



Republic of Zambia

2025-2027

MEDIUM TERM BUDGET PLAN

(WHITE PAPER)

Ministry of Finance and National Planning

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FOREWORD

In line with the provisions of Section 44 of the National Planning and Budgeting Act, 2020, the Ministry of Finance and National Planning hereby presents the White Paper on the Medium-Term Budget Plan covering the period 2025-2027. The submission of the White Paper follows the approval of the 2025 National Budget by the National Assembly, and is intended to enhance transparency, and promote the credibility of the budgeting process.

The White Paper has been prepared at a time when there is less than two (2) years remaining for implementation of the Eight National Development Plan (8NDP), 2022-2026. It is therefore, an opportune time to ensure that we all pull together towards achieving the pillars of the 8NDP, which focus on economic transformation and job creation, human and social development, environmental sustainability and good governance environment. Progress has been made, including on debt restructuring, provision of support to the social sectors through free education and provision of scaled up social cash transfers, and inroads in enhancing good governance including respect for the rule of law. The experience in 2024, when the country experienced the worst drought in living memory, however, highlights the importance of enhancing the resilience of the economy, hence the 2025 Budget theme of *Building Resilience for Inclusive Growth and Improved Livelihoods*.

In line with the National Budget theme, the White Paper outlines the measures which Government has put in place to build economic resilience in the priority sectors such as agriculture, mining, energy, and manufacturing. It also details how Government intends to raise resources as well as the proposed expenditure areas where more funds have been channelled towards cushioning the shocks brought about by the drought experienced during the 2023/2024 season while ensuring that all citizens are protected.

I look forward to strengthened collaboration and partnerships between Government and all stakeholders as we move from formulation to implementation of the various developmental policies and measures contained in this White Paper.



Felix Nkulukusa
Secretary to the Treasury

MINISTRY OF FINANCE AND NATIONAL PLANNING

CHAPTER ONE

1.0 INTRODUCTION

1. The economy in 2024 faced significant headwinds due to the devastating effects of the drought. As we move into 2025 and the medium term, the economic outlook is projected to be more positive, driven by the recovery of major sectors such as mining and agriculture as well as the increase in investments in various sectors coupled with an improved macroeconomic environment.
2. Government is committed to building resilience for inclusive growth and improved livelihoods. Therefore, over the medium-term Government will continue to implement policies that are aimed at achieving and maintaining price stability and fiscal sustainability, promoting growth and enhancing the living standards of our citizens.
3. Over the medium term, it is expected that the economy will grow at an average of 6.0 percent. The in the year 2025 the economy is projected to grow by 6.6 percent, while 2026 and 2027 will grow at 5.9 percent and 5.6 percent, respectively. This will mainly be driven by the recovery of major sectors such as mining and agriculture which have over the past few years significantly contracted. In addition, the increased investments in various sectors coupled with an improved macro-economic environment is expected to support growth prospects. However, due to the severe drought being experienced, the outlook for economic growth may be overshadowed by its negative effects. In this regard, the Government will continue implementing measures to address and mitigate the effects of the drought so as to build resilience and protect both the economy and the citizens.
4. The above will be supported through the implementation of various policies and measures. In addition, encouraging diversification and value addition in key industries coupled with the use of advanced technology will remain pivotal to improving the production and service delivery of the industries. Further, the Government will enhance data analytics and compliance risk management in order to strengthen tax and non-tax administration.

CHAPTER TWO

2.0 MACROECONOMIC REVIEW, 2022-2024

2.1 Developments in the Global Economy, 2022-2024

5. Global growth remained slow owing to climate change events, geopolitical tensions, and relatively tight financial conditions. During the period under review, growth was recorded at 3.6 percent in 2022 with a slow down to 3.3 percent in 2023 and 3.2 percent in 2024 respectively. This was on account of lower growth in advanced economies despite higher growth in emerging and developing economies as well as anticipated easing of global monetary conditions.
6. During the period under review, copper prices increased steadily to an annual average of US \$9,144.1 in 2024 from US \$8,483.4 in 2023, while prices in 2022 stood at US \$8,814.8 per metric tonne. In contrast, the average crude oil price decreased in 2024 to US \$80.5 per barrel from an average of US \$ 82.5 per barrel in 2023, which was still lower than the price of US \$105.0 per barrel in 2022. The decrease was largely attributed to a decline in global oil demand which was notable in 2024, with the slowest pace of growth since 2020.

2.2 Developments in the Domestic Economy, 2022-2024

Economic Growth

7. The economy grew by 5.2 percent in 2022 on account of growth in wholesale and retail trade, information and communication technology, transport and storage, education, accommodation and food services and manufacturing sectors. while, growth in 2023 was recorded at 5.4 percent and was mainly driven by positive performance in the information and communication technology, construction, wholesale and retail trade, financial and insurance services, manufacturing and transport and storage sectors.
8. In 2024, growth was projected to have slowed down to 2.3 percent from the 5.4 percent recorded in 2023. This was on account of a reduction in economic activities in some key sectors such as agriculture and electricity generation which had negatively been impacted by the El Niño induced drought. Additionally, inflationary pressures and volatility in the exchange rate had adversely impacted the performance of the manufacturing as well as wholesale and retail trade sectors.

Monetary and Financial Sector Performance

9. Monetary policy continued to focus on containing inflationary pressures with a view of steering inflation back into the 6-8 percent target band. Inflation was on an upward trajectory in 2024, reaching 16.7 percent in December 2024, from 13.2 percent in January 2024. The increase was attributed to the depreciation of the Kwacha against major tradable currencies, coupled with rising food prices and energy costs.
10. The overall financial performance and condition in the banking sector remained satisfactory over the period 2022-2024. This was on account of consistent profitability, low levels of Non-Performing Loans (NPLs), adequate liquidity and sufficient capital levels available to absorb unexpected losses.
11. The level of NPLs in the banking sector remained below the prudential benchmark of 10.0 percent during the period under review. As at end-December 2023 the gross NPLs ratio was recorded at 4.2 percent and 5.0 percent in the corresponding period of 2022. Further, as at end-October 2024, the NPLs ratio stood at 4.4 percent, indicative of satisfactory asset quality. The improvement in the NPLs ratio was mainly attributed to a higher growth in the total gross loans of 64.5 percent compared to the 28.6 percent increase in the level of NPLs over the two-year period. The manufacturing sector, which accounted for approximately 30.0 percent of the increase in gross loans was the main driver for credit growth.

Debt Position

12. During the review period, the total stock of Central Government's public debt increased. The external debt stock for 2022 and 2023 stood at US \$13.96 billion and US \$14.57 billion, while US \$15.33 billion was recorded as at end of fourth quarter 2024. The increase during the review period was mainly due to increased reliance on domestic financing due to limited access to external financing. Despite the debt service standstill on commercial loans implemented in 2020, Government is still receiving disbursements from multilateral creditors and other creditors financing priority projects which have contributed to the increase in public debt stock.
13. As at end fourth quarter of 2022, domestic debt stock stood at K210.0 billion and K232.62 billion in 2023 in the corresponding period. As at end third quarter 2024, K225.29 billion was recorded. u

Domestic Arrears

14. Over the period 2022-2024, the audited and verified domestic arrears in 2022 amounted to K77.58 billion, K97.77 billion in 2023 and K77.51 billion as at

end-September 2024. The majority of arrears are on fuel, electricity, VAT refunds, road projects, capital expenditure, as well as on other goods, works and services. Following the development of the 2022-2026 Domestic Arrears Dismantling Strategy to reduce the stock of arrears through budgetary allocations and strengthening commitment control systems, commitments are being posted against cash available as opposed to the approved budget.

External Sector Performance

15. The performance of the external sector varied between 2022 and 2024. In 2024, a lower current account surplus of US \$0.2 billion (0.7 percent of GDP) was anticipated, compared to a surplus of US \$1.1 billion (3.8 percent of GDP) recorded in 2022. This decline was mainly due to a decrease in net exports of goods, as imports were expected to rise significantly to US \$9.5 billion in 2024, up from US \$8.1 billion in 2022. In 2023, a current account deficit of US \$793.1 million (2.8 percent of GDP) was recorded. This deficit resulted from increased petroleum imports and subdued copper exports due to a drop-in export volume.
16. Similarly, a deficit of US \$0.5 billion was recorded in 2023 from a surplus of US \$1.1 billion in 2022. This was largely driven by a significant decline in net merchandise exports and an expansion in the deficit of the primary income account. During the first half of 2024, current account balance registered a surplus of US \$87.9 million due to an increase in merchandise, underpinned by relatively higher exports to imports coupled with an increase in secondary income amid a sustained primary income deficit.
17. Gross International Reserves increased to US \$3.3 billion as at end-December 2023 from US \$3.1 billion recorded as at end-December 2022. The increase in reserves was mainly on account of mining tax payments, disbursements by the IMF under the Extended Credit Facility and the World Bank. Further, as at end-September 2024, Gross International Reserves increased to US \$4.2 billion (equivalent to 4.6 months of import cover).
18. The Kwacha faced persistent pressures in 2023 leading to a significant depreciation of 40.8 percent against the US dollar compared to the 4.8 percent recorded in 2022. Low and intermittent supply of foreign exchange by the mining sector heightened demand, adverse market sentiments on account of delayed external debt restructuring, and a stronger US dollar were the key factors that contributed to the sharp depreciation of the Kwacha in 2023. However, the Kwacha depreciated at 4.8 percent between end-December 2023 and end-December 2024 reason

CHAPTER THREE

3.0 FISCAL PERFORMANCE REVIEW, 2022-2024

3.1 Overview

19. During the 2022-2024 medium term, the Government continued with fiscal consolidation efforts to restore macroeconomic stability to foster more resilient inclusive growth. In nominal terms, the combined revenues and grants surged from K100.68 billion in 2022 to K151.24 billion in 2024. This outcome signifies a rise from 21.6 percent of GDP in 2022 to 23.6 percent in 2024.
20. Total expenditure, in the same period increased from K140.84 billion in 2022 to K200.15 billion in 2024. This outcome signifies a rise from 30.2 percent in 2022 to 31.2 percent in 2024.
21. During the period 2022-2024, fiscal deficit on cash basis amounted to K96.3 billion. In addition, the fiscal deficit, as a share of GDP, was 4.2 percent in 2022, 5.7 percent in 2023, and 4.2 percent in 2024. To bridge the resources gap, annual financing through domestic and external borrowing averaged K27.1 billion.

