ZIPAR MEDIA STATEMENT ON 2026 BUDGET EXPECTATIONS

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Introduction

1. Good morning, members of the press, ladies and gentlemen. On behalf of the Zambia Institute for Policy Analysis and Research (ZIPAR), I would like to warmly welcome you to this important engagement. Today, ZIPAR presents a media statement outlining its expectations for the upcoming 2026 National Budget. ZIPAR recognises the Budget as a critical highlight of the government's short-term policy objectives. Furthermore, the Budget projects macroeconomic and fiscal outcomes, as well as sectoral performance in mining, agriculture, energy, and transport, along with priorities for the social sectors. Our analysis weighs the budget expectations against the medium-term development objectives of the nation as reflected in the Medium Term Budget Framework. These expectations are intended to guide policy dialogue and inform debate ahead of the budget announcement on Friday, 26th September 2025.
2. The 2026 National Budget will be tabled in the context of an election year, a period that in Zambia has often been associated with fiscal overruns and heightened spending pressures. While recent progress on debt restructuring and macroeconomic stability provides a stronger platform for growth, the fiscal position remains delicate and vulnerable to shocks. In light of this, our expectation is that the 2026 National Budget should incorporate clear safeguards against election-related slippages, such as unplanned expenditures, premature easing of policies, or delays in fiscal adjustment, to preserve the gains achieved and ensure debt sustainability.
3. The extension of Zambia's Extended Credit Facility (ECF) with the International Monetary Fund (IMF) beyond October 2025 provides reassurance that fiscal consolidation will remain a central priority in the 2026 National Budget. The programme has so far contributed to restoring some measure of fiscal stability, which in turn has supported broader macroeconomic recovery. In this context, we anticipate that the 2026 National Budget will be framed within the confines of the IMF programme, thereby helping to contain election-year spending pressures and sustain recent gains in debt and macroeconomic management.

Macroeconomic Framework

4. Zambia's economy is forecast to recover strongly in 2025, rebounding from the drought-induced slowdown in 2024. GDP is expected to grow by 5.8% by the end of 2025, rising from 4% in 2024, supported by stronger performance in agriculture, mining, construction, wholesale and retail trade, ICT, and financial and insurance services. Improved rainfall during the 2024/25 rainy season contributed to a stabilisation of electricity generation, supporting stronger economic activity through much of 2025. Although these gains risk being eroded by renewed pressures on electricity supply toward the end of the year, expectations of favourable rainfall in the 2025/26 season could help sustain activity and support growth in the year ahead.
5. Against this background, ZIPAR expects the 2026 National Budget to forecast real GDP growth of around 6.0-6.5%, with 6.4% being the more likely outcome, broadly in line with the Government's

Medium-Term Budget Framework (MTBF). We expect that this forecast will be anchored on assumptions of favourable rainfall in the 2025/26 rainy season, a continued recovery in copper production, a more stable macroeconomic environment supported by progress on debt restructuring and the extension of the IMF ECF, as well as the sustained implementation of structural reforms.

6. The Bank of Zambia projects inflation to fall in the single-digit (7–9%) target range by the end of 2026, supported by improved food supplies, anticipated decline in fuel prices, and tighter monetary policy following the 2024 inflation surge. ZIPAR's own projection aligns with this notion. However, for inflation to really come down and stay down, the Bank of Zambia has to keep a firm hand on monetary policy and the Government must resist overspending or slipping back into habits that fuel inflation.

7. On the exchange rate, ZIPAR anticipates a more stable Kwacha maintained under a flexible regime in 2026, reflecting recent reforms to improve transparency in FX transactions and ongoing efforts to build international reserves. Stability will also be reinforced by progress in debt restructuring and stronger external inflows, which will ease balance of payment pressures. However, risks remain from potential global financial tightening, shifts in copper prices and domestic supply constraints, which could weaken the Kwacha. Overall, the outlook is cautiously optimistic, but sustaining stability will require consistent monetary and fiscal policy coordination, continued implementation of structural reforms, and proactive measures to mitigate external and climate-related shocks.

