



ZAMBIA

February 2026

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF A QUANTITATIVE PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ZAMBIA

In the context of the Sixth Review Under The Extended Credit Facility Arrangement, Request for a waiver of Nonobservance of a Quantitative Performance Criterion, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its January 27, 2026, consideration of the Staff Report on issues related to the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 27, 2026, following discussions that ended on November 4, 2025, with the officials of Zambia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 8, 2026.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Statement by the Staff Representative** on Zambia
- A **Statement by the Executive Director** for Zambia.

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IMF Executive Board Completes Sixth Review Under the Extended Credit Facility with Zambia

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the sixth and final review under the 38-month Extended Credit Facility Arrangement, which has supported Zambia's reform agenda aimed at restoring macroeconomic stability, building economic resilience, and promoting sustainable and inclusive growth.
- Zambia's economy has shown economic strength amid external and domestic shocks. Continued reforms are essential to safeguard macroeconomic stability, and debt and fiscal sustainability.
- With the ECF arrangement having been successfully completed, policy focus in 2026 remains on maintaining fiscal discipline and policy credibility to consolidate the hard-earned gains.

Washington, DC - January 27, 2026: The Executive Board of the International Monetary Fund (IMF) completed today the sixth and final review of Zambia's 38-month Extended Credit Facility (ECF) Arrangement, approved on August 31, 2022. The completion of this review allows for an immediate disbursement of SDR 138.9 million (about US\$190 million), bringing Zambia's total disbursement under the ECF-supported program to SDR 1,271.66 million (about US\$1.7 billion).

Program performance has been broadly satisfactory, albeit with some delays on structural conditionality. All end-June 2025 quantitative performance criteria (QPC) and indicative targets (ITs) were met, except for the QPC on net international reserves and the IT on spending arrears clearance. Eight out of nineteen structural benchmarks (SBs) were met, and six additional SBs were completed with delays. The submission to Parliament of the revised Banking and Financial Services Act (BFSA), broadly aligned with international standards, satisfied the prior action set for this review. The Executive Board also granted a waiver for the nonobservance of the QPC on net international reserves at end-June 2025.

Zambia's economic outlook remains positive. Real GDP growth is estimated at 5.2 percent in 2025, underpinned by strong mining activities and record-high maize production. Real GDP growth in 2026 is projected at 5.8 percent on the back of continued recovery in electricity generation and strong performance in mining and services. Inflation is projected to converge gradually toward the 6-8 percent target band by 2027. Notwithstanding heightened global uncertainty, the medium-term outlook remains favorable and hinges on scaling up mining investment, robust agriculture production, improved electricity generation, and sustained fiscal discipline. Continued efforts are needed to promote private sector participation, economic diversification, and more inclusive growth.

Zambia's public debt is assessed as sustainable but remains at high risk of overall and external debt distress. External debt restructuring continues to advance as five bilateral agreements with official creditors have been signed, and progress with commercial creditors is advancing. Provided that the authorities maintain the projected fiscal consolidation path, Zambia is expected to reach a moderate risk of external debt distress over the medium term.

Following the Executive Board discussion on Zambia, Mr. Nigel Clarke, Deputy Managing Director and Acting Chair, issued the following statement:

"Despite external and domestic shocks, Zambia has significantly reduced macroeconomic imbalances, made considerable progress on debt restructuring, and undertaken sustained fiscal consolidation while safeguarding social spending. The performance under the program has been broadly satisfactory and the authorities should remain focused on maintaining prudent macroeconomic policies and advancing reforms to foster inclusive and private-sector-led growth. Continued engagement with the Fund and development partners would support these policy endeavors.

"Fiscal performance in 2025 remained strong. Fiscal consolidation driven by revenue mobilization remains essential to consolidate macroeconomic gains, while protecting social spending, and create fiscal space to meet development needs. The authorities' focus on strengthening revenue mobilization and enhancing public financial management is appropriate. Prudent borrowing and further progress on debt restructuring are necessary to ensure debt sustainability.

"Careful monetary policy calibration to gradually bring inflation toward the target band will be key to anchoring inflation expectations and preserving price stability. Rebuilding reserves buffers and sustaining exchange rate flexibility are important to enhance resilience to external shocks. The review of the Banking and Financial Services Act and the adoption of the deposit insurance scheme are welcome steps to strengthen financial stability.

"Governance and structural reforms remain vital for promoting private sector activity and supporting diversification and inclusive growth. The revised Agricultural Acts will enhance predictability and support private sector investment. Continued efforts to strengthen governance and enhance transparency in the energy sector will improve the business climate and support sustainable growth. Measures to enhance climate resilience are important to help to safeguard development gains."

Zambia: Selected Economic Indicators

Population (millions, 2024):	21.3	Per capita GDP (\$, 2024):	1,187
Quota (SDR millions, % total):	978.2	Poverty rate (2022):	64.3
Main products and exports:	Copper		
Key export markets:	China		

	2021	2022	2023	2024	2025	2026	2027
					Est.	Proj.	

Output

Real GDP growth (%)	6.2	5.2	5.4	3.8	5.2	5.8	6.0
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Prices

Inflation annual average (%)	22.0	11.0	10.9	15.0	14.0	9.3	7.5
Inflation end-of-year (%)	16.4	9.9	13.1	16.7	11.0	8.2	7.0

Central government finances

Revenue (% GDP)	22.4	20.4	21.9	23.1	23.3	24.3	23.5
Expenditure (% GDP)	30.5	28.2	27.4	26.5	27.9	27.0	25.5
Fiscal balance (cash basis, % GDP)	-8.1	-7.8	-5.5	-3.5	-4.6	-2.8	-2.0
Fiscal balance (commitment basis, % GDP)	-13.9	-5.4	-4.5	-2.0	-1.0	-1.8	0.0
Public debt (% GDP)	112.1	110.9	133.4	101.8	87.6	78.3	68.5

Money and Credit

Broad money (% change)	3.7	24.5	24.6	23.0	10.0	13.6	12.8
Credit to private sector (% change)	-7.8	34.2	41.3	20.5	30.4	24.1	15.3
3-month Treasury bill interest rate (%)	12.8	9.6	9.8	10.1	...	...	...

Balance of payments

Current account (% GDP)	11.9	3.7	-3.0	-1.9	-2.1	1.7	2.6
FDI (% GDP)	3.1	0.7	1.8	5.3	4.5	4.6	4.8
Reserves (in months of imports)	3.3	3.4	3.3	3.7	4.0	3.9	4.2

Exchange rate

REER (% change)	5.0	30.3	-7.1	-13.3
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Sources: Zambian authorities; and IMF Staff estimates and projections.



ZAMBIA

January 8, 2026

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF A QUANTITATIVE PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Despite external and domestic shocks, Zambia has corrected macroeconomic imbalances, reached agreement on most of the external debt under the perimeter of the debt restructuring, and undertaken sustained fiscal consolidation while safeguarding social spending. Economic activity has expanded in 2025 but at a slower pace than initially expected. Despite trending down amid a sharp kwacha appreciation, inflation remains elevated. The strong reform drive under the ECF arrangement has improved international investors' confidence including through recent upgrades of the sovereign credit rating. Poverty and inequality remain high, and the economic outlook is vulnerable to external shocks, climate events, and domestic political pressures ahead of the 2026 elections.

Program Performance. The performance under the program remains broadly satisfactory, albeit with delays in structural conditionality. All end-June 2025 quantitative performance criteria (QPCs) and indicative targets (ITs) were met, except for the QPC on the net international reserves, and the IT on spending arrears clearance. All end-September ITs were met, except for the IT on net international reserves. The NIR QPC and IT were missed due to lower-than-projected FX-related mining tax inflows. The authorities request a waiver for non-observance of the QPC, supported by corrective policy measures, including a further calibrated reduction in FX sales. Eight out of nineteen SBs for this review have been met, with sixth additional SBs completed with a delay. The BoZ issued directives establishing a transitory deposit insurance framework. The authorities submitted to Parliament the Banking and Financial Services Act (BFSA) broadly in line with international standards (prior action), along with bills to revamp the role of the Food Reserve Agency, promote agricultural marketing and credit, enhance governance and oversight of the state-owned enterprises, and strengthen governance. Efforts should continue to improve policy buffers and strengthen governance to lay the foundation for private sector-led inclusive growth and enhance economic resilience.