Table 1: Fiscal Performance, 2022-2024

	2022		2023		2024		2022-2024 AVERAGE	
	Actual K('000)	% of GDP	Actual K('000)	% of GDP	Preliminary K('000)	% of GDP	Average	% of GDP
Gross Domestic Product (GDP)	466,179,300	100.0%	533,346,000	100.0%	641,020,800	100.0%	546,848,700	100.0%
TOTAL REVENUE AND GRANTS	100,676,643	21.6%	122,103,910	22.9%	151,235,157	23.6%	124,671,903	22.8%
<i>Tax Revenue</i>	79,492,051	17.1%	92,380,958	17.3%	118,752,481	18.5%	96,875,164	17.7%
<i>Non-Tax Revenue</i>	19,210,311	4.1%	23,674,363	4.4%	29,205,367	4.6%	24,030,014	4.4%
<i>Grants</i>	1,981,155	0.4%	6,048,590	1.1%	3,277,308	0.5%	3,769,018	0.7%
TOTAL EXPENDITURE(Ind Amortisation)	140,838,237	30.2%	159,991,503	30.0%	200,153,244	31.2%	166,994,328	30.5%
TOTAL EXPENDITURE(Exl Amortisation)	138,687,372	29.7%	152,641,663	28.6%	178,391,755	27.8%	156,573,597	28.6%
<i>Expense</i>	111,622,789	23.9%	123,958,111	23.2%	142,846,581	22.3%	126,142,494	23.1%
<i>Transactions in Non-Financial Assest</i>	17,829,642	3.8%	15,758,278	3.0%	17,721,916	2.8%	17,103,278	3.1%
<i>Transactions in Assest and Liabilities</i>	9,234,941	2.0%	12,925,275	2.4%	17,823,259	2.8%	13,327,825	2.4%
FINANCING	37,290,600	8.0%	26,601,489	5.0%	17,279,155	2.7%	27,057,081	4.9%
<i>Domestic</i>	13,142,396	2.8%	10,585,842	2.0%	7,550,257	1.2%	10,426,165	1.9%
<i>External</i>	24,148,203	5.2%	16,015,646	3.0%	9,728,899	1.5%	16,630,916	3.0%

3.2 Revenue Performance, 2022-2024

22. During the 2022 to 2024 medium term, the Government continued prioritize domestic revenue mobilization strategy as a fundamental pillar of its fiscal policy, serving as a basis for fiscal sustainability and supporting economic development. Mobilization of both tax and non-tax revenue was focused on broadening the tax base and enhancing compliance while leveraging on digital technologies such as the Government Service Bus (GSB), to streamline revenue collection processes. However, the progress was slowed down due to challenges, including drought-induced disruptions to power generation and agriculture, as well as the depreciation of the kwacha against major trading currencies. These factors increased the cost of doing business which in turn affected domestic revenue mobilisation.

Table 2: Revenue Performance, 2022-2024

			2023		2024		2022-2024 AVERAGE	
	Actual K('000)	% of GDP	Actual K('000)	% of GDP	Preliminary K('000)	% of GDP	Average	% of GDP
Gross Domestic Product (GDP)	466,179,300	100.0%	533,346,000	100.0%	641,020,800	100.0%	546,848,700	100.0%
TOTAL REVENUE AND GRANTS	100,676,643	21.6%	122,103,910	22.9%	151,235,157	23.6%	124,671,903	22.8%
TOTAL REVENUE	98,702,362	21.2%	116,055,320	21.8%	147,957,849	23.1%	120,905,177	22.1%
Tax Revenue	79,492,051	17.1%	92,380,958	17.3%	118,752,481	18.5%	96,875,164	17.7%
a. Income Taxes	47,910,199	10.3%	45,144,653	8.5%	59,312,348	9.3%	50,789,067	9.3%
b. VAT	20,580,192	4.4%	32,907,647	6.2%	41,111,024	6.4%	31,532,954	5.8%
c. Customs and Excise Duties	10,663,683	2.3%	13,916,942	2.6%	17,747,943	2.8%	14,109,523	2.6%
d. Insurance Premium	235,336	0.1%	301,528	0.1%	405,907	0.1%	314,257	0.1%
e. Export Duties	102,642	0.0%	110,187	0.0%	175,259	0.0%	129,363	0.0%
Non-Tax Revenue	19,210,311	4.1%	23,674,363	4.4%	29,205,367	4.6%	24,030,014	4.4%
a. Total User fees, fines and Charges	6,633,896	1.4%	8,693,520	1.6%	8,312,058	1.3%	7,879,825	1.4%
b. Interest from On-lending/Dividends	1,722,537	0.4%	3,613,388	0.7%	6,589,901	1.0%	3,975,275	0.7%
c. Mineral Royalty	10,445,321	2.2%	7,708,995	1.4%	11,538,256	1.8%	9,897,524	1.8%
d. Motor Vehicle Fees	146,807	0.0%	187,083	0.0%	166,862	0.0%	166,917	0.0%
e. FRA-Proceeds from Crop Sales	-	0.0%	-	0.0%	-	0.0%	-	0.0%
f. Tourism Levy	50,845	0.0%	45,723	0.0%	64,504	0.0%	53,691	0.0%
g. Skills Development Levy	210,906	0.0%	294,826	0.1%	350,407	0.1%	285,380	0.1%
GRANTS	1,981,155	0.4%	6,048,590	1.1%	3,277,308	0.5%	3,769,018	0.7%
Project	1,981,155	0.4%	6,048,590	1.1%	3,277,308	0.5%	3,769,018	0.7%

23. Over the 2022-2024 medium term, the combined total of revenues and grants amounted to K374.01 billion, with an average of K124.67 billion representing 22.8 percent of the Gross Domestic Product. Tax revenues averaged K96.88 billion, while non-tax revenues averaged K24.03 billion. The overall performance during this period generally surpassed the set targets.

24. The favourable outcome was mainly attributed to the collection above projections in Value Added Tax during 2023 and 2024 as a result of the increased importations of petroleum products such as; petrol and diesel, and dump trucks, alcoholic beverages, crude-soya bean oil, parts of machinery for: crushing; grinding; mixing earth; moving earth; other mineral substances, electric generators and steel structures. In addition, non-tax

revenue performance was boosted by receipts of dividends from the Bank of Zambia, which exceeded the projected target.

25. Furthermore, excise and customs duties collections improved during the period as a result of increased importations of excisable products such as alcoholic beverages, motor vehicles and higher than projected collections from increased importations of petroleum products, especially petrol.
26. Despite the positive performance in VAT and excise duty company mining tax underperformed due to the elevated capital allowance deductions linked to increased capital investments by some mines. Additionally, higher operating costs, including expenses for off-grid electricity generation and electricity importation, negatively impacted profitability and resultant tax payments.
27. During the period under review, remittances from cooperating partners amounted to K1.98 billion, K6.05 billion, and K3.78 billion in 2022, 2023, and 2024 respectively.

3.3 Expenditure Performance, 2022-2024

28. During the period 2022 - 2024, Government spent a total of K167.1 billion. Of this amount, K141.1 billion was spent in 2022, K160.0 billion in 2023 and K200.2 billion in 2024.

Table 3: Expenditure Performance, 2022-2024

	2022		2023		2024		2022-2024		
	Actual K('000)	% of GDP	Actual K('000)	% of GDP	Actual K('000)	% of GDP	Total	Average	% of GDP
TOTAL EXPENDITURE (Incl. Amortisation)	141,145,380.51	30%	159,979,885.19	30.0%	200,153,243.82	31%	501,278,509.53	167,092,836.51	30.6%
TOTAL EXPENDITURE (Excl. Amortisation)	139,315,209.10	30%	152,641,663.29	28.6%	178,391,755.45	28%	470,348,627.85	156,782,875.95	28.7%
EXPENSES	111,950,813.94	24%	123,958,111.03	23.2%	142,846,581.06	22%	378,755,506.02	126,251,835.34	23.1%
Personal Emoluments (PEs)	37,699,112.48	8.1%	44,898,071.03	8.4%	53,250,066.31	8.3%	135,847,249.82	45,282,416.61	8.3%
Use of Goods and Services	13,084,270.79	2.8%	12,981,422.38	2.4%	11,394,091.49	1.8%	37,459,784.66	12,486,594.89	2.3%
Interest Payments	30,796,574.87	6.6%	33,943,238.40	6.4%	44,229,303.56	6.9%	108,969,116.83	36,323,038.94	6.6%
Transfer and Other Payments	24,374,386.07	5.2%	25,682,618.22	6.4%	23,600,053.75	3.7%	73,657,058.04	24,552,352.68	4.5%
Social Benefits	5,996,469.73	1.3%	6,452,761.00	1.2%	10,373,065.94	1.6%	22,822,296.67	7,607,432.22	1.4%
ASSETS	18,178,810.16	3.9%	16,566,029.80	3.1%	25,080,868.51	3.9%	59,825,708.47	19,941,902.82	3.6%
Non Financial Assets	17,829,642.00	3.8%	15,758,277.62	3.0%	17,721,915.52	2.8%	51,309,835.14	17,103,278.38	3.1%
Financial Assets	349,168.16	0.1%	807,752.18	0.2%	7,358,952.99	1.1%	8,515,873.33	2,838,624.44	0.5%
LIABILITIES	9,185,585.01	2.0%	12,117,522.46	2.3%	10,464,305.88	1.6%	31,767,413.35	10,589,137.78	1.9%

Expenses

Personal Emoluments

29. During the period 2022-2024, Government spent a total of K1358 billion on Personal Emoluments. Of this amount, K37.7 billion was spent in 2022, K44.9 billion in 2023 and K53.3 billion in 2024. The increase in Personal Emoluments over the period, was due to wage adjustments and recruitments of personnel in the Health Sector, Education Sector, Defence and Security wings, among others.

