CSPR Zambia
Civil Society for Poverty Reduction

Press Statement

CSPR RAISES CONCERN OVER THE SLIPPING MACRO-ECONOMIC TARGETS AND FISCAL SPACE IN 2026 MID-YEAR PERFORMANCE

The Civil Society for Poverty Reduction (CSPR) has concluded its analysis of Zambia's Mid-Year Budget Performance. While the country enters the second half of the year on a foundation of improving growth momentum, moderating inflation, and continued gains from debt restructuring, CSPR is concerned that the budget execution in the first six months of 2026 shows clear signs of strain, with domestic revenue collection persistently below target, a mid-year supplementary budget of K26.3 billion, and debt servicing increasingly crowding out the fiscal space needed for social sector delivery.

Total revenue and grants fell short by K12.54 billion, a 11.5% shortfall against the K108.8 billion target, with monthly shortfalls recorded in every month from January to June. By May 2026, cumulative domestic revenue collections stood at approximately K74 billion against a proportional year to date target of K92.1 billion, an achievement rate of only 80.4%. Value Added Tax has been the principal drag, falling short of target by 48.5% at mid-year, compounded by a 54.7% shortfall in grants. This has been partly offset by strong Income Tax performance, which exceeded target by 33.9% at mid-year, driven largely by improved mining sector profitability amid higher copper prices. CSPR notes, however, that reliance on single buoyant revenue line to offset structural weaknesses elsewhere is not a sustainable basis for fiscal planning.

Government tabled a K26.3 billion supplementary budget in April 2026, citing a higher than planned public service wage increment, Middle East related oil price pressure, additional costs from the Constitution of Zambia (Amendment) Act No. 13 of 2025, and the need to replenish resources used to pay farmers for maize supplied in the 2025 marketing season and clear Farmer Input Support Program arrears. Government directives during the 2025 marketing season led the Food Reserve Agency to purchase substantially more maize than its approved budget of roughly 543,000 MT, driving the largest single item in the supplementary. To finance the resulting gap, Government authorised K7.5 billion in additional domestic borrowing, lifting the year's net domestic borrowing authorised from K21.6 billion to K29.1 billion. CSPR is concerned that, because most of the supplementary went toward clearing arrears and honouring the wage settlement rather than funding new priorities, it has effectively competed with social sector allocations that were already under strain.

Monthly Treasury releases through the first half of the year reinforce this concern. In June 2026 alone, Government released K49.1 billion, of which K34.9 billion, or 71% went toward debt servicing, including the full buyback of Bond B. While this supports fiscal credibility and long-term debt sustainability, it also crowds the development envelop. The combined social and capital expenditure share of the June release stood at just 11.5%. Across the half-year, debt servicing and the wage bill remained the dominant claims on disbursed resources, while programmes such as the Social Cash Transfer, Food Security Pack, and Farmer Input Support Programme received allocations at levels below, or unevenly distributed against, their budget targets.

Further, the consistency of monthly expenditure execution against target is of considerable concern. Between January and May 2026, actual disbursement swung sharply from month to month rather than tracking a steady trend, January came in 17% above target, February reversed to a 22% shortfall, March overshot by 41%, April fell 32% short, and May remained 22% below target. Three of these five months moved in the opposite direction from the one before, with swings of 39%, 63% and 73% points between consecutive months. Notably, cumulative target in aggregate, a modest 5.8% net short fall, even though no single month came close to its own target. CSPR considers this pattern more consistent with weak in-year cash flow planning, releases delayed in one month and caught up in the next, or procurement and disbursement timing that does not map cleanly onto monthly targets, than with a genuine funding shortfall. regardless of cause, the unpredictability itself carries a cost, it undermines the ability of implementing agencies, supplies and service providers to plan around when funding will arrive, and CSPR recommends that Government prioritise consistency of monthly execution against target, not only the year end aggregate outturn, as part of its Q3/Q4 fiscal management.

On the macroeconomic backdrop, CSPR notes encouraging signs alongside the fiscal strain. Real GDP grew by an estimated 7.7% year on year in the first quarter of 2026, and gross international reserves reached a record US$6.48 billion in February 2026 before easing to US$6.20 billion in March. Inflation has continued to decline, and the Kwacha has appreciated from K19.26 to K17.82 against the US Dollar between January and June.

Given these findings, CSPR calls on Government to strengthen fiscal risk management and comprehensively budget for contingency spending, to avoid recourse to supplementary budgets that compromise budget credibility; increase domestic revenue mobilisation by strengthening digital tax collection systems, realign spending priorities toward key develop priorities over politically aligned programmes such as FISP, provide a comprehensive public account of total revenue foregone through VAT and fuel excise suspension, and its implications on public service delivery, and exercise caution on the growing appetite for domestic borrowing which risks crowding out private sector credit, and in turn undermining the very domestic resource mobilisation Government is seeking to strengthen.

CSPR remains committed to constructive engagement with Government, working together to ensure that fiscal policy in the second half of 2026 protects the social sector gains Zambians depend on, while safeguarding the hard-won macroeconomic stability of the past three years.

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