Outlook and Risks. Notwithstanding heightened global uncertainty, the outlook remains positive, with growth projected at 5.2 percent in 2025. A lower growth outlook for 2026, at 5.6 percent, is now expected, relative to the Fifth Review mainly reflects a

normalized agriculture season, as the non-mining and non-agricultural GDP growth remained broadly unchanged. Growth is projected at around 5.3 percent over the medium term, underpinned by mining-related investment, continued strength in agriculture, and improved electricity generation. Average inflation is expected to ease to 14 percent in 2025, and to reach 8.2 percent by end-December 2026 reflecting sticky food prices. Over the medium term, inflation is expected to recede driven mostly by declining food prices, gradually hovering around 7 percent consistent with BOZ's target band. Risks are tilted to the downside, with heightened uncertainty around the baseline.

Policy Discussions. Discussions focused on how to preserve the gains achieved under the program, continuing with policies that support macro-financial stability and debt sustainability. Revenue-based fiscal consolidation, a monetary stance to anchor inflation expectations, and strengthened financial policies are critical for maintaining economic stability given Zambia's vulnerability to shocks. Structural reforms should prioritize improving governance, accountability and the rule of law and fostering a level-playing field for private sector development to promote structural transformation and more inclusive growth. Preserving policy credibility would be key, especially in an electoral year.

Approved By
C. Christou (AFR)
 and **M. Cihak (SPR)**

An IMF team comprising Mmes. Vera Martin (head) and Spahia and Messrs. Bennouna, Lautier (Resident Representative), Masilokwa (local economist) and Youssef (all AFR), and Mr. Josic (SPR) and Mmes. Boulad (MCM) and Marulanda (FAD) visited Lusaka October 22–November 4, 2025. Discussions were held with Minister of Finance and National Planning Musokotwane, Governor of the Bank of Zambia Kalyalya, Secretary to the Treasury Nkulukusa, Deputy Governor Chipimo, and other senior officials. The mission team also met with representatives from various government agencies, the private sector, and development partners. Ms. Motsumi (OED) participated in the discussions. Mmes. Kifle, Ourigou, and Pan assisted in the preparation of the report.

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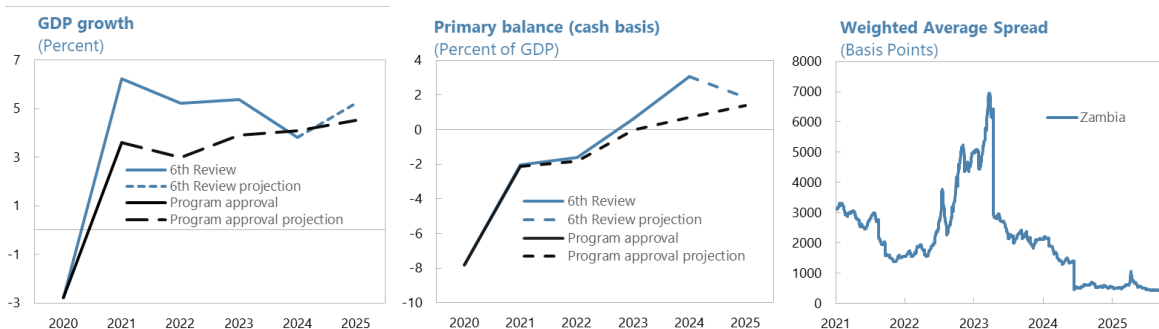
CONTEXT

1. **Amid significant external and climate shocks, Zambia has notably advanced in restoring macroeconomic stability over the last three years (see Box 1).** Despite external and domestic shocks, the country has significantly reduced macroeconomic imbalances, reached agreement on 94 percent of external debt under the perimeter of the debt restructuring, and undertaken sustained fiscal consolidation while safeguarding social spending. Public debt has declined from 133 percent of GDP in 2023 to 86 percent of GDP by end-June 2025 (taking into account agreements with creditors), gross international reserves have increased by \$2.2 billion, to \$5.3 billion, covering 4.3 months of prospective imports as of mid-November, while inflation has started to decline, reaching its lowest level in two years in November.
2. **The ECF arrangement has served as a key policy anchor, supporting economic policies aligned with the authorities' home-grown Eighth National Development Plan.** Significant progress was made toward the ECF's initial objectives, most notably exceeding targets for fiscal consolidation, although the adjustment was more expenditure-driven than revenue-led. Gross reserves accumulation increased; however, net international reserves fell short of expectations due to repeated shocks. Progress on structural benchmarks has been mixed, with some governance reforms delayed or only partially implemented.

Box 1. Zambia. Macroeconomic Achievements and Challenges Under the ECF Arrangement

Reflecting significant policy efforts, the ECF arrangement was successful in largely eliminating macroeconomic imbalances, rebuilding buffers, and making significant progress on the structural reforms. Zambia's 38-month ECF arrangement was approved in 2022 to tackle difficult economic conditions following the sovereign defaulting in bond payment amid the pandemic, and adverse spillovers of Russia's war in Ukraine, and heightened global uncertainties. These external shocks were exacerbated by structural domestic weaknesses, including low domestic revenue collection, slower improvements in social indicators compared to peers, and inefficient spending. The ECF program was tailored to support the authorities' efforts in restoring macroeconomic stability and focused on addressing Zambia's most pressing macroeconomic challenges, namely (i) restoring fiscal and debt sustainability; (ii) creating fiscal space for social spending to cushion the impact of economic adjustment; and (iii) strengthening governance and reducing corruption vulnerabilities. The strong reform drive has improved international investors' confidence. In November, S&P Global Ratings revised Zambia's foreign currency sovereign credit rating to 'CCC+' from 'default rating' with a stable outlook, while Fitch Ratings has upgraded Zambia's long-term sovereign credit rating to 'B-' from 'Restricted Default' with a stable Outlook, on the back of the Zambia's strong outlook and progress on restructuring external debt.

A front-loaded fiscal adjustment and the external debt restructuring have restored fiscal and debt sustainability. The authorities have cemented macroeconomic stability three years into the ECF arrangement, supported by a front-loaded fiscal consolidation (Figure 1). The country has shifted from chronic primary deficits to sustained surpluses since 2023, supported by subsidy reform, tighter expenditure controls, and improved cash management. New legislation for debt management and loan and guarantee authorization, enhanced borrowing safeguards, and strengthened public reporting have established a more predictable debt framework.

Figure 1. Zambia: Improved Macroeconomic Conditions During the ECF Arrangement

Sources: Zambia Authority and IMF staff calculations

The authorities prioritized protecting social spending under the ECF program. Public spending on core social sectors (healthcare, education, and social protection) increased in the current budget cycle to around 8.8 percent of GDP in 2025, after being maintained around 8 percent in 2022-24 despite the fiscal consolidation. The government expanded access to education and health, and scaled up social safety nets, especially in response to the drought and the rising cost of living.

Structural reforms have helped strengthen public sector governance, financial surveillance, and improve market efficiency. The authorities undertook important steps to strengthen the governance framework, including through the implementation of the Access to Information Act. The BoZ started publishing its financial stability report, revised the Banking and Financial Services Act, and adopted the deposit insurance scheme. Transparency in fuel pricing has improved notably by phasing out fuel subsidies, shifting to monthly published fuel price adjustments, and implementing the open access process for the TAZAMA pipeline. Reforms in delivery mechanisms, including the e-voucher for the Farmer Input Support Program (FISP), have improved efficiency and transparency. Moreover, the revised Agricultural Acts intend to improve private sector participation in the maize market—while enhancing the oversight of the private sector with predictable trading rules, and to extend farmers’ access to credit.

