CIVIL SOCIETY FOR
POVERTY REDUCTION

CSPR RESPONSE TO THE AUGUST 2026 BUDGET RELEASE BY THE TREASURY

From the Civil society for Poverty Reduction's (CSPR) standpoint, the August treasury release reflects both responsible short-term fiscal management and continuing limitations in Zambia's fiscal space. The release of **K16.1 billion** indicates that Government is committed to meeting essential obligations. After analysing the distribution where debt and arrears constitute almost half of the release and only K1.7 billion or 10.5% went to transfers, subsidies and social benefits. Among the notable recipient-programmes under this line was the Social Cash Transfer, which provides income support to vulnerable households, and grant-aided institutions such as hospitals. **It is our position that timely debt payments and arrears clearance can strengthen fiscal credibility, improve liquidity for suppliers and protect financial-system stability. Continued funding for social protection, health institutions and infrastructure is also important for protecting vulnerable households and sustaining service delivery.**

However, **the composition of the release shows that fiscal space remains constrained. Debt service and arrears absorbed approximately 47%** of the August allocation, while capital expenditure accounted for only about 5.6%. This means that a substantial share of available cash is being committed to past and mandatory obligations, leaving less room for new investments and frontline services. The pattern is consistent with CSPR's mid-year analysis where we observed that in June, K34.9 billion of the K49.1 billion released which is about 71% went to debt service and arrears. Therefore, a high headline release does not necessarily translate into a comparable increase in resources reaching schools, health facilities, local authorities or development projects.

CSPR's mid-year assessment also found that the original fiscal framework was under pressure. First-quarter tax revenue, non-tax revenue and grants fell below projections, while expenditure exceeded its quarterly target. The K26.3 billion supplementary budget, equivalent to 10.4% of the original budget, included K7.5 billion in additional domestic financing. This could raise indicative domestic borrowing from K21.62 billion to K29.12 billion, or approximately 3.15% of the original GDP base, above the 2.3% target. The Bank of Zambia's projected fiscal deficit of 3.5% of GDP, compared with the original 2.1% target, further confirms the pressure on the fiscal position.

CSPR would therefore not describe the August allocation as irresponsible simply because debt obligations received a large share. Meeting debt-service commitments and clearing verified arrears are necessary elements of responsible fiscal management. Nevertheless, the allocation should not be interpreted as evidence that Zambia has adequate fiscal space. Rather, it demonstrates that the Government is managing immediate obligations within a constrained fiscal environment.

Isabel Mutembo Mukelabai
Executive Director