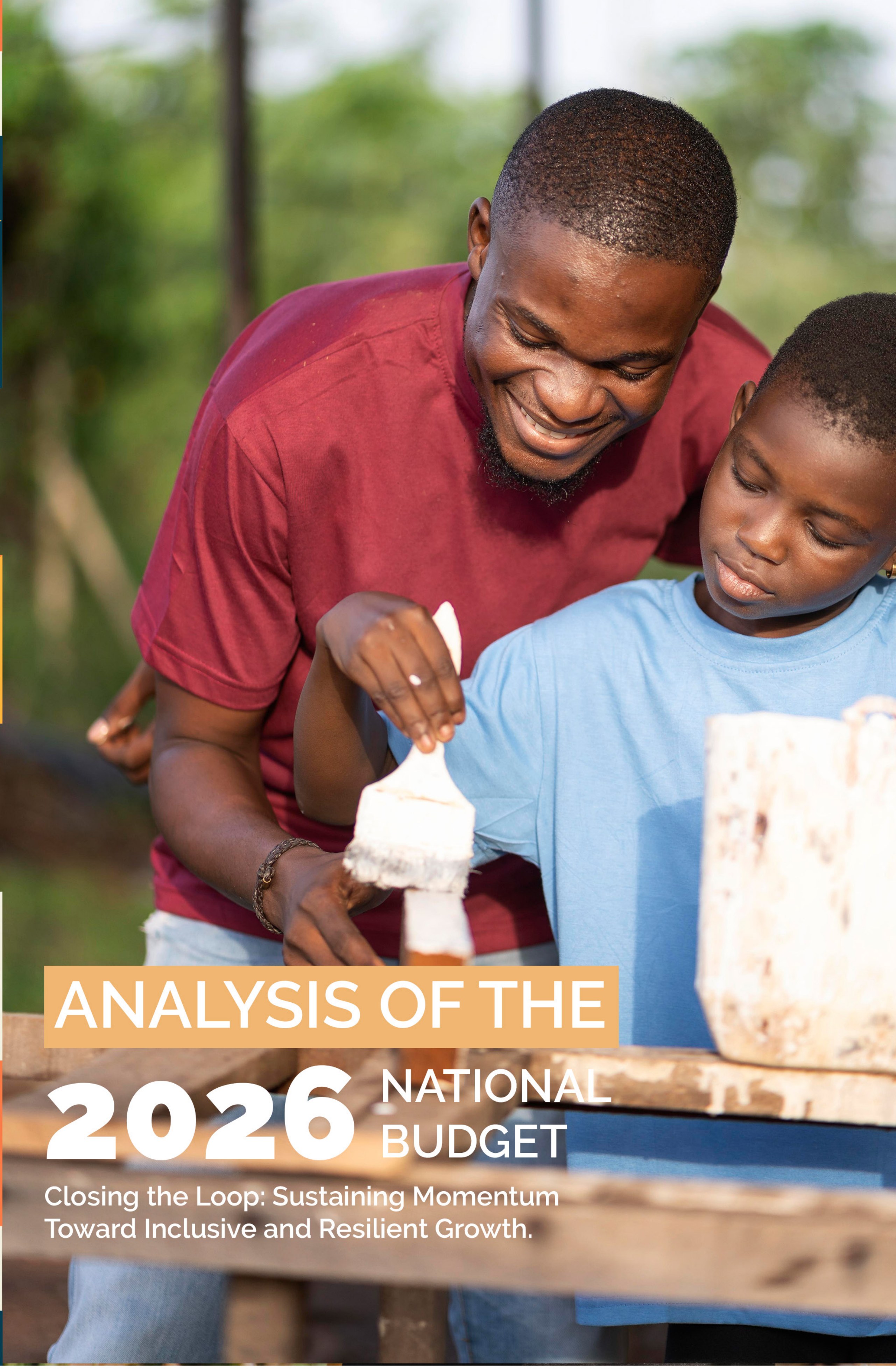

ANALYSIS OF THE 2026 NATIONAL BUDGET

Closing the Loop: Sustaining Momentum Toward Inclusive and Resilient Growth.

ZIPAR Zambia Institute for Policy Analysis & Research

Global Gateway

NEWZA Nexus Energy and Water Programme for Zambia

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UNITED NATIONS ZAMBIA

READER'S DIGEST: 2026 National Budget at A Glance

Zambia enters 2026 at a pivotal moment, marking the final year of the 8th National Development Plan (8NDP) and an election year, when hard-won economic gains risk being overshadowed by fiscal slippages. The K253.1 billion budget, themed ***"Consolidating Economic and Social Gains Towards a Prosperous, Resilient, and Equitable Zambia,"*** represents a 16.6% nominal increase from the 2025 Budget. In real terms, however, the rise is modest, with the Budget edging up just 0.8 percentage points from 26.6% to 27.4% of GDP. Notably, General Public Services emerges as the largest beneficiary, expanding by 7.6%, driven mainly by higher debt servicing obligations and increased road infrastructure spending, dwarfing other critical spending areas like the social sector.

Below are ZIPAR's key takeaways from the proposed 2026 National Budget

Measured Growth Outlook: Building on the resilience seen in 2024, when the economy grew 4.0%, and the stronger 5.8% growth projected for 2025, the 2026 Budget sets a growth target of 6.4%. While slightly lower than the 6.6% target in the 2025 National Budget, it remains broadly optimistic and reflects a measured approach, taking into account the recent economic recovery and the lingering effects of the 2023/24 drought. Mining, ICT, and agriculture are expected to drive growth, though climate shocks and policy slippages remain key risks.

Debt servicing obligations dominate: With the maturing of long-term domestic bonds, 36.6% of the 2026 Budget is earmarked for General Public Services, crowding out other key functions like economic affairs, social sectors, and environmental sustainability, possibly limiting economic growth.

Budget credibility at stake: With 2026 being an election year, spending pressures risk undermining fiscal discipline and reversing gains made over the years. That said, the Budget projects a fiscal deficit of 2.1%, indicating the Government's commitment to maintain fiscal discipline amidst mounting political pressure, especially considering the extension of the IMF Extended Credit Facility.

Revenue mobilisation is improving, albeit still fragile: At 22.3% of GDP, the appetite for domestic revenue mobilisation is yet fragile and reliant on levies and taxes, raising concerns of sustainability. Going forward, continued efficiency in revenue mobilisation is critical, as well as broadening the tax base through various proposed measures.

A promising electricity fund: With an acute energy deficit worsened by the 2023/24 drought, the introduction of the electricity fund is timely as a Special Purpose Vehicle (SPV) to meet emerging demands. However, given Zambia's poor track record of fund implementation (e.g., sinking funds, stabilisation fund, etc.), the adoption of the right model is key to its success. Similarly, unwavering commitment from the Government to see this one through cannot be overstated.

PPPs are a major financing option: With still a tight fiscal environment and the need to continue transitioning Zambia to a regional hub of transport and logistics, the 2026 Budget has re-emphasised the role of PPPs in meeting transport infrastructure investments. Albeit commendable to reduce pressure on the fiscus, there is a need to ensure optimal risk allocation between parties to maximise value for money on public resources.

Unwavering commitment to CDF funding: Increasing from K36.6 million in 2025 to K40.0 million in 2026 per constituency, the Government's funding commitment to CDF remains unmatched. Although essential to support local development, there is a need to resolve operational challenges to increase absorption levels.

Underfunding in social sectors: Although health and education recorded nominal increases of 12.9% and 4.8%, respectively, their share of the total budget has declined. This calls for concerted efforts to increase funding for these critical sectors to improve the quality of education, build requisite health infrastructure, employ qualified personnel, and increase drug supplies, among others.

Ill preparedness for climate and environmental shocks: The 2023/24 drought exposed the nexus between water, energy, and environmental sustainability. Despite the introduction of a new fund and taxes, less than 1% (0.6%) of the budget allocation to environmental protection leaves the country susceptible and ill-prepared for climate and environmental shocks. Going forward, increasing funding, including through innovative climate and green financing, should be a priority.

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2026

NATIONAL BUDGET

K253.1Bn

INTRODUCTION

On Friday, 26 September 2025, the Minister of Finance unveiled a K253.1 billion 2026 National Budget under the theme “Consolidating Economic and Social Gains Towards a Prosperous, Resilient, and Equitable Zambia.” As the final budget under the Eighth National Development Plan (8NDP) 2022–2026, it represents the Government’s last chance to lock in progress made over the past four years while addressing gaps that have slowed delivery on selected key targets. With an eye on sustaining hard-won gains and preparing for the next planning cycle, the Budget seeks to bridge unfinished reforms with new ambitions, setting the stage for a more inclusive and resilient growth path.

The economy has shown notable resilience, with growth for 2025 expected to reach 5.8%, reflecting the positive impact of progress on debt restructuring and Zambia’s Extended Credit Facility (ECF) with the International Monetary Fund (IMF). These developments have helped ease some fiscal and external pressures, supporting a more stable macroeconomic environment and creating space for recovery and renewed growth. That said, there are still challenges that, if left unaddressed, could affect the effective implementation of the 2026 Budget:

- First, as an election-year budget, fiscal discipline may come under pressure. Past election cycles in Zambia have seen spending overruns and policy slippages, and without strong safeguards, unforeseen expenditures or delayed fiscal adjustments could erode recent gains.

- Second, debt servicing costs continue to rise — from K38.9 billion in 2024 to K53.9 billion in 2025 and projected to reach K73.7 billion in 2026. This growing burden limits resources for growth-enhancing and poverty-reducing investments.

- Third, road infrastructure spending has risen from K11.9 billion in 2025 to K14.5 billion in 2026, much of it expected to be financed through Public-Private Partnerships (PPPs). While PPPs can unlock investment, they also raise concerns around transparency, value for money, and future fiscal commitments.