Use of Goods and Services

30. During the period under review, total spending on Government operations amounted to K37.5 billion. Of this amount, a total of K13.1 billion was spent in 2022, K13.0 billion in 2023 and K11.4 billion in 2024. Notable expenditures under this category included K31.6 billion under ordinary Use of Goods and Services, operations or running of Government business. Of this amount K8.3 billion was spent on the procurement of Drugs and Medical Supplies, while K1.6 billion was spent on Compensation and Awards to settle litigants who won court cases against Government and K787.5 million was spent as Contingency for unforeseen and unavoidable expenditure.

Interest Payments

31. Over the period 2022-2024, Government spent K30.8 billion in 2022, K33.9 billion in 2023 and K44.2 billion in 2024. Of the total amount (K108.9 billion) paid on interest, domestic debt interest payments amounted to K101.3 billion while external debt interest payments amounted to K7.7 billion. The increase in domestic interest payments was due to the upward adjustment in the stock of Treasury Bills and Government Bonds, while the decrease in external interest payments was due to debt restructuring engagements with the external creditors.

Transfers and Other Payments

32. During the period under review, a total of K73.7 billion was spent on transfers and other payments. Of this amount, K24.4 billion was spent in 2022, K25.7 billion in 2023 and K23.6 billion in 2024. Notable expenditures under this category included K21.8 billion towards FISP, K21.9 billion to Grant Aided Institutions, K7.7 billion to Zambia Revenue Authority and K4.1 billion to the Local Government Equalisation Fund.

Social Benefits

33. During the period 2022 to 2024, a total of K22.8 billion was spent towards social benefits. Of this amount, K6.0 billion was spent in 2022, K6.5 billion in 2023 and K10.4 billion in 2024. The increment from K6.0 billion in 2022 to K10.4 billion in 2024 was attributed to the implementation of the drought response plan which resulted in the increase of Social Cash Transfer beneficiaries and transfer value. Other notable expenditures under this category included K15.2 billion towards the Social Cash Transfer Programme and K7.6 billion towards the Pension Fund and Local Government Superannuation Fund.

Assets

34. During the period under review, expenditure on assets amounted to K59.8 billion. Of this amount, K18.1 billion was spent in 2022, K16.7 billion in 2023, and K25.1 billion in 2024. Of the total amount, K51.3 billion was paid on Non-Financial Assets and K8.5 billion on Financial Assets. Notable expenditures under this category included, K16.5 billion towards road infrastructure, K1.9 billion towards Water Supply and Sanitation projects and K1.1 billion towards the Rural Electrification Programme, among others. Further, under Financial Assets, Government spent a total of K1.1 billion towards empowerment funds for women and youths, and K5.1 billion towards recapitalisation of some State-Owned Enterprises.

Liabilities

35. During the period 2022-2024, Government spent a total of K31.8 billion; K9.2 billion in 2022, K12.1 billion in 2023 and K10.5 billion in 2024. Notable expenditures included K5.6 billion towards fuel arrears, K5.1 billion towards liquidating of arrears to contractors of various, works and services and K20.7 billion towards dismantling of other liabilities.

CHAPTER FOUR

4.0. MACROECONOMIC OUTLOOK, 2025-2027

4.1. Macroeconomic Objectives

36. The economic prospects for the medium term remain positive in the light of rebounding sector performance and projected rise in copper prices underpinned by strong demand for green energy transition. This is expected to be supported by a reduction in inflationary pressure driven by declining food prices.
37. Growth in the medium term is projected to average 6.0 percent with growth forecasts in 2025 at 6.6 percent, 5.9 percent in 2026 and 5.6 percent in 2027. This will be supported by a recovery of the mining, agriculture and electricity generation industries. This is in view of the resolution of the challenges experienced at major mines, timely distribution of agricultural inputs, as well as favourable rainfall pertain.
38. Over the medium-term, the macroeconomic objectives will be to restore macroeconomic stability, attain fiscal and debt sustainability as well as accelerate economic growth through enhanced private sector investment. Further, efforts will be focused at enhancing human development through increased social sector financing and access to education, health and social protection. The specific medium-term macroeconomic targets will be to:
- i) Attain an average annual GDP growth rate of at least 6.0 percent over the medium term;
 - ii) Maintain inflation within the target range of 6 - 8 percent;
 - iii) Maintain reserves above 3.0 months of import cover;
 - iv) Increase domestic revenue to not less than 21.2 percent of GDP by 2027; and
 - v) Limit net domestic borrowing to no more than 2.0 percent of GDP by 2027.

Table 4: Macroeconomic Indicators Projections 2025 - 2027

	2025	2026	2027
Real GDP Growth	6.6	5.9	5.6
Nominal GDP (in millions of Kwacha)	817,512.2	908,840.0	1,016,424.0
CPI Inflation (Annual Average)	6-8		
Domestic Revenue (% of GDP)	20.9	21.0	21.2
Copper Prices (in US \$ per MT)	10,329	10,228	10,029
Copper Productions (MT)	822,661.30	905,249.90	1,012,699.30
Oil Price (In US Dollar per barrel)	80.0	80.0	81.0

Source: Ministry of Finance and National Planning Projection

Monetary and Financial Performance

39. Over the medium term, Government will continue to pursue policies aimed at maintaining price and financial system stability. The Bank of Zambia will continue to rely on a forward-looking monetary policy framework. Decisions on the policy rate will continue to be guided by inflation outcomes, forecasts and identified risks that include those associated with financial stability and economic growth.
40. To limit disruptions in the provision of financial services, the Bank of Zambia will continue to focus on strengthening its macro-prudential function. In this regard, the Bank of Zambia operationalised the Financial Stability Committee in 2024 which approved the publication of two Financial Stability Reports (FSRs) in June and October.

Economic, Social and Governance Policies

41. Government remains committed to transforming the economy by boosting economic growth and macroeconomic stability. It is envisioned that the continued implementation of measures embedded in the Eighth National Development Plan (8NDP) will be vital in attaining the much-needed transformation and stability. Therefore, the highlighted policies below are enshrined on the four strategic development areas as outlined in the 8NDP;
- Economic Transformation and Job Creation;
 - Human and Social Development;
 - Environmental Sustainability; and
 - Good Governance Environment

4.2.1. MACROECONOMIC POLICIES FOR 2025 AND THE MEDIUM TERM

A. Economic transformation and job creation

42. Government will in the medium-term focus on economic recovery, building resilience, and attaining and maintaining macroeconomic stability in order to stimulate growth. Following the drastic effects of the drought of the 2023–2024 farming season, this will be crucial for securing food security, a consistent supply of water and energy, and for providing for vulnerable households. In order to encourage job creation and economic transformation across the important industries of mining, agriculture, livestock and fisheries, manufacturing, energy, and tourism, Government will continue to implement policies that will promote industrialisation and economic diversification. The following interventions will be put into place under this strategic development area:

Agriculture, Livestock and Fisheries

43. Agriculture, livestock and fisheries sector plays a pivotal role in fostering socio-economic development. The sector offers a robust pathway for the envisioned diversified and inclusive economic transformation as well as fostering rural development. In this regard, Government will continue to implement key policies such as the Comprehensive Agricultural Transformation Support Programme (CATSP) Farmer Input Support Programme (FISP), and the Sustainable Agricultural Finance Facility (SAFF).
44. To realign the agriculture sector policies, in an effort to boost both production and productivity of the sector, Government will continue to implement the Comprehensive Agricultural Transformation Support Programme (CATSP). The programme will enhance irrigation schemes, support mechanisation and farm block development, provide extensions services and support infrastructure development, such as roads and dams.
45. To increase access to finance, Government will continue to implement the Sustainable Agriculture Finance Facility (SAFF). The SAFF credit window will be enhanced to include several components, such as seasonal crop financing, irrigation, mechanisation, and livestock and aquaculture or fisheries.
46. To increase improve efficiency in the implementation modality of the Farmer Input Support Programme (FISP), farmers will be fully migrated to the electronic voucher modality, which is more flexible and effective. The E-voucher system will enhance private sector participation and contribute to job creation as it will be leveraging on technology to promote efficiency and real time settlement of agro-dealer payments.

