



**SUBMISSION TO THE EXTENDED PLANNING AND  
BUDGETING COMMITTEE  
ON THE  
2026-2028 MEDIUM TERM BUDGET PLAN AND THE  
2026 BUDGET (GREEN PAPER)**

**JULY 2025**

**Website:** <https://zambia.actionaid.org/>

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## **1. Background**

### **1.1 About ActionAid**

ActionAid Zambia (AAZ) is a part of the ActionAid Global (AAG) Federation, sharing common values and aims to drive social change towards a just, equitable and sustainable world. The ActionAid Federation builds the active agency of people living in poverty, their organisations, and movements, to address the structural causes of social injustice, gender inequality and poverty. This is in line with the United Nation's Sustainable Development Goals (SDGs) which have identified the importance of addressing poverty and inequality.

### **1.2 Vision**

Our vision is to have a just equitable and sustainable Zambia in which every person enjoys freedom from poverty and oppression for enjoyment of their right to a life of dignity.

### **1.3 Mission**

Our mission is to promote social justice, gender equality & poverty eradication for the people living in poverty, exclusion and marginalised in society by working with the people living in poverty their communities, organisations, activists & social movements for a just sustainable Zambia.

## **2. Introduction**

Globally, there has been revived discussion to transform the unfair global financial architecture at forums such as the Financing for Development 4 (FfD4)<sup>1</sup> conference (where Zambia was co-facilitators) and progress to establish a United Nations Convention on Taxation.<sup>2</sup>

At National levels Zambia's fiscal position has faced several challenges in recent years that have adversely affected development across all sectors. Most notably, our public debt burden and high cost of debt servicing crowded out public spending on key social sectors – undermining human rights and sparking austerity reforms under the IMFs G20 Common Framework. Improved domestic resource mobilisation, reduced public spending, alongside parallel external debt restructuring has been the key strategies to ensure debt sustainability.

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<sup>1</sup> Financing for Development (FfD4) <https://www.un.org/sustainabledevelopment/financing-for-development/>

<sup>2</sup> United Nations <https://www.un.org/en/desa/why-world-needs-un-global-tax-convention>

## 2.1 Policy Framework

The 2026–2028 Medium Term Budget Plan (MTBP) and 2026 Budget Green Paper are anchored on a robust policy framework that aligns fiscal and economic planning with Zambia’s broader development goals. This framework is guided by the 8th National Development Plan (8NDP) and Vision 2030, with an emphasis on achieving macroeconomic stability, inclusive growth, and poverty reduction.<sup>3</sup> Guided primarily by the Planning and Budgeting Act of 2020, the framework integrates cross-cutting reforms including decentralisation, and transparency in public financial management.<sup>4</sup> Since 2022 Zambia's medium-term plans have also reflected Zambia’s commitment to international obligations under the IMF-supported Extended Credit Facility (ECF), debt sustainability goals, and the use of program-based budgeting to improve efficiency (fiscal consolidation). By aligning resource allocation with strategic outcomes, the policy framework seeks to enhance accountability, reduce inequality, and drive long-term structural transformation.

## 2.2 Our approach

Based on our collective work as ActionAid Zambia, we will provide the following analysis of the 2026-2028 Medium-Term Budget Plan that sets out Zambia's ambitious development agenda with the 8<sup>th</sup> NDP, Vision 2030 and upcoming 9<sup>th</sup> Development Plan.

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<sup>3</sup> 8<sup>th</sup> National Development Plan <https://www.mofnp.gov.zm/?wpdmpo=8ndp-2022-2026>

<sup>4</sup> National Planning and Budgeting Act of 2020 <https://www.parliament.gov.zm/node/8573>

### **3. Analysis**

#### **3.1 Overview of the MTBP**

The MTBP and Green Paper project sustained growth and macroeconomic recovery, but critical structural vulnerabilities and governance gaps persist. It has been noted in the report that, Zambia's GDP is projected to an average of 6% accelerated recovery, energy expansion and increased mining output of about 3 million metric tons of copper annually and targets inflation with 7-9% by 2028 while maintaining reserves above 3 months of import and domestic cover of about 22.8% of GDP. However, ActionAid Zambia notes a concern that the continued over reliance on copper risks economic volatility of global prices drop thereby not meeting intended economic growth rate especially in diversification remains limited.