While these risks could weigh on implementation of the 2026 Budget, the Government’s move to extend the IMF ECF beyond October 2025 provides a measure of reassurance that fiscal discipline will remain a priority in 2026. Against this backdrop, the ZIPAR 2026 Budget Analysis under the theme “Closing the Loop: Sustaining Momentum Toward Inclusive and Resilient Growth” offers evidence-based insights into macroeconomic imperatives, debt management, and sectoral policy options essential for sustaining recovery and safeguarding vulnerable populations.

CHAPTER 2

FROM RECOVERY TO RESILIENCE: CONSOLIDATING MACROECONOMIC GAINS

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REINFORCING THE GROWTH STRIDES ATTAINED

The 2026 Budget has set a real Gross Domestic Product (GDP) growth target of 6.4%, a slight moderation from the 2025 projection of 6.6%, but still above the 5.8% projection for 2025. This adjustment reflects a prudent estimate, acknowledging both the recent economic expansion and the lingering effects of the 2023/24 drought, while maintaining alignment with the ambitions of the 8NDP.

A BUILDING ON RESILIENT SECTORAL FOUNDATIONS

In recent years, the economy has demonstrated resilience, growing at an average rate of 5.3% between 2021 and 2024, despite the severe drought of 2023/24 (see Figure 1). This momentum is continuing in 2025, driven by three key sectors that form the foundation of the 2026 projection and serve as potential anchors to economic transformation in Zambia:

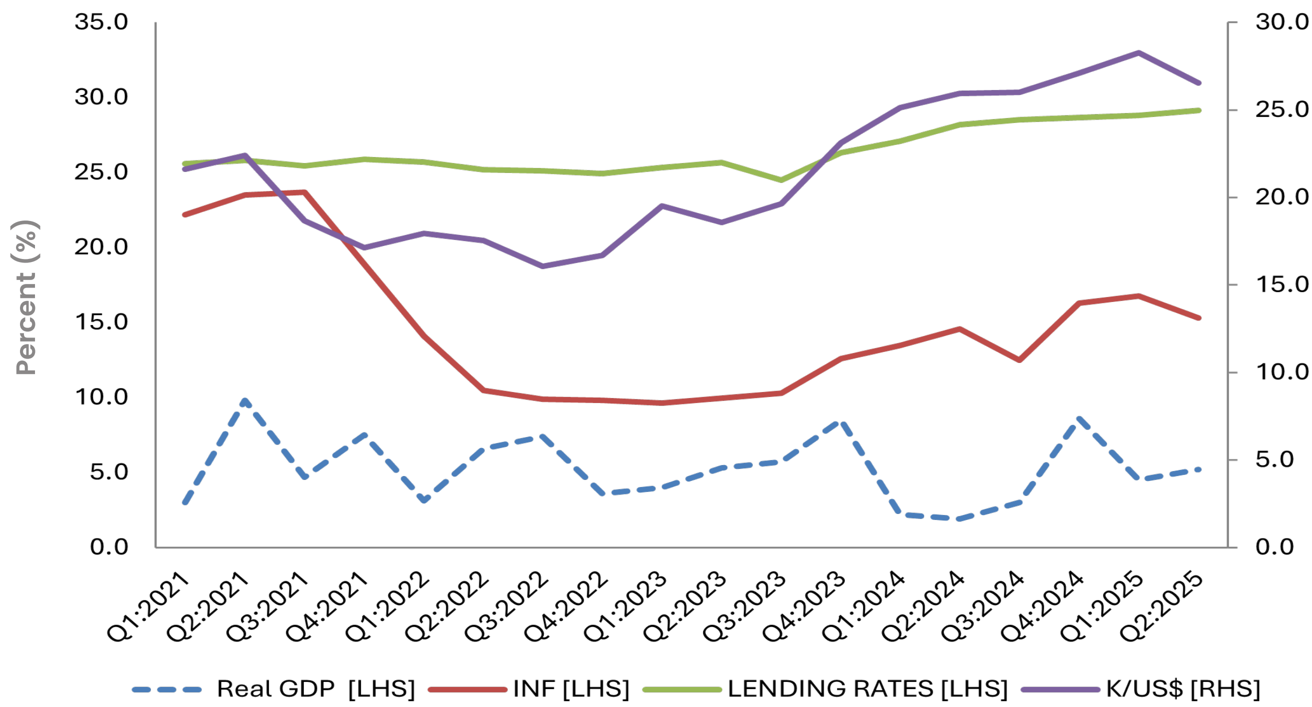
a) **Mining:** Copper production surged 12% in 2024 to over 800,000 MT, a remarkable feat given a 1,360 MW[1]. energy deficit. The sector is on track to reach the critical 1 million MT target in 2025, signalling a strong recovery.

b) **Information and Communications Technology (ICT):** Now a crucial growth engine, the sector grew 17.4% in 2024, contributing 1.8 percentage points to GDP growth[2]. ICT's performance, built on post-COVID digital adoption, underscores its role as a high-growth, non-traditional sector.

c) **Agriculture:** The sector is rebounding strongly from the 2023/24 drought, with maize output more than doubling to 3.7 million MT in the 2024/25 season, supported by favourable weather and enhanced government financing [3].

1 *Presidential Delivery Unit. (2025). August Energy Minister Address*
2 *Zambia Statistical Agency. (2025). March Monthly Bulletin*
3 *Food and Agriculture Organisation. (2025). Food Prices and Monitoring Analysis*

Figure 1: *Figure 1: Zambia's selected Macroeconomic Indicators (2021-2025)*



Author's construction using data from Zamstats and the Bank of Zambia

I. THE 2026 STRATEGY: From Recovery to Industrialisation

The budget correctly identifies the following key sectors as crucial to anchor the 2026 growth target, as its strategy evolves from stabilisation to targeted investment:

a) **Energy & ICT as Enablers:** Reforms to boost private-sector participation in energy generation and distribution, as well as the establishment of an inaugural energy fund are critical to solving the power constraints that previously hampered mining, irrigated agriculture, manufacturing and other small service sector businesses. Targeted investments aim at diversifying the energy mix, expanding the electricity supply, and reducing dependence on imports. Regarding ICT, continued digital infrastructure investments will sustain its high-growth trajectory.

b) **Catalysing Manufacturing:** The proposal to establish new Multi-Facility Economic Zones MFEZs, nationwide, with an expected US$3 billion in investments, is perhaps the Budget's most ambitious growth lever. This initiative could be transformative, creating about 13,000 jobs and increasing the manufacturing sector's contribution to GDP, while supporting private-sector led growth and advancing industrialisation.

c) **Modernising Agriculture:** The 2026 Budget demonstrates a focused shift to climate-resilient practices and the development of an export-oriented livestock sector, aiming to move beyond subsistence recovery to sustainable commercial growth.

II. RISKS AND IMPERATIVES: The Execution Gap

While the outlook for 2026 remains positive, actualising the investments in key sectors and achieving 6.4% growth is not automatic. Two critical categories of risk must be mitigated:

a) **Implementation Capacity:** The ambitious MFEZ and energy reforms require a more effective public administration system. Under-investment in public service human resources represents a significant bottleneck that could delay project execution and deter investment. Addressing existing resource gaps could help maintain momentum and investor confidence.

b) **External and Structural Vulnerabilities:** The growth target is exposed to a slowdown in global demand, geopolitical tensions, declining official development assistance (ODA) inflows, and recurring climate shocks as observed in the past four years of implementing the 8NDP[4]. Deepening the capital market and structuring sustainable development finance instruments are essential to building the resilience needed to withstand these headwinds.

B) BREAKING THE "*TRIPLE BIND*": INFLATION, EXCHANGE RATES AND COSTLY CREDIT

Zambia's macroeconomic story continues to revolve around three tightly linked forces – inflation, the exchange rate and interest rates. Gains on one front often come at the expense of another: lowering inflation has required tight monetary policy that raises the cost of borrowing; exchange rate stability depends heavily on foreign exchange inflows that remain vulnerable to copper price swings; and expensive credit weighs down private sector expansion and job creation. This macroeconomic policy deadlock is Zambia's *triple bind*[5] : each attempt to solve one challenge risks creating another, leaving the economy caught between the push for price stability and the need for private-sector-led growth.

Inflation has been volatile in recent years. From levels above 23% in 2021, inflation slowed to 9.9% in September 2022, fuelling optimism of achieving the 6–8% target band. Yet these gains proved short-lived as food price shocks, currency depreciation, and the 2023/24 drought pushed inflation up. Only in 2025, with a bumper harvest, cheaper fuel and improved foreign exchange supply, has inflation begun to edge down again to 12.3% by September, indicating progress toward stability, though still above target.

At the core of this story is the Bank of Zambia's tight monetary stance. While effective in taming inflation, it has driven retail lending rates up from about 25.1% at the start of 2021 to 28.6% by mid-2025. Despite this increase, private sector credit remained resilient, growing from 16.3% in 2021 to 19.8% in the first half of 2025. Experience from countries such as South Africa shows it is possible to manage inflation, stabilise the exchange rate, and keep borrowing costs low to support growth. South Africa's stronger import cover allowed its currency to absorb external shocks.[6] Zambia could aim for this strategy, although its shallower financial markets and heavy reliance on imports make replication more challenging.

4 Pillars and industry specific measures that are key for economic transformation and job creation were highlighted in ZIPAR's study on the, "Country Economic Transformation Outlook (CETO) study that ZIPAR launched in March 2025 and is available online: https://acetforafrica.org/research-and-analysis/reports-studies/cetos/zambia/

5 Refer to the Mundel Trilemma policy dreadlock concept cited: Balaam, D.N. and Dillman, B., 2018. Introduction to International Political Economy. 7th ed. New York: Routledge.

