 2025-2027 MTDS practice and should improve the average time to maturity and redemption profile if adhered to through 2026.

4.8. Macroeconomic Impact Analysis of the 2026 Annual Borrowing Plan

4.8.1. GDP Growth

The Committee was informed that the 2026 Annual Borrowing Plan supports the national spending envelope without introducing new external loans, thereby reinforcing policy credibility and investor confidence. It was stated that net domestic financing of K21.62 billion would sustain programmes in health, education, and growth-enabling infrastructure, providing a positive near-term impact on output. Stakeholders submitted that the shift to predictable auctions and benchmark bonds would reduce uncertainty for investors and contractors, thus supporting economic growth. However, concerns were raised that a tighter domestic yield curve, if liquidity conditions deteriorate, could constrain private investment. Overall, the growth outlook was assessed as mildly positive, contingent on predictable execution and protection of capital spending.

4.8.2. Inflation and Interest Rates

The Committee was informed that the gross domestic issuance of K106 billion would increase the supply of government securities, which, under tight liquidity conditions, could maintain elevated yields and higher lending rates. It was observed that the inflationary impact would be indirect, as higher yields could dampen demand while credible fiscal consolidation and the absence of new external borrowing would help lower risk premia. It was emphasized that disciplined cash management and adherence to auction schedules would contain inflationary pressures, whereas slippages could heighten market rates.

4.8.3. Exchange Rate Stability

Stakeholders explained that reliance on domestic financing and the decision not to contract new external loans would reduce the need for foreign-currency borrowing, thereby lowering vulnerability to exchange rate shocks. Stakeholders cautioned that delayed disbursements, weak export receipts, or lower copper prices could still exert pressure on the Kwacha. It was further noted that steady reserve accumulation and transparent communication of the issuance calendar would be essential in anchoring market expectations.

4.8.4. Private Sector Credit Availability

The Committee was informed that increased government borrowing could crowd out private sector credit if banks prefer investing in government securities. However, it was submitted that the Plan mitigates this risk by extending maturities, reintroducing benchmark bonds and limiting Treasury Bills to cash management purposes. This would reduce short-term refinancing pressures and gradually release liquidity for private sector lending. Stakeholders cautioned that crowding-out risks would intensify if short-term auctions were frequently upsized or if yields rose sharply.

4.8.5. Balance of Payments, Current Account, and Reserves

The Committee was informed that with no new external loans and limited disbursements under existing concessional projects, net external public borrowing for 2026 would be slightly negative. This position was viewed as supportive of the medium-term balance of payments and future debt sustainability. Stakeholders explained that while project disbursements would finance imports, fiscal consolidation and steady reserve accumulation, particularly from mining revenues and programmed support, would make the plan neutral to mildly positive for reserves.

PART 3

6.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

The Committee expressed its support for the 2026 Annual Borrowing Plan, which was formulated in accordance with the provisions of the Public Debt Management Act No. 15 of 2022. It was observed that the publication of the Plan reflects the Government's commitment to prudent debt management and its objective of reducing the risk of public debt distress to a moderate level over the medium term. After engaging with various stakeholders, the Committee makes the observations and recommendations set below.

6.1. Increased Dependence on Domestic Borrowing

The Committee observes that the 2026 Annual Borrowing Plan aims to provide budgetary support, with total domestic borrowing projected at K106 billion, comprising K21.6 billion in net financing for the 2026 Budget deficit and K84.4 billion for refinancing maturing debt.

The Committee further observes that the projected domestic borrowing of K21.6 billion, represents about 62.6 percent of financing the K34.5 billion deficit, which reflects a heavier reliance on the domestic market to finance the fiscal deficit. While this strategy mitigates external vulnerabilities, it also carries the risk of crowding out the private sector and elevates domestic interest rates.

The Committee therefore recommends that the Government should enhance coordination between fiscal and monetary policy to ensure domestic borrowing does not constrain private sector access to credit. Efforts should also be made to deepen the domestic capital market by promoting non-bank participation and developing long-term investment instruments.