8. Zambia has made significant progress in its debt restructuring, with over 90% of external debt restructured in principle. Agreements with official bilateral creditors under the OCC framework, the Eurobond exchange, and initial deals with commercial creditors have lowered the risk of disorderly default, while the Public Debt Management Act (2022) has further improved transparency and oversight. As a result, the IMF now considers Zambia’s debt as sustainable, although still at a high risk of distress, underscoring the need for continued fiscal discipline. This progress provides a firmer foundation for restoring fiscal space and supporting growth in 2026. However, with the three-year moratorium on official debt repayments ending in 2025, obligations will rise sharply in 2026, requiring strict fiscal discipline and stronger domestic revenue mobilisation to sustain repayment capacity.

Fiscal Policy Expectations

9. Over the past year, Zambia was caught up in the global aid tectonic plate shift, driven by the withdrawal of USAID and other donor funding, threatening its budget credibility and financial sustainability. Looking ahead to 2026, this represents additional public spending which must now be addressed through domestic resource mobilisation (DRM). Additionally, the resumption of external debt servicing places even more strain on the budget. Now more than ever, the Government must focus on the potential of domestic resource mobilisation to fund its budget. According to the MTBP, domestic revenues are forecasted to reach 22.3% of GDP in 2026, which is higher than the 21.3% of GDP projected for 2025. Therefore, we anticipate that the 2026 National Budget will ramp up DRM to the next level, exceeding 22.0% of GDP.

10. ZIPAR anticipates that the anticipated rise in DRM will be maintained through a comprehensive set of fiscal policy and administrative reforms. These should include rationalising tax incentives, modernising VAT and excise regimes, formalising the informal sector, reforming property taxes, using digital technologies for enforcement, and establishing a coherent medium-term revenue strategy. Furthermore, the mining sector will remain vital through company income tax and mineral royalty collections. Mineral royalties are expected to contribute up to 2.0% of GDP in 2026.

11. Expenditure allocation and efficiency: According to the MTBP, we expect more resources to be allocated towards debt servicing, whose costs are projected to constitute approximately 7.7% of

GDP in 2026, up from 7.5% in 2025. This expectation is further compounded by the projected increase in allocations towards elections, from K651.2 million in 2025 to K1.1 billion in 2026, given that 2026 is Zambia's tripartite elections year. The trade-off for these increased allocations is the reduction in social benefits allocation, intended to cushion vulnerable households against several economic pressures, which the MTBP projects will decrease from 1.9% of GDP in 2025 to 1.5% in 2026.

12. Given these emerging spending pressures, the 2026 National Budget must prioritise implementing fiscal consolidation measures that safeguard budget credibility and efficiency. ZIPAR recommends that the 2026 National Budget should propose measures that fully operationalise multi-year commitment controls in IFMIS and ensure the timely publication of quarterly budget reviews and detailed execution reports. Additionally, the budget should be supported by a comprehensive Fiscal Risk Statement that covers State-Owned Enterprises (SOEs) and Public-Private Partnerships (PPPs). Simultaneously, quarterly debt bulletins and independent audits of key programmes should be systematically published. These steps will enhance accountability and foster greater public trust in fiscal management.

Real Sector Expectations

Mining Sector

13. As the Government's policy to reach three million metric tonnes by 2031 continues to unfold, we anticipate that the 2026 National Budget will allocate more resources toward expanding exploration and promoting value-added activities such as smelting and local content development. This will require dedicated funding for geological mapping, research, and incentives designed to attract both foreign and local investments into downstream industries. Another key priority will be strengthening artisanal and small-scale mining (ASM) by supporting formalisation efforts through cooperative development financing. It is also expected that the 2026 National Budget will emphasise operationalising the Mineral Regulation Commission to enhance oversight, compliance, and governance across the sector. We would also like the Budget to emphasise the implementation of the local content framework to increase citizen participation in mining supply chains.