6 Miyajima, Ken. "Exchange rate volatility and pass-through to inflation in South Africa." African Development Review 32, no. 3 (2020): 404-418

The 2026 National Budget, the last under the 8NDP, marks the final opportunity for the government to consolidate macroeconomic stability. The Budget signals a stronger push for price and exchange rate stability, as well as efforts to rein in the cost of borrowing. Breaking out of this "triple bind" will require structural reforms beyond short-term stabilisation, including raising agricultural productivity, expanding energy supply, and diversifying exports to generate more foreign exchange inflows, as well as deepening financial markets so that inflation can be contained without stifling growth.

C. BUILDING A STRONGER RESERVE CUSHION TO BOLSTER RESILIENCE AGAINST EXTERNAL SHOCKS

The Government's focus on rebuilding Gross International Reserves (GIR) is yielding positive results, with reserves projected to reach five months of import cover by end-2025, comfortably above the 3-month of import cover benchmark. As of end-July 2025, Zambia's GIR rose to US$4.9 billion (4.8 months of import cover), up from US$4.5 billion (4.6 months) in December 2024[7]. Building on this momentum, the 2026 Budget aims to raise GIR to more than 4 months of import cover. Moreover, the government's plan to extend the Extended Credit Facility (ECF) for another year will provide the necessary safeguards to maintain reserves above the set target, supporting exchange rate stability and strengthening the economy's resilience to external shocks.

I. DOWNSIDE RISKS TO THE RESERVE POSITION

The positive trajectory in GIR, notwithstanding, the following downside risks lurk:

a) The resumption of external debt servicing, [8]
b) Declining ODA inflows,
c) The end of Special Drawing Rights (SDR) payouts at the conclusion of the ECF,[9]
d) A potential surge in election-related service and goods imports.

II. STRATEGIC IMPERATIVES

To safeguard the gains in reserve assets amidst these downside risks, a dual strategy is recommended.

a) Diversify the reserve assets: The Bank of Zambia should enhance its purchases of refined gold to build a more resilient and diversified international reserves portfolio, to reduce exposure to US dollar volatility; and,

b) Export diversification: Long-term reserve stability requires conscious economic transformation that goes beyond the export of primary commodities. Thus, a conscious drive towards export diversification into processed goods and high-value services is crucial to strengthen Zambia's external sector in a more sustainable way.

7 The 2026–2028 Medium Term Budget Plan and the 2026 Budget, Ministry of Finance and National Planning.

8 External debt servicing is projected to rise to K21.7 billion in 2026 from K6 billion in 2024 owing to the progress in debt restructuring.

9 Despite the Government's intention to extend the ECF by one year, disbursements are expected to decline. Following the augmentation, the program currently amounts to US$1.7 billion. However, the Minister of Finance and National Planning indicated that, if approved, the extension would provide about US$145 million, significantly lower than the current annual disbursement of roughly US$360 million.

D. CONSOLIDATING GAINS FROM DEBT RELIEF AMIDST REFINANCING RISK

Zambia had made significant progress restructuring its external debt with 94% of the debt concluded by May 2025. This includes agreements with Eurobond holders and key bilateral creditors like France, Saudi Arabia and India. The restructuring of the external debt has significantly reduced the debt service burden, reducing annual debt service payments from K1 billion in 2019 to K65 million in 2024.

I. At the threshold of international capital markets

The 2026 Budget envisions the Government to complete the remaining agreements by the end of 2025 and resume debt servicing, crucially achieving an improved credit rating from the Restricted Default (RD) status to regain access to international capital markets for development financing.

II. The Refinancing risk in the domestic market

The 2026 Budget's financing mix of 37:63 external-to-domestic borrowing, aligns with the medium-term target of 30:70, but introduces a new risk. While it reduces exchange rate exposure, it significantly increases domestic refinancing pressures, as gross domestic maturities are projected to rise sharply, from K63.2 billion in 2025 to K84.4 billion in 2026, even as net domestic financing is expected to decline from K30.2 billion to K21 billion, respectively. Notably, elevated domestic borrowing, particularly in an election year, notwithstanding the numerous advantages, raises the threat of crowding out private credit and raising overall borrowing costs.

III. Mitigating Strategies: Deepening the capital market

Therefore, to mitigate these risks, the Government must accelerate capital market reforms, including redesigning the Alternative Market, strengthening the secondary domestic market for securities by introducing a primary dealership system, establishing an electronic bond trading platform, and advancing plans to develop a longer-term benchmark bond (20-year bond).[10] This will be key for enhancing market liquidity, reducing costs for investors in securities, and reducing the risk of undersubscriptions, supporting Zambia's goal of consolidating economic and social gains.

Successful models in countries like Kenya and Botswana where primary dealership systems and electronic bond platforms have been deployed demonstrate that such measures are critical for deepening financial markets. They help absorb higher domestic issuance at sustainable costs, thereby securing the fiscal space needed for continued development.

10 In 2023, the Ministry of Finance and National Planning announced a financing strategy to develop benchmark bonds and undertake liability management operations, including the design of a 20-year bond. However, implementation has been slow.

CHAPTER 3

STRENGTHENING GOVERNANCE FOR AN INCLUSIVE AND RESILIENT FUTURE

STRENGTHENING GOVERNANCE FOR AN INCLUSIVE AND RESILIENT FUTURE

A. SILENCING ECHOES OF THE PAST THROUGH PRUDENT PUBLIC INVESTMENT MANAGEMENT

The 2026 Budget, like its predecessors, has taken an expansionary stance on spending in critical economic and social sectors, with infrastructure development once again emerging as a key focus. To avoid repeating past patterns that contributed to unsustainable debt, the Government indicates it will continue to lean more heavily on Public-Private Partnerships (PPPs) to finance major infrastructure projects. While this may ease fiscal pressure, the PPP framework still faces several bottlenecks, including lengthy and rigid procurement processes, limited technical capacity to structure and oversee complex deals, and transparency concerns that could hinder a clear assessment of value for money.[11]

A key concern, however, is that the 2026 Budget is silent on the safeguards necessary to prevent overspending and inefficiencies that have historically plagued public investments. This omission is particularly concerning in a year when politically motivated projects are more likely. The Government would therefore do well to go beyond headline PPP ambitions and reinforce the fundamentals of project appraisal, selection and monitoring. This will entail upholding the requirements for rigorous feasibility analyses before committing and integrating capital budgeting into the Medium-Term Expenditure Framework (MTEF)[12].

The quality of investment decisions has historically shaped the country's debt trajectory, making strong debt management equally important. The Debt Management Office (DMO) established in 2024, under the Public Debt Management Act, 2022, is thus expected to prominently play its safeguarding role of entrenching stronger public investment discipline by increasing debt transparency through regular publication of debt data, and supporting more strategic borrowing decisions aligned with medium and long-term development priorities, offering the highest returns to prevent a repeat of past debt distress..

B. REALISING ASPIRATIONS FOR CITIZEN-DRIVEN LOCAL DEVELOPMENT

TThe Government has reaffirmed its commitment to decentralised, citizen-driven development by increasing the Constituency Development Fund (CDF) for the fifth consecutive year. In the 2026 National Budget, the Minister proposed raising the CDF envelope to K6.2 billion, translating to K40 million per constituency, up from K36.1 million in 2025, an increase of K3.9 million per constituency. This increase underscores the confidence the Government has in the programme as a key lever for community-led development.

I. Persistent absorptive capacity challenges

Increased CDF allocations have begun to translate into projects on the ground, but a critical gap remains between allocated funds and tangible absorption. Despite legislative reforms like the CDF Act No. 1 of 2024 and improved disbursement rates (79% of funds were released by Q3 2025)[13] low absorption in many

11 *Chama, C., & Phiri, L. (2025). Evaluating the Effectiveness of Public-Private Partnerships (PPPS) in Enhancing Construction Work: A case study of the Lusaka-Ndola Dual Carriageway Project.*

12 *World Bank. (2024). Zambia Public Finance Review: Strengthening Fiscal Governance for Transformative Public Sector*

13 *Ministry of Finance and National Planning, Updates on Budget Implementation April 2025 – June 2025.*

constituencies persists. Compounding this matter is the uniformity in the allocation of resources, which disregards the differences in the development status of the various constituencies.

The reform linking disbursements to submitted demand notices is a positive step, reducing the risk of idle resources among underperforming spending agents. Yet, the core issue has shifted from timely disbursement to local absorptive capacity. Simply increasing allocations is ineffective without parallel investments in:

c) Project management expertise at the constituency office level

d) Robust financial and accountability systems at the constituency office level

e) Monitoring, evaluation, learning and reform systems at the local level.[14]

II. STAGNANT CORE FINANCING AND THE LOCAL AUTHORITIES' DEBT OVERHANG

Compounding the issue of low absorption of the CDF at the local levels is the stagnation of the Local Government Equalisation Fund (LGEF) held at K1.4 billion since 2024. This flatlining of core operational funding amid expanding mandates and rising costs is intensifying fiscal pressures on local authorities.

This pressure is exacerbated by the deteriorating financial health of local authorities. With local government debt and arrears estimated at K4.6 billion in 2023, some councils are now seeing their LGEF transfers deducted at source to service pension and tax obligations. [15]This directly erodes their capacity for service delivery.

III. Strategic Solution

For decentralization to succeed, the strategy must evolve beyond simply increasing the CDF. The government must adopt a holistic approach that:

a) Addresses the execution gap by building real project management and administrative capacity within constituencies.

b) Redesigns the CDF fund to ensure equitable distribution among constituencies

c) Aligns intergovernmental transfers with the actual operational needs and expanded mandates of local authorities.

d) Tackles the debt overhang at the local level to free up fiscal space for essential services.

Without these complementary reforms, the risk remains that larger budgetary allocations may not translate into comparable and commensurate development outcomes across the constituencies.