47. In the livestock subsector, Government will continue to prioritise disease control and prevention. This will be done through the construction of biosecurity checkpoints, quarantine stations and operationalisation of regional and district laboratories. To increase livestock production and increase the number of households engaged in livestock farming, Government will enhance stocking and restocking programmes for both artificial insemination and natural mating amongst the community herds.
48. To increase productivity in the fisheries subsector, Government will continue promoting private sector led interventions to build fish feed plants, cold chain facilities and hatcheries. Some of the hatcheries being established are located in Kasempa, Mushindamo and Samfya aqua parks. This will increase fingerling production to 460 million in 2025 from the current 433.4 million.

Mining

49. Over the medium term, Government will work towards the targets of increasing production and investment in the sector. With profound strategies, such as the National Critical Minerals Strategy and the Three Million Tonnes Copper Production Strategy, the sector is expected to record significant expansion of greenfield and brownfield projects as well as enhanced mineral explorations.
50. To increase investment in the sector, Government has already launched a countrywide high-resolution aerial geophysical survey aimed at bolstering mineral exploration. The survey will continue to generate reliable and updated geological information which will support investments.
51. To enhance regulation and oversight in the sector, Government will operationalise the Mining Regulation Commission over the medium term to ensure that production, management, beneficiation of the mines and minerals in the country are accrued to the citizens. In addition, Government will ensure that all necessary infrastructure and human resources relevant to the operationalization of the Commission are facilitated to promote investment and value addition.
52. To promote Artisanal and Small-Scale Mining (ASM) development, as well as contribute to diversifying the sector, Government will formalise trading in gold and is therefore establishing gold marketing centres. By establishing official gold marketing centres, Government aims to curb illegal mining, increase revenue and foster better management of the nation's resources as well as provide jobs and improve the livelihoods of the communities.

Manufacturing

53. To support the growth of the manufacturing sector following the adverse effects of the shortage of electricity due to the drought, Government will continue to develop multi-facility and special economic zones. Government is in the process of establishing special economic zones for beef in the Kafue Flats and crop production in Kafulafuta, Lufwanyama, Masaiti, Mpongwe, and Ngabwe districts.
54. To enhance the agriculture sector and expand manufacturing of fertilisers, it is expected that in addition to the Compound D fertiliser that is currently being manufactured, UREA will be manufactured as well. To this effect, the construction of a urea plant with a production capacity of 300,000 metric tonnes per annum will be commissioned in 2025. This will make Zambia self-sufficient in fertiliser production and will create about 2,000 additional jobs.

Energy Sector

55. The energy sector remains a top priority, with a focus on mitigating the impact of reduced hydropower generation caused by climate change. The energy transition in Zambia is on course, driven by a shift from traditional sources like hydropower to a more diverse and sustainable energy mix. Energy security and diversification are key, given the country's vulnerability to climate change and deforestation.
56. To increase electricity production, Government will embark on significant infrastructure projects to bolster its energy mix. This will include promoting use of off-grid solutions such as industrial generators and solar systems. Government has encouraged the construction of an additional thermal power plant in Maamba to double capacity to 600 megawatts by 2026. Additionally, state utility ZESCO and private investors are establishing solar power stations across the country, with projects in Chisamba (100 MW), Choma (50 MW), Kasama (100 MW) and Kariba (100 MW).
57. To encourage private sector participation, Government is further encouraging private energy generation through its net-metering initiative, which allows consumers to supply excess electricity back to the national grid. In an effort to attract investment and streamline energy project approvals, the Energy Single Licensing System was launched earlier this year to simplify the licensing process for energy sector projects. The Government has adopted and will continue to implement the private-sector-focused strategy to maximize the use of renewable energy sources. By 2030, solar, wind, hydroelectric, geothermal and thermal parks will be established.
58. Government will continue to use the Import Parity Pricing (IPP) mechanism for the nation's petroleum product pricing for the medium term. The IPP

seeks to maximise petroleum product supply chain efficiency while making sure that domestic pricing accurately reflects global petroleum product cost trends.

59. To increase access to electricity in rural areas, Government will continue implementing the Rural Electrification Programme. By the end of 2025, 15 new solar projects will be completed and will result in 3,421 connections.

Tourism

60. The outlook for the Zambian tourism market heading into 2025 and the medium term is positive. African regional visitors, growing MICE and leisure demand from Europe, Sub-Saharan Africa and further afield will drive uptrend. The Government's 2024 decision to waive visa requirements for 53 passport holder nationalities will further support the market momentum. Arrivals will continue to increase over the medium-term forecast period, and this augurs well for businesses in the hospitality sector.
61. To conserve biodiversity and promote integrated transboundary management, Government will continue to collaborate with neighbouring countries in the development of transfrontier conservation areas. So far, the Kavango-Zambezi Transfrontier Conservation Area has been implemented while agreements with Malawi, Mozambique and Zimbabwe have been signed. These agreements will facilitate the development of infrastructure to ease movement of tourists across the borders. To further boost tourism, plans are underway to operate the Victoria falls border 24 hours.

Transport and Logistics

62. To improve the performance of the sector, Government will continue to invest and encourage investment in the construction, rehabilitation and maintenance of road, rail, aviation and maritime infrastructure.
63. To support growth, Government has secured funding from Cooperating Partners for the rehabilitation of 162 kilometres of the Chinsali-Mpika Road. Further, Government through the Transport Corridor for Economic Resilience Project will rehabilitate road network from Serenje to Mpika. Government will also continue rehabilitating and upgrading the Monze-Niko Road, Lusaka-Mongu Road and the Batoka-Maamba Road all scheduled to be completed in 2026.
64. In the rail sub-sector, Government will continue working closely with the private sector leveraging on the Public Private Partnership (PPP) model. This will include the rehabilitation and modernisation of the TAZARA Railway infrastructure and equipment. The growth of the railway subsector will also

lead to less traffic on the nation's roadways and lower maintenance costs for the nation's road systems.

65. To accelerate the Chingola to Livingstone railway project, Government will acquire an additional grant financing for the rehabilitation of the railway system. In addition, the Government is in discussion with Cooperating Partners for possible support with rail wagons and locomotives.

Small and Medium Enterprise Development

66. To support SMEs as they play a critical role in national development, the Government's interventions will focus on facilitating access to affordable financing and provision of infrastructure. In this regard, Government will continue implementing empowerment programmes such as the Citizens Economic Empowerment Fund, as well as Women and Youth Empowerment Fund under the Constituency Development Fund.
67. To provide appropriate infrastructure for SME operations, Government has completed the construction of industrial yards in Chipata, Kasama, Kitwe, Lusaka, Mansa, Mongu, Ndola and Solwezi. The construction of the second phase of yards is earmarked to commence in 2025 and will focus on constructing industrial yards in the remaining three provinces which are Central, Muchinga and Southern.
68. To increase access to affordable finance for SMEs, the Bank of Zambia in collaboration with the private sector will establish a credit guarantee scheme.

Information and Communication Technology

69. To accelerate digital transformation, Government will continue to invest in communication and technology infrastructure across the country. Government takes cognisance of the significance of establishing Digital Transformation Centres as they offer access to digital tools, internet services and training programs.
70. To increase access to digital technology, Government will continue to embark on the rehabilitation of post offices which will be established as Digital Transformation Centres and so far, 48 have already been established. In 2025, an additional 50 post offices will be repurposed into Digital Transformation Centres.
71. To promote the uptake of emerging technologies, Government will enhance the use of Artificial Intelligence (AI) to increase the collection of revenue and tax compliance and improve security where tax fraud will be easily detected as well as provide information on the imports and exports. In agriculture, the

use of AI will provide information on forthcoming adverse weather conditions such as drought and floods. In addition, the use of AI will also be enhanced to improve the delivery of healthcare services.

72. In addition, the Government will continue to transform public service provision through the adoption and application of digital technologies. This will improve the business environment, promote seamless access to public services and enhance public service delivery.

B. *Human and Social Development*

73. Government will continue to place emphasis on promotion of human and social development as it helps in improving productivity, reducing inequality, increasing innovation, improving social wellbeing and thereby contributing to sustainable economic development. Government will, in the medium-term focus on investing in human capital by implementing policies and measures that ensure equal access to education and skills as well as healthcare and nutrition. Further, Government will foster access to water and sanitation, and social protection programmes aimed at reducing poverty, inequality and vulnerability.

Education and Skills Development

74. The Government will prioritise expanding access to inclusive, equitable, and high-quality education during the 2025–2027 medium period. Government will also continue to improve access to quality education through infrastructure development, teacher recruitment, curriculum development and provision of teaching requisites.
75. To improve the learning environment in public universities and to address the challenge of accommodation in public universities, Government over the medium term will complete the construction of university infrastructure and hostel blocks across eight public universities.
76. Government will continue to prioritise the expansion of Technical Education, Vocational and Entrepreneurship Training (TEVET) infrastructure, particularly in rural areas. Government will also ensure that TEVET education is accessible to all eligible learners through the provision of bursaries under the Constituency Development Fund.

Health

77. In the health sector, the Government will continue providing quality and affordable healthcare services by strengthening the health system, recruiting health personnel, providing drugs and medical supplies, as well as

developing infrastructure, especially in rural areas. In addition, Government will continue with the construction and rehabilitation of the required infrastructure in the health sector while also focusing on improving availability of medical equipment at all levels of care.