Despite significant progress under the ECF arrangement, important challenges remain. Sustaining fiscal discipline while meeting sizable social and development needs will require continued revenue mobilization, careful expenditure prioritization, and strengthened monitoring of fiscal risks, including from SOEs and public-private partnerships. In the context of elevated poverty, expanding social programs with targeted interventions is paramount to mitigate the impact of severe and repeated shocks on the vulnerable groups. Further progress in strengthening governance and anti-corruption frameworks, particularly through the effective and transparent implementation of the revised Anti-Corruption Act, will be critical to bolster the institutional foundations, entrench policy credibility and support private investment. Reducing poverty, informality, and vulnerability to recurrent climate shocks will also require sustained efforts to raise productivity, deepen financial inclusion, and advance private sector-led, inclusive growth.

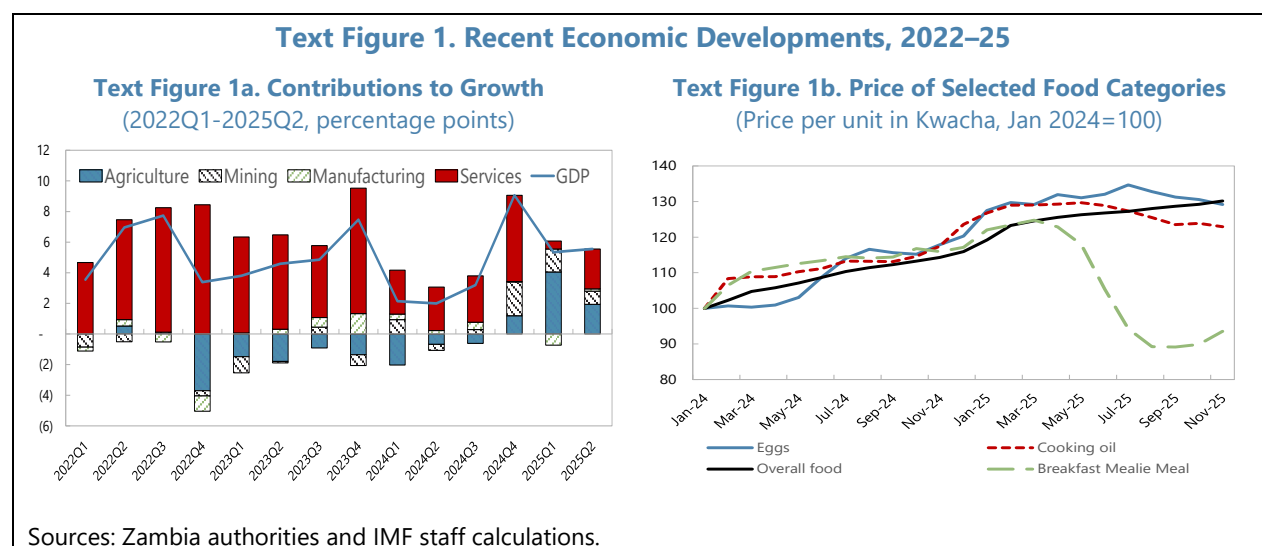
RECENT ECONOMIC DEVELOPMENTS

3. Economic activity expanded in 2025 but at a slower pace than initially expected (Table 1, Figure 1). After reaching 3.8 percent in 2024, real GDP grew 4.9 percent in 2025H1 (y/y), boosted by record-high maize production (MT3.7 million, a 142-percent, y/y increase). Mining production grew by 13.2 percent by end-October. The slow recovery in electricity generation (see Annex I), with periodic load management, continues to weigh on the non-mining activity. Weak construction and

wholesale and retail trade was partially offset by strong activity in manufacturing and information and communication technology (Text Figure 1a).

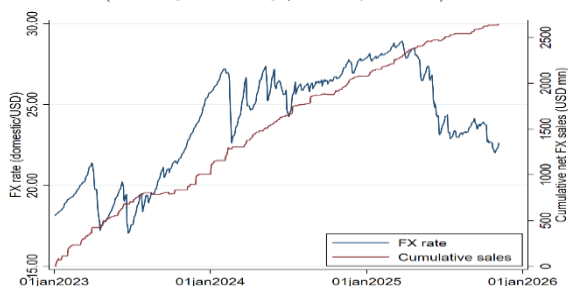
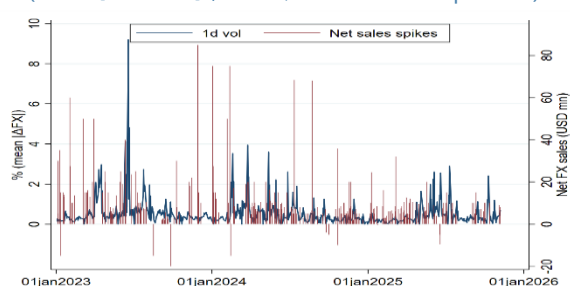
4. Despite trending down amid a sharp kwacha appreciation, inflation remains elevated.

Headline inflation declined to 10.9 percent (y/y) in November, driven by lower maize prices and the stronger kwacha. After depreciating in the first five months, the kwacha appreciated by 25 percent between May and October, supported by steady mining FX supply and improved confidence, before mildly depreciating again in November–December amid rising imports. Food inflation eased to 13.9 (y/y) percent in November from 20.6 percent in February, while non-food inflation declined to 6.6 percent (y/y) from 11.7 percent. Despite lower maize prices, food inflation pressures remain elevated, reflecting price increases in other food categories (Text Figure 1b). After consecutive rate hikes since February 2023, inflation has been trending down, with positive real interest rates since June.¹ The Monetary Policy Committee cut the policy rate cautiously by 25 bps to 14.25 percent at its November meeting, reflecting inflation being still above the target amid elevated market expectations.



5. While the current account shifted to a deficit, gross reserves increased. Preliminary data suggests a shift to a deficit of 2.0 percent of GDP in 2025H1, from a surplus of 0.2 percent of GDP in 2024H1, reflecting broad-based import growth (food, petroleum, fertilizers and capital goods), that offset higher than-expected copper exports. Official grants also declined, partly reflecting unwinding of drought-related support and lower official development assistance. Financial inflows were supported by FDI (1.8 percent of GDP) and nonresident purchases of domestic debt (0.5 percent of GDP). Gross international reserves increased by \$1.0 billion by mid-December, to \$5.3 billion, covering 4.2 months of prospective imports, supported by IMF financing, growth in statutory reserves, grants and project-related inflows, and valuation gains. The BoZ nearly halved its cumulative net FX sales by early December, given supportive FX liquidity conditions (Text Figure 2).

¹ The policy rate increased from 9 to 11 percent in 2023, to 14 percent in 2024, and to 14.5 percent in February 2025.

Text Figure 2. Foreign Exchange Markets Developments, 2023–25**Text Figure 2a. Exchange Rate and Net FX Sales**
(2023Q1–2025Q4, in US\$ billion)**Text Figure 2b. FX Volatility and FX sales**
(2023Q1–2025Q4, in US\$ billions and in percent)

Note: Volatility is measured as the 3-day moving average of the absolute daily change in the exchange rate.

Sources: Zambia authorities, and IMF staff calculations.

6. Fiscal consolidation in the first three quarters of 2025 was stronger than envisaged.

The end-September primary fiscal balance (cash basis) reached K 13.4 billion, well above the IT (K 6.4 billion). Despite non-mining revenues slightly overperforming (K 107.8 billion versus an end-September 2025 IT of K 105 billion), total revenues have underperformed as the pace of clearing VAT refund arrears accelerated and most revenue measures approved with the revised budget only became effective in August–September. Slower external disbursements resulted in lower capital expenditure. As of October, the authorities had realized their revised net domestic market borrowing of K 19.3 billion and plan to increase it by K 1.4 billion (to 2.6 percent of GDP) to compensate for lower external disbursements. They have also largely completed the clearance of fuel arrears (equivalent to 1.3 percent of GDP, see Box 2).