14 Ministry of Finance and National Planning (2024). 2024 Annual Progress Report on the Implementation of the 8NDP
15 Zambia Institute for Policy Analysis and Research (2025). An Analysis of Local Authorities Debt and Arrears.

CHAPTER 4

ZEROING IN ON THE NUMBERS

ZEROING IN ON THE NUMBERS

A. BALANCING GROWTH AND OBLIGATIONS: DEBT, DISCIPLINE AND DEVELOPMENT

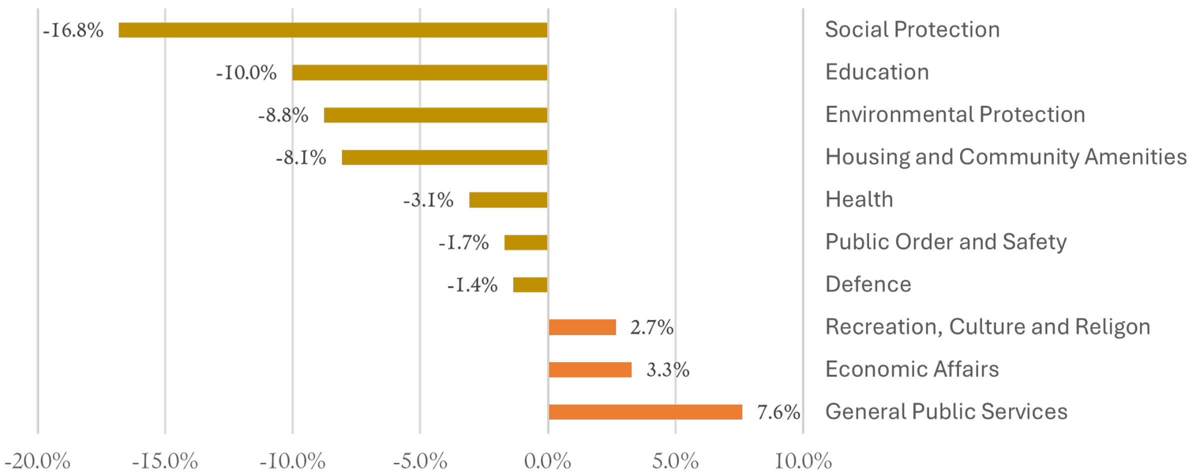
The Government proposes a total expenditure of K253.1 billion for 2026, representing a 16.6% nominal increase from the 2025 budget of K217.1 billion. In real terms, the 2026 Budget increased marginally by 0.8 percentage points from 26.6% of GDP in 2025 to 27.4% in 2026. Comparing the 2025 and 2026 budgets reveals significant changes, with mandatory obligations increasing, thereby reducing the available space for discretionary spending.

General Public Services shows the most striking increase of 7.6%, rising from 34.0% to 36.6% (Figure 2). This increase is primarily driven by the 19.8% surge in the debt service obligations, rising from K53.9 billion to K73.7 billion. This escalation stems from the country's resumption of repayments on external borrowings and principal payments on domestic debt maturing in 2026.

Additionally, the Economic Affairs function has seen a 3.3% change from 22.4% in 2025 to 25.7% in 2026. Notable allocations are seen in road infrastructure, aligning with the targets in the 8NDP[16], which aims to position the country as a regional transport and logistics hub, as well as reduce developmental disparities through the development and maintenance of rural access roads. Another notable allocation under the Economic Affairs function was made towards Artisanal and Small-Scale Mining (ASM) to promote safe production, enhance regulation, and construct mineral processing hubs and marketing centres for artisanal and small-scale mining activities.

The 2026 Budget effectively illustrates a fiscal squeeze, where strategic investments in economic growth are being partially offset by the ballooning cost of servicing existing debt.

Figure 2: *Expenditure by function (Relative change as a share of the total budget between 2025 and 2026).*



Constructed from the Ministry of Finance Budget Speech (2025-2026)

16 8NDP (2022-2026)- Ministry of Finance and National Planning

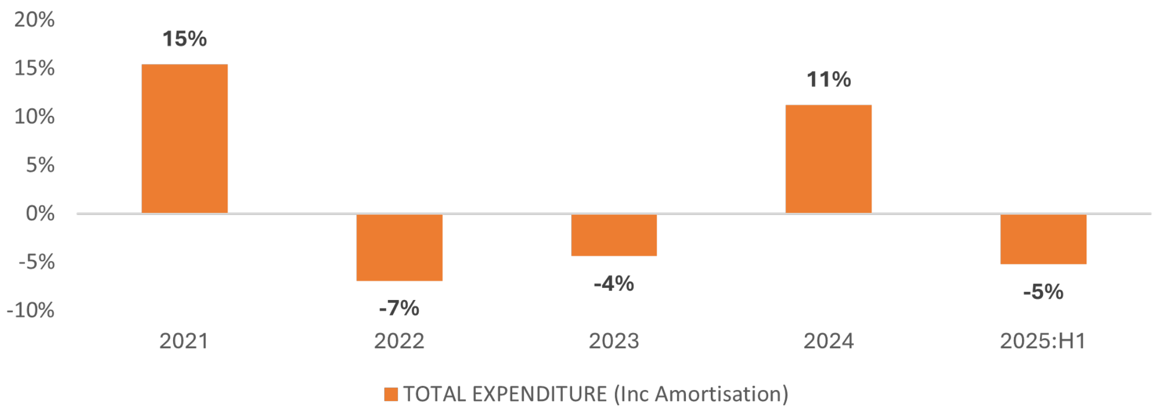
I. Path dependence: avoiding budget overruns.

Since the 2026 Budget is the last of the five budgets operationalising the 8NDP, an analysis of variances of each of those budgets up to the 2025 Budget, currently under implementation, is essential to appreciate the dynamics surrounding the 2026 Budget. The budget variances reflecting the differences between planned and actual expenditure (including amortisation) are illustrated in Figure 3. Generally, the Government exhibited a strong commitment towards fiscal consolidation underpinned by expenditure compression rather than increased revenues.

The years which show over-spending, 2021 and 2024, were unusual years. A budget overrun of 15.4% was recorded in 2021, an election year. The overrun was driven by capital projects and the Farmer Input Support Programme (FISP). FISP in particular recorded an over-expenditure of 787.0%. Another above-the-budget expenditure of 11.0% was recorded in 2024, primarily driven by the need to mitigate the effects of the severe 2023/24 drought.

From the foregoing, the outlook for 2026 remains optimistic in managing fiscal overruns. This is attributable, in part, to the fiscal controls implemented and the ongoing efforts to ensure debt sustainability. The public finance management systems in place must be fully utilised to enhance fiscal governance, support budget credibility, and mitigate fiscal risks.

Figure 3: *Variance between Planned and Actual Budget, 2021-2025*



MOFNP Fiscal Tables

B FINANCING INCLUSIVE AND RESILIENT GROWTH FROM WITHIN

AWith access to international capital markets still restricted, and ODA declining (notably the exit of USAID), the 2026 Budget places heavy reliance on domestic resources to finance the country's economic and social development. The 2026 Budget targets to increase the contribution of domestic revenues in budget financing to 22.3% of GDP, from the 21.3% of GDP projected for 2025. In nominal terms, K206.5 billion (81.6% of the Budget) will be financed through domestic resources, aligning with the 2026 – 2028 Medium Term Budget Plan (MTBP) target (see **Table 1**). .

Table 1: Domestic Revenues, 2025,2026 & MTBP

	2022		2026 proj.		2026 (MTBP)	
	K'bn	% GDP	K'bn	% GDP	K'bn	% GDP
Domestic Revenue	174.2	21.3	206.5	22.3	206.4	22.3
Tax Revenue	Tax Revenue	16.8	165.8	17.9	166.1	18.0
Income Tax	65.8	8.1	82.5	9.0	83.2	9.0
Value Added Tax	Value Added Tax	5.9	54.4	5.9	54.3	5.9
Customs & Excise Duties	22.9	2.8	28.5	3.0	27.7	3.0
Non-Tax Revenue	36.8	4.5	40.7	4.4	40.4	4.4
Mineral Royalty	17.4	2.1	18.2	2.0	18.7	2.0

Author's construction from budget speeches and MTBP (2026 – 2028)

I. Revenue Composition

Similarly, tax revenue is projected to rise from 16.8% to 17.9% of GDP, nearly matching the MTBP trajectory, and supported by:

a) Income tax: This is expected to rise to 9% of GDP from 8.1% in 2025, reversing the drought-induced outturn,

b) Value Added Tax (VAT): This is expected to hold steady at 5.9% of GDP,

c) Customs and Excise Duties: These are set to slightly increase from 2.8% of GDP to 3%, indicating expected gains from trade taxes and improved enforcement. On the other hand, Mineral Royalty collections are set to fall marginally from 2.1% of GDP in 2025 to 2% in 2026. Altogether, the 2026 revenue targets show an ambition to consolidate positive revenue collections achieved in 2025.

II. Key Revenue Measures: A Two-Pronged Approach

Overall, the higher revenue target for 2026 is underpinned by a range of revenue-enhancing measures aimed at both broadening the tax base and strengthening compliance, as well as concessional incentives to promote investment. Below, we highlight key proposed tax measures to that effect:

Mobile Money Levy

The 2026 Budget proposes higher mobile money levies, based on transactional amount. Between January 2024 and June 2025, data from the Bank of Zambia show that mobile money usage has been expanding rapidly, with the total value of transactions rising from K42 billion to over K112 billion. This growth, even amid economic headwinds, suggests that the measure could generate meaningful revenue without sharply curbing usage. However, with such a large and growing user base, careful monitoring and evaluation, as ZIPAR advised in its 2024 Budget Analysis, will be essential to assess the impact of this measure on tax payers and to track behavioural shifts.

