



CSPR'S ANALYSIS OF THE 2025-2027 WHITE PAPER PRESENTED BY THE MINISTRY OF FINANCE AND NATIONAL PLANNING

February 2025



About Civil Society for Poverty Reduction

The Civil Society for Poverty Reduction (CSPR) is a civil society network that has been building the voices for pro-poor policies in the fight against poverty in Zambia. It was established in 2000, primarily to ensure that civil society effectively and meaningfully participated in the design, formulation, and implementation of the National Development Plans (NDPs) and further monitor the NDPs to ensure government provides a means by which Zambia can effectively strategize on reducing the escalating levels of poverty. Since the third quarter of 2000, and in response to an invitation from the Zambian Government, the civil society in Zambia has been participating in the process of formulating and monitoring the NDP for the country, and hence sought the need to form a network that would enhance the effectiveness of this participation. This move was mainly meant to Strengthen lateral learning among civil society and therefore build financial and technical capacities among civil society and other stakeholders for them to fully engage in Pro-poor development. Thematically, CSPR works across different themes such as:

- I. Economic governance,
- II. Climate and environment Justice,
- III. Social security and justice,
- IV. Civic engagement and decentralization
- V. Networking and coalition building.
- VI. Youth and women economic empowerment

Nationally, CSPR draws its membership across 5 provinces and 19 districts, with a total subscription of 104 members.

Background

On 2nd February, 2025, the Government of Zambia released its Medium-Term Budget Plan (MTBP) for the years 2025-2027. The MTBP which is also known as the White paper articulates a comprehensive strategy to address significant challenges including debt management, poverty alleviation, and ongoing power supply deficits induced by the drought. It lays out targeted fiscal policies focused on enhancing social spending and fostering sustainable economic growth, with the overarching goal of cultivating a resilient economy that benefits all Zambians.

The MTBP-2025-2027 prioritizes strengthening key sectors such as agriculture, mining, energy, and manufacturing, aligning its initiatives with the objectives of the 8th National Development Plan. It reflects the government's commitment to fiscal discipline, targeting a significant reduction in the fiscal deficit while mobilizing domestic revenue through improved tax administration and compliance.

The White paper serves not only as a firming mechanism for the approved budget in the stipulated financial year but also offers a fiscal outlook for the subsequent medium-term period. It outlines the government's performance expectations, policy directions, and anticipated economic trajectories. Projections indicate an ambition for over 6% average annual growth rate, alongside a contractionary fiscal policy aimed at reducing the fiscal deficit from 3.1% of GDP in 2025 to 0.7% by 2027. Additionally, domestic revenue mobilization is targeted to reach at least 21.2% of GDP by 2027, facilitated through enhanced tax policies and technology-driven improvements in tax compliance.

This paper analyses the White paper with respect to the Macro-economic targets set for medium term 2025-2025 and provides the position of CSPR on social economic implications.

Table 1: Macro Economic Targets of Zambia's MTBP 2025-2027

Indicator	2025 Target	2026 Target	2027 Target
Fiscal Deficit (% of GDP)	3.1%	1.9%	0.7%
Annual Economic Growth Rate (%)	6.6%	5.9%	5.6%
Domestic Revenue (% of GDP)	20.5%	20.9%	21.2%
Inflation Rate (%)	6-8%	6-8%	6-8%

Source: Mofnp

Table 2: Commodity Prices and Production

	2025	2026	2027
Copper Prices (in US \$/MT)	10,329	10,228	10,029
Copper Productions (MT)	822,661.30	905,249.90	1,012,699.30
Oil Price (USD) per barrel	80.0	80.0	81.0

Source: Mofnp

THE MACRO-ECONOMIC AND PRIORITY SELECTED SOCAIL SECTOR ANALYSIS

Real GDP growth target of 6% in the medium term. The Government has set to achieve 6% real GDP growth in the medium term presents an ambitious target in respect of the 2024 downturn of Q3 growth rate 2.5% compared to the 5.7% growth in 2023. The Projected growth rate for 2024 was 4.5% which was later downgraded to 1.3% due to among other factors the effect of the drought on production. CSPR however notes that the projected growth in the medium term is predominantly to be driven by the rise in copper mining activities and favorable rainfall received in the 2024-2025 season that is expected to boost agriculture output and energy supply. As seen from table 2 above, the underlying assumptions are that copper prices will average around \$10,195 while copper production will continue to increase from 822,661.30MT in 2025 to 1012,699.30 in 2027. While CSPR does acknowledge the growing global demand of copper, it raises great concern on the over-reliance on copper output and projected favorable global market price of copper to drive the desired growth rate of 6% in the medium term 2025-2027. If global commodity prices fall, Zambia could struggle to meet this growth target, especially if the economy remains less diversified and still vulnerable to external shocks as well as internal structural challenges especially in the energy sector that have affected output in other key

sectors such as manufacturing.