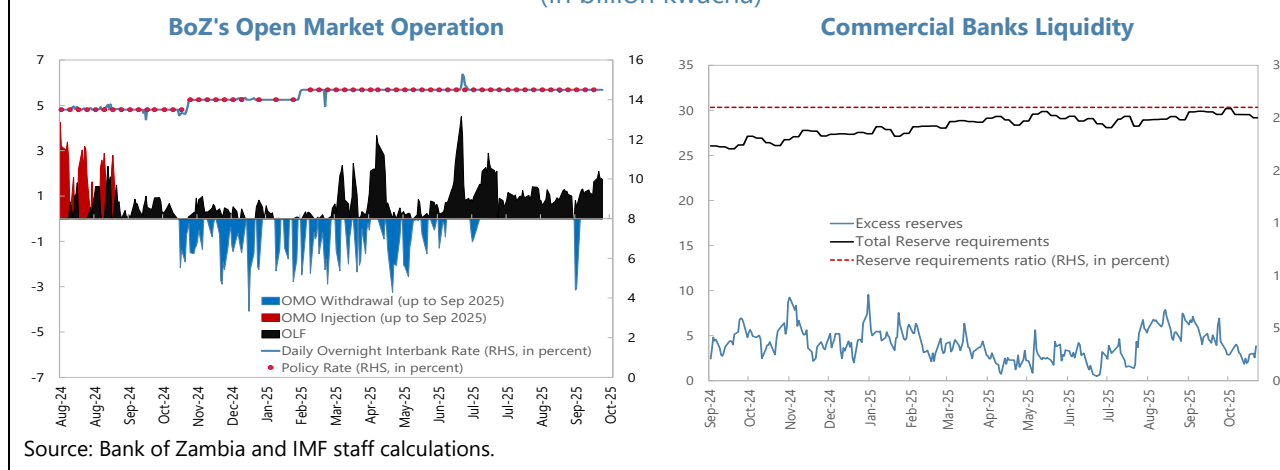
7. The Food Reserve Agency (FRA) purchased maize well above its reserve targets of MT500,000 embedded in the 2025 budget (see Annex II). To meet its liquidity needs, the FRA obtained a domestic bank loan of K 5 billion collateralized with its maize inventory.

8. Liquidity conditions have tightened in 2025 (Text Figure 3). Following some build-up of liquidity by end-2024, the BoZ mopped around 6.6 percent of GDP through open market operations (OMOs) by end-March. As tax payments tightened liquidity, the OMOs were halted, and outstanding term deposits were allowed to mature. Meanwhile, banks' recourse to the overnight lending facility more than tripled in 2025Q3 (compared to 2025Q1), largely reflecting banks' liquidity mismatches. Government bond yields have been declining reflecting continued interest from non-residents, as their holdings of government bonds rose to K 61.2 billion (7.9 percent of GDP) at end-September 2025, from K 57.6 billion at end-2024.^{2,3}

² NRs allocations have been limited to 5 percent of primary gross issuances. The authorities intend to ease the NRs' allocation to 23 percent in 2026 to rollover existing NR holdings before moving to a 15 percent limit on primary bond issuances from 2027. This measure constitutes a residency-based capital inflow measure under the Fund's institutional view on the liberalization and management of capital flows and should be removed as conditions allow.

³ Exposure to NRHs has further increased to 24 percent of total outstanding bonds.

Text Figure 3. Bank Liquidity Developments, 2024–25
(In billion kwacha)



- 9. The sovereign-bank nexus has increased without crowding out private sector credit.** Banks' holdings of government securities increased to 25 percent of total outstanding securities at end-September (from 21 percent in June). In parallel, banks' exposure to government debt rose to 22 percent of banking sector assets (from 20 percent in 2025Q1), driven by loans related to the fuel arrears operation. After growing at 17 percent in 2024, private sector credit (at constant exchange rate) accelerated to 26.3 percent (y/y) by end-September supporting mainly the manufacturing, agriculture and energy sectors. The loan-to-deposit ratio increased to 46 percent (from 40 percent in March 2025), suggesting improved credit conditions.
- 10. The banking sector remains well-capitalized and liquid but continues to face low intermediation, high concentration, significant sovereign-bank nexus, and dollarization.** As of September 2025, the capital adequacy ratio remains stable, with all banks meeting minimum requirements, and liquid assets dropped slightly (Table 5). Asset quality remains stable and provisioning, although uneven across banks, has marginally increased in the first quarter. Loan concentration has increased, as the largest 20 loans accounted for 64 percent of total lending as of September 2025 compared to 62 percent in the first quarter. Dollarization remains high, with FX deposits at 47 percent of total deposits and FX loans rising to 46 percent of total loans, from 44 percent in 2025Q1.
- 11. External debt restructuring continues to advance.** Five bilateral agreements with official creditors have been signed. Progress with commercial creditors is advancing, and the authorities have announced that a third party has expressed interest in assuming Afreximbank's exposure.

Box 2. Financial Operations to Repay Fuel-Related Arrears

In line with the [Revised Dismantling of Domestic Arrears Strategy \(2024\)](#), the authorities targeted a **liability management operation (LMO) aimed at extinguishing fuel-related arrears to suppliers, which had accrued substantial financial penalties**. By end-2023, the stock of fuel arrears had reached US\$896 million, a 50 percent increase from its end-2021 level. Notably, accumulated interest and late payment penalties had surpassed the principal amount. Under the previous strategy adopted in 2022, arrears were being cleared over a ten-year horizon using general budgetary resources; however, this approach proved insufficient to stem the growth in liabilities, due to late interest and penalties.

Negotiations with suppliers started in 2024 and yielded significant discounts on late interest payments. Discounts range from 78 to 80 percent in exchange for payment. One agreement entails a 58.5 percent discount on interest, but an extended payment schedule for interest. As of October 2025, the authorities had settled \$828 million in arrears by paying \$415 million over 2024–25 and committing to pay \$116 million in lieu of discounted interest payments to one supplier between 2026–28 in three equal installments, resulting in an average nominal discount of 36 percent (Table 1).

Table 1. Zambia: Fuel Arrears and Discounts Agreed for Clearance
(Millions of U.S. dollar, unless otherwise indicated)

Principal and Demurrages 1/	Late Payment Interest	Total Outstanding	Amount paid (and to be paid) after discount 2/	Discount
354.1	473.9	828.0	530.7	36%

Sources: *Zambian Authorities and IMF Staff calculations.*

1/ The stock represented here only includes suppliers for which negotiations have concluded and payment has been made or terms agreed.

2/ For one supplier the agreement was to pay principal and one installment of discounted interest upfront, and three subsequent equal interest installments in 2026–2028 for a total of \$115.7m.

Financing for the operation comprised \$420 million in loans from domestic banks—of which \$340 million were disbursed by October 2025—and \$74 million from government revenues in 2024.

The remaining loan tranche is contingent on concluding negotiations with one outstanding supplier. The loans carry maturities of 3 to 5 years and interest rates below 13 ¼ percent, notably lower than the penalty rates previously incurred. Loan repayments are secured by non-tradable government bonds. Repayment will be made in local currency, with the authorities planning to reopen government bonds to match the debt service of each loan. The authorities are responsible for exchange rate risks.

By undertaking this financial operation, the authorities have cleared an expensive external liability, ensuring net-present-value savings and improving the public debt profile. The operation yields a net present value gain even under the counterfactual scenario in which the stock of arrears had ceased accumulating and was cleared in ten equal annual installments. Specifically, the loan servicing over the next five years secures a saving of 26 percent in NPV terms relative to the previous arrear clearance path (Table 2).

Table 2. Zambia: Cash Flow Simulation of Financial Operations vs "Frozen" Stock
(Millions of U.S. dollar)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Cumulative
LMO amortization 1/	420.0	0.7	65.8	157.1	154.8	151.7	102.4	53.1	0	0	685.6
Fuel Arrears "frozen" stock 2/	968.4	96.8	96.8	96.8	96.8	96.8	96.8	96.8	96.8	96.8	968.4

Sources: *Zambian Authorities and IMF Staff calculations.*

1/ Assumes the loan is disbursed in full and the arrears pending negotiations are cleared on similar terms. The installments of interest to be paid to one supplier that are not financed by the domestic loans, are added here as well.

2/ The stock here includes also arrears for which there are ongoing negotiations and verifications on principal and interest accumulated.

PROGRAM PERFORMANCE

12. Program performance remains broadly satisfactory, albeit with delays in structural conditionality (MEFP, Tables 1–2).