6.2. Limited Transparency on External Loan Details

The Committee observes that while all external financing in 2026 will be from disbursements on previously contracted loans for 34 ongoing projects, the ABP does not disclose detailed information such as loan terms, concessionality levels, or repayment schedules.

The Committee urges the Ministry of Finance and National Planning to provide comprehensive loan-level details in future ABPs, including lender identity, interest rates, grace periods, and maturity structures, to enhance transparency. The Committee also recommends for fiscal discipline and transparency, ensuring that funds are spent for their intended purpose.

6.3. Fiscal Discipline amid the 2026 General Elections

The Committee has observed that in 2021, which was an election year, total expenditures, including amortisation, stood at 15.4 percent above the budgetary target of K119.6 billion. This was mainly on account of higher than planned expenditures on capital expenditure. The Committee therefore observes that spending pressures in 2026, driven by general elections and rising debt service obligations, may challenge the attainment of the targeted 2.1 percent fiscal deficit.

The Committee recommends, therefore, that the Ministry of Finance and National Planning should implement firm fiscal consolidation measures to safeguard budget credibility and ensure that expenditure is prioritised toward earmarked sectors to maintain fiscal discipline.

6.4. Refinancing and Potential Interest Rate Risks

The Committee observed that the domestic debt portfolio remains exposed to refinancing and interest rate risks, given the predominance of short-term securities. The ABP highlights the reintroduction of a Benchmark Bond Programme as a mitigation measure. While the Committee supports the implementation of the Benchmark Bond Programme, it however, recommends that the Government should prioritize lengthening the maturity profile of domestic debt and maintain active engagement with investors to promote stable demand for long-dated instruments.

6.5. Economic Growth and Domestic Resource Mobilization

The Committee observes that the Ministry of Finance and National Planning does not outline clearly the key growth drivers underpinning the projected 6.4 per cent GDP growth for 2026. In this regard, it recommends that the Ministry clearly outlines key growth drivers. The projection should be supported by credible sectoral strategies, particularly in agriculture, mining, manufacturing, energy, and tourism, which are central to sustaining broad-based economic expansion.

6.6. Reduction in External Debt Stock but Continued Vulnerability

The Committee observes that despite external disbursements of US$494.9 million, the external debt stock will decline by US$78.06 million due to scheduled repayments. However, Zambia remains exposed to exchange rate fluctuations and external shocks that could affect debt servicing costs. The Committee recommends that the Government should continue to strengthen external debt management by increasing the share of concessional financing and building foreign exchange reserves to cushion against external volatility.

6.7. Gradual Improvement in Debt Sustainability

The Committee observes that the 2026 Annual Borrowing Plan aligns with the 2025–2027 Medium-Term Debt Strategy (MTDS), which seeks a 30:70 external-to-domestic borrowing mix to restore debt sustainability. The overall debt stock is projected to rise modestly by K19.59 billion in 2026.

The Committee recommends that the Ministry of Finance and National Planning should sustain the implementation of the MTDS while prioritising high-impact and economically productive borrowing. Regular publication of debt sustainability analyses should also be undertaken to guide fiscal decision-making.

6.8. Adherence to the Public Debt Management Act

The Committee noted that Zambia's current debt-to-GDP ratio stands at 98 percent, indicating that public debt levels are significantly high relative to the country's economic output. The Committee expressed concern that such a high ratio constrains fiscal space and poses risks to the achievement of national development goals.

Accordingly, the Committee recommends that the Government, through the Ministry of Finance and National Planning, strictly adhere to Section 11 (2) (a) of the Public Debt Management Act, No. 15 of 2022, which limits total Government debt to 65 percent of GDP, effective 2027.

