CSPR
ZAMBIA
CIVIL SOCIETY FOR POVERTY REDUCTION

Fiscal Governance Advocacy:

Supplementary Estimates 2-2026

Supplementary Estimates No. 2 of 2026



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CIVIL SOCIETY FOR POVERTY REDUCTION

AN ANALYTICAL BRIEF ON SUPPLEMENTARY ESTIMATES NO. 2 OF 2026

A Fiscal and Economic Governance Advocacy Publication

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Executive summary assessment

Supplementary Estimates No. 2 of 2026 is a proposed K19.9 billion supplementary budget concentrated in Agriculture. The Ministry of Agriculture would receive K15.8 billion, approximately 79.4% of the proposed supplementary budget, with a larger share of this being K14.7 billion for Food Reserve Agency (FRA) maize-payment obligations and K1.1 billion for a FISP e-voucher top-up. The proposed supplementary budget is therefore principally a food-security and farmer-payment intervention, rather than a broad-based expansion of development spending.

The immediate poverty-reduction rationale is credible: timely farmer payments can support rural incomes, the K1.1 billion FISP e-voucher top-up can protect the next production cycle, and education financing can relieve pressure on students and households. However, the proposed financing design is the central fiscal concern, from our perspective. The proposed K18.0 billion in additional domestic borrowing represents approximately 90.5% of the proposed supplementary budget. If additional, it would contribute to an illustrative cumulative domestic-financing scenario of K47.12 billion when combined with the approved K21.62 billion plan and the K7.5 billion additional financing under Supplementary Estimates No. 1. The scenario is approximately 5.1% of the original implied GDP base, compared with the approved 2.3% net-domestic-borrowing objective for 2026. We do emphasize that though the comparison is indicative and does not by itself establish a final outturn or a breach of a statutory ceiling, its benefits should be weighed against future interest costs, re-financing pressures and the risk of displacing essential services, particularly social services.

The International Monetary Fund (IMF) projects real GDP growth of 5.6% in 2026; Zambia Statistics Agency reports September inflation of 6.1% and gross international reserves of US$6.1 billion. The IMF also identifies fiscal weakening arising from VAT underperformance, lower fuel-tax receipts and higher-than-budgeted FRA spending. These findings indicate improving macroeconomic stability alongside fragile fiscal space.[1]

CSPR's position on the proposed supplementary budget is one of conditional support: protect food security, farmers' livelihoods and vulnerable households, while requiring a reconciled fiscal framework, an updated Annual Borrowing Plan, transparent FRA fiscal-risk reporting, a debt-market assessment, and safeguards for pro-poor and high-return spending. On a gross illustrative basis, the 2026 expenditure envelope would be K299.3 billion, but this is not necessarily the final revised spending ceiling because we do note that Supplementary Estimates No. 1 identifies K10.0 billion in expenditure rationalisation and Government must therefore reconcile re-allocations, carryovers and financing. With about two months remaining in 2026, CSP is of the view that Parliament should urgently request government to provide a dated implementation and cash-release plan. Approval of the Supplementary Estimates No.2 of 2026 should therefore be accompanied by these accountability measures, rather than treated as an isolated expenditure decision.

[1] International Monetary Fund, 'IMF Reaches Staff-Level Agreement on a New Extended Credit Facility Arrangement with Zambia', Press Release no. 26/331 (9 October 2026).

1. Background, mandate and purpose

The CSPR's interest in analysing the national budget iis anchored on the premise that public spending and its financing are central to poverty reduction efforts. CSPR's mission is to build the voice of the poor to fight poverty and inequality, through stimulation the participation of grassroot civic actors in national development processes, stimulation pro poor policy reforms and brokering the relationship between rights holders and duty bearers through sustained policy dialogue that is informed by data driven social accountability methods .building. Under its economic-governance thematic focus, CSPR advocates for sound fiscal management and regulatory frameworks that support sustainable growth, reduce economic vulnerabilities and inequality.

CSPR's role is to examine whether those changes that respond to citizens' needs, are financed sustainably as per national plans and budgets, and protect the interests of people living in or at risk of poverty. Analysis of a supplementary budget is therefore pivotal to CSPR's public finance management (PFM) advocacy focus. Specifically, its forms part of our continued budget monitoring and evidence-based advocacy, through assessing the size of new allocations, beneficiaries of such new allocations, who may bear the adjustment costs, and whether commitments translate into timely services and improved household support and welfare.