- All end-June 2025 quantitative performance criteria (QPC) and indicative targets (ITs) were met, except for the QPC on the NIR, and for the IT on spending arrears clearance. All end-September ITs were met, except for the IT on NIR. The NIR QPC and IT were missed due to lower-than-projected FX-related mining tax inflows which were only partly offset by a reduction in FX sales by the central bank. The authorities request a waiver for non-observance of the QPC, supported by corrective policy measures, including a further calibrated reduction in FX sales (MEFP, ¶152) and the sale of government bonds held by the BoZ for FX purchases from the market (\$90 million in December 2025).
- On the structural conditionality, eight out of 19 SBs for this review have been met including the submission to parliament of the 2026 Budget in line with program parameters, the procedures manual for the Debt Management Office and the audit report on the government's drought response, while ZRA established a Compliance Risk Management Unit.
- Six additional SBs were completed with delay. These include the submission to Parliament of the Banking and Financial Services Act (BFSA), which is broadly in line with international standards (**prior action, end-September 2025 SB**), and the adoption of a deposit insurance framework. The authorities also submitted to Parliament the revised FRA Act, Agricultural Marketing Bill and Agricultural Credit Act, and the new SOE Act to strengthen governance and oversight of state-owned enterprises. In addition, the authorities published the FRA's 2024 audited financial statements and procurement contracts related to maize imports under the 2024 drought response.⁴
- Two continuous SBs related to the open access were not met, reflecting difficulties in implementing the TAZAMA guidelines, which triggered an emergency tender. The authorities have since revised the guidelines, and the January call for tenders opened. While the authorities prepared the 2026 Fiscal Risk Statement, the coverage of fiscal risks from signed PPPs remains insufficient to meet the SB. While discussions have advanced, the authorities will continue engaging with the IMF staff before submitting the revised Anti-Corruption Act in line with program commitments to Parliament, including amendments to establish sufficient safeguards in a merit-based transparent process for the selection of the Anticorruption Commission. Finally, the SB on the 2024-25 e-voucher audit was not met, as it was not conducted by an independent audit firm.

⁴ [2024 Audited Financials – FRA](#).

OUTLOOK AND RISKS

13. Notwithstanding heightened global uncertainty, the outlook remains positive (Text Table 1).

- Growth projection in 2025 was revised down to 5.2 percent (from 5.8 percent last July), as the overperformance in agriculture will not fully offset lower-than-expected mining and wholesale and retail trade as well as the slow recovery in electricity generation. The downward revision in 2026, to 5.8 percent from 6.4 percent, mainly reflects a normalized agriculture season, as the non-mining and non-agricultural GDP growth remained broadly unchanged. Growth is projected at around 5.3 percent over the medium term, underpinned by mining-related investment, continued strength in agriculture, and improved electricity generation.
- Average inflation is expected to ease to 14 percent in 2025, while the projection for end-2026 was slightly revised up to 8.2 percent (from 7.9 percent), reflecting sticky food prices (see Annex II). Over the medium term, inflation is expected to recede driven mostly by declining food prices, gradually hovering around 7 percent consistent with BOZ's target band.
- The 2025 current account deficit is projected at 2.1 percent of GDP, compared with a surplus projected at the Fifth Review, reflecting higher imports. GIR are projected at \$5.1 billion (4.0 months of imports). The current account would rebound to a surplus of 1.7 percent of GDP in 2026 and gradually increase to 3.2 percent of GDP by 2030, supported by growth in copper production.
- Zambia's public debt is assessed as sustainable but remains at high risk of overall and external debt distress (see DSA). The assessment hinges on continued tight fiscal policy over the medium term and continued limited external borrowing. Under the baseline, the authorities expect to rollover the non-residents' (NRs) amortization in 2026 and ease the NRs allocation to 15 percent of primary bond issuances from 2027.⁵ Greater NRs participation will support the balance of payments, lower domestic borrowing costs, and prevent undue tighter domestic financing conditions and exchange rate pressures.

Text Table 1. Zambia: Medium Term Macroeconomic Framework, 2023–31

	2023	2024	2025		2026		2027	2028	2029	2030	2031
			ECF 5th Review 1/	Proj.	ECF 5th Review 1/	Proj.	Projections				
Real GDP (percent change)	5.4	3.8	5.8	5.2	6.4	5.8	6.0	5.7	5.3	5.3	5.3
<i>of which: extractive</i>	-3.5	8.8	11.5	10.5	14.6	14.9	14.8	13.6	8.0	7.5	7.5
GDP deflator (percent change)	7.1	14.4	11.5	11.1	6.9	7.4	6.4	7.0	6.9	6.7	6.7
CPI inflation, average (percent)	10.9	15.0	14.2	14.0	9.2	9.3	7.5	7.0	7.0	7.0	7.0
CPI inflation, eop (percent)	13.1	16.7	11.1	11.0	7.9	8.2	7.0	7.0	7.0	7.0	7.0
Primary fiscal balance (% GDP), commitment basis	1.5	4.5	4.1	5.8	4.2	4.8	5.5	5.1	4.4	3.2	3.5
Primary fiscal balance (% GDP), cash basis	0.6	3.1	1.1	2.2	2.7	3.8	3.5	3.4	3.1	3.2	3.5
Current account balance (% GDP)	-3.0	-1.9	1.3	-2.1	2.7	1.7	2.6	2.8	3.0	3.2	3.2
Financial account (% GDP)	0.3	-1.2	-0.5	3.7	-1.5	-1.3	-1.3	-1.5	-1.3	-1.5	-1.1
FDI (net % GDP)	1.8	5.3	3.8	4.5	4.5	4.6	4.8	4.6	4.5	4.5	4.5
Trade Balance (% of GDP)	5.0	5.1	10.0	5.1	10.4	7.5	8.1	8.5	8.6	8.8	9.3
Gross international reserves (months of prospective imports)	3.3	3.7	4.5	4.0	4.4	3.9	4.2	4.4	4.6	4.8	5.0

Sources: Zambian authorities and IMF staff estimates and projections.

1/ IMF CR No. 25/225

⁵ This measure constitutes a residency-based capital inflow measure under the Fund's institutional view on the liberalization and management of capital flows and should be removed as conditions allow.

14. Risks are tilted to the downside, with heightened uncertainty around the baseline (Annex III). A growth slowdown in major trading partners, amid escalating trade tensions and deepening geopolitical fragmentation, could adversely affect copper prices and strain external and fiscal balances.⁶ Real income losses and worsening inequality could compound pre-existing challenges, including vulnerabilities to weather-related shocks. While not directly vulnerable to global trade tariff shifts, Zambia remains vulnerable to reductions in official development assistance (ODA). The FRA domestic loan could add pressure to the 2026 budget through additional debt service obligations (117). Upcoming elections could generate spending pressures, while tighter domestic market conditions, reflecting a narrow investor base and a notable non-resident participation, could challenge government financing. Potential non-resident outflows could weaken the kwacha, posing risks to external and financial stability. On the upside, favorable price dynamics could help lower inflation. Renewed mining investment could bolster investor confidence, support higher non-mining FDI, and expand value-added exports over the medium term. Implementing solar, wind, and thermal projects would improve electricity generation, reduce energy imports (beyond a modest easing in the baseline), and support external balances.

POLICY DISCUSSIONS

Discussions focused on how to preserve the gains achieved under the program. Continuing with policies that support macro-financial stability and debt sustainability. Revenue-based fiscal consolidation, a monetary stance to anchor inflation expectations, and strengthened financial policies are critical for maintaining stability given Zambia's vulnerability to shocks. Structural reforms should prioritize improving governance, accountability and the rule of law and fostering a level playing field for private sector development to sustain medium-term inclusive growth and structural transformation. Preserving policy credibility would be key, especially in an electoral year.