7.0 CONCLUSION

The Planning and Budgeting Committee supports the strategic direction of the 2026 Annual Borrowing Plan as it balances domestic and external financing in line with the objectives of the 2025-2027 Medium Term Debt Management Strategy (MTDS) of minimising borrowing costs, mitigating refinancing and exchange rate risks, and promoting the development of domestic debt markets. The Committee further reaffirms Government commitments under the International Monetary Fund (IMF) Extended Credit Facility (ECF) supported Programme, and the objectives of the 8NDP. By limiting external borrowing to already contracted concessional flows; and reintroducing the benchmark bond programme and promoting the development of domestic debt markets; the 2026 ABP reflects a pragmatic and forward-looking approach, which aims to safeguard debt sustainability, create fiscal space for priority projects, and strengthen macroeconomic stability. The Committee further acknowledges the contributions of stakeholders to this process and emphasizes the need for timely implementation of recommendations.

The Committee wishes to thank the Honourable Madam Speaker for affording it an opportunity to consider the 2026 ABP. The Committee is also grateful to all stakeholders who tendered both written and oral submissions. It further appreciates the services rendered by the Office of the Clerk of the National Assembly during its deliberations.

Mr Fred C Chaatila, MP
CHAIRPERSON

October 2025
LUSAKA

APPENDIX 1

Projects to be financed through external disbursements in 2026

2026 Annual Borrowing Plan

No.	**Project Name**	**Projected disbursement (US$)**
1	Small Towns Water Sanitation	70,377.10
2	Chinsali Nakonde Road Rehabilitation	42,565,917.57
3	Kabwe & Bauleni Water	3,000,000.00
4	Rural Water Sanitation Phase II	1,532,551.97
5	Small Towns Water Supply	7,298,568.73
6	Chiansi Small Holder	3,500,000.00
7	Itezhi-Tezhi Hydro Transmission Line	1,034,925.16
8	Kariba Dam Rehabilitation	1,450,077.91
9	Nacala Road Corridor Development	4,000,000.00
10	PIDACC Zambezi	4,170,079.09
11	Zambia Emergency Food Production	1,147,745.45
12	Kalabo Sikongo — Tranche I	8,000,000.00
13	Kalabo Sikongo — Tranche II	12,000,000.00
14	Cancer Treatment Centres	1,210,000.00
15	Great East Road Rehabilitation	4,936,740.12
16	Great North Road (T2) Upgrade	2,000,000.00
17	Kafue-L/Stone Transmission Line	5,000,000.00
18	Lusaka Sanitation Programme	17,895,408.63
19	Africa CDC Regional Investment	15,100,000.00
20	Devolution Support Programme	41,000,000.00
21	Education Enhancement	16,967,452.49
22	Education Enhancement Phase III	10,000,000.00
23	Kariba Dam Rehabilitation (second line)	6,000,000.00
24	SADC Regional Statistics Programme	10,000,000.00
25	Tourism Development	23,800,000.00
26	Zambia Agribusiness and Trade II	49,820,000.00
27	Zambia Growth Opportunities	106,400,000.00
28	Zambia Improved Rural Communication	49,900,000.00
29	E-Slip Additional Financing	4,000,000.00
30	Financial Inclusion	3,000,000.00
31	Cancer Treatment Centres (second line)	6,296,864.60
32	National Rural Water and Sanitation	1,257,840.99
33	King Salman Hospital Additional Financing	9,975,732.14
34	King Salman Hospital & UTH Modernisation	20,654,322.49
Total		**494,984,000.00**

APPENDIX 2

List of National Assembly Staff

Mr Simon Mtambo, Deputy Director - Parliamentary Budget Office
Mr Aubrey Chilambwe, Senior Budget Analyst – Expenditure
Mr Ferdinand Chikambwe, Senior Budget Analyst - Revenue
Mr Elvis Chipuka, Budget Analyst
Mr Wiza Zimba, Budget Analyst
Mr Philip Mwiinga, Budget Analyst
Mr Joseph J Mwansa, Budget Analyst
Ms Vainness B Tembo, Administrative Assistant

APPENDIX 3

List of Stakeholders

Bank of Zambia
Civil Society Organisation Debt Alliance
Copperbelt University
Ernst and Young
Hepta Advisory Consultancy Services
Ministry of Finance and National Planning
National Economic Advisory Council
Parliamentary Budget Office
Policy Monitoring and Research Centre
University of Zambia
Zambia Institute for Chartered Accountants
Zambia National Commercial Bank