Further, despite the global outlook projection of a resilient global economy, the OECD warns that the global outlook highlights ongoing uncertainties, noting that escalations in Middle Eastern conflicts could disrupt energy markets and undermine confidence and global growth. Additionally, increasing trade tensions may hinder trade growth, while unexpected fluctuations in growth forecasts or disinflation paths could lead to significant corrections in financial markets. Zambia has had a history of economic growth down-turns in times when prices of copper drastically dropped on the international market. This is because Zambia's main source of foreign exchange revenue remains copper exports which account for about 70% of total export revenue.

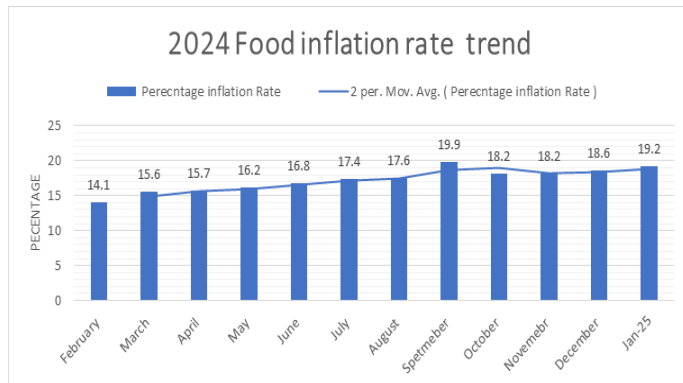
CSPR notes that Zambia's growth projections for the medium term (2025-2027) hinge significantly on the successful implementation of the 8th National Development Plan (8NDP), which prioritizes inclusive economic growth and sustainable development. If Zambia can effectively align its growth strategies with the 8NDP's inclusive framework, the projected growth rates 6 percent are plausible as the framework calls for economic diversification in line with the 2030 vision for a middle class and prosperous Zambia. The CSPR underscore this point by highlighting the 2030 targets on economic diversification in the table below.

ZAMBIA'S 2030 DIVERSIFICATION GOALS

SECTOR	SECTOR VISION	TARGETS/GOALS
Agriculture	An efficient, competitive, sustainable and export-led agriculture sector that assures food security and increased income by 2030	<p>Increase agricultural productivity and land under cultivation by 2030;</p> <p>Increase exports of agricultural and agro-processed products by 2030;</p> <p>Increase land under cultivation to 900,000 hectares by 2030;</p> <p>Increase land under irrigation to 400,000 hectares by 2030;</p> <p>Increase agricultural machinery, tractors per 100 hectares to 2 by 2030;</p> <p>Increase livestock population to 6,000,000 by 2030;</p> <p>Increase fish population to 300,000mt by 2030.</p>
Tourism	Be a major tourism destination of choice with unique features by 2030	<p>Develop, rehabilitate and maintain related infrastructure by 2030;</p> <p>Diversify tourism products by 2030;</p> <p>Increase the participation of locals in the industry;</p>
Manufacturing	Technology-based and export-focused manufacturing sector, which is dynamic and competitive with effective entities that add value to the locally abundant natural resources by 2030.	<p>Develop a fully integrated rural-based agro-based and light-manufacturing by 2030;</p> <p>Increase the share of general manufacturing contribution to GDP to 36.12% by 2030;</p> <p>Increase manufactures exports as a share of merchandise exports to 71 percent by 2030.</p>
Infrastructure	A well-developed and maintained socio-economic infrastructure by 2030	<p>Develop and implement public-private partnerships;</p> <p>Achieve affordable and efficient connectivity;</p> <p>Increase GDP contribution</p>

Achieving these targets will require strong governance, effective resource management with adherence to the Public Finance Management Act and ensuring strong fiscal consolidation efforts amidst debt service burden and global economic instability.

Inflation target of 6-8%



Source: Zamstats (reconstructed using official data)

In January 2025, Zambia’s annual inflation rate reached a three-year high of 16.7%, remaining steady from the previous month. Notably, non-food inflation decreased to 13.2%, down from 14.2% in December 2024, while food prices accelerated to 19.2% January 2025, up from 18.6% the previous month as seen in the graph above. While none food inflation eased, the persistent rise in food inflation poses significant challenges for household consumption and overall economic stability. As food constitutes a substantial part of household budgets, rising prices can lead to increased poverty levels which currently stand at 60 % and reduced living standards .