1.1 How the budget affects poverty reduction

The budget affects poverty through several connected channels. Expenditure on Health, Education and Social Protection influences access to essential services and households' out-of-pocket costs. Agricultural support, infrastructure and local-government transfers can influence production, market access, employment and resilience. Revenue and financing choices affect the distribution of the fiscal burden and the resources available for future services. These are the poverty-impact channels considered for this assessment.

For Supplementary Estimates No. 2, farmer payments may ease liquidity constraints and help households meet consumption, schooling and production costs. The K1.1 billion FISP e-voucher top-up may protect access to inputs for the 2026/27 farming season, particulary in the wake of the super EL nino anticipated impacts. Strategic food stocks may help manage supply shocks if storage, turnover and distribution are effective. Higher Education Loans and Scholarships Board (HELSB) financing may prevent tuition and allowance shortfalls from being transferred to students and their families.

These benefits are, however, not automatic. Their scale and distribution depend on payment timeliness, beneficiary coverage, delivery costs and accountability. Some poor households are net food buyers, while others produce marketable surpluses; an intervention that supports sellers may have different effects on buyers. CSPR therefore assesses the proposed supplementary budget against both immediate household benefits and its implications for debt costs, prices, private-sector credit and predictable financing of essential services.

1.2 Purpose and analytical approach

The purpose of this brief is to assess whether Supplementary Estimates No. 2 can meet immediate food-security and payment needs without undermining Zambia's fiscal credibility, debt sustainability, poverty-reduction commitments and growth prospects. The analysis moves from the approved budget baseline and current macroeconomic context to the supplementary allocations, their financing, poverty implications and policy recommendations.

The assessment draws on the 2026 Budget and the official statement on Supplementary Estimates No. 1, both published on the Ministry of Finance and National Planning together with IMF, Bank of Zambia and Zambia Statistics Agency publications. The 2026 Annual Borrowing Plan, provides the official reference point for obtaining the borrowing-plan document.[2]

2. Approved budget baseline and macroeconomic context

2.1 Objectives and resource envelope

The approved 2026 Budget established the following six macroeconomic objectives.[3]

Table 1. Macroeconomic objectives in the 2026 Budget

Objective	2026 target
Real GDP growth	6.4%
Inflation	6–8% target band
Gross international reserves	Above four months of import cover
Domestic revenue	At least 22.3% of GDP
Fiscal deficit	2.1% of GDP
Net domestic borrowing	2.3% of GDP

Source: Ministry of Finance and National Planning, 2026 Budget Speech (MOFNP)

The original resource envelope was K253.089 billion, equivalent to 27.4% of GDP. It comprised K206.452 billion in domestic revenue, K12.148 billion in grants and K34.490 billion in gross financing. The financing component comprised K21.620 billion in domestic financing and K12.870 billion in foreign financing.[4]

[2] Republic of Zambia, Ministry of Finance and National Planning, '2026 Annual Borrowing Plan

[3] Republic of Zambia, Ministry of Finance and National Planning, *2026 Budget Speech* (Lusaka, 26 September 2025), para. 29.

[4] Ministry of Finance and National Planning, *2026 Budget Speech*, para. 150 and Table 2.

The budget already carried substantial debt-related allocations, as shown below.

Table 2. Selected debt-related allocations in the approved 2026 Budget

2026 budget line	Amount	Share of approved budget
Domestic debt interest	K52.0bn	20.5%
External debt: interest and principal	K21.7bn	8.6%
Total listed debt service	K73.7bn	29.1%

Source: Ministry of Finance and National Planning, 2026 Budget Speech, Table 1. Shares calculated against K253.089 billion.