#### **Opportunities:**

- The planned expansion of infrastructure, energy, agriculture, and mining sectors can accelerate inclusive growth if matched by equity-focused spending and implementation discipline.
- The MTBP's adoption of programme-based budgeting and alignment with the 8th NDP enhances policy coherence.
- Commitments to digitalisation, decentralisation, and climate resilience create space for social inclusion and adaptive service delivery.

The FIC 2024 Trends Report flags persistent illicit financial flows (IFFs) and tax evasion, particularly in mining, real estate, and digital sectors, with over USD 3.5 billion in IFFs traced in 2024 alone.<sup>5</sup>

Additionally, smuggling and illegal mining networks involving foreign nationals weaken the domestic resource base, with lax enforcement of beneficial ownership laws and corruption in mineral value chains.

The temporary suspension of mineral export taxes and low royalty rates risk weakening revenue potential. Joint CSO submissions for the 2026 National Budget propose reintroducing a 5% export tax on raw minerals and increasing royalty rates on precious metals to 6–10%.<sup>6</sup>

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<sup>5</sup> Financial Intelligence Centre, 2024 Trends Report [https://www.fic.gov.zm/79-fic-news/124-trends-report-2024#:~:text=The%20Financial%20Intelligence%20Centre%20\(the,\(AML%2FCFTP\)%20framework.](https://www.fic.gov.zm/79-fic-news/124-trends-report-2024#:~:text=The%20Financial%20Intelligence%20Centre%20(the,(AML%2FCFTP)%20framework.)

<sup>6</sup> Zambia Tax Platform, TaxEd Alliance, Global Platform

Budget execution risks persist due to underfunded social sectors (under the current austerity measures) and weak accountability systems, especially in public procurement and inefficient spending.<sup>7</sup>

### **3.2 Macroeconomic Framework**

The macroeconomic assumptions are cautiously optimistic but must account for volatile external conditions and institutional weaknesses.

- Growth is projected at 6.4% in 2026, driven by recovery in agriculture and energy and enhanced investment in mining and infrastructure.
- Inflation, though expected to decline to 9.3% in 2026, remains a risk due to exchange rate pass-through and fuel prices.
- The exchange rate, while slightly stabilized in 2025 (K26.19/USD), remains vulnerable due to weak FDI inflows, illicit capital flight, and limited diversification of exports.
- Interest rates are elevated (24.23%), reflecting tight monetary conditions and high domestic debt servicing needs.
- Fiscal consolidation is predicated on increased domestic revenue mobilisation (targeted to 22.8% of GDP by 2028), yet this depends on enforcing tax justice reforms such as widening the PAYE bands, taxing mining dividends, and enforcing a digital services tax as proposed in CSO submissions.

However, the FIC notes under-reporting of income and widespread abuse of shell companies, undermining revenue projections. This calls for strengthened compliance, audit systems, and the reversal of tax incentives that erode the base, especially in tobacco, gambling, and extractives.

Additionally, the planned fiscal consolidation (austerity) risks undermining human rights and compromising public service delivery through restricted or reduced spending on key sectors such as education and health that are projected to reduce. Debt servicing costs as Zambia concludes restructuring negotiations is also projected to increase in the medium term that risks reversing the gains made in social sector spending.

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<sup>7</sup> Evidence in Performance Audits on programs such as the Social Cash Transfer and the Ending Child Marriages initiative.

### 3.3 Linkage to National Development Plans

The MTBP is well-aligned with the 8th NDP and anticipates priorities of the 9th NDP:

- It supports the economic transformation agenda through diversification (agriculture, tourism, ICT), green growth, and public investment in infrastructure and renewable energy.
- The social development pillar is reflected in the projected expansion of the Social Cash Transfer (SCT), education, and NHIMA financing, although civil society calls for ring-fencing tax revenue and increasing health, and education allocations remain largely ignored.
- The plan integrates climate resilience, agroecology, and value addition, which aligns with both the Green Growth Strategy and CSO proposals to reorient the FISP toward agroecology and food system transformation.

The challenge lies not in policy articulation but in execution, particularly in decentralised governance and budget credibility.

### 3.4 Debt Sustainability

While Zambia has made progress in restructuring external debt, medium-term sustainability is still fragile:

Over 90% of external debt restructuring agreements are in principle, but full resolution depends on successful negotiations with private creditors and adherence to borrowing ceilings.

The domestic debt burden (accounting for 60% of total debt) is crowding out private sector credit. CSOs have proposed revising the target to 50:50 to ease liquidity constraints.