The MTBP-2025 to 2027 sets the target between 6-8% and this may compel the Bank of Zambia to consider tightening monetary policy, which could impact borrowing costs and investment. Addressing these inflationary pressures through feasible fiscal policy interventions to boost output will be crucial for ensuring that the economic growth targets outlined in the 8th National Development Plan (8NDP) are achievable and sustainable. Thus, the success of the 8NDP, reflected in targeted investments, strategic sectoral growth, and improved governance, will play a pivotal role in shaping Zambia’s economic trajectory in the medium term, ultimately leading to enhanced living standards for its citizens.

Local Currency performance and implications on the MTBP-2025-2027

Between 2023 and January 2025, the Zambian kwacha faced significant depreciation against the US dollar. In the Q4 2023, it depreciated by 17.5%. In early 2024, it fell by an additional 4.6%. As of

January 2025, the kwacha further depreciated by 3.08%, reflecting ongoing economic challenges. The depreciation of the Zambian kwacha, combined with the anticipated persistence of elevated global crude oil prices, presents significant challenges for the Zambian economy, particularly in the context of the Medium-Term Budget Plan (MTBP) for 2025-2027. As per projections based on a five-year average, the kwacha is expected to experience renewed pressure beginning in March 2025 with emerging global instability even as the United States of American Government (USA Government) issues new policy orders; some of which may disrupt global trade and supply chains. This anticipated depreciation, coupled with anticipated rising crude prices, is likely to lead to increased pump prices of oil. Despite indications of stabilization in inflation rate during the fourth quarter of 2024, the emerging policy shifts by the USA Government could stimulate a secondary wave of inflationary pressures in 2025. This scenario underscores the fragility of the current global economic environment and the potential for renewed inflationary dynamics that could complicate fiscal management and social stability in the medium term 2025-2027.

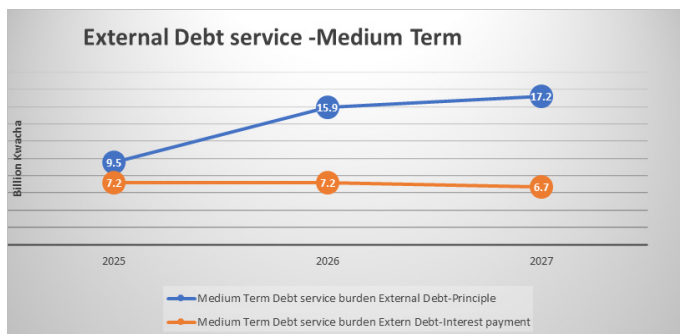
Should the depreciation of the kwacha against the dollar persist, careful adjustments to the MTBP for 2025-2027 will be necessary. The Government will need to balance the immediate challenges of rising costs and debt servicing with long-term investments in economic recovery and growth to ensure sustainable development.

Enhancing Domestic revenue with a target of 21.2 % of GDP by 2027

The MTBP-2025-2027 places domestic revenue mobilization target to reach at least 21.2% of GDP by 2027. The plan presents that this objective will be pursued through enhanced tax policies, the utilization of technology to improve tax administration, and the promotion of tax compliance. The CSPR acknowledges the importance of building a wider and resilient domestic resources base. The CSPR upholds that the highlighted measures for enhanced tax collection are vital for ensuring fiscal sustainability and advancing the country’s developmental agenda. However, the call for a progressive tax system cannot be overlooked especially in a country where average incomes remain relatively low. By adopting progressive tax policies, similar to Rwanda’s tax reform success, Zambia could increase tax compliance while alleviating the burden on low-income citizens. A progressive tax system is essential if we are to lower the current poverty statistics levels which currently stand at 60% .

PUBLIC DEBT MANAGEMENT

The MTBP plan emphasize on reducing the fiscal deficit from 3.1% of GDP in 2025 to 0.7% by 2027. By maintaining fiscal discipline, the government aims to ensure stability and promote increased public investment in social services that directly affect the poor. The Medium-Term Budget Plan (MTBP) for 2025-2027 presents several technical concerns regarding Zambia's fiscal framework, particularly following the recent restructuring of approximately 90% of the national debt. The MTBP macroeconomic target of limit net domestic borrowing to no more than 2.0 percent of GDP does not present without challenges.