Domestic debt costs are a major near-term constraint on fiscal space. The Budget Speech links the increased domestic debt-servicing burden to Treasury bills and government bonds issued heavily between 2015 and 2021. Additional borrowing must therefore be assessed against an already demanding debt-service baseline.[5]

2.2 Current macroeconomic conditions

The IMF's 9 October 2026 assessment projected Zambia's growth of 5.6% in 2026, supported by agricultural production, mining and exports. This is below the budget target of 6.4%. September inflation was 6.1%, within the Bank of Zambia's 6–8% target band, and gross international reserves reached US$6.1 billion. Zambia and the IMF signed a Staff level agreement on a $1.4bn 36 Months programme following the end of the first programme ($1.7bn Extended Credit Facility) on 30th January 2026. The IMF's staff level is subject to Executive Board approval and agreed prior actions; it is not therefore an already approved financing arrangement.[6]

Despite these gains, the IMF reported fiscal weakening from lower-than-projected VAT collections and fuel-tax receipts, alongside markedly higher FRA spending. It identified corrective measures including **reversal of temporary fuel-tax relief** and **scaling back of non-priority capital spending**. CSPR's assessment is that consolidation should preserve essential services and productive maintenance, rather than shift the burden disproportionately onto poor households.[7]

Zambia Statistics Agency's final estimates show that real GDP grew by 5.4% in 2025, compared with 3.8% in 2024. These historical results demonstrate recovery.

The Bank of Zambia reduced the monetary policy rate by 250 basis points, from 13.25% to 10.75%, effective 30 September 2026. This easing, however, does not guarantee lower government borrowing costs as issuance volumes, maturities, liquidity conditions and

[5] Ministry of Finance and National Planning, *2026 Budget Speech*, paras. 153 and 157.
[6] IMF, 'Staff-Level Agreement on a New Extended Credit Facility Arrangement with Zambia' (9 October 2026).
[7] IMF, 'Staff-Level Agreement on a New Extended Credit Facility Arrangement with Zambia' (9 October 2026).

investor demand also matter. The policy challenge is to preserve price stability while avoiding financing choices that constrain productive investment and priority services.[8]

3. What Supplementary Estimates No. 2 changes

The proposed supplementary budget is dominated by agriculture spending. The details show that FRA purchased 2.7 million tonnes of maize against an original target of 500,000 tonnes, creating a much larger payment requirement. The proposed spending of the Supplementary budget is summarized table below;

Table 3. Selected allocations in Supplementary Estimates No. 2

Proposed use	Amount	Share of proposed supplementary budget	Analytical interpretation
Agriculture: FRA and FISP	K15.8bn	79.4%	Dominant intervention: farmer payments and input support
Of which: FRA maize payments	K14.7bn	73.9%	Payment for 2.7m tonnes purchased against a 0.5m-tonne target
Of which: FISP e-voucher top-up	K1.1bn	5.5%	Protects input access for the 2026/27 farming season
Finance and National Planning	K1.3bn	6.3%	ASYCUDA processing fees and additional World Bank-supported projects
Education: HELSB	K540m	2.7%	Covers tuition and allowance shortfalls
Defence	K422.5m	2.1%	Higher-than-anticipated security operations
Contingency vote	K300m	1.5%	Remaining-year unforeseen expenditure

Constructed from the Ministry of Finance and National Planning statement on Supplementary Estimates No. 2 of 2026.

The K15.8 billion supplementary agriculture allocation is slightly larger than the original K15.545 billion allocation for agriculture, fisheries and livestock in the 2026 Budget. The K14.7 billion FRA payment provision is approximately seven times the original K2.101 billion strategic-food-reserve line.

[8] Bank of Zambia, 'Monetary Policy Rate', Key Indicators (rate effective 30 September 2026; accessed 25 October 2026).