Extension of Advance Income Tax to all Remittances

The 2026 Budget proposes to extend the Advance Income Tax (AIT) to all foreign remittances, whether sent through banks or non-bank platforms. Currently, only bank transfers exceeding US$2,000 require a valid Tax Clearance Certificate, with non-compliance attracting a 15% withholding tax. Transfers through non-bank platforms have not been subject to this rule, creating a gap. Under the new measure, remittances sent via non-bank platforms will also be liable to AIT, helping to address the problem of undeclared income and curb illicit financial flows.

Turnover Tax Threshold Adjustments for Artisanal and Small-Scale Mining

The increase in the turnover tax threshold for artisanal and small-scale mining from K800,000 to K5,000,000 is intended to simplify compliance and encourage formalisation in a sector where many operators remain outside the tax net. By letting more small miners remain under the simpler turnover tax regime, the measure reduces incentives to under-declare income and supports better registration and monitoring. While near-term revenue gains may be modest — as some firms shift from corporate tax — the move could broaden the base and strengthen compliance over time if effectively enforced.

Environmental Taxation

Raising excise duty on single-use plastics from 30% to 100% is a clear revenue-enhancing measure with an environmental objective, signalling Government’s intent to both curb harmful consumption and tap a growing, easy-to-administer tax base. While the measure could boost collections in the near term, its effectiveness may be tempered if consumers and producers quickly substitute toward untaxed or lightly taxed alternatives, underscoring the need for monitoring and potential expansion of coverage to maintain revenue impact.

Tax Incentives

Finally, the 2026 Budget includes a range of investment- and growth-oriented concessions across manufacturing, energy, agriculture, MSMEs, and social sectors. Measures such as duty relief on motor vehicle assembly inputs, electricity transmission equipment, and milk pasteurisation machinery, along with extended VAT refund periods for hydropower projects and higher tax-exempt thresholds for small businesses and rental income, will reduce immediate revenue inflows but are intended to stimulate production, formalisation, and job creation. Over time, these incentives could expand VAT, income tax, and corporate tax bases. However, their success depends on how effectively the benefits translate into increased formal activity and compliance.

III. Caution advice

While the 2026 Budget projects higher domestic revenue, this ambition should be interpreted with caution. A decomposition of Zambia’s revenue growth from 2020-2024 shows that most gains have been inflation driven, averaging 14.9%, while structural growth averaged 4.2% and policy or administrative improvements just 2.6% (See Table 2). This reliance on price effects rather than real expansion of the tax base questions the sustainability of the revenue gains and underscores the need for deeper economic diversification, while improving tax administration, formalising SMEs and reducing illicit financial flows.

Table 2: Decomposition of Tax Revenue Growth by Component: Zambia

	2022		2026 proj.		2026 (MTBP)	
Revenue growth	9.0%	35.9%	7.1%	26.6%	30.1%	21.7%
Structural Revenue Growth (%)	-2.4%	6.7%	3.2%	10.5%	3.1%	4.2%
Inflationary growth (%)	15.7%	22.0%	11.0%	10.9%	14.9%	14.9%
Policy, administrative & other	-4.4%	7.1%	-7.1%	5.2%	12.1%	2.6%

Estimated from World Development Indicators, based on available data from 2020-2023; Zambia Ministry of Finance and National Planning, 2024.

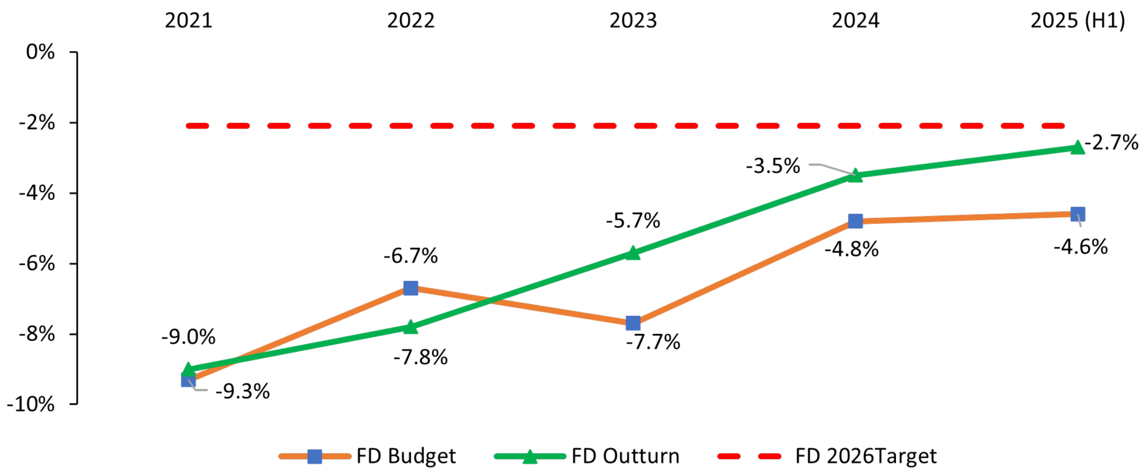
C REIGNING IN ON THE FISCAL DEFICIT

Among the macroeconomic objectives of the 2026 Budget is attainment of a fiscal deficit of 2.1% of GDP. This projection is set against a backdrop of a continued buoyant trend in fiscal consolidation, which has seen the fiscal deficit decline by 5.5 percentage points from 9.0% of GDP in 2021 to 3.5% of GDP in 2024 (see Figure 4). For the first half of 2025, the fiscal deficit was recorded at 2.7%, which was lower than the target of 4.6%. However, this was due to lower-than-expected foreign-financed expenditure, resulting in spending compression.

I. The 2026 Credibility Challenge

The government has already revised the 2025 fiscal deficit upwards to 4.6% from 3.1%, citing unforeseen debt servicing following the successful restructuring of external debt. This revision, notwithstanding, casts doubt on the feasibility of achieving a 2.1% deficit in 2026—an election year historically associated with spending overruns. Still, this target serves as a guiding principle for budget implementation and as a control mechanism to limit non-priority and discretionary expenditures.

Figure 4: Fiscal/Primary Deficit % of GDP, 2021- 2025



Source: Author's Adaptation of MOFNP Fiscal Tables

II. Financing and Crowding-Out Risk:

To finance the 2026 deficit, the government plans to raise K21.6 billion (2.3% of GDP) domestically, compared to K12.8 billion from foreign sources. This heavy reliance on domestic markets raises the risk of crowding out private sector credit, which could stifle the very economic growth the budget aims to foster.

III. A Test of Resolve

The 2026 Budget is a statement of intent, projecting a path of fiscal discipline and self-reliant development. The projected fall of public debt below 100% of GDP is a commendable milestone.

However, the Budget faces significant headwinds:

d) The election year dynamic: History, including a 15.4% overrun in the 2021 election year, shows the powerful political pressure to deviate from fiscal targets.

e) The debt service trap: Rising mandatory debt payments are constraining the government's ability to fund developmental projects.

f) Revenue sustainability: The strategy remains overly reliant on inflationary gains rather than robust, structural expansion of the tax base.

Ultimately, the success of the 2026 Budget will hinge on the government's ability to enforce strict public financial management, resist election-year spending pressures, and accelerate reforms that spur real, non-inflationary economic growth. The figures on paper are prudent; the test will be their execution in a politically charged environment.

CHAPTER 5

LEVERAGING GAINS TO ACCELERATE ECONOMIC TRANSFORMATION

LEVERAGING GAINS TO ACCELERATE ECONOMIC TRANSFORMATION

A. SEEING BEYOND THE HORIZON IN THE ENERGY SECTOR

The 2023/24 drought exposed the deep vulnerabilities of Zambia's hydro-dependent energy sector, yet efforts are underway to build a more diversified and secure electricity supply. The 2026 National Budget signals continued prioritisation of the energy sector as a driver of economic resilience and inclusive growth. Recent gains, such as the commissioning of the 100-megawatt Chisamba Solar Plant in July 2025 and the rise in rural electricity access from 8% in 2012 to 34% in 2025, point to growing momentum. In 2026, the Government plans to build on this progress with an additional 100 on-grid and 30 off-grid projects, initiatives that hinge on revising the Rural Electrification Master Plan to reach unserved and underserved populations better.

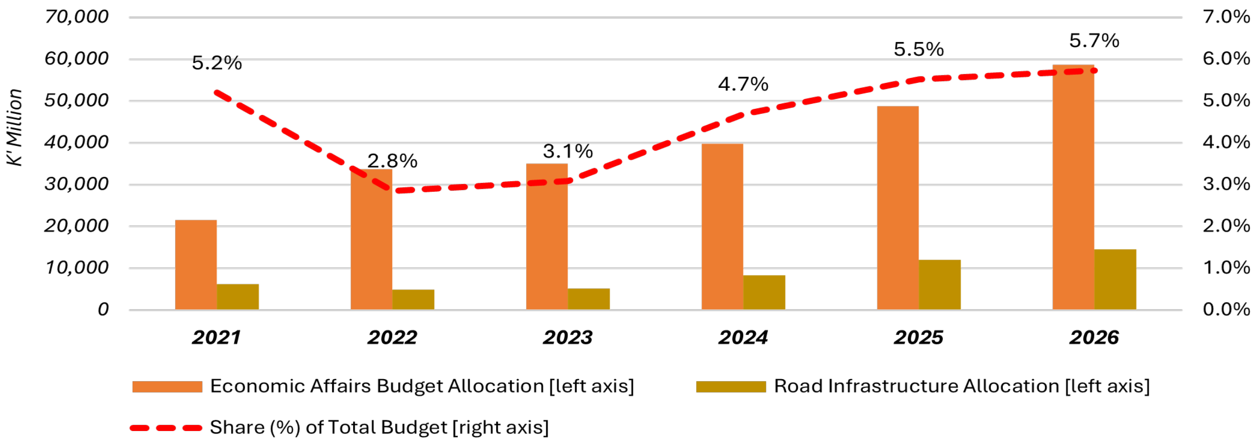
Looking ahead, the planned electricity fund could become a pivotal instrument for unlocking off-grid investment and cushioning supply during crises. If designed well, for example, by drawing on proven approaches such as the Beyond the Grid Fund, which overcame market barriers by guaranteeing supplier payments and sustaining supply in emergencies, it could catalyse electricity cooperatives and make power supply more reliable in remote areas. Realising this potential will require greater clarity on how the fund will be financed, managed and sustained over time.