Source: Constructed from data sourced from Mofnp

As seen from the figure above, the government plans to spend K42.5 billion in external debt principal over the three years, with K9.5 billion in 2025, K15.9 billion in 2026, and K17.2 billion in 2027. Over the medium term from 2025 to 2027, the Zambian government is projected to spend a total of K147.8 billion on domestic and external debt interest payments. In 2025, K44.5 billion will be allocated, including K37.3 billion for domestic debt and K7.2 billion for external debt. The following year, the expenditure increases to K56.2 billion, with K49.0 billion for domestic and K7.2 billion for external debt interest. By 2027, the total debt interest payment will decrease to K47.1 billion, comprising K40.4 billion for domestic and K6.7 billion for external debt.

Despite the debt restructuring, Zambia remains burdened by significant debt servicing obligations, which could severely limit allocations for critical social programs and poverty alleviation initiatives. Zambia's total debt currently totals \$25.3 billion with a substantial portion denominated in foreign currencies (external debt). This exposes the country to considerable exchange rate risk. For instance, should the Zambian kwacha depreciate by 10% against major currencies such as the US dollar, the effective cost of servicing foreign-denominated debt could increase; exacerbating the strain on the national budget and distorting the MTBP projections. On the positive side, CSPR notes that government

has revised its debt management strategy, adjusting the domestic and external debt ratio targets from 55:45 in the Medium-Term Debt Management Strategy (MTDMS) for 2023-2025 to 60:40 for the 2024-2026 period. This strategic shift indicates a focus on budget deficit financing through increased domestic borrowing, as outlined in the MTBP.

However, CSPR raises critical concerns regarding the implications of this strategy on the private sector. The increased reliance on domestic borrowing could lead to higher interest rates, resulting in a capital-intensive environment that may stifle private sector investment if executed without adequate safeguards that may not compromise the country's fiscal stability. This approach could counteract efforts aimed at fostering private sector growth, as indicated in the MTBP, which emphasizes the need for vibrant private sector participation in driving economic recovery and development.

HUMAN DEVELOPMENT AND SOCIAL PROTECTION

The Zambian Medium-Term Budget Plan (MTBP) for 2025-2027 outlines a comprehensive strategy that interlinks education, health, water access, and social protection, vital for promoting human and social development. The government has set ambitious targets and allocations to ensure these sectors receive the necessary funding to foster a resilient and productive population.



Social Protection

The outlined comprehensive expenditure plan for the medium-term totaling K49.2 billion for social protection programs over the medium term 2025 to 2027 is commendable. This strategic financial commitment aims to bolster the welfare of vulnerable populations and enhance social safety nets across the nation. The allocation breakdown is as follows:

- **2025:** K14.1 billion
- **2026:** K15.1 billion
- **2027:** K20.0 billion

This structured increment reflects a substantial increase in investment aimed at addressing the needs of disadvantaged groups, with a notable increase of K5 billion from 2026 to 2027. Within the overall budget, several key programs have been earmarked for significant funding:

1. Social Cash Transfer Program: Allocation: K29.0 billion

This program forms the cornerstone of the government's social protection strategy, providing direct financial assistance to low-income households. The allocation signifies a commitment to reducing poverty and improving livelihoods, aiming to enhance financial stability for approximately 1.5 million households.

2. Pension Fund: Allocation: K15.8 billion

The earmarking of K15.8 billion for the Pension Fund underscores the government's focus on ensuring timely and adequate pension payments for retirees. Improving the pension system is critical for enhancing the quality of life for retirees, many of whom rely solely on these funds for their livelihoods.

3. Food Security Pack: Allocation: K4.4 billion

The allocation for the Food Security Pack is crucial given the recent challenges posed by climate variability and food shortages. This funding is designed to support food distribution and agricultural programs aimed at improving food security for vulnerable populations.

Education and Health Sector Analysis

The Zambian Government's Medium-Term Budget Plan (MTBP) for 2025-2027 allocates approximately K12 billion to the education sector, focusing on critical initiatives such as constructing and rehabilitating 1,000 schools to achieve a 95% gross enrollment rate in primary education by 2027. Additionally,

the government plans to recruit 20,000 teachers to address the current teacher-to-student ratio of 1:40 and invest K1.5 billion in Technical Education, Vocational, and Entrepreneurship Training (TEVET), supporting 50,000 students annually through scholarships to enhance skills development.