78. To improve access to health care services, Government will continue to provide primary healthcare through the devolution of health care services which will significantly contribute to health outcomes at the community level. Government will therefore continue to leverage on funds under the Constituency Development Fund to facilitate the construction of health centers and maternity annexes to improve access to health care in the rural areas and reduce maternal mortality. Government will also increase the implementation of disease prevention and control programmes including disease surveillance and pandemic preparedness.
79. To ensure the availability of medicines and medical supplies at all levels of care, Government will intensify efforts towards the operationalization of the Drug Fund provided for in the Zambia Medicines and Medical Supplies Act No. 9 of 2019 in order to mobilize more financial resources for drugs and medical supplies.
80. To improve record management in public health facilities, Government is already implementing an electronic health record system known as SmartCare Pro System. This System will be rolled out to an additional 1,600 facilities out of the 3,543 Health facilities by 2026.

Water and Sanitation

81. The drought experienced in the 2023/2024 farming season had an unfavourable impact on the water and sanitation sector. To this end, Government intends to increase its investment in this area to guarantee that people have access to safe and clean water as well as reasonably priced sanitation services.
82. Government will construct, rehabilitate and maintain dams in various parts of the country. Government will over the medium-term maintain 770 dams, restoring 40 dams, and building 28 new dams.
83. Further, under the Food Security and Drought Response Plan, water points will be constructed countrywide in 2025 and in the medium term. This will include piped water schemes for rural communities, commercial boreholes to support water utilities, livestock and wildlife. These interventions will benefit over 3.5 million people and ensure sustenance of livestock and wildlife.

Social Protection

84. Government will continue to implement social protection programmes such as the Social Cash Transfer, Food Security Pack and Keeping Girls in School.
85. Over the medium term, the Government will continue to keep girls in school and empower women under the Girls Education and Women's Empowerment and Livelihoods Project. The keeping girls in school component will be expanded to support more girls in response to increased demand following the implementation of the Free Education Policy. The women's empowerment and livelihoods component will be scaled up to all the 116 districts, covering 200,000 beneficiaries.
86. Government's goal with regards to the pension system is to be current with payments and reduce the waiting time for pensioners under Public Service Pension Fund and Local Authorities Superannuation Fund. In the medium term, Government will continue to dismantle pension arrears. Further, Government through the National Pension Scheme Authority will continue implementing partial withdrawal of pension benefits to help improve people's livelihood and empower individuals for their immediate investment needs.

C. Environmental sustainability

87. The devastating effects of climate change events have demonstrated the importance of environmental sustainability. In this regard, Government launched the National Green Growth Strategy aimed at creating green jobs, enhancing resilience to shocks and creating business opportunities.
88. To build resilience against climate change events, Government will continue to expand, modernise and maintain metrological equipment. Further, to increase access to weather-related information, climate data records have been digitised. Government has also scaled-up provision of meteorological information for use in the aviation, agriculture, water and energy sectors as well as in disaster risk management.
89. At the local level, priorities focus on strengthening community-based disaster risk reduction efforts and enhancing the capacity of provincial and district disaster management offices. These local structures are critical for implementing early warning systems, coordinating responses, and mobilizing resources for disaster preparedness and recovery.
90. To support these measures, Government has established a Disaster Risk Financing Strategy which will serve as a cornerstone for enhancing financial preparedness and resilience to climate-induced disasters. The strategy aims to shift from reactive and unpredictable funding mechanisms toward pre-

arranged, reliable solutions that prioritize timely responses and sustainable recovery efforts.

D. *Good governance environment*

91. Government remains committed to providing an environment that is politically, socially and economically sound. Therefore, Government remains resolute to enforcing the rule of law, safeguarding human rights, and promoting transparency and accountability in the management of public resources. Over the medium term, the Government will implement a series of targeted legal, structural, and policy reforms that will be expected to culminate into a conducive macroeconomic environment that supports sustainable growth and economic development.

Fiscal Policy

92. Over the medium term, the Government's objective remains to attain fiscal sustainability which is an objective in the Eighth National Development Plan. Government will therefore implement a multi-year fiscal consolidation effort so as to reduce fiscal deficit, on a cash basis, to 0.7 percent of GDP by 2027. With regards to revenue, the target will be to raise at least 21.2 percent of GDP in domestic revenues by 2027. To this, the Government will enhance tax policies and leverage on technology to strengthen tax administration to improve both tax compliance and collections.
93. Additionally, Government will focus on keeping expenditure levels sustainable in 2025 and over the medium term. The target will be to channel resources to programmes and projects that have a direct impact on facilitating economic growth and enhancing the livelihoods of the citizens.

Domestic Revenue Mobilization

94. Over the 2025-2027 medium term, the Government targets to raise domestic revenue generation to at least 21.2 percent of GDP by 2027. Revenue mobilisation will focus on strengthening tax policies and leverage on technology to enhance tax administration and enhance compliance. To enhance domestic revenue collections the following measures will be undertaken:
- a. Index specific excise duties on selected goods in order to preserve their respective yield values;
 - b. Continue with the implementation of the Smart Invoicing System with the aim of enhancing monitoring and verification of tax invoices issued

by businesses. The smart invoicing system commenced implementation on 1st April, 2024;

- c. Introduce a tax expenditure framework to evaluate the effectiveness and efficiency of tax incentives with the view of ensuring that incentives are better targeted and support Government policy direction;
- d. Finalise the assessment of options to implement the Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy in order to prevent erosion of the tax base; and
- e. Expedite the mass valuation of properties to ensure that property values remain current, facilitating for billing and collection of rates. This will enhance the collection of property tax by local authorities in line with the ongoing decentralization process.
- f. Continue implementing tax measures to combat illicit financial flows, which are the illegal cross-border movements of money. The 2025 budget introduce an Advance Income Tax at the rate of 15% on remittances and exports above USD2,000 or equivalent made through a commercial bank by an account holder without a valid Tax Clearance Certificates.

Debt Management Strategy

- 95. Government's 2024 – 2026 Medium Term Debt Strategy was developed in line with the Public Debt Management Act of 2022. The strategy aims at increasing concessional external financing from the current external debt to domestic debt proportion of 51:49 in 2024, to 60:40 by 2026. The strategy broadens external concessional financing from multilateral creditors to also include bilateral creditors. Within the domestic financing, the strategy aims to achieve a 56:44 proportion in new issuances of short to longer-dated domestic instruments in the medium term. The Strategy yields a moderate trade-off between cost and risk for all indicators and the strategy provides the highest Average Time to Maturity (ATM) on the domestic portfolio.
- 96. In line with the Dismantling of Domestic Arrears Strategy 2022-2026, Government will continue dismantling of Public domestic arrears through debt swaps, securitization of arrears and other mechanisms. Furthermore, in order to achieve the desired outcome of this strategy, periodic audits and monitoring will be carried out as well as annual reviews of the implementation of the Strategy by the Ministry of Finance and National Planning.
- 97. The Ministry will continue to adhere to the Public Debt Management Act of 2022, prioritising transparency and ensuring National Assembly oversight in

the contraction of public debt. In 2025, the Ministry will publish the 2025 Debt Sustainability Analysis (DSA) which will inform the revision and publication of the 2025-2027 Medium-Term Debt Strategy as well as the development of the 2026 Annual Borrowing Plan.

Financing

98. To bridge the gap between revenues and expenditures over the medium term (2025-2027), the Government projects to borrow a total of K280.7 billion from the domestic market over the stated period. Of this amount, K78.6 billion and K97.6 billion will be borrowed in 2025 and 2026 respectively, while K104.5 billion will be borrowed in 2027. Additionally, in period 2025 to 2027, domestic financing is expected to be K15.4 billion, K16.0 billion, and K18.1 billion respectively.

Debt Strategic Guidelines for Implementation

- i. Minimize the variation between the projected and actual net financing need in the medium term;
- ii. Restrict external financing to concessional financing. To increase the envelope, and provide for the increase from 51 to 60 percent external financing, bilateral concessional financing will be considered in the medium term;
- iii. Enhance investor engagement through targeted outreach programmes to promote investment in Government securities and widen the investor base, with more focus on resident investors; and
- iv. Develop and publish the Annual Borrowing Plan (ABP) in line with the MTDS. The ABP will highlight key information needed by investors in planning their investments in Government securities.

2024 Financing Gap

99. Over the 2025-2027 medium term, to bridge the gap between revenues and expenditures Government projects to borrow a total of K280.7 billion from the domestic market. Of this amount, K78.6 billion is projected to be acquired in 2025 and K97.6 billion in 2026 and K104.5 billion will be borrowed in 2027. Additionally, over the same period 2025 - 2027, domestic financing is expected to be K15.4 billion, K16.0 billion, and K18.1 billion respectively.

Decentralization

100. Over the medium term, Government will continue to consolidate on the gains made on the devolution of functions to the local authorities. Devolution of functions with matching resources will be done in a phased manner. Government believes that devolution of certain functions to the lower level will result in improved and efficient delivery of services and ensure citizen participation that is consistent with their aspirations.
101. Government will collaborate with local authorities to implement reforms on property taxes to increase collection efficiency resulting in more revenues for the local authorities to deliver municipal goods and services such as public health, markets and bus stations, and water and sanitation. To ensure revenue optimisation, local authorities will prioritise sensitisations to communities on the importance of paying local taxes and non-tax obligations as well strengthen voluntary compliance, enhance taxpayer services, and apply incentives to encourage compliance, enforce sanctions and penalties on non-compliant taxpayers.
102. Government will continue sharing resources with local authorities through intergovernmental transfers and will use the Constituency Development Fund (CDF) as a vehicle to foster socio-economic development at community level. Government will review the allocation criteria of CDF and other transfers such as Local Government Equalisation Fund and Grants in Lieu of Rates to promote equitable allocation of resources. Government will also conduct analyses on how to make these resources more effective and responsive to socio-economic development and service delivery needs. Further, disbursement and utilisation of sector grants for devolved functions will be improved to ensure continuity of service delivery.