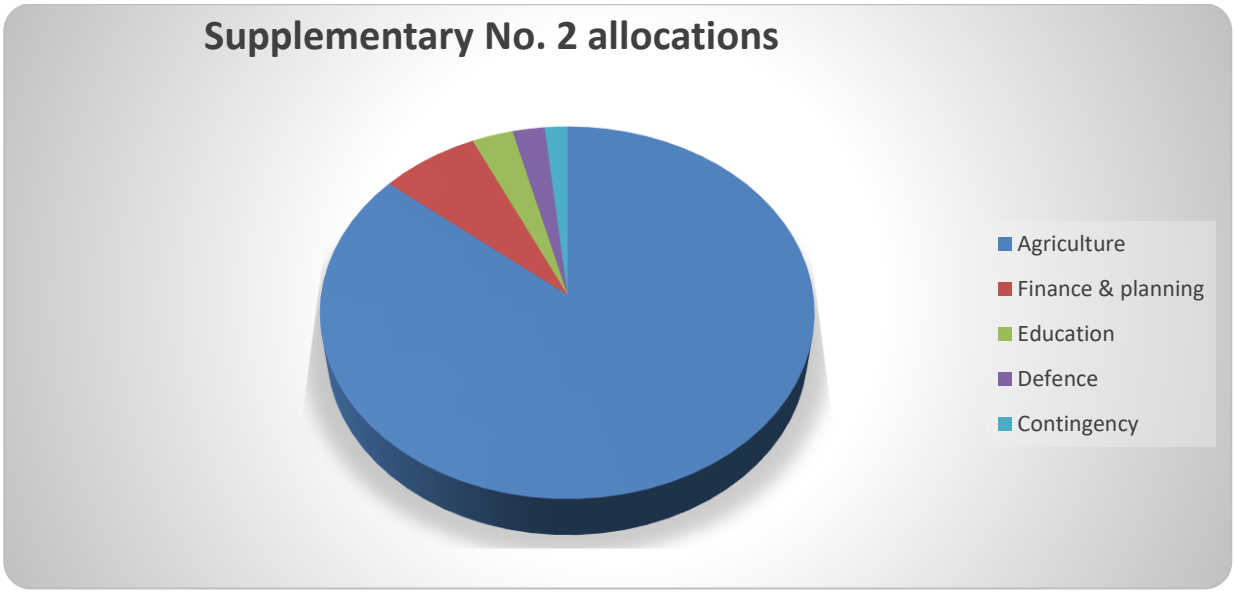


Figure 2. Supplementary Estimates No. 2 allocation

Source: MOFNP

The concentration of spending creates an accountability question whether the FRA purchase and the FISP e-voucher commitment are an exceptional one time-bound response to identified needs, or whether they establish a higher recurring expenditure baseline. CSPR considers that the Government should explain the food-security justification, the payment obligations, the stock-management framework and the longer-term fiscal consequences before further commitments accumulate.

4. Financing and debt implications

4.1 Financing composition

Table 4. Proposed financing of Supplementary Estimates No. 2

Financing source	Amount	Share of proposed supplementary budget	Analytical assessment
Additional domestic borrowing	K18.000bn	90.5%	Direct pressure on debt stock, interest costs and rollover risk
Additional revenue	K1.300bn	6.5%	Requires a credible collection plan
Additional donor funds	K510.8m	2.6%	Additional donor funding; availability and grant terms require confirmation
External debt-service savings	K82.9m	0.4%	Relatively small offset
2025 balances carried forward	K27.3m	0.1%	One-off financing source

Domestic borrowing supplies approximately 9/10 of the financing package. Additional revenue needs a published collection plan, while donor funding requires confirmation of availability, timing and conditions. Debt-service savings and carried-forward balances provide only small, non-recurring offsets. The financing proposal should therefore be assessed primarily as a material increase in domestic financing requirements and reconciled transparently with the approved 2.3% net-domestic-borrowing objective.

4.2 Illustrative cumulative domestic-financing scenario

The original domestic-financing plan was K21.62 billion. The official statement on Supplementary Estimates No. 1 provided for K7.5 billion in additional domestic financing, giving an indicative cumulative amount of K29.12 billion before Supplementary Estimates No. 2. If the K18.0 billion proposed under Supplementary Estimates No. 2 is wholly additional, the corresponding illustrative scenario reaches K47.12 billion, more than twice the original plan.

Using the original implied nominal GDP base of approximately K923.7 billion, derived from K253.089 billion divided by the reported 27.4% budget-to-GDP ratio, the three scenarios of the net domestic borrowing are approximately 2.3%, 3.15% and 5.10% of GDP. The published net-domestic-borrowing objective is 2.3% of GDP. The illustrative 5.10% scenario should however not be presented as the final outturn or as proof of a statutory breach: the

eventual result depends on revised GDP, cash flows, refinancing, internal reallocations and the treatment of both supplementary packages. Parliament should request a clear justification, an updated Annual Borrowing Plan and a debt-market assessment of interest costs, maturities, investor demand, private-sector credit and future fiscal space.

