



CSPR WELCOMES THE COMMENCEMENT OF IMF TALKS ON THE SUCCESSOR PROGRAMME BUT CAUTIONS ON DEBT SERVICING PRESSURE AND RELIANCE ON HEADLINE MACRO-ECONOMIC INDICATORS AS A MEASURE OF PROGRAMME SUCCESS OVER HOUSEHOLD WELFARE.

The Civil Society for Poverty Reduction welcomes the commencement of discussions between the Government of the Republic of Zambia and the International Monetary Fund on a successor Extended Credit Facility programme.

The talks come at an important point for the Zambian economy. The previous IMF-supported programme helped restore macroeconomic stability, strengthen reserves, improve investor confidence and support progress towards debt restructuring. However, stability must now translate into broad-based economic recovery, decent employment, improved household incomes and measurable poverty reduction.

The proposed successor programme should therefore mark a deliberate transition from a primary focus on stabilisation towards inclusive, productive and employment-intensive growth. This is broadly consistent with the Government's Grow Zambia Agenda and the 2027–2029 Medium-Term Budget Plan, which seek to promote export-led growth, investment, economic diversification, human capital development and a stronger regulatory and governance environment.

The Medium-Term Budget Plan projects average economic growth of 6.9 percent over 2027–2029, with growth reaching 6.0 percent in 2027, 7.5 percent in 2028 and 7.1 percent in 2029. The country has also set ambitious production targets, including 10 million tonnes of maize, 10,000 megawatts of electricity generation, 5 million tourist arrivals, 3 million tonnes of copper and increased production of soya beans, wheat and sugar.

These objectives are important because Zambia cannot reduce poverty through fiscal consolidation alone. Growth must expand productive opportunities for small-scale farmers, informal businesses, women, young people, small and medium-sized enterprises and communities outside the main urban and mining centres. It must also improve access to education, health, electricity, water, finance, markets and social protection.

A new IMF agreement is therefore important because it can provide a credible macroeconomic policy anchor, support continued access to concessional financing, strengthen confidence in Zambia's economic management and help preserve the gains

made under the previous programme. If properly designed, it can create the fiscal and policy space needed for investment in agriculture, energy, manufacturing, tourism, infrastructure, education, health and social protection.

However, CSPR believes that the successor programme must be approached with caution. First, the programme should not reproduce a form of adjustment that protects headline fiscal indicators while weakening household welfare. The 2027–2029 Medium-Term Budget Plan provides for K212.2 billion in debt service payments, compared with K63.2 billion for social benefits over the same period. This underlines the continuing pressure of debt obligations. As CSPR we urge the Government that as it get to negotiate the new programme with the IMF, Social Cash Transfers, the Food Security Pack, school feeding, public welfare assistance and child-focused interventions must be treated as essential investments rather than residual expenditures.

Second, revenue mobilisation must be fair, progressive and transparent. The proposed Medium-Term Revenue Strategy includes the expansion of the tax base, property taxation, the integration of informal businesses and artisanal miners, digital compliance and a review of tax incentives. **These reforms can strengthen Zambia's fiscal position, but they must not impose disproportionate burdens on low-income households, small traders and vulnerable businesses. The process should include clear safeguards, simplified compliance procedures, transparency on tax expenditures and stronger measures to ensure that large and profitable economic actors, including multinational mining companies, make an equitable and fair contribution towards the revenue basket.**

It is our position as CSPR that the IMF programme must ensure that fiscal consolidation does not crowd out productive public investment. The Government's targets of increasing domestic revenue from 21.8 percent of GDP in 2027 to 22.8 percent in 2029, while reducing net domestic borrowing from 3.4 percent to 2.0 percent of GDP, will require stronger revenue performance and disciplined expenditure management. These targets should be accompanied by clear protection for high-impact investments and essential public services.

The Common Framework for debt restructuring under which Zambia's external debt was required provides an important opportunity, but it also contains conditions that require careful attention by all stakeholders in Zambia. Under the official creditor agreement, Zambia secured significant maturity extensions and lower interest rates. The agreement was expected to generate approximately US\$5 billion in debt-service savings between 2023 and 2031, with official creditor payments of about US\$750 million over the next decade compared with nearly US\$6 billion under the previous contractual arrangements.

The agreement also contains an adjustment mechanism. If Zambia's debt-carrying capacity improves sufficiently to justify an upgrade from "weak" to "medium", repayments would be accelerated, final maturities reduced by five years and interest rates increased. This is an important upside case because it reflects stronger economic performance, higher copper prices and renewed mining investment. At the

same time, it means that improved economic conditions will not automatically translate into permanent fiscal space. A copper price recovery or mining boom could also trigger a faster debt-service schedule.

CSPR therefore urges Government and the IMF to ensure that prudent fiscal rules, transparent debt-service planning and mechanisms that do not have a negative bearing on citizen's welfare accompany any upside-case scenario. Improved growth should support poverty reduction and economic transformation, rather than simply bringing forward debt repayments. The Medium-Term Budget Plan states that agreements in principle have been reached for 94 percent of the debt covered under the external debt-restructuring framework, while engagements with outstanding creditors will continue. This is a welcome milestone, but it is not sufficient for public accountability. Zambia needs a current and comprehensive update on the remaining external debt.

CSPR calls for the successor IMF programme to be negotiated transparently and aligned with Zambia's national development priorities as Zambia will be implementing the 9th National Development Plan aligned with the Grow Zambia Agenda. The programme should include explicit safeguards for social spending, stronger debt transparency, and protection of productive investment, fair revenue mobilisation, climate resilience, employment creation and regular public reporting on implementation. **The success of the new IMF should ultimately be measured not only by reserves, inflation or deficit indicators, but also by whether it improves livelihoods, reduces poverty and expands economic opportunity for the majority of Zambians.**

Isabel Mutembo Mukelabai
Executive Director