Tourism Sector

14. Regarding boosting the tourism sector, we expect the 2026 National Budget to allocate more funds for tourism development and promotion, especially to strengthen marketing campaigns aimed at both local and international tourists, as well as to support the refurbishment of key tourism infrastructure. It is also anticipated that a budget line for developing the Meetings, Incentives, Conferences and Exhibitions (MICE) sub-sector will be introduced. Furthermore, the Wildlife and Conservation Management Programme is likely to experience a slight expansion, with increased emphasis on encouraging coexistence between people and wildlife through improved conflict mitigation and community awareness initiatives. Additionally, we expect the 2026 National Budget to highlight progress at Kasaba Bay and Liuwa National Park, located in the Northern and Southern tourism circuits, respectively, where infrastructure development was scheduled to commence in 2025.

Agriculture, Livestock, and Fisheries

15. The 2026 National Budget is expected to support sector growth recovery by strengthening reforms and addressing vulnerabilities from climate change. While the Government maintains the Farmer Input Support Programme (FISP) as a central pillar of the agricultural transformation agenda, we would be pleased to see a gradual reduction in our reliance on this programme, which previously accounted for over 60% of the allocation towards agriculture. A complete migration to the e-voucher system is expected to be emphasised in place of the Direct Input Supply (DIS) to improve

farmer targeting, while redirecting savings towards irrigation, mechanisation, and extension services.

16. Increased investment in Agriculture is anticipated to not only address the challenges expected in implementing the e-voucher system, but also other structural challenges. We also expect the 2026 National Budget to propose measures to accelerate irrigation and water security efforts, report progress on the Luena, Nansanga, and Shikabeta farm blocks, alongside the broader adoption of smallholder irrigation technologies. Beyond crops, support for livestock and fisheries will continue, with funding allocated to the Animal Identification and Traceability Act, breeding centres, veterinary laboratories, and aquaculture expansion.

Manufacturing Sector

17. The 2026 National Budget is expected to emphasise strengthening value addition through Multi-Facility Economic Zones (MFEZs) and industrial yards. Focus should be on promoting value addition through targeted incentives in agro-processing, livestock, textiles, pharmaceuticals, and metal fabrication. Another key priority is supporting MSME clustering within industrial yards through targeted incubation, market linkages and increased access to finance. It is also expected that the Budget will provide clear updates on the revamping of the Zambia-China Mulungushi Textiles. Furthermore, the 2026 Budget should prioritise sustaining the increased production of fertilisers. To enhance industrial production, the budget should increase allocations for renewable and alternative energy.

Transport Sector

18. Efficient transport and logistics services remain crucial to the Government’s economic transformation and job creation agenda by enabling access to jobs, markets, and essential social services, while improving regional connectivity and trade. This aligns with Zambia’s goal of becoming a regional hub for transport and logistics. Therefore, we anticipate that the 2026 Budget will continue to prioritise resource allocation to transport infrastructure, especially roads. In this context, PPPs are essential to ease pressure on the public purse. Key projects include the Lusaka-Ndola Dual Carriageway, Katete-Chanida, Mufulira-Mokambo, and Lumwana-Kambimba, among others. Additionally, we expect public resources to sustain support for other vital transport links within the country, such as the Lusaka-Mongu and Batoka-Maamba roads, as well as ongoing assistance from cooperating partners, including the World Bank-funded Transport Corridor for Economic Resilience (TRACER) Project, for the rehabilitation of the 238 km Mpika-Serenje road, among others.

19. In the railway sector, we commend the Government for finalising negotiations on the concession agreement for the revitalisation of TAZARA. As we progress, we expect the 2026 Budget to outline plans for the line's rehabilitation and the procurement of new rolling stock. Furthermore, we seek guidance on how the Government plans to revive Zambia Railways. The recapitalisation and rehabilitation of these projects are vital for shifting freight from roads, thereby extending the lifespan of infrastructure and reducing road maintenance costs. In the aviation sector, upgrading provincial airports and aerodromes is essential for improving regional connectivity and promoting local tourism. Looking ahead to 2026, priority projects include constructing new airports in Choma, Chinsali, and Nakonde.