Another notable development is the commencement of works on the Zambia-Tanzania-Kenya (ZTK) interconnector, which will link the East African Power Pool (EAPP) with the Southern African Power Pool (SAPP) to support regional electricity trading. Although commendable, this is a long-term measure unlikely to yield benefits in the near term. In the petroleum sub-sector, the Government's plans to continue implementing the TAZAMA Open Access is key in enhancing procurement competition for diesel and lowering prices and overall cost of goods and services, provided current operational bottlenecks are addressed.

B. PUBLIC-PRIVATE PARTNERSHIPS AS A LEVER FOR TRANSPORT DEVELOPMENT

The 2026 National Budget affirms the Government's commitment to transport infrastructure investment and the growing use of public-private partnerships (PPPs) to deliver it. Road infrastructure remains the largest focus with a proposed 21% nominal increase in allocation from K12 billion in 2025 to K14.5 billion in 2026, but representing a modest increase from 5.5% in 2025 to 5.7% in 2026 of total spending (see Figure 5). Key projects include the Kalabo-Sikongo, Mpika-Chinsali, Serenje-Mpika, and Mwinilunga-Jimbe, aimed at positioning Zambia as a regional hub for transport and logistics via the Lobito Corridor. Progress continues on major roads like the Lusaka-Ndola Dual Carriageway, Ndola-Sakania-Mufulira, and Mutanda-Kaoma. Given the scale of these projects, careful prioritisation and cost control will be essential to contain fiscal slippages, especially as election years have historically seen increased, often unplanned, road spending.

Figure 5: *Road Infrastructure Allocation as Share (%) of Total Budget*



Constructed by author from Budget Speeches (MoFNP)

Beyond roads, momentum is also building to revitalise rail and border infrastructure. We applaud the Government's efforts in finalising negotiations for the TAZARA Concession Agreement and its plans to engage other cooperating partners to revitalise Zambia Railways, a critical step towards shifting cargo from road to rail and reducing road maintenance needs.[17] Equally, plans to enhance the efficiency of border operations by converting Chirundu, Kasumbalesa, Katimamulio, and Chanida into One-Stop Border Posts (OSBPs) are commendable, as they will facilitate the efficient movement of goods and passengers across borders.

The Budget's continued emphasis on PPPs is commendable as a way to unlock private capital and relieve pressure on the treasury. However, the PPP framework requires strengthening to allocate risks more effectively between the public and private sectors, thereby helping to avoid cost overruns and ensuring better value for public resources. Similarly, the PPP framework should be reviewed, particularly the lengthy procurement procedures, to reduce delays in reaching agreements and accelerate project implementation.

C. BUILDING A DIGITAL FUTURE THROUGH STRATEGIC ICT INVESTMENTS

The 2026 National Budget provides crucial impetus to the National Digital Transformation Strategy (2023-2027) by allocating funds toward essential digital infrastructure, introducing reforms to enhance service delivery and strengthening the policy framework for technology growth. Plans to construct 30 new communication towers and upgrade the network from 2G to 4G are commendable [18] as stronger digital connectivity will enhance service delivery across multiple sectors. This includes supporting agriculture by expanding farmers' access to markets and timely weather information to guide production decisions, enhancing the delivery of the Farmer Input Support Programme (FISP) and enabling more efficient distribution of the Social Cash Transfer (SCT).

Similarly, the K1.1 billion allocated to digitise 400 health facilities under the Solar for Health project will complement government efforts to improve service delivery in the sector by enhancing electronic record-keeping and management, as well as access to patient data. We urge the Government to extend this initiative countrywide, prioritising unserved and underserved communities in rural areas. In addition, the planned

17 2026-2028 Medium Term Budget Plan – Ministry of Finance and National Planning
18 2026 Yellow Book – Ministry of Finance and National Planning

procurement and installation of Starlink kits in government departments, local authorities, post offices, youth resource centres, and other public institutions is also a welcome step, aligning with the aspirations of the National Digital Transformation Strategy to expand connectivity.

On the regulatory side, the enactment of the Cybersecurity Act No. 3 of 2025 and the Data Protection Act (2021) is notable. However, these frameworks require strong technical capacity to be effective. In this regard, the operationalisation of the Computer Emergency Response Team (CERT) and the Cybersecurity Operations Centre (CSOC) is both timely and commendable, helping to build expertise in detecting, responding to, and preventing cyber threats.

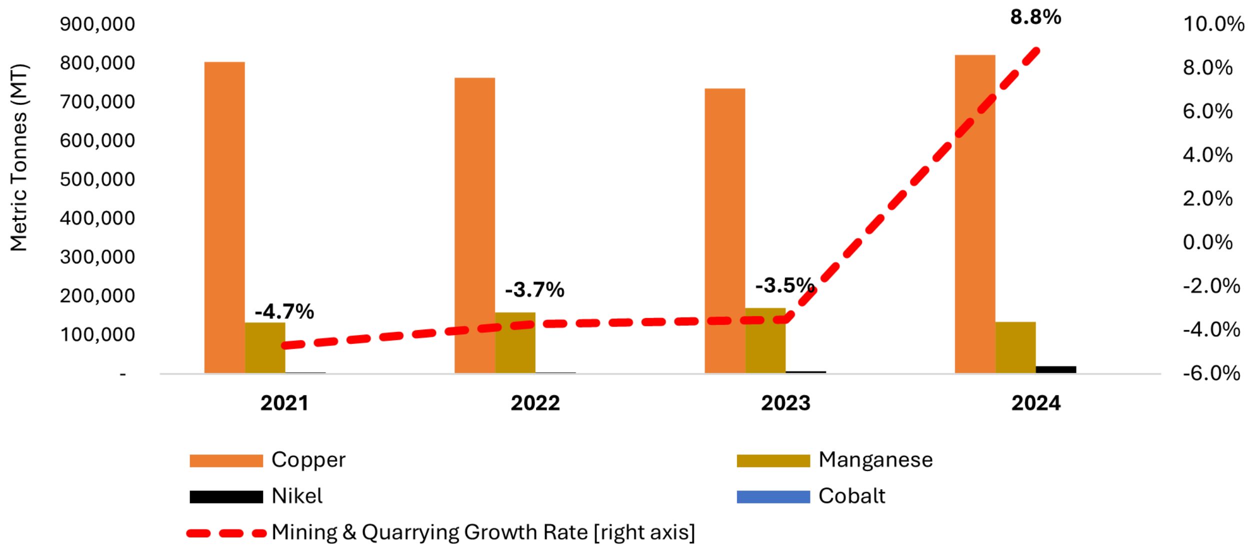
Finally, initiatives such as operationalising ICT sandbox will provide a platform for local skilled experts to develop, test, refine, and deliver high-quality market-ready solutions. Taken together, these interventions will help lower entry barriers for ICT start-ups and promote emerging technologies such as blockchain, Health-tech, Edu-tech, and Agri-tech.

D. MAKING THE MINING SECTOR WORK FOR US

The mining sector remains a cornerstone of Zambia's economic growth, contributing significantly to the country's GDP and treasury revenues. The Government has set a target to achieve copper production of about 3 million metric tonnes by 2031. After three consecutive years of contraction, the mining and quarrying sector rebounded, growing by 8.8% in 2024 from negative rates recorded between 2021 and 2023 (See **Figure 6**). Copper output increased from about 736,000 metric tonnes in 2023 to roughly 820,000 metric tonnes in 2024, and the Government is confident the 1 million metric tonne target set for 2025 will be achieved. (**Figure 6**).

This growth will be driven by expansions at existing mines, including Barrick Lumwana Super Pit, Konkola, Lubambe and Mopani, with a combined capacity of 593,000 metric tonnes per annum, alongside new mines which will together add about 700,000 metric tonnes. Growth will also be driven by increasing global demand for critical minerals and an enabling environment created through sectoral reforms. Achieving the 3 million metric tonne target will also require reliable electricity supply, improved transport and logistics, and adequately skilled labour. The energy transition and the global push for low-carbon technologies have further amplified demand for Zambia's green mineral resources, positioning mining as a key pillar of economic transformation.

Figure 6: *ZIPAR Analysis using data from the Monthly of September 2025 and MoFNP 2024 Annual Economic Report*



ZIPAR Analysis using data from the Monthly of September 2025 and MoFNP 2024 Annual Economic Report

The 2026 National Budget takes important steps toward making mining work for Zambia by complementing large-scale mining operations with measures to strengthen ASM. An allocation of K449.5 million aims to support formalisation and mineral trading through the construction of mineral processing hubs and marketing centres. To ensure ASM contributes to sustainable livelihoods in mining communities, stronger regulation, as well as better access to finance and markets, will be essential.

The Budget also allocates K75.9 million to operationalise the Minerals Regulation Commission (MRC). While the MRC introduces an additional layer of regulatory oversight, it has the potential to improve transparency, strengthen accountability, and enhance investor confidence, provided it is fully capacitated with adequate financing and technical capacity, and its independence is safeguarded.[19] Moreover, the ongoing high-resolution, countrywide aerial geophysical survey will enhance knowledge of Zambia's mineral resource base, thereby attracting quality investment in the sector. Realising this potential will require Zambia to urgently invest in value addition along the Critical Energy Transition Minerals (CETM) value chain, ensuring the sector drives inclusive and sustainable economic transformation.