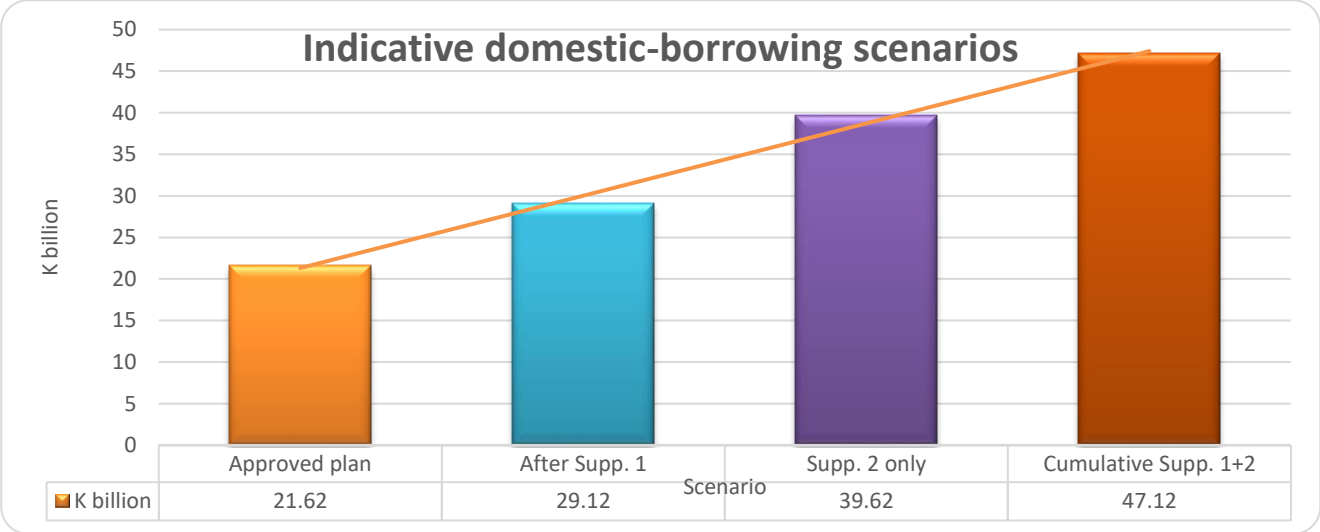


Figure 3. Indicative domestic-financing scenarios (K billion)

The proposed K18.0 billion is 83.3% of the original K21.62 billion plan. Together, the two supplementary increments total is K25.5 billion, or approximately 118.0% above the original plan. The resulting illustrative scenario is more than double the original domestic-financing amount, **underscoring the need for a revised fiscal and borrowing framework and a clear explanation of how the impacts will be contained.**

CSPR identifies five principal risks in this scenario:

1. Higher interest and re-financing risk. Additional Treasury-bill and bond issuance increases future payment obligations. The risk is greater where maturities are short, yields rise or investor demand weakens.
2. Crowding out of productive credit. Increased demand for government financing may draw financial institutions towards public securities, limiting credit available to firms, farmers and households. The extent depends on market liquidity and investor behavior.
3. Fiscal–monetary coordination pressures. Larger issuance can complicate liquidity management. Inconsistent fiscal and monetary signals may weaken confidence and make price or exchange-rate stability harder to preserve.
4. A recurring debt-service burden. A one-off maize-payment intervention can generate interest costs over several years, narrowing the resources available for future services and investment.
5. Budget credibility risk. A materially higher domestic-financing requirement, without transparent reconciliation to the published borrowing objective, would weaken the credibility of the annual fiscal framework.

4.3 Illustrative cumulative expenditure envelope

Adding the original K253.089 billion envelope, Supplementary Estimates No. 1 of K26.3 billion and Supplementary Estimates No. 2 of approximately K19.9 billion gives a gross illustrative sum of K299.3 billion, about 18.3% above the original envelope. However, the first supplementary statement identifies K10.0 billion in expenditure rationalisation within the approved budget. The Government should reconcile additional spending, re-allocations, carryovers and financing in one consolidated framework. With about two months remaining in 2026, that framework should include a dated implementation and cash-release plan distinguishing commitments to be paid before year-end from those that may carry into 2027.