20. To improve rural connectivity, enhance service delivery, and boost agricultural productivity, we expect continued support for rural feeder roads, including the Improved Rural Connectivity Project and funding from the Constituency Development Fund (CDF).

21. Finally, in the petroleum sub-sector, implementing the TAZAMA Open Access Policy is essential for increasing competition in the procurement of low-sulphur gas (Diesel) and securing a supply of petroleum products. Despite the challenges faced, we expect continued government support, as it is crucial to lower both fuel prices and the overall cost of goods and services in the country.

Energy Sector

22. The energy sector is still recovering and finding a new footing as we speak. The Government has undertaken reforms in the sector aimed at improving energy supply, sufficiency and security. This has included a comprehensive review of the Electricity Act No. 11 of 2019 and the Energy Regulation Act No. 12 of 2019, as well as the enactment of the Petroleum Products Price Setting Regulations.
23. At the same time, the Government is also keen to enhance private sector participation in the sector by implementing the electricity open access initiative, which allows a qualifying third party to access electricity transmission and distribution networks, fostering competition and improving service delivery.
24. Pivotal to addressing supply-side constraints and electricity demand, the Government has embarked on improving energy infrastructure, reducing transmission losses, and promoting electricity trade. As such, progress and financing for the implementation of the Zambia-Tanzania-Kenya (ZTK) interconnector project are expected, which aims to link the East African Power Pool (EAPP) with the Southern African Power Pool (SAPP) to create a trading power market.
25. Information on the status and financing of the construction of a new multi-product pipeline between Zambia and Tanzania, designed to carry petrol, diesel, and kerosene into the Zambian market, is also expected. This development is essential as it has the potential to guarantee supply security and stable commodity pricing in the fuel sector. As alluded to in point 21, the TAZAMA pipeline is contributing to price rationalisation and the sufficiency of supply of petroleum products. Therefore, the Government plans to increase the supply of petroleum products through the pipeline. However, there hasn't been information on the status and financing of this process.

Environmental Sustainability Expectations

26. While still grappling with severe droughts, Zambia now faces significant environmental pollution, underscoring its severe vulnerabilities to climatic and ecological pressures. In his opening speech to Parliament, the President emphasised the need to strengthen the enforcement of environmental compliance and hold accountable those who violate environmental protection laws.
27. However, what we observe is that this policy commitment is not matched by sufficient budgetary support. The 2026-2028 MTBP allocations for environmental protection are expected to remain at 0.7% of the 2026 National Budget. Therefore, this does not represent progress and only perpetuates our dependence on external financing to cover the huge financing gaps and to address the shortfall in environmental sustainability and protection programming in 2026. It also raises concerns about funding for increased ecological compliance monitoring and the operationalisation of the integrated Monitoring, Reporting, and Verification system, which is meant to track green growth and climate action interventions.
28. Therefore, we expect the 2026 National Budget to mobilise resources and increase funding for environmental protection, as well as explore innovative financing options, such as green bonds and carbon trading, to support climate change mitigation and adaptation efforts. Furthermore, the Government should also scale up domestic financing of environmental protection programmes through initiatives like the Constituency Development Fund (CDF), which can support community-level initiatives and compliance activities.

Social Sector Expectations

Education

29. According to the MTBP (2026–2028), average allocations to the Education sector are projected at K39.4 billion annually, representing 14.6% of the total budget. As such, ZIPAR anticipates that these

funds will support key programmes such as the free education policy, expand and improve the Home-Grown School Feeding programme (HGSF) to all 116 districts from the current 106 districts, and increase bursary support for learners.

30. With the rollout of the new curriculum, ZIPAR expects the 2026 National Budget to allocate more resources for developing learning materials, expanding ICT infrastructure and digital learning tools, establishing A-level centres, and retraining teachers to meet industrial needs. Teacher recruitment and retention are vital, as Zambia's current Pupil–Teacher Ratios are 44:1 in primary and 33:1 in secondary, both exceeding the UNESCO benchmark of 30:1 and rising sharply from 35:1 and 32:1, respectively, in 2022 when free education was introduced. This highlights the pressing need for ongoing recruitment to enhance learning outcomes.