E. INCREASED SUPPORT FOR MICRO, SMALL AND MEDIUM ENTERPRISES

The 2026 National Budget signals a stronger push to make financing and support available to Micro, Small and Medium Enterprises (MSMEs). Access to finance remains a key constraint for MSMEs in Zambia. To address this, the Government proposes to increase allocations to empowerment funds from K391.9 million in 2025 to K588.5 million in 2026, representing an increase of 50%. The Citizens' Economic Empowerment Commission (CEEC), which administers these funds, has improved loan recovery, with repayment rates rising from 35% in the third quarter of 2022 to 74% in the first quarter of 2025. Sustaining and strengthening these gains will require robust recovery and risk management measures to keep the fund viable.

19 World Bank. RISE and GRZ (2025) Repositioning Zambia to Leverage Energy Transition Minerals for Economic Transformation: A Roadmap

Beyond finance, the Budget also commits to providing business development services and market linkages for MSMEs. This is critical, as MSME challenges extend beyond access to capital; however, these services must be widely promoted, especially in underserved rural areas, to ensure uptake.

To reduce the tax burden on MSMEs, the 2026 Budget proposes measures to ease costs for small businesses. The budget proposes to reduce penalties for late payment of turnover tax payments from 5% to 0.5% of the unpaid tax per month. In addition, the budget proposes to reduce the tax burden for businesses and individuals by increasing the turnover tax and rental income tax exempt thresholds from K1,000 per month to K2,500 per month. While the lower penalty on missed turnover tax payments may inadvertently weaken compliance, the higher exemption thresholds could improve compliance overall, ease the cost of doing business and help curb the rise in rent faced by businesses.

F. STEERING TOURISM FROM BOOM TO BALANCE

Zambia's tourism sector continues on a strong upward trajectory. The 2026 Budget increases allocations to the sector by 15.3%, from K1.3 billion in 2025 to K1.5 billion in 2026, signalling commitment to sustaining momentum. International tourist arrivals have more than doubled, from 1.1 million in 2022 to 2.2 million in 2024, moving the country 800,000 visitors closer to the 3 million annual arrivals target set for 2026 in the 8NDP [20]. The expansion of visa-exempt countries to 165 has supported this growth. The relaunch of the "Holiday Yamu Loco" campaign has driven domestic tourism up by nearly 70% from 312,195 in 2022 to 530,110 in 2024, with the average length of stay rising from 3 to 5 days, moving closer to the 6-day target set in the Zambia Tourism Master Plan (2018–2038).[21] This growth has translated into higher hotel revenues and broader economic gains across the sector.

Yet to achieve balance alongside growth, Zambia needs stronger measurement and strategic investment. Expediting the establishment of a tourism satellite account would allow more robust tracking of tourism's full economic impact and inform policy decisions. At the same time, the absence of a dedicated allocation for the Meetings, Incentives, Conferences and Exhibitions (MICE) sub-sector risks slowing progress in a high-value market segment where Zambia has begun to gain traction. Infrastructure development at Kasaba Bay and Liuwa National Park, key 8NDP priorities, also needs timely execution to convert budgeted resources into tangible tourism and economic returns. Without these interventions, Zambia risks losing the momentum of recent gains and falling short of turning its tourism boom into balanced, sustainable growth.

20 https://www.mofnp.gov.zm/?wpdmpro=8ndp-2022-2026
21 https://www.mot.gov.zm/zambia-tourism-master-plan-2018-2038

G. BUILDING AGRICULTURAL RESILIENCE AND GROWTH AMID FISCAL CONSTRAINTS

The 2026 Budget marks the second year of implementing the Comprehensive Agricultural Transformation Support Programme (CATSP) (2024–2033), consolidating the foundations laid in 2025 to advance climate-resilient and sustained sector growth. The government proposes to allocate K15.5 billion to Agriculture, Fisheries, and Livestock in 2026, representing a nominal increase of K140 million (0.9%) from the 2025 allocation of K15.4 billion. However, the sector's share of the national budget will fall to 6.1% from 7.1% in 2025, moving Zambia further from the CAADP goal of allocating at least 10% of the Budget to Agriculture. When adjusted for inflation (12.3% as of September 2024), the allocation represents a real decline of K1.8 billion (10.1%). This overall reduction reflects mounting spending pressures in social sectors such as health and education, alongside ongoing debt servicing. It underscores the need to maximise limited resources through efficient, cost-effective interventions to maintain and scale-up agricultural programmes sustainably.

Of the Agriculture, Fisheries and Livestock budget, about K9.15 billion — 58.9% — is earmarked for the Farmer Input Support Programme (FISP). The programme aims to complete its transition to a fully operational e-voucher system, expanding from the current rollout in 74 districts to full national coverage across the remaining 42. This shift is expected to improve efficiency, reduce leakages, and encourage greater private sector participation. The 2026 Budget also proposes important policy reforms, including the introduction of an Agricultural Marketing Bill and amendments to the Food Reserve Act (2020) and Agricultural Credits Act (2010). Together, these measures are intended to strengthen market linkages, improve price predictability, and expand access to affordable credit for farmers.

To advance agricultural diversification, K764.7 million has been allocated to the livestock sector, targeting improved animal health services and breeding under the Zambia Beef Export Project. To strengthen disease control and surveillance, the Government plans to establish four additional disease-free compartments in Choma, Mazabuka, Mkushi and Sinda, bringing the national total to nine. Water access will also be improved through the construction of nine new dams, completion of seven ongoing projects and maintenance of 300 existing dams to support both livestock and crop production. These investments aim to boost livestock production and productivity, positioning Zambia to grow its cattle population from 5.1 million in 2024 to a targeted 7 million by 2027.

National fish production has grown by 24% over the past three years — from 159,043 tonnes in 2021 to 197,235 tonnes in 2024 — driven by a 90% surge in fingerling output. This growth has significantly reduced the national fish deficit and moved the country closer to its 2026 consumption target of 16 kilograms per person, up from the current 13.3 kilograms. To build on these gains, the 2026 Budget provides funding for new hatcheries and aquaculture parks in Kasempa, Mungwi, Mushindamo and Samfya. These investments are expected to boost year-round fingerling supply, improve pond productivity and strengthen aquaculture value chains.

The Budget's priorities set the right direction, but real impact will depend on disciplined execution, timely policy follow-through, and targeted support that enables farmers and agribusinesses to thrive despite fiscal pressures.

CHAPTER 6

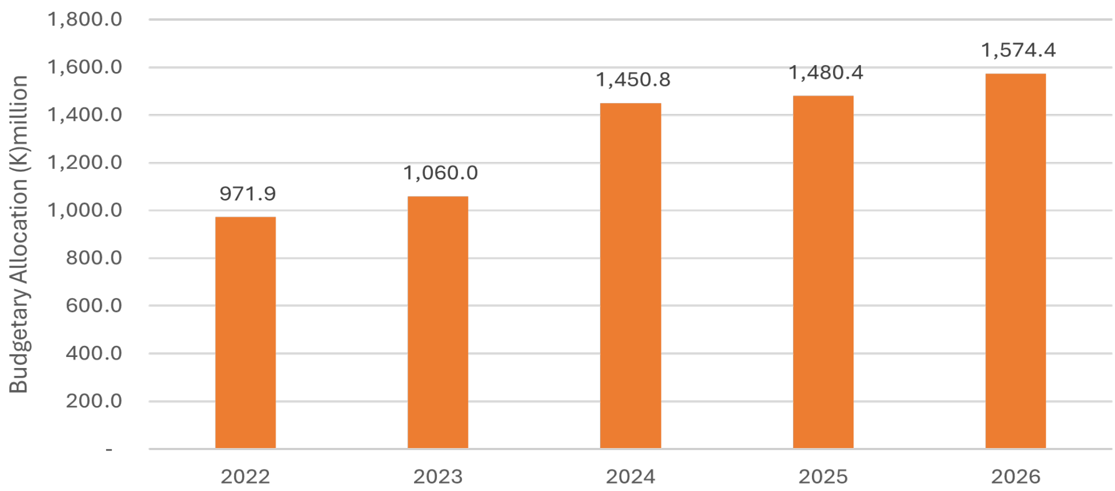
MANAGING EXPECTATIONS ON ENVIRONMENTAL SUSTAINABILITY

MANAGING EXPECTATIONS ON ENVIRONMENTAL SUSTAINABILITY

In its pursuit of sustainable development, the Government has undertaken significant reforms and investments from 2021 to 2025 to mitigate climate and environmental shocks. These include amendments to the Environmental Management Act, 2011 and the enactment of the Green Economy and Climate Change Act, 2024. Notably, other initiatives have included the establishment of an enabling green finance landscape through the introduction of Green Bond Guidelines and Part One of the Carbon Market Guidelines, which are essential for financing climate-related initiatives and services. Additionally, investments in weather and climate services nationwide have been vital in enhancing adaptive capacities within climate-sensitive sectors such as energy, agriculture, and water management.

To promote sustainable development, while safeguarding the environment, the 2026 National Budget has increased the nominal allocation to the Environmental Protection Function from K1.5 billion in 2025 to K1.6 billion in 2026 (refer to Figure 7). However, as a percentage of the overall budget, this amounts to 0.6%, representing a reduction from the 0.7 allocated in 2025 and the projected 0.7% detailed in the 2026-2028 MTBP. This downward adjustment in the allocation has been proposed, despite the country facing increased pressure to address its major environmental and climate challenges, notably deforestation, water pollution, and solid waste management.