A. Supporting Fiscal and Debt Sustainability

15. Zambia has delivered a sizeable fiscal consolidation while preserving social spending during the ECF arrangement. The primary balance (on a cash basis) improved 3.5 percent of GDP; the improvement triples on a commitment basis (which includes arrears clearance)—both above the targets at program approval (see Text Table 2). Spending rationalization delivered the bulk of the consolidation, with revenues improving by one percent of GDP. This consolidation, delivered against a backdrop of significant shocks and delays in the recovery of the mining sector, was undertaken while protecting social spending—with budget allocations respecting program floors.⁷ Social cash transfers doubled and free schooling since 2022 were accompanied by the hiring of 40,000 new teachers and the expansion of the school-feeding program.

⁶ Other things equal, a 10-percent decline in copper prices in 2026 would shift the projected current account surplus of 1.7 percent of GDP to a deficit of 0.6 percent of GDP, and lower receipts from mineral royalties by 14 percent on average (0.3 percent of GDP).

⁷ Social spending was tracked during the program through indicative targets. The quarterly targets (floor) were narrowly missed in March and September 2024 due to liquidity constraints; the budget allocation was met.

Text Table 2. Zambia: Composition of Fiscal Adjustment
(Percent of GDP, 2021–25)

	2021	2022	2023	2024	2025	Sixth ECF Review Cumulative Program Period (2022–25)	Program Approval ECF Aug 2022 (2022–25)	Sixth ECF Review Cumulative (2021–25)	Program Approval ECF Aug 2022 (2021–25)
Improvement in primary balance (cash basis)	5.8	0.5	2.2	2.4	-0.9	4.2	3.5	10.0	9.2
Improvement in primary balance (commitment basis)	4.3	6.6	0.7	3.0	1.3	11.6	9.2	15.9	13.3
Revenue increases (cash basis)	2.1	-2.0	1.5	1.1	0.3	0.9	-0.5	3.0	2.5
Direct taxes	0.7	0.2	-1.6	0.9	1.0	0.5	-0.3	1.2	0.8
Indirect taxes	-0.3	-0.2	2.1	0.5	-1.0	1.4	1.6	1.1	1.6
Other revenue, including mineral royalties and external grants	1.7	-2.0	1.0	-0.2	0.3	-0.9	-1.9	0.8	0.1
Of which: Mineral royalties	1.2	-0.7	-0.7	0.4	0.4	-0.7	-0.2	0.5	1.1
Revenue increases (commitment basis) ^{1/}	2.1	-1.9	1.1	1.7	2.1	3.1	0.2	5.2	3.3
Reduction in primary spending (cash basis)	3.7	2.5	0.7	1.3	-1.1	3.3	4.0	7.0	6.7
Current primary spending	-0.1	1.9	-0.2	0.9	-1.0	1.6	3.0	1.5	2.0
Compensation of employees	0.9	-0.4	-0.4	0.0	0.3	-0.5	-1.1	0.4	-0.5
Goods and services	-0.3	0.8	0.3	0.7	-0.5	1.2	0.2	0.9	-0.3
Subsidies	0.0	3.3	0.3	-0.7	-0.6	2.3	4.2	2.3	4.0
Of which: Agricultural (FISP and FRA)	0.9	1.0	0.1	0.0	-0.3	0.9	1.5	1.7	2.2
Of which: Energy (fuel and electricity)	-0.9	2.0	0.2	-0.2	-0.9	1.1	2.3	0.3	1.3
Social protection	-0.5	-0.3	0.1	-0.4	-0.2	-0.6	-0.3	-1.2	-0.8
Other	-0.2	-1.5	-0.5	1.2	-0.1	-0.8	-0.1	-1.0	-0.4
Capital spending	3.8	0.5	0.8	0.4	-0.1	1.7	1.1	5.5	4.7
Domestic	-0.6	-0.1	0.4	0.7	-0.4	0.5	0.1	-0.1	-0.6
Foreign	4.4	0.6	0.5	-0.3	0.3	1.2	1.0	5.6	5.3
Increase in net clearance of expenditure arrears	-1.5	6.0	-1.1	0.0	0.3	5.2	4.9	3.8	3.3

Sources: Zambian authorities; and IMF staff estimates and projections.

^{1/} This line adjusts for the accumulation/clearance of arrears on VAT refund claims.

16. The primary balance in 2025 is expected to be 2.2 percent of GDP, higher than projected at the time of the Fifth Review (1.1 percent of GDP). Revenues excluding grants are expected to reach 22.6 percent of GDP, on account of lower grants and faster VAT refunds.⁸ Up to September, ZRA has cleared K 13 billion in VAT refund arrears accumulated prior to end-2024 and plans to continue with fast-paced refunding in Q4 2025 (an additional K 7.5 billion for both legacy and current claims). Primary expenditure in 2025 is projected at 21.1 percent of GDP, with most under-realization in capital spending. Including the fuel arrears operation (1.3 percent of GDP), the overall deficit is projected at 4.6 percent of GDP, of which less than one percent is financed from external sources.

17. The 2026 budget envisages strong fiscal consolidation, with the primary balance improving by 1.6 percentage points of GDP. The authorities are targeting a record-high primary balance of 3.8 percent of GDP. Revenue measures adopted in mid-June, complemented by additional ones in the 2026 budget, are expected to yield 0.7 percent of GDP, bringing non-grant revenues to 23.3 percent of GDP. Total expenditure, at 27.0 percent of GDP, would decline by 0.4 percent of GDP from the 2025 level (excluding the fuel LMO operation). The overall deficit is projected to narrow to 2.8 percent of GDP, financed domestically (2.7 percent of GDP). Limited external borrowing and a policy decision to gradually bring down domestic borrowing to 1.5 percent of GDP would result in primary surpluses of above 3 percent of GDP over the medium term, keeping capital investment subdued. While helping converge to the debt rule by 2028, staff noted that such tight fiscal policy will constraint addressing large development needs, absent

⁸ Nominal GDP has been revised downward from the Fifth Review, hence as a share of GDP revenue is now higher though on nominal terms it is slightly below the Fifth Review level.

boosting revenue mobilization. If financing conditions improve, the authorities will need to balance additional borrowing with debt sustainability issues.

18. Improving tax policy, through a unified corporate tax rate, more stable import taxes and streamlined fees, would help address development needs. Since 2022, non-grant revenues increased by 2.6 percent of GDP, to 22.6 percent of GDP by end-2025.⁹ The authorities undertook most tax policy measures envisaged at the time of the program's approval.¹⁰ However, the CIT rate was not unified, and many sectors continue to be taxed below the standard rate and/or benefit from tax holidays or exemptions that have not brought about the hoped-for employment increase.¹¹ Import taxes are frequently changed to incentivize or discourage specific imports linked to some domestic manufacturers, but without a comprehensive sectoral or national strategy. A multitude of licenses and other fees are applied to obtain or renew licenses or certify qualifications, yielding little revenue but amounting to nuisance taxes that hinder the business environment.

19. Continuing efforts to expand the tax base, eliminate and phase out exemptions, and ease compliance burden on businesses remain paramount to mobilizing revenues. The tax base remains narrow (with the top one percent of taxpayers contributing 70 percent of the tax revenues).¹² Mobilizing revenues, including by unifying the corporate income tax rates, a moratorium on profit-based incentives and removing tax exemptions and preferential rates, would expand the fiscal space for critical investments. Additionally, implementing a capital gains tax and advancing property taxes would help broaden the tax base and reduce the reliance of local governments on transfers. Such measures would be preferable to ad-hoc initiatives, as they would promote a coherent strategy for an efficient, effective, and fair tax system.

20. Revamping the fiscal framework to account for mining revenues will help improve fiscal policy formulation. Introducing an operational fiscal rule—anchored on the non-mining primary balance—will help account for revenue volatility and mitigate fiscal procyclicality (Annex IV). In addition, any mining revenues above budget projections—arising from favorable quantity/price shocks—could be directed toward reducing expensive debt or clearing arrears. The establishment of a sovereign wealth fund should only be considered as part of the new fiscal framework and should be part of the budget process and under the control of the MoFNP.

⁹ While the authorities' Domestic Revenue Mobilization Plan adopted in 2022 targeted a revenue yield of 3.2 percent of GDP, Zambia faced repeated negative shocks that slowed down tax buoyancy.