Social Protection

31. In accordance with the projections outlined in the MTBP, it is anticipated that allocations to social benefits will decrease from the 2025 allocation of K15.6 billion to K13.8 billion, primarily due to the expiration of the emergency social cash transfer. Nevertheless, the reduction in the 2026 budget allocation offers optimism for a subsequent increase, with projections indicating a rise to K25.6 billion in 2028, largely attributable to the expansion of the Social Cash Transfer (SCT) programme. While the expansion of SCT allocations is welcomed, there is a greater interest in seeing more funds allocated towards poverty eradication initiatives, which is expected to lead to a gradual decline in SCT allocations.

Health

32. ZIPAR expects the 2026 National Budget to allocate more resources to the health sector, building on recent successes in recruiting health workers and expanding infrastructure. Although the MTBP (2026–2028) projects health funding to increase from 9.9% in 2025 to 11.0% of total expenditure in 2028, improving allocative efficiency and prioritisation will be essential to meet rising needs. Furthermore, we anticipate that more resources will be allocated towards completing critical projects such as the King Salman Bin Abdulaziz Specialist Hospital for Women and Children, whose financing agreement was signed in 2018. This will be vital for closing gaps in specialised care. Additionally, we expect the 2026 National Budget to clearly outline how it will address the withdrawal of donor funding, such as the K1.4 billion from USAID.

Water Supply and Sanitation Hygiene

33. ZIPAR expects the 2026 National Budget to sustain investment in the WASH sector, recognising water as a fundamental driver of human development, health, and climate resilience. The government plans to allocate K4.8 billion, or 1.8% of total expenditure in 2026, to housing and community amenities over the medium term, with funds earmarked for the construction and rehabilitation of water supply infrastructure and community-based sanitation systems. While the MTBP envisions a reduction in allocations from K2.3 billion in 2025 to K1.7 billion in 2026, ZIPAR notes completion of key WASH facilities such as the Kafulafuta water supply system, the Kazungula water supply and sanitation, the Kafue bulk water supply and the Kaputa water supply and sanitation projects. Greater attention is also needed to ensure that gender, youth, and rural populations benefit equitably from these investments. Public-private partnerships could provide complementary financing, but safeguards will be essential to ensure cost-reflective pricing does not exclude the poorest households.

Constituency Development Fund (CDF)

34. ZIPAR notes that the Constituency Development Fund (CDF) has become central to financing community-driven priorities under Zambia's decentralisation and local development agenda. Since its expansion in 2022, allocations have steadily risen, supporting community projects (60%), youth,

women, and community empowerment (20%), and education through boarding schools and skills development (20%). Although initial absorption was slow, capacity has improved, with CDF delivering over 2,800 extra classrooms, 164 health facilities, 670,000 desks, and bursaries for skills development, highlighting its growing influence on service delivery and local empowerment. Looking ahead to 2026, CDF allocations are projected to increase further, with the MTBP estimating rises from K5.6 billion in 2026 to K6.4 billion in 2028. To maximise impact, ZIPAR recommends stronger oversight and accountability measures, along with enhanced monitoring systems to assess outcomes and guide future budget decisions. Broader use of CDF for rural health facilities and the mobilisation of new partners will also be vital to safeguarding progress and bolstering resilience in Zambia's health system.

Conclusion

35. ***"Overcoming poverty is not a gesture of charity; it is an act of justice".*** These words by Nelson Mandela embody the spirit of ZIPAR's 2026 National Budget projections, which aim to promote informed discussion and enhance accountability in the management of public resources. As Zambia prepares for a crucial budget year, ZIPAR urges the Government to maintain strict fiscal discipline, ensure transparency in budget execution and uphold programme commitments throughout the electoral cycle to protect budget credibility and bolster confidence in the economy.