Public Private Partnerships

103. Over the medium term, the Government will continue to leverage on PPPs as an alternative and effective financing tool for developmental projects. In addition, the Government will increase public institutions' ability to efficiently design projects in order to guarantee value for money in PPP projects and guarantee that only feasible projects are implemented.

Public Investment Management

104. In order to promote fiscal sustainability and budget credibility, including the elimination of unnecessary spending, the Government will continue to make sure that all significant public investment projects are evaluated in accordance with the National Planning and Budgeting Act No. 1 of 2020 over the medium term. Therefore, only projects included in the Public Investment

Plan and the national inventory of ongoing (legacy) infrastructure projects will be used to determine allocations towards public investment infrastructure projects.

105. The Government will keep enhancing the capabilities of all significant players engaged in public investment project management in order to guarantee efficient project identification, planning, evaluation, and execution. In order to automate the filing of project documents, the Government will also make sure that the Public Investment Management Information System is successfully implemented throughout all Ministries, Provinces and Agencies.
106. In the medium-term, Government will focus on completing projects which have stalled. This will guarantee fiscal sustainability, effective implementation and administration of public investments.

Monitoring and Evaluation

107. Government will keep strengthening monitoring and evaluation systems at all levels of governance to improve and streamline the tracking of yearly budget outputs. This will be done through the electronic Management Monitoring System which was implemented in 2024. The system will enable real-time planning, monitoring, assessment and reporting as well as evidence-based decision-making.

Monetary and Financial Sector Policies

108. Government will continue to implement policies aimed at achieving and maintaining price stability to promote robust growth and enhance the living standards of our citizens. In this regard, monetary policy will compliment these efforts by guiding inflation back to the 6-8 percent target range and anchoring inflation expectations over the medium-term. To this end, the forward-looking monetary policy framework, centered on the Policy Rate, will remain the main indicator of the monetary policy stance.
109. To reinforce the role of the Kwacha as legal tender in domestic transactions in line with the provisions of the Bank of Zambia Act, 2022, currency regulations will be issued once consultations with stakeholders are concluded.
110. Following the establishment of the Financial Stability Committee, the Bank of Zambia will establish a deposit protection fund to safeguard depositors in the event of insolvency.

External Sector Policies

111. Government will continue to accumulate reserves, including the domestic purchase of gold, and provide necessary market support to avoid excess volatility in the exchange rate. To enhance foreign exchange earnings, Government will foster diversification of exports, sustain foreign investment flows and facilitate private sector entry into new markets.
112. To enhance the quality of balance of payments statistics, the Export Proceeds Tracking Framework was launched in 2024. The Framework requires all exporters to route export earnings through a bank account domiciled in Zambia. Since the introduction of the Framework, there has been an improvement in data capture and a significant reduction in net outflows. In 2025, the Framework will be enhanced to include services and imports.

Financial Inclusion

113. The Government will continue improving the accessibility of affordable financing for Micro, Small, and Medium-Sized Enterprises (MSMEs), including farmers, agribusinesses, and exporters of high-value agricultural products, in 2025 and the medium term.
114. Government will continue implementing the National Financial Inclusion Strategy II for the period 2024-2028 which was launched in 2024. The Strategy is aimed at increasing financial services in rural areas as well as for women and micro, small and medium enterprises. The target is to achieve 80 percent financial inclusion by 2027 from 69.4 percent recorded in 2020. Government will undertake a FinScope Survey in 2025 to ascertain progress made in the attainment of financial inclusion targets.
115. To enhance financial inclusion, the Government is moving towards a cashless economy riding on digital financial platforms. In this regard, Government will repeal and replace the National Payment Systems Act, 2007 to align with the current payment systems landscape. Further, the Bank of Zambia will extend the operating hours for the RTGS to help actualize a 24-hour digital economy.

Risk Management

116. To enhance good governance practices in the delivery of public services, Government is promoting the integration of risk management in all business processes and across all levels of the public sector. This is being achieved through the establishment of risk management systems to facilitate the assessment and management of risks.

117. Further, in an endeavour to enhance fiscal transparency and improve budget credibility, Government developed its first annual Fiscal Risk Statement to address risks that may affect the 2025 budget performance. The statement provides an overview of fiscal risks related to budget execution and presents a framework for managing risks in the short to medium term. The statement also details mitigation measures and institutions responsible to manage fiscal risk within a holistic Risk Management Framework for public sector. The Statement will be developed and published annually to accompany the National Budget.

Structural Reforms Matters

118. Government will over the medium term implement the following governance and structural reforms which remain key to promoting private sector activity and economic diversification:

- a) Reviewing the Anti-Corruption Act in a timely manner;
- b) Enhancing transparency and governance in the energy and mining sectors to help reduce policy uncertainty;
- c) Improving the business climate;
- d) Attracting greater investment; and
- e) Drafting of the Climate Change Bill in an effort to continue addressing climate adaption and the use of climate-resilient energy sources to help support sustainable growth.

CHAPTER FIVE

5.0 FISCAL OUTLOOK, 2025-2027

5.1 Overview

119. Government's fiscal policy objective over the 2025-2027 medium term will be to achieve fiscal consolidation through domestic resource mobilization and expenditure rationalization. To this end, Government will implement fiscal policy strategies aimed at diversifying the economy to stimulate growth and create employment opportunities, safeguarding livelihoods through increased and introduction of new forms of social spending, and empowering communities and citizens through fiscal decentralization. Further, Government will support reforms that are aimed at addressing the adverse effects of climate change so as to build resilience and promote sustainable economic growth. Furthermore, efforts will be made to maintain and support an efficient and effective governance framework.
120. Over the 2025-2027 medium term, total revenues and grants, in nominal terms, are expected to increase from K182.4 billion in 2025 to K228.2 billion in 2027. This will amount to an average of 22.4 percent of GDP over the medium term. Total expenditures, in nominal terms, are expected to increase from K217.1 billion in 2025 to K252.5 billion in 2027. These are expected to reduce, as a share of GDP, from 26.6 percent in 2025 to 24.8 percent in 2027.
121. Over the medium-term fiscal deficit as a percent of GDP is projected to reduce to 0.7 percent in 2027 from 3.1 percent in 2025. Financing through domestic and external borrowing will average K18.1 billion or 2.0 percent of GDP over the period 2025-2027.

5.1.1 Expenditure Policy Strategy for 2025 – 2027

122. Over the 2025-2027 medium term, the Government will implement the following broad expenditure policies to promote economic growth and development while fostering a resilient economy amidst climate change. The following are some of the expenditure strategies:
- a) Realign the allocation of public resources to areas where Government is the primary provider of goods and services, while allowing the private sector, including through public private partnership, to facilitate the provision of goods and services that are commercially viable;
 - b) Prioritise the allocation of resources towards early recovery interventions and immediate humanitarian needs, in line with the

Drought Response Plan to build economic resilience in light of climate change, and ensure food and energy security, among others;

- c) Prioritise the allocation of resources towards programmes identified under the Presidential Delivery Unit, to accelerate the delivery of development for the country;
- d) Prioritise social spending to cushion and uplift the vulnerable in society, including from the negative effects of the drought. Resources will be directed towards enhancing the Social Cash Transfer both in terms of value and coverage, upscaling the school feeding programme, Food Security Pack and Pensions; Further, other innovative models, will be adopted such as “Cash-For-Work”, that facilitate for the active engagement in economic activity of those that are able to work;
- e) Contain the public sector wage bill (including net recruitment, promotion and any public sector wage adjustment) within the ratio of 42 percent of domestic revenues to allow for spending on other requisites that support effective public service delivery;
- f) Implement the final phase of the full migration of the Farmer Input Support Programme to the electronic voucher system with all districts in the country scheduled to be migrated to the electronic voucher system in the 2025/2026 farming season in line with the FISP Migration Plan approved by Cabinet in 2022;
- g) Maintain strategic food reserves at 1.0 million metric tonnes;
- h) Increase the allocation to the Constituency Development Fund (CDF) by the annual inflation rate, noting that the absorption rate continues to be moderate;
- i) Prioritise the completion of ongoing capital projects which have higher impact on improving the livelihood of citizens, before embarking on new projects. This will ensure that Government achieves value for money on various infrastructure projects by completing those already commenced but not yet completed.
- j) Ensure that new projects are appraised as provided for in the National Planning and Budgeting Act No. 1 of 2020 before being considered for inclusion in the budget to ensure value for money and reduce wasteful expenditure.
- k) Revise the debt dismantling strategy with the aim of accelerating the dismantling of domestic arrears to unlock liquidity in the economy and mitigate the exponential growth of these arrears due to interest payments;

- l) Maintain cost reflective fuel pricing regime to ensure no budgetary subsidies are facilitated, as well as avoid further accumulation of arrears; and
- m) Ensure all Ministries, Provinces and Agencies have operational Ministerial Delivery Units (MDU) to monitor the implementation of 8NDP programmes, and particularly those identified under the Presidential Delivery Unit, to accelerate the delivery of development for the country.