On the expenditure side the FIC warns of rising public and private sector corruption and abuse of corporate vehicles, with reports of inflated procurement, misclassified imports, and fraudulent contracts amounting to tens of millions of dollars. These indicate wasteful and inefficient use of scarce public resources.

Despite the Public Debt Management Act (2022), the absence of a fully operational Public Debt Management Office and a functional sinking fund continues to limit proactive debt servicing. Moreover, debt transparency is undermined by weak public oversight and the lack of citizen access to debt and PPP contracts.

### 3.5 Domestic Resource Mobilisation

Zambia's Domestic Resource mobilisation (DRM) aims to improve revenue to 22.8% of GDP by 2028 through tax reforms, technology integrations, broadening the tax base and property taxation. AAZ acknowledges the importance of improved DRM for Zambia but also raises concerns on the need for reducing tax exemptions, implement progressive taxation measures that shift the burden away from low-income households and small businesses.

AAZ notes the continued loss of revenue for example in 2022-2023 Zambia lost about \$360M from tax exemptions about \$192 million in 2022 and \$168 million in 2023 alone but also there was non-disclosure of mining agreements with citizens more especially host communities thereby leaving out community participation. AAZ recommends applying the 2023 EITI Standards on emissions<sup>8</sup> and localise carbon taxes based on production and on imports as a domestic resource mobilisation strategy to counter EU's Carbon Border Adjustment Mechanism (CBAM) tax that takes effect in 2026.<sup>9</sup>

### 3.6 Sector Analysis

The MTBP outlines ambitious targets in key sectors to drive inclusive growth and structural transformation. In the agriculture sector, government projects to increase land under cultivation to 900,000 hectares and irrigation to 400,000 hectares by 2030. It also aims to scale up mechanisation (2 tractors per 100 hectares), expand the livestock population to 6 million and boost fish production to 300,000 metric tonnes. While commendable, ActionAid Zambia stresses that such targets will only be achievable with efficient public finance management, strengthened institutional coordination, and climate-resilient investments, especially considering increasing climate shocks and limited fiscal space.

In the tourism sector, Zambia aims to become a major destination of choice by 2030 through infrastructure development, product diversification, and increased local participation. However, these efforts must be backed by clear financing, consistent marketing, and environmental safeguards to ensure sustainability.

In the mining sector, ActionAid Zambia welcomes reforms to improve transparency (e.g. Zambia Integrated Mining Information System (ZIMIS) and regulatory updates) but reiterates the need for inclusive benefit-sharing mechanisms and accountability in mineral revenue use to ensure communities affected by mining activities see tangible development outcomes.

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<sup>8</sup> Zambia EITI Emissions Data <https://zambiaeiti.org/mining-emissions-data/>

<sup>9</sup> European Commission [https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism\\_en](https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en)



In the energy sector, while the MTBP promotes solar and thermal expansion, ActionAid Zambia urges the government to prioritise just transition financing, phase out fossil fuel dependence, and support renewable mini-grid investments for rural access.

Under social protection, the planned scale-up of the Social Cash Transfer and food security programmes is progressive. However, with persistent poverty, high inequality, and the rising cost of living (as evidenced in the Jesuit Centre for Theological Reflection's Basic Needs and Nutrition Basket)<sup>10</sup>, there is urgent need to protect funding allocations, especially as debt servicing pressures intensify.

Finally, ActionAid Zambia emphasises that climate justice must be central to the MTBP, particularly for frontline communities. The Fund Our Future campaign calls for redirection of public and private investments towards agroecology, gender-responsive budgeting, and local economic resilience to address inequality, exclusion, and systemic poverty.

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<sup>10</sup> The cost of the JCTR BNNB for the month of June surged to ZMW 11,763.38. [https://repository.jctr.org.zm/bitstream/handle/20.500.14274/1877/20250603-bnnb\\_june\\_bnnb\\_statement-V01.pdf?sequence=1&isAllowed=y](https://repository.jctr.org.zm/bitstream/handle/20.500.14274/1877/20250603-bnnb_june_bnnb_statement-V01.pdf?sequence=1&isAllowed=y)

## **4. Recommendations**

Based on the analysis above, our recommendations are as follows:

**Accelerate tax reforms and expand progressive taxation** - Fast-track implementation of digital tax systems and expand taxation on under-taxed sectors (e.g., high-end mining profits, property) to reduce reliance on consumption-based taxes. Additionally, there is need to adopt the aforementioned CSO proposals on mineral royalties, export taxes, carbon tax, and digital services tax. Expand the PAYE bands and eliminate harmful tax incentives, especially in tobacco and gambling while sustaining the fight against illicit financial flows.<sup>11</sup>

**Broaden the revenue base** – The over-reliance on copper exposes the economy to global price shocks. The Government should diversify its revenue base by supporting other sectors such as tourism, agro-processing, and digital services. Strengthening tax enforcement, expanding the tax net, and fully implementing digital tax systems will improve compliance and boost domestic revenue collection.