In the health sector, K15 billion is designated to build and rehabilitate 300 health facilities, aiming for 80% healthcare coverage in rural areas by 2027, along with the recruitment of 10,000 healthcare workers to tackle staffing shortages. Furthermore, K500 million is allocated for disease surveillance and pandemic preparedness. The water and sanitation initiatives will receive K8 billion to construct 50 new dams and install 5,000 boreholes, increasing access to clean water from 70% to 90% by 2027, benefiting over 1.5 million people. However, potential pitfalls include infrastructure delays, retention challenges for teachers and healthcare workers, and issues surrounding health commodities supply as well as the maintenance of new facilities and community involvement.



Summary table of key initiatives and potential pitfalls

SECTOR	BUDGET ALLOCATION (ZMW)	KEY INITIATIVES	GOALS AND STATISTICS	POTENTIAL PITFALLS
Education	12 billion	Construct and rehabilitate 1,000 schools	Achieve 95% gross enrollment rate in primary education by 2027	Infrastructure delays
		Recruit 20,000 teachers	Current teacher-to-student ratio of 1:40	Retention challenges for teachers
		Invest 1.5 billion in TEVET	Support 50,000 students annually through scholarships	Compromised educational quality due to rapid enrollment
Health	15 billion	Build and rehabilitate 300 health facilities	Achieve 80% healthcare coverage in rural areas by 2027	Underfunded facilities/activities/Commodity supply
		Recruit 10,000 healthcare workers		Retention issues for healthcare workers
		Allocate 500 million for disease surveillance and pandemic preparedness		Ineffective surveillance systems
Water & Sanitation	8 billion	Construct 50 new dams	Increase access to clean water from 70% to 90% by 2027	- Maintenance challenges for new infrastructure
		Install 5,000 boreholes	- Benefit over 1.5 million people	- Lack of community involvement in planning and maintenance

CONCLUSION

Zambia's Medium-Term Budget Plan (MTBP) for 2025-2027 presents a comprehensive and robust strategy designed to tackle the intertwined issues of debt and poverty while aiming for an average growth rate of 6%. The macroeconomic forecasts suggest an anticipated rebound in economic growth, primarily fueled by increased copper production and improved agricultural productivity. This strategic positioning offers the government a unique opportunity to cultivate a resilient economy that benefits all Zambians. However, the successful execution of these initiatives hinges on effective implementation and ongoing assessment, allowing the government to adapt to urgent challenges, including fluctuations in the global economic landscape, persistent inflation, climate change, and political instability. By proactively managing these risks, the government can ensure the sustainability of its social safety nets, fostering a more equitable society and laying the groundwork for robust long-term prosperity.

The MTBP encompasses a substantial planned expenditure of K49.2 billion allocated for social protection programs aimed at enhancing welfare and addressing vulnerabilities among the populace. This investment signifies the government's commitment to prioritizing essential sectors such as education, health, and access to water. Ambitious objectives like achieving a 95% gross enrollment rate in primary education and ensuring 80% healthcare coverage in rural areas by 2027 underscore the government's dedication to improving the quality of life for all citizens. Nonetheless, potential fiscal instability poses a significant concern for 2025. The CSPR emphasizes insights from 2024, when the government submitted supplementary budgets in response to debt servicing and climate-related challenges. This situation highlights the urgent need for strategic adjustments to mitigate exchange rate risks associated with external debt, while carefully considering broader economic implications, particularly regarding private sector dynamics and overall economic resilience.

RECOMMENDATIONS

In light of these considerations, the CSPR strongly advocates that the government align the execution of the MTBP with the overarching objectives of the 8th National Development Plan (NDP) and Vision 2030, which emphasizes economic diversification. A flexible approach is recommended to navigate the volatile global economic environment that can trigger inflation and depreciation of the local

currency. Specifically, the government should prioritize several actions:

1. Implement policies that enhance domestic revenue mobilization while ensuring prudent expenditure management to maintain fiscal stability.
2. Foster economic diversification beyond copper mining by investing in sectors such as agriculture, tourism, and renewable energy. This strategy aims to reduce dependency on a single commodity and build resilience against global market fluctuations.
3. Establish a framework for continuous assessment of the MTBP's effectiveness. This will enable necessary adaptations of strategies in response to shifting economic conditions.
4. Enhance engagement with civil society and the private sector to promote transparency and accountability. This effort ensures that the benefits of economic growth are equitably distributed across all segments of society.
5. Integrate climate resilience measures into economic planning to mitigate the impact of climate change on agriculture and other vulnerable sectors such as energy and manufacturing, ensuring the sustainability of livelihoods.



Plot No. 406, Kudu Road,
Kabulonga, Lusaka
+260 971 815 349



**CIVIL SOCIETY FOR
POVERTY REDUCTION**