Table 5: Fiscal Projections, 2025-2027

2025-2027 Fiscal Projections	2024 Approved Budget		2025		2026		2027		2025-2027	
	K'thousand	% of GDP	Approved Budget		Projection		Projection		Total	Average
			K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	K'thousand
GROSS DOMESTIC PRODUCT	641,020,800	100.0%	817,512,200	100.0%	908,840,000	100.0%	1,016,424,000	100.0%	2,742,776,200	914,258,733
TOTAL RESOURCES	177,891,869	27.8%	217,105,379	26.6%	240,941,061	26.5%	252,528,201	24.8%	710,574,641	236,858,214
1. Tax Revenue	114,832,255	17.9%	137,784,256	16.9%	154,611,186	17.0%	174,622,718	17.2%	467,018,160	155,672,720
2. Non Tax Revenue	26,281,476	4.1%	36,404,139	4.5%	39,466,465	4.3%	43,589,028	4.3%	119,459,633	39,819,878
3. Grants from Co-operating Partners	3,435,095	0.5%	8,169,194	1.0%	8,998,690	1.0%	9,951,025	1.0%	27,118,909	9,039,636
4. Financing	33,343,043	5.2%	34,747,789	4.3%	37,864,720	4.2%	24,365,430	2.4%	96,977,939	32,325,980
TOTAL EXPENDITURE (Excluding Amorti	177,891,869	27.8%	217,105,379	26.6%	240,941,061	26.5%	252,528,201	24.8%	710,574,642	236,858,214
1. Expenses	146,243,343	22.8%	178,910,829	21.9%	205,294,713	22.6%	214,275,470	21.1%	598,481,012	199,493,671
2. Assets	24,784,327	3.9%	32,919,673	4.0%	30,079,441	3.3%	31,698,138	3.1%	94,697,252	31,565,751
3. Liabilities	6,864,199	1.1%	5,274,876	0.6%	5,566,908	0.6%	6,554,593	0.6%	17,396,377	5,798,792

Revenue Mobilisation and Financing

123. The Zambian Government remains committed to developing a sustainable resource base and attaining domestic income mobilisation of at least 22.4 percent of GDP by 2027, as outlined in the 2025-2027 Medium-Term Budget Plan. To achieve this, the Government would prioritise reducing the fiscal deficit to sustainable levels by implementing strong tax policy reforms, using advanced technologies to improve tax administration, and strengthening compliance measures. The emphasis will be on achieving fairness and equity in taxation while also cultivating a stable and business-friendly tax environment.
124. Additionally, the Government is committed to supporting ongoing debt restructuring efforts to restore fiscal sustainability and create fiscal space for priority investments. These measures, alongside revenue mobilization strategies, are expected to strengthen the investment climate, stimulate private sector growth, and drive economic transformation through innovation, industrialization, and diversification.

5.2.1 Revenue Forecast 2025-2027

125. In the 2025 to 2027 Medium-Term Budget Plan, Revenue and Grants are estimated to reach K613.6 billion. Within this projection, K182.4 billion which is equivalent to 22.3 percent of GDP is earmarked for the year 2025. Subsequently, collections for 2026 and 2027 are expected to amount to K203.1 billion (22.3 percent of GDP) and K228.2 billion (22.4 percent of GDP) respectively.

Tax Revenue

126. In the medium term, the forecasted total tax revenues are expected to amount to K467.0 billion. This projection includes K137.8 billion equivalent to 16.9 percent of GDP for the year 2025. Subsequently, projections for 2026 indicate K154.6 billion or 17.0 percent of GDP, and K174.6 billion or 17.2 percent of GDP for the year 2027.

Non-Tax Revenue

127. Non-tax revenue collections are anticipated to reach K119.5 billion. Of this amount, K36.4 billion will be collected in 2025, K39.5 billion in 2026 and K43.6 billion in 2027. The collection is an average of 4.4 percent of GDP.

Grants

128. Over the 2025-2027 Medium-Term Budget Plan, grants from cooperating partners are projected to total K27.1 billion. These grants are anticipated to play a critical role in supporting a range of Government projects, with a primary focus on key sectors such as Education, Health, and Community Development, among others.

Table 6: Revenue Projections, 2025-2027

2025-2027 Fiscal Projections	2024 Approved Budget		2025		2026		2027		2025-2027	
			Budget		Projection		Projection		Total	Average
	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	K'thousand
GROSS DOMESTIC PRODUCT	641,020,800	100.0%	817,512,200	100.0%	908,840,000	100.0%	1,016,424,000	100.0%	2,742,776,200	914,258,733
TOTAL REVENUES & GRANTS	144,548,825	22.5%	182,357,589	22.3%	203,076,342	22.3%	228,162,771	22.4%	613,596,702	204,532,234
TOTAL DOMESTIC REVENUES	141,113,730	22.0%	174,188,395	21.3%	194,077,652	21.4%	218,211,746	21.5%	586,477,793	195,492,598
1. Tax Revenue	114,832,255	17.9%	137,784,256	16.9%	154,611,186	17.0%	174,622,718	17.2%	467,018,160	155,672,720
O/w Income Taxes	61,322,018	9.6%	65,810,241	8.1%	73,892,091	8.1%	84,699,596	8.3%	224,401,928	74,800,643
Value Added Taxes	36,361,861	5.7%	48,341,426	5.9%	54,088,217	6.0%	59,890,901	5.9%	162,320,544	54,106,848
Customs and Excise Duties	16,774,267	2.6%	22,854,126	2.8%	25,789,755	2.8%	29,098,575	2.9%	77,742,456	25,914,152
Insurance Premium Levy	253,260	0.0%	370,150	0.0%	391,819	0.0%	413,644	0.0%	1,175,613	391,871
Export Duties	120,849	0.0%	408,314	0.0%	449,305	0.0%	520,001	0.1%	1,377,620	459,207
2. Non-Tax Revenue	26,281,476	4.1%	36,404,139	4.5%	39,466,465	4.3%	43,589,028	4.3%	119,459,633	39,819,878
O/w Total User fees, fines and Charges	10,695,361	1.7%	11,134,957	1.4%	12,237,177	1.3%	13,898,831	1.4%	37,270,965	12,423,655
Interest from On-lending/Dividends	3,359,110	0.5%	7,339,207	0.9%	7,768,846	0.9%	8,201,599	0.8%	23,309,652	7,769,884
Mineral Royalty	10,004,180	1.6%	17,354,619	2.1%	18,854,035	2.1%	20,847,346	2.1%	57,056,000	19,018,667
Motor Vehicle Fees	209,511	0.0%	193,099	0.0%	204,403	0.0%	215,789	0.0%	613,291	204,430
Tourism Levy	26,616	0.0%	74,362	0.0%	78,715	0.0%	83,099	0.0%	236,176	78,725
Skills Development Levy	268,249	0.0%	307,895	0.0%	323,290	0.0%	342,364	0.0%	973,549	324,516
3. GRANTS	3,435,095	0.5%	8,169,194	1.0%	8,998,690	1.0%	9,951,025	1.0%	27,118,909	9,039,636

5.2.2 Financing 2025-2027

129. To mitigate the fiscal deficit over the 2025-2027 medium term, Government projects to borrow a sum of K54.4 billion, excluding amortization. Of the total borrowing, domestic financing is projected to contribute K49.4 billion and external financing is projected to provide K5.0 billion. During this period Government will strive to reduce the fiscal deficit through revenue mobilization and expenditure rationalization. Further, Government will continue with its efforts of enhancing debt sustainability by accessing more resources from external sources through concessional financing and domestic financing.

Table 7: Financing, 2025-2027

	2024 Approved Budget		2025		2026		2027		2025-2027	
			Budget		Projection		Projection		Total	Average
	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	K'thousand
GROSS DOMESTIC PRODUCT	641,020,800	100.0%	817,512,200	100.0%	908,840,000	100.0%	1,016,424,000	100.0%	2,742,776,200	914,258,733
FINANCING	30,818,163	4.8%	25,280,867	3.1%	21,934,324	2.4%	7,213,272	0.7%	54,428,463	18,142,821
Net Domestic Financing	16,328,756	2.5%	15,359,225	1.9%	15,982,104	1.8%	18,098,871	1.8%	49,440,200	16,480,067
Net External Financing	14,489,408	2.3%	9,921,642	1.2%	5,952,221	0.7%	(10,885,600)	-1.1%	4,988,263	1,662,754
O/w Programme Support	7,671,674	1.2%	8,057,291	1.0%	14,829,007	1.6%	1,906,183	0.2%	24,792,481	8,264,160
Project Support	9,342,613	1.5%	11,331,274	1.4%	7,053,609	0.8%	4,360,376	0.4%	22,745,259	7,581,753
Amortization	(2,524,880)	-0.4%	(9,466,922)	-1.2%	(15,930,395)	-1.8%	(17,152,159)	-1.7%	(42,549,477)	(14,183,159)

5.3.1 Expenditure by Economic Classification

130. Over the 2025-2027 medium term, Government proposes to spend an average of K199.5 billion, equivalent to 21.8 percent of GDP, on recurrent expenditure. This includes administrative expenses, operating costs for running Government services, salaries and wages, and interest payments on

external and domestic debt. Out of this total, K178.9 billion has been allocated in 2025 whilst K205.3 billion and K214.3 billion are projected for 2026 and 2027 respectively.

131. Government plans to spend a total of K94.5 billion on assets during this period. This amount is distributed as follows: K32.9 billion in 2025, K30.1 billion in 2026, and K31.7 billion in 2027. Of the total asset expenditure, K84.4 billion will be allocated to non-financial assets whilst K10.3 billion will be allocated to financial assets.

132. To continue dismantling arrears and unlocking liquidity in the economy, the Government will allocate K17.4 billion to liabilities over the medium term. Of the total liabilities, K5.3 billion has been allocated in 2025 whilst K5.6 billion and K6.6 billion are projected for 2026 and 2027 respectively.