**Enhance mining governance and community benefit-sharing** – Ensure mining revenues benefit local communities through mandatory community development agreements, enforcement of local content regulations, and stronger environmental and social safeguards. Strengthen the Minerals Regulation Commission to monitor compliance and curb tax avoidance.

**Deepen decentralisation support** – Allocate more resources to build capacity at local government levels to manage devolved functions, ensure accountability, and maximise impact of CDF allocations.

**Strengthen climate resilience financing** – Prioritise targeted climate finance instruments (e.g., green grants) for agriculture, energy, and social protection to mitigate fiscal risks from climate shocks. Further, to reduce Zambia's vulnerability to climate shocks, the Government should invest more in irrigation systems, drought-tolerant crops, and renewable energy sources like solar. Promoting agroecology practices and techniques that will help smallholder farmers adapt to changing weather patterns. Strengthening early warning systems and increasing funding to climate adaptation programmes, especially in agriculture and water management, will enhance national preparedness and protect livelihoods.

**Increase social spending efficiency** – Enhance targeting and delivery of the Social Cash Transfer and FISP programmes through data-driven systems to reduce leakages and improve equity.

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<sup>11</sup> ActionAid Zambia, ZTP Budget Submission to the Ministry of Finance and National Planning

**Ensure transparency in public contracts** – Establish citizen oversight mechanisms for debt and PPP projects, including public audits and parliamentary briefings, to foster accountability. This also entails action through PACRA to better enforce disclosure of beneficial ownership for enhanced compliance, monitoring and accountability that ultimately protect communities, rights of youths, women and vulnerable groups.

**Link budget reforms to anti-corruption efforts** – Align Public Finance Management reforms with anti-corruption policies by empowering oversight bodies (e.g., Auditor General, Anti-Corruption Commission) with budget and operational independence.

**Accelerate debt sustainability measures** - Finalising outstanding bilateral debt restructuring agreements is key to restoring fiscal space. The Government should maintain restrictions on non-concessional borrowing and adopt a more cautious debt strategy. Regular publication of debt statistics will improve transparency, build public confidence, and support sound fiscal management. Debt sustainability also allows for adequate and sustained spending on key social sectors such as education.<sup>12</sup>

**Green taxes and emissions** – Introduce green taxes and eliminate fossil fuel subsidies by revising royalties and taxation regimes to reflect environmental costs and promote full disclosure of contracts and revenue allocation. The government must leverage the data produced by the Extractive Industries Transparency Initiative (EITI) in Zambia and ZEMA to standardise emissions reporting and taxation while considering the utilisation of green bonds for climate action.

## **5. Conclusion**

In conclusion, the medium-term budget plan presents much-needed fiscal policy direction for economic stability and growth. In the execution of these plans, there is a need to ensure that the provision of public services upholds equality and advances human rights. Zambia, like many other developing countries, has experienced a significant downturn in foreign aid, which calls for stronger action on illicit financial flows and progressive taxation to meet developmental goals. Therefore, it's worth noting that the MTBP envisions tackling debt, poverty, and high cost of living among other issues to achieve growth influenced by increased copper and improved agricultural production.

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<sup>12</sup> TaxEd Alliance, Transforming Education Financing in Africa [https://act:onaid.org/sites/default/files/publications/Transforming\\_Education\\_Financing\\_in\\_Africa\\_report.pdf](https://act:onaid.org/sites/default/files/publications/Transforming_Education_Financing_in_Africa_report.pdf)

However, ActionAid Zambia cautions that actualisation of these plans relies on effective and efficient implementation, monitoring and evaluation, adaptation to emerging issues such as currency fluctuations, inflation, climate crisis, humanitarian emergencies, unpaid care work for women and geo-political instability. Furthermore, AAZ suggests, government should proactively manage these risks and ensure social safety nets for the most vulnerable especially children, young people, PWD's and women. AAZ will continue to monitor the implementation of the proposed policies to ensure accountability of public resources in the medium term.