¹⁰ These include (i) repealing the VAT and excise exemptions for fuel in 2022; (ii) introducing a new marginal Mineral Royalty Tax regime that smooths the impact of price fluctuations in 2023; (iii) increasing excise on select goods and indexing them with inflation (annually and in 2025); (iv) updating the Personal Income Tax bands and lowering rates for lower earners in 2023 to protect real income from inflation, although the top marginal rate was also lowered in 2024; and (v) unifying the withholding tax for government securities for residents and non-residents in 2025.

¹¹ As a backstop to foregone revenue, a one-percent minimum alternative tax on turnover was approved in 2025 but will only be implemented in 2026.

¹² The authorities have made progress in improving tax administration, including through the implementation of e-invoicing, the establishment of a large taxpayer office, and the adoption of more risk-based management administration. On tax policy, several exemptions have been rescinded (e.g., VAT and excise on fuel).

21. Zambia has advanced key reforms to enhance debt management and transparency, modernize tax administration, and improve public investment management and fiscal risks (see Annex V). Progress includes stronger debt oversight, initial steps towards cash forecasting, and steps to modernize tax administration, though challenges remain. The debt management office issued its procedure manual in July (**end-July 2025 SB**). The 2026 fiscal risk statement (**end-September 2025 SB**) expanded the analysis of macro shocks in the economy and presented a comprehensive analysis of the financial situation of state-owned enterprises (SOEs) but fell short of disclosing fiscal risks associated with public-private partnerships (PPPs). The financial sustainability of Zesco, the public electricity company, should be reconsidered as the multiyear tariff plan approved in 2022 is not sufficient to ensure cost recovery. The FRA inventory poses a fiscal risk; if not sold at cost recovery, it may require additional budgetary transfers.

B. Safeguarding Price, External, and Financial Stability

22. In light of the prospective monetary policy stance, any further easing in policy rates should be carefully calibrated. The real policy rate is expected to increase in the coming months as inflation decelerates, implying a tighter monetary policy stance. With the inflation decline being more gradual than initially envisaged, there are merits in remaining prudent about further reductions in the policy rate. The November business survey suggests that the inflation downward trend may be moderated by stickiness in price movements due to high cost of production caused by persistent electricity load management. Further, while the BoZ projections suggest a faster deceleration towards the lower bound of the 6–8 percent target band over the forecasting horizon (2025Q4–2027Q3), it should remain vigilant about inflation surprises amid heightened uncertainties associated with global trade policies, as there is a risk of de-anchoring expectations and potentially delaying inflation convergence towards the target band. In this context, staff also emphasized the need to maintain a forward-looking approach supported by effective communication.

23. Improving the operational monetary framework is critical to strengthening monetary transmission. While the interbank rate remains aligned within the policy rate corridor, divergent movements in interest rates continue—bond rates have been trending down while average lending rates have only marginally decreased. This likely reflects higher banking concentration, a segmented interbank market and the elevated cost of the OLF (at 31 percent, 16.5 ppt higher than the policy rate). The finalization of the standardized Master Repurchase Agreement is a welcome step to reinforce the transmission mechanism through the interbank market. Further actions to strengthen the BoZ's operational framework include structured open market operations, anchored on a fixed-rate full allotment (FRFA), lengthening the averaging period of the reserve requirements, recalibrating the upper bound of the interest rate corridor and reversing the provision of the statutory reserve requirement (SRR) strictly to cash balances, which will enhance the monetary transmission over the medium term.

24. The BoZ should scale up efforts to accumulate reserves. End-June 2025 NIR reached \$1,892 million, compared to a target of \$2,250 million, a gap that widened by end-September (\$2,063 million vs. the IT of \$2,550 million). Despite the increase in GIR, NIR has increased only

marginally, partly due to adverse economic shocks in the last years and VAT refunds more recently. However, a calibrated reduction in FX sales combined with opportunistic FX purchases will help take advantage of supportive FX liquidity conditions while allowing for exchange rate flexibility.¹³ The sale of government bonds held by the BoZ to facilitate FX purchases from the market is also a step in right direction. Additionally, enhanced policy coordination with the ZRA on VAT refunds could reinforce this strategy. Strengthening and deepening FX interbank market functioning remains a priority to enhance liquidity, improve price discovery, and support reserve accumulation.

25. Official actions that gave rise to multiple currency practices (MCPs) are in the process of being removed. Impermissible spreads on the payment of mining taxes and customs duties were last observed on October 31, and November 24, respectively. Since then, the authorities have submitted to Parliament amendments to the Customs Act requiring the use of the spot exchange rate, rather than a lagged rate, when purchasing U.S. dollars from mining companies for customs duty payments to the ZRA. In addition, the BoZ is in the process of revising the currency regulations to require mining companies to sell FX for the payment of mining taxes at the prevailing market exchange rate.

C. Enhancing Financial Stability Frameworks

26. Progress has been made to strengthen financial surveillance and strengthen the role as the financial resolution authority (MEFP, ¶42, ¶43 and ¶45). Specifically,

- The BoZ has continued to reinforce macroprudential tools including new capital rules (among others, countercyclical capital and conservation buffers) and new liquidity rules (introducing a liquidity coverage ratio and a net stable funding ratio in line with Basel III by end-January 2026).
- The BoZ's annual macro stress test focused on assessing the impact of depressed global growth caused by higher tariffs, geopolitical conflicts and heightened policy uncertainty on financial institutions ([Financial Stability Report](#)).
- The BoZ continues to strengthen cyber risk oversight, market conduct, consumer protection and AML/CFT supervision. Efforts to deepen collaboration between the BoZ, the Financial Intelligence Center (FIC) and Zambia Revenue Authority (ZRA) should continue to enhance information sharing and enforcement.
- A revised Banking and Financial Services Act (BFSA), which seeks to bring the legal framework in line with international standards was submitted to Parliament (**end-September 2025 SB, prior action**) in November 2025.¹⁴ The reform (i) enhances the BoZ's regulatory and supervision framework on market access, ownership changes, corporate governance, prudential requirements, auditing, consolidated supervision, enforcement and early intervention, and (ii) introduces a modern resolution regime, with the BoZ, as the resolution authority, with the

¹³ Total VAT refunds have increased from K2.0 billion to K2.2 billion (\$85 million) per month. These refunds are partly paid in cash and through tax payment offsets, settled in both kwacha and FX, and are set to rise further to K 2.5 billion per month in 2026.

¹⁴ Basel Committee on Banking Supervision (BCBS), Core Principles for Effective Banking Supervision; Financial Stability Board (FSB), Key Attributes for Effective Resolution Regimes.

objectives, powers and tools necessary to manage the failure of financial institutions as per the FSB Key Attributes (see Annex VI).

- The BoZ adopted a deposit insurance framework, broadly consistent with the Core Principles for Effective Deposit Insurance Systems at end-October (**end-September 2025 SB**). The [BoZ's Banking and Financial Services \(Deposit Protection\) Directives](#) establish a deposit insurance scheme at the BoZ as a transitory framework. A draft Deposit Insurance Bill, submitted to Parliament in November, elevates the framework to primary legislation and establishes the Zambia Deposit Insurance Corporation (ZDIC, see Annex VI).

27. Effective oversight of BoZ's credit facilities remains essential to mitigate risks to its autonomy and credibility. Under the Stability and Resilience Facility (SRF), the BoZ has approved K 4.7 billion and disbursed K 2.3 billion out of the K 5 billion envelope, mainly to the agriculture sector. In addition, the BoZ is planning to launch its Small Business Growth Initiative, another K 5 billion credit facility, in early 2026. It remains important for the BoZ to ensure adequate safeguards so that potential risks to its balance sheet are carefully managed, and to develop a clear exit strategy for both facilities.

28. The BoZ issued Directives to settle all domestic transactions in Kwacha in October 2025.¹⁵ While the measure may enhance the effectiveness of monetary policy, staff cautioned against possible higher kwacha volatility, some financial disintermediation and prices indexing to the exchange rate. Staff also noted that administrative measures to promote de-dollarization should be accompanied by market-driven incentives once macroeconomic stability is consolidated, while promoting prudential regulations that internalize financial risks associated with financial dollarization.