Table 8: Expenditure Projections, 2025-2027

	2024 Approved Budget		2025		2026		2027		2025-2027	
			Budget		Projection		Projection		Total	Average
	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	K'thousand
GROSS DOMESTIC PRODUCT	641,020,800	100.0%	817,512,200	100.0%	908,840,000	100.0%	1,016,424,000	100.0%	2,742,776,200	914,258,733
TOTAL EXPENDITURE (Incl. Amortisation)	177,891,869	27.8%	217,105,379	26.6%	240,941,061	26.5%	252,528,201	24.8%	710,574,642	236,858,214
EXPENSES	146,243,343	22.8%	178,910,829	21.9%	205,294,713	22.6%	214,275,470	21.1%	598,481,012	199,493,671
1. Personal Emoluments (PEs)	52,785,353	8.2%	58,538,690	7.2%	63,890,309	7.0%	68,441,791	6.7%	190,870,790	63,623,597
2. Use of Goods and Services	17,657,848	2.8%	19,146,643	2.3%	21,042,161	2.3%	25,283,649	2.5%	65,472,453	21,824,151
3. Debt Service Payments	38,917,266	6.1%	53,998,884	6.6%	72,142,100	7.9%	64,246,960	6.3%	190,387,944	63,462,648
4. Transfers and Subsidies	27,284,862	4.3%	33,176,832	4.1%	33,078,790	3.6%	36,257,097	3.6%	102,512,719	34,170,906
5. Social Benefits	9,598,014	1.5%	14,049,781	1.7%	15,141,353	1.7%	20,045,973	2.0%	49,237,107	16,412,369
ASSETS	24,784,327	3.9%	32,919,673	4.0%	30,079,441	3.3%	31,698,138	3.1%	94,697,252	31,565,751
1. Non Financial Assets	23,457,727	3.7%	30,067,765	3.7%	26,945,194	3.0%	27,378,971	2.7%	84,391,930	28,130,643
2. Financial Assets	1,326,600	0.2%	2,851,908	0.3%	3,134,247	0.3%	4,319,168	0.4%	10,305,323	3,435,108
LIABILITIES	6,864,199	1.1%	5,274,876	0.6%	5,566,908	0.6%	6,554,593	0.6%	17,396,377	5,798,792

Expenses

Personal Emoluments

133. Over the period 2025-2027, the Government will spend a total of K190.9 billion on Personal Emoluments. Of this amount K58.5 billion or 7.2 percent of GDP will be spent in 2025, K63.9 billion or 7.0 percent of GDP in 2026 and K68.4 billion or 6.7 percent in 2027. Of the total allocation to Personal Emoluments in the medium term, K2.3 billion is earmarked for recruitment of 30,000 personnel across the public service over the medium term.

134. Over the medium term, the Government has allocated a total of K9.3 billion towards the Public Service Pay Policy to cushion the effects of inflation on real wages, motivate public officers and improve productivity across public service. Of this amount, K2.9 billion will be spent in 2025, K2.9 billion for 2026 and K3.5 billion for 2027.

Use of Goods and Services

135. Over the medium term, Government will spend a total of K65.5 billion towards use of goods and services. Of this amount, K19.1 billion or 2.3 percent of GDP will be spent in 2025, K21.0 billion or 2.3 percent of GDP in 2026 and K25.3 billion or 2.5 percent of GDP in 2027. Notable expenditures under this category include, K16.7 billion for the procurement of Drugs and Medical Supplies, K2.5 billion towards Compensation and Awards, K1.9 billion towards Contingency and K1.0 billion for elections, voter registration and delimitation.

Domestic and External Debt Service

136. Over the 2025-2027 medium term, Government will spend a total of K147.8 billion on domestic and external debt interest payments. Of this amount, K44.5 billion will be spent in 2025, K56.2 billion in 2026 and K47.1 billion in 2027. Additionally, K126.7 billion is allocated to be spent towards servicing domestic debt interest payments as follows; K37.3 billion in 2025, K49.0 billion in 2026 and K40.4 billion in 2027. Further, a total of K21.2 billion is allocated to be spent on external debt interest payments as follows; K7.2 billion in 2025, K7.2 billion in 2026, and K6.7 billion in 2027.
137. Furthermore, external debt principal payments will amount to K42.5 billion over the medium term. Of this amount, K9.5 billion will be spent in 2025, K15.9 billion in 2026 and K17.2 billion in 2027.

Transfers and Other Payments

138. Over the medium term, Government will spend a total of K102.5 billion on Transfers and Other Payments. Of this amount, K23.2 billion will be spent on ordinary grants while K7.9 billion will be utilised as school grants in order to continue implementing Government's policy of free education provision.
139. Government will also spend a total of K4.7 billion towards Local Government Equalisation Fund to support all local authorities across the country in delivering key public services. Further, a total of K9.3 billion has been allocated to the Zambia Revenue Authority to enhance domestic revenue mobilisation.
140. To continue developing the country and empower more women and youths, Government has allocated a total of K18.4 billion to the Constituency Development Fund (CDF). Of this amount, K1.7 billion has been allocated for road maintenance in local communities. The increase in the budget

allocation is in line with the Government's agenda to take resources closer to the people and enhance the participation of the community in decision making. It is also envisaged that education, health, water and sanitation projects will be prioritised.

141. Over the medium term, the Government will spend a total of K29.1 billion on Comprehensive Agricultural Transformation Support Programme (CATSP). Of this amount, K9.3 billion will be spent in 2025, K9.3 billion in 2026 and K10.6 billion in 2027.

Social Benefits

142. The Government will spend a total of K49.2 billion over the medium term on social protection programmes. Of this amount, K14.1 billion will be spent in 2025, K15.1 billion in 2026 and K20.0 billion in 2027. Notable allocations under this expenditure category include; K29.0 billion for the Social Cash Transfer Programme, K15.8 billion earmarked for the Pension Fund and K4.4 billion for Food Security Pack.

Assets

143. Over the medium term, Government will spend a total of K94.7 billion on Non-Financial Assets and Financial Assets. Of this amount, K32.9 billion will be spent in 2025, K30.1 billion in 2026 and K31.7 billion in 2027.

Non- Financial Assets

144. Over the medium term, expenditure on non-financial assets is projected at K84.5 billion. Of this amount, K30.1 billion is projected to be spent in 2025, while K26.9 billion in 2026 and another K27.4 billion will be spent in 2027. Out of the total medium-term allocations, K18.2 billion will be spent on ordinary capital to complete various Government projects in the health and education sectors as well as equipping health facilities and skills training institutions, among others. Notable expenditure under this category includes a total of K4.9 billion for the provision for water resources infrastructure as well as clean water and sanitation services across the country.
145. Over the medium term, K38.8 billion has been allocated to cater for the construction, rehabilitation and maintenance of more rural and urban roads. Of this amount K12.0 billion will be spent in 2025, K12.3 billion in 2026 and K14.5 billion in 2027. Further, a total of K884.8 million has been allocated towards rural roads connectivity.
146. The Government will continue implementing the Rural Electrification Programme and projects to spend a total of K1.6 billion over the medium

term. Of this amount, K477.6 million will be spent in 2025, K524.8 million in 2026 and K555.8 million in 2027.

147. Further, the Government has allocated a total of K5.3 billion towards the procurement of grain under the Food Reserve Agency to ensure food security.

Financial Assets

148. Over the medium term, Government will spend a total of K10.3 billion on financial assets. Of this amount, K2.9 billion will be spent in 2025, K3.1 billion in 2026 and K4.3 billion in 2027. The funds will be utilised to continue facilitating access to affordable credit for micro, small and medium enterprises as a means of enhancing citizenry participation in the economy to drive development and entrepreneurship for job creation and improved livelihoods. Notable expenditures under this category include K1.3 billion earmarked for the Citizens Economic Empowerment Fund for empowering of youths and women and K6.2 billion earmarked for Recapitalisation of State-Owned Enterprises (SOEs).

Liabilities

149. To continue unlocking liquidity in the economy, the Government will spend a total of K17.4 billion towards dismantling domestic arrears, including arrears for contractor financed projects in a bid to facilitate effective implementation of projects. Of this amount, K5.3 billion will be spent in 2025, K5.6 billion in 2026 and K6.6 billion in 2027.

CHAPTER SIX

5.0 CONCLUSION

150. The Zambian economy is at cross roads. After strong positive growth in 2022 and 2023 averaging 5.3 percent, growth in 2024 is projected to be much lower, on account of the debilitating effects of the drought. The White Paper sets a strategic tone and foundation to strengthen the resilience of the economy, and promote higher growth, projected at more than 6 percent per annum.
151. Fiscal policy will be contractionary, with the fiscal deficit projected at 0.7 percent of GDP by 2027 from 3.1 percent of GDP in 2025. Domestic revenues are projected at no less than 21.2 percent of GDP by 2027. This will be achieved by enhancing tax policies and leveraging on technology to strengthen tax administration and improve tax compliance. Expenditures are projected at 24.8 percent of GDP in 2027 from 26.6 percent of GDP in 2025, on account of expenditure rationalization and reduction of leakages. Social sector spending will continue to be a priority. Government will also utilise Public Private Partnerships to finance developmental projects, especially those related to infrastructure.
152. As it meets its financing requirements over the medium term, Government will access more resources from external sources through concessional financing, in line with the tenets of debt restructuring and the 2024 – 2026 Medium Term Debt Strategy.
153. As the effects of climate change become more pronounced and to enhance public service delivery, Government will continue promoting the integration of risk management in all business processes and across all levels of the public sector. This will be achieved through the establishment of risk management systems to facilitate the assessment and management of risks.