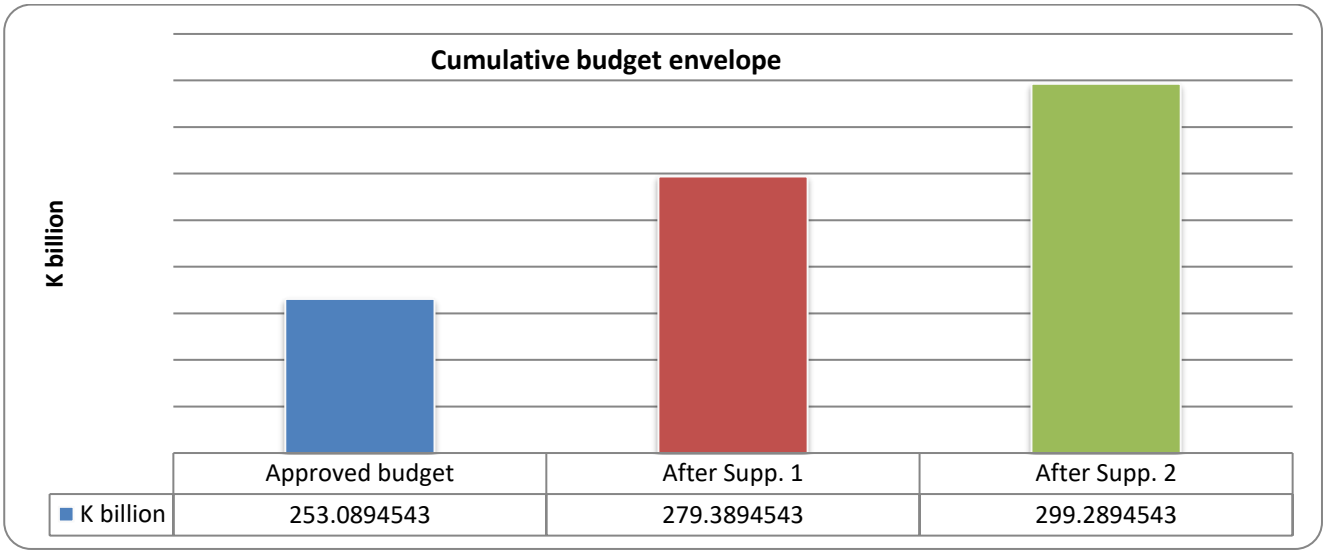


Figure 4. Gross cumulative expenditure-envelope illustration (K billion)

5. Poverty, service delivery and fiscal governance

5.1 Potential household and production benefits

The proposed supplementary budget can advance poverty-reduction objectives if payments reach eligible farmers promptly and the K1.1 billion FISP e-voucher top-up is delivered before the relevant production decisions are made. Timely payment can improve household liquidity, while predictable input support can reduce disruption to the next harvest. Food stocks can contribute to resilience where purchases, storage and market interventions are governed transparently. Further, HELSB funding can protect students from tuition and allowance shortfalls.

This assessment nevertheless distinguishes allocations from results. What should be of greater consideration is how many farmers are paid, how long they wait, whether small-scale producers benefit, and whether input support reaches intended beneficiaries. Food-stock performance should be assessed against storage losses, turnover and transparent use of stocks. For HELSB, the relevant test is whether eligible are students receive financing on time. The allocation data alone do not establish the causes of the spending pressures; Parliament should require evidence on the underlying obligations and implementation timetable.

5.2 Distributional and displacement risks

The original 2026 Budget allocated approximately K33.0 billion to education, K26.2 billion to health, K15.7 billion to social protection and K14.5 billion to roads. These allocations provide an important baseline for assessing whether subsequent fiscal adjustment protects essential services and productive investment.[9]

If debt costs and payment obligations absorb available cash, adjustment may fall on school grants, essential medicines, social cash transfers, Constituency Development Fund (CDF) releases, local-government transfers, road maintenance and suppliers outside the FRA. Delayed services and payments can shift costs onto households and businesses even when their nominal budget allocations are unchanged. This is a fiscal risk CSPR identifies and recommends monitoring through transparent cash-release and arrears reporting.