29. The authorities continue to make progress in implementing safeguards recommendations. The Attorney General provided its legal opinion, clarifying that the statutory limit on credit to the government in Section 50 of the BoZ Act excludes the rollover of government securities and accrued interest (**end-July 2025 SB**), addressing a recommendation from the 2022 safeguards assessment. While this clarification removes ambiguity about the law, the authorities need to be mindful of the risks to financial autonomy that remain. Additional efforts are needed to implement the outstanding recommendations related to strengthening controls over monetary data compilation, reporting procedures to mitigate risks to the program, and internal audit.

D. Advancing Structural Reforms to Boost Potential Growth

30. Reforms will help meet pressing development needs, unlock the country's potential and improve living standards for all. Zambia is among the world's poorest and most unequal countries. Poverty is both widespread and persistent, especially in rural areas that rely on subsistence agriculture and where access to basic services remains limited. Urban poverty has also increased. Despite economic growth, structural bottlenecks hinder reducing poverty and inequality.

¹⁵ [Country Report No. 2025/225.](#)

Transforming Zambia's economy requires tackling entrenched issues through improved investment, better policies, and inclusive growth strategies that expand access to electricity, education, and jobs.

31. Strengthening transparency, accountability, and governance remains a cornerstone to inclusive and sustainable growth. Efforts should continue to strengthen governance and improve policy buffers to lay the foundation for private sector-led growth and enhance economic resilience.

- **Governance:** Submission of the revised Anti-Corruption Act incorporating the recommendations of the Governance Diagnostic Report (**end-September 2025 SB**) was delayed due to changes in the Anti-Corruption Commission and additional required coordination. Reforms to strengthen the asset declaration regime, modernize forfeited asset management, and operationalize the Public Interest Disclosure Act are delayed. Compliance with asset declaration requirements remains low, with incomplete or unverified disclosures. The statutory instrument to implement the Access to Information Act was issued in October 2025.
- **Agriculture:** The authorities fully implemented the e-voucher program, although the independent audit of the 2024/25 season has been delayed (**end-September 2025 SB**). The Food Reserve Agency (FRA) Act, the Agricultural Marketing Act, and the Agricultural Credit Act were submitted to Parliament in line with program commitments (**end-September 2025 SB**) in November, with reforms that will reduce market distortions and improve input delivery and private sector participation.
- **Energy:** Since April 2025, wholesale diesel prices have declined much faster than international prices following the implementation of the open access for the Tazama pipeline, confirming that increased competition under the reform compressed pricing premia (see Annex VII). Yet challenges in the implementation of the open access to the full capacity of the petroleum pipeline remain (**continuous SBs**), including publication requirements to enhance transparency and promote price competition. No open access procurement took place for November-December 2025, as the previous tender was extended. Revised guidelines and a list of prequalified companies were published, and the January open access tender was launched in late November.
- **Doing Business.** The Companies Bill, approved by Cabinet in October 2025 and submitted to Parliament on November 25, is expected to enhance transparency of doing business, while promoting transparency in beneficial ownership (BO) information and its publication through PACRA's beneficial ownership register. To support implementation of the bill and guarantee the accuracy and timeliness of BO information, PACRA is improving its technical and human capacities, including by developing a new IT platform to modernize the business registry and establishing a dedicated BO unit.

PROGRAM ISSUES AND FINANCING ASSURANCES REVIEW

32. Financing assurances. The program remains fully financed until its end in January 2026. The 2025 budget is mostly financed domestically. The ECF disbursement will further strengthen reserves and provide budget support in the context of high global uncertainty. Over the course of the program, IMF financing covered 25 percent of the 2022-25 BOP needs (Table 6a).

33. Given progress with bilateral creditors and active engagement with commercial lenders, staff supports completing the financing assurance review. The authorities are making good-faith efforts toward restructuring agreements with private commercial creditors consistent with program parameters. Four bilateral agreements with official creditors have been signed, while others are close to signature consistent with the OCC MoU, satisfying the IMF's Lending into Official Arrears (LIOA) policy, while arrears to other official bilateral creditors are deemed away under LIOA. To date, agreements cover about 94 percent of Zambia's external debt within the restructuring perimeter.

34. Zambia's capacity to repay the Fund is adequate but subject to downside risks. Commodity prices, climate shocks, and policy slippages could reduce debt service capacity. However, these risks are mitigated by the authorities' strong track record of servicing their debt obligations to the Fund, significant fiscal consolidation, and firm agreements on the debt restructuring with official and private creditors. The ECF arrangement has helped restore macroeconomic stability and sustain the reform momentum. Debt to the IMF is projected to peak at 5.7 percent of GDP in 2025, remaining elevated and above the 75th percentile of past PRGT arrangements, ranking among the top exposures in the last decade. Annual repayments will peak at 0.6 percent of GDP and 1.3 percent of exports in 2031. However, Zambia's IMF-related debt and debt service relative to total Public and Publicly Guaranteed external debt remain moderate, with IMF debt service indicators near or below comparator medians and below the 75th percentile as a share of exports.

35. The new PRGT Strengthened Policy Safeguard requirement on debt composition is met. The share of multilaterals and other IFIs in Zambia's FX-denominated external debt is projected to remain below PRGT program averages, supporting ample restructurable debt. FX-denominated external debt potentially considered collateralized is expected to decline through restructuring efforts.

36. Improving statistics and capacity will enhance economic development and policy formulation. The CD strategy will continue to focus on supporting the authorities' reform priorities, including upgrading the government finance statistics, debt management and enhancing the compilation of the national accounts and the External Sector Statistics (ESS). Zambia could benefit from CD support to improve consistency, reconciliation, and timeliness in ESS.

STAFF APPRAISAL

37. Zambia has made significant strides in restoring macro-fiscal stability amid a shock-prone environment. Despite repeated and severe shocks, Zambia has made progress in debt restructuring and undertaken sustained fiscal consolidation while safeguarding social spending, supported by the ECF Arrangement anchored on the authorities' home-grown Eighth National Development Plan.

38. Economic activity has expanded although at a slower pace as electricity generation continues to weigh on the non-mining sector. Real GDP growth is projected at 5.2 percent for 2025 boosted by a record-high maize harvest and mining production. Inflation eased slightly supported by lower maize prices and the stronger kwacha. The current account balance shifted to a deficit reflecting broad-based import growth and lower grants, while gross international reserves increased. For 2026, growth is projected at 5.8 percent and inflation to average 9.3 percent.

39. Program performance remains broadly satisfactory. All end-June 2025 quantitative performance criteria (QPC) and indicative targets (ITs) were met, except for the QPC on the net international reserves (NIR), and for the IT on spending arrears clearance, highlighting the need for corrective actions. All end-September ITs were met, except for the IT on NIR. Sustaining this momentum will be key to anchoring confidence and rebuilding buffers to reduce vulnerabilities, amid rising fiscal pressures in the runup to the 2026 elections.

40. The fiscal consolidation is envisaged to continue over the medium-term, but stronger revenue mobilization efforts remain important to address development needs. In 2025, clearing legacy VAT refund arrears and delayed execution of some revenue measures, together with lower external disbursements, resulted in lower capital expenditure and upward revision of net domestic borrowing. Over the medium term, while helping converge to the debt rule by 2028, such tight fiscal policy will constrain addressing large development needs, absent boosting revenue mobilization. If financing conditions improve, balancing additional borrowing would need to incorporate debt considerations.

41. The authorities should continue efforts to enhance public financial management. Progress on restoring debt sustainability and improving debt management and transparency is welcome, but further improvement in cash management, particularly through the consolidation of the TSA is critical to minimize borrowing costs. Faster IFMIS rollout and stronger expenditure controls will help curb arrears. Improving the coverage of the fiscally important SOEs, disclosing the PPP-related risks and accounting for fiscal risks associated with the recent maize purchases by the Food Reserve Agency (FRA) in the Fiscal Risk Statement will help strengthen fiscal oversight.

42. As inflationary pressures ease, a carefully calibrated monetary policy is needed to anchor inflation expectations and preserve policy credibility. With inflation declining more gradually than