Figure 7: *Allocation towards Environmental Protection 2022- 2026*



Author's own construction from the 2022 to 2026 National Budget Speeches

However, the Ministry of Green Economy and Environment (MGEE) has seen a significant increase in the allocation to the Climate Change Coordination and Implementation Subprogramme from K117.7 million in 2025 to K440.6 million in 2026. Part of this funding will support the establishment of the Green Economy and Climate Change Fund which will serve as a vital lever for financing green growth and climate action interventions as Zambia transitions to a green economy. There has also been a notable increase in the allocation towards the Ministry of Water Development and Sanitation Subprogramme on Water Resources Management from K18.6 million in 2025 to K39.2 million in 2026, under which water catchment protection and conservation will be strengthened. This is crucial given the need to protect water catchments from degradation and contamination as they are central to critical activities such as food and energy production, domestic use of water, as well as the existence of natural ecosystems.

A. ON THE ROAD – WITH NO PLASTIC LITTER ON ITS SIDES - TO ENVIRONMENTAL SUSTAINABILITY.

The indiscriminate disposal of plastics poses a threat to various ecosystems dependent on land and water resources, thereby contributing to contamination of these resources. The 2026 Budget recognises this long-overdue realisation of the silent, adverse impact that plastics have on our environment. Although Statutory Instrument No. 65 of 2018, concerning the Extended Producer Responsibility Regulations, included, among other measures, a ban on plastic bags with a thickness of less than 30 microns, there has been no visible reduction in plastic usage nationwide. Additionally, inadequate monitoring and evaluation of compliance continue to undermine effective enforcement of this regulation.

Notwithstanding, the 2026 Budget proposes sound measures to combat plastic pollution from 2026 to 2028, notably increasing the excise duty on single-use plastics from 30% to 100% in 2026, with a phased plan to ban them entirely by 2028. The objective of these measures is to discourage the excessive use of plastics in favour of environmentally friendly alternatives.

While these measures are well-intended, their success depends on the government's ability to undertake extensive nationwide awareness and behaviour change campaigns, with a clear champion identified. However, limited institutional capacities in the public administration system to enforce the ban may still undermine this initiative, especially if no cost-effective substitutes are quickly made available.

In addition, we encourage the Government to consider channelling some of the funds allocated to MGEE for the implementation of the two principles of the circular economy in selected sectors, emphasising waste minimisation and resource maximisation, towards this initiative.

B. ENVIRONMENTAL COMPLIANCE: TOWARDS SUSTAINABLE ENVIRONMENTAL MANAGEMENT

Over the past year, the country has observed a significant increase in the utilisation of mercury and other hazardous chemicals in mining operations. Their indiscriminate use poses significant risks of contamination to various environmental and economic ecosystems. Communities that depend on these resources for their livelihoods are particularly vulnerable. Consequently, the 2026 Budget's proposal to regulate the use of hazardous chemicals in mining is commendable. Still, its success will depend on strengthened monitoring of compliance and awareness campaigns promoting behavioural change.

However, a pressing concern is the reduction in the allocation to the Environmental Management and Research programme at the MGEE, from K51.6 million in 2025 to K24.7 million in 2026, despite acknowledging all these risks. This programme is responsible for monitoring and evaluating environmental management practices, as well as promoting awareness of compliance with environmental, social, and economic regulations and safeguards.

D. BRINGING IT ALL TOGETHER

The integration of environmental sustainability into the 8NDP was an important and innovative step in aligning Zambia's socioeconomic agenda with the climate change and environmental imperative of conserving the environment for both present and future generations. As the 8NDP period approaches its conclusion, the 2026

Budget consolidates its trajectory by promoting sustainable development and environmental preservation through strategic investments in targeted and climate-sensitive sectors. However, a concern remains that the allocation represents a small share of overall expenditure, given the undeniable impact of climate change and environmental hazards, highlighting the risk of underfunding.

The full rollout of the Integrated Monitoring, Reporting, and Verification (iMRV) system, subsequent to the enactment of the Green Economy and Climate Change Act, of 2024, will be crucial. It will provide a tool for monitoring environmental sustainability financing and the achievement of implementation targets across all sectors of the economy. However, the 2026 Budget is silent on this system, and leaves questions on whether the system will be effected in 2026.

CHAPTER 7

FROM COVERAGE TO IMPACT: SUSTAINING GAINS IN ZAMBIA'S SOCIAL SECTOR

FROM COVERAGE TO IMPACT: SUSTAINING GAINS IN ZAMBIA'S SOCIAL SECTOR

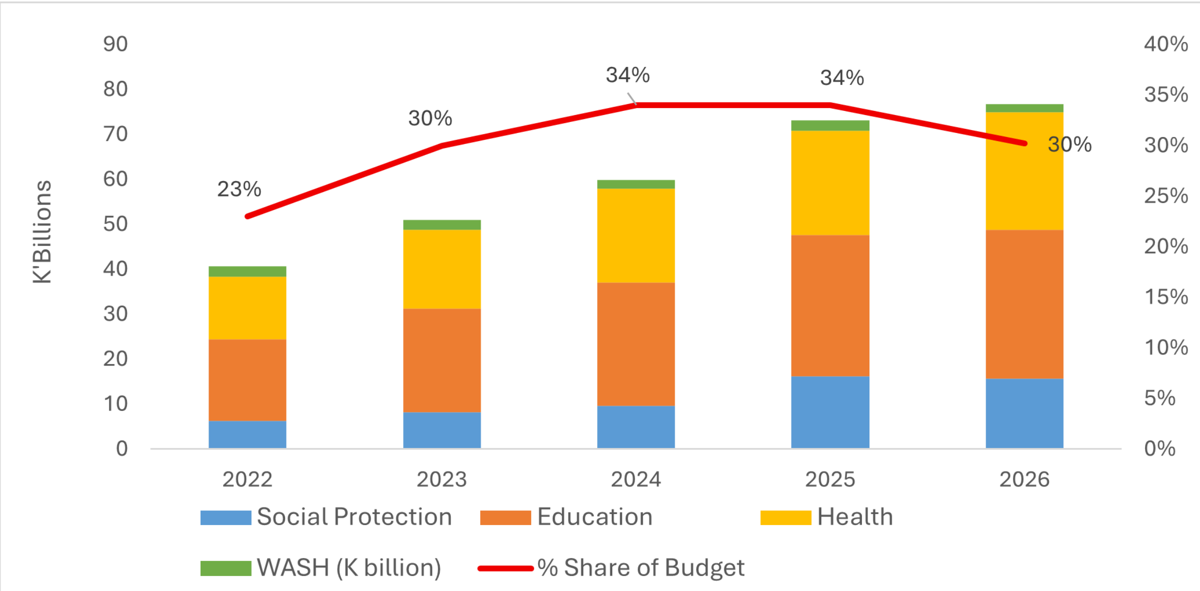
The social sector plays a pivotal role in reducing poverty and inequality. Under the still-active 8NDP, Zambia's goals of cutting overall poverty from 54.4% to 45% and multidimensional poverty from 44% in 2018 to 38% by the end of the plan period depend heavily on sustained budget support to social programmes.

Allocations to the social sectors have increased significantly, from K40.5 billion in 2022 to K76.7 billion in 2026. Their share of the total budget has grown from 23% to 30.3% over the same period (Figure 8). Within this, social protection, after years of rapid growth, has edged down slightly from K16.2 billion in 2025 to K15.7 billion in 2026. However, the Social Cash Transfer (SCT) program will continue to support 1.5 million households.

Allocations to the health sector are set to increase from K23.2 billion in 2025 to K26.2 billion in 2026; however, the sector's share of the total budget will decline from 11.8% to 10.3%, remaining below international commitments such as the Abuja Declaration, which mandates that at least 15% of the overall budget be dedicated to the health sector.

Expenditure on the education sector has increased from K31.5 billion in 2025 to K33.0 billion in 2026 nominally. However, its proportion of the total budget has decreased from 14.5% to 13.1%, with funding allocations shifting away from primary education towards secondary and tertiary levels. Concurrently, Early Childhood Education has also experienced a notable rise.

Figure 8: *Social Sector Budget Allocation (2022-2026)*



Government of Zambia, 2022 – 2026 Yellow book Estimates of Revenue and Expenditure (Output-Based Budget)

Meanwhile, allocations to the Water, Sanitation, and Hygiene (WASH) sector continue to decline, decreasing from 1.3% of the national budget in 2022 to merely 0.7% in 2026, resulting in a funding shortfall of K1.7 billion against the 8NDP target. This underfunding poses substantial risks to health and development outcomes. However, the implementation of VAT zero-rating on piped water supply is anticipated to enhance utility operations and stabilise tariffs, although capital investment deficiencies remain a challenge. This implies the need for Government to deploy innovative financing models for effective delivery of water and sanitation services..

Overall, the 2026 Budget reflects a continued commitment to core social services but requires stronger prioritisation, execution, and investment to translate allocations into meaningful reductions in poverty and inequality.

CHAPTER 8
THE ROAD AHEAD

THE ROAD AHEAD

In the words of Kofi Annan, "Knowledge is power. Information is liberating. Education is the premise of progress, in every society, in every family." Guided by this wisdom, the 2026 National Budget must transcend mere figures to become an authentic instrument of transformation. As the concluding chapter of the 8NDP, it presents opportunities to consolidate macroeconomic stability, enhance debt sustainability, and promote inclusive growth, whilst also addressing the risks posed by election-year pressures, escalating debt service obligations, and limited fiscal capacity. Its success will depend on disciplined implementation, safeguarding social and environmental investments, and expediting reforms that foster resilience and expand productive capacity. Ultimately, the legacy of the budget will be judged by the extent to which it delivers tangible improvements in the lives of Zambians and establishes a robust foundation for a prosperous, resilient, and equitable future.

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