5.3 Accountability and implementation tests

From CSPR's perspective, budget credibility should be measured by whether financed commitments translate into predictable releases, timely payments and services that reach households. Programme-level output reporting, a poverty-impact screen and public reconciliation of cash and debt transactions should accompany supplementary budgeting. Reporting should distinguish commitments, releases, expenditure and outputs, rather than treating them as interchangeable.

A proportionate monitoring framework should disclose farmer-payment progress, FISP e-voucher delivery, FRA stock management and HELSB disbursements, alongside actual releases to protected social programmes. For the remaining 2026 period, Government should publish a dated implementation, cash-release and output-reporting schedule.

6. Recommendations

6.1 Publish a reconciled fiscal framework and borrowing plan

Before approval, Government should provide Parliament with a quantified justification for the proposed K18.0 billion in additional domestic borrowing and explain how interest costs, refinancing risks, private-sector credit and essential services will be protected. Within 30 days of parliamentary approval, publish a consolidated table reconciling the approved budget and Supplementary Estimates Nos. 1 and 2. It should show revised revenue and grants, additional expenditure, internal re-allocations, financing, debt service, arrears, the cash deficit and implications for the debt stock. The revised Annual Borrowing Plan should specify instruments, maturities, expected interest costs, investor base and treatment of the proposed K18.0 billion. It should distinguish gross issuance, refinancing and net borrowing so that Parliament and the public can assess the full fiscal effect. Government should also publish a dated implementation and cash-release plan for the remaining 2026 period.

6.2 Establish a transparent FRA fiscal-risk and food-security framework

Adopt and publish a rules-based framework for the FRA, defining an annual purchasing ceiling, target stock levels, acceptable storage losses, a stock-turnover schedule and a

[9] Ministry of Finance and National Planning, *2026 Budget Speech*, Table 1.

payment calendar. Disclose procurement volumes, stocks and payment obligations regularly. Purchases above the approved ceiling should trigger parliamentary notification and a quantified explanation of their fiscal risks and food-security rationale.

6.3 Introduce a domestic-borrowing risk trigger

Establish a trigger for heightened scrutiny through Parliament and stakeholders when revised net domestic borrowing is projected to exceed the Government's 2.3% of GDP objective or when issuance materially raises borrowing costs or refinancing risk. The trigger should require an updated domestic debt sustainability and market assessment covering interest costs, maturities, investor demand, private-sector credit and future fiscal space, consistent with the Public Debt Management Act No. 15 of 2022. The trigger is an accountability safeguard; the illustrative 5.1% scenario does not by itself establish a breach of a statutory ceiling.

6.4 Protect pro-poor and high-return spending

Set minimum quarterly release floors for priority programmes, including social cash transfers, the Food Security Pack, school grants, essential medicines, climate-resilient agriculture, critical road maintenance and local-government transfers. Publish a quarterly release calendar and report actual releases against it. Where a priority line is delayed or underfunded, disclose the amount and provide a dated, costed catch-up plan.

7. Conclusion

Supplementary Estimates No. 2 responds to an exceptional maize-payment requirement and related food-security and input-support needs, but it is not fiscally neutral. Approximately 79.4% of the proposed supplementary budget is concentrated in agriculture and 90.5% is proposed to be financed through domestic borrowing. The central question is therefore whether urgent support is delivered in a way that is equitable, accountable and sustainable, with a clear explanation of borrowing impacts and a dated implementation plan for the remaining 2026 period.

This analysis is consistent with our poverty-reduction and economic-governance mandate: public resources should reach vulnerable households and essential services, while financing decisions should preserve the ability to support those priorities in future budgets. Improving inflation, reserves and growth does not remove the need for disciplined fiscal management.

CSPR therefore offers conditional support: safeguard food security and household welfare, while requiring transparent fiscal reconciliation, an updated Annual Borrowing Plan, a debt-market assessment, stronger FRA accountability and enforceable protection of pro-poor and high-return spending. The test of success is not the size of the supplementary allocation alone, but timely delivery, demonstrable benefit, a credible implementation plan and the preservation of fiscal space for sustained poverty reduction.

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6. Zambia Statistics Agency, '2025 Final GDP by Production' (26 September 2026),

7. Bank of Zambia, https://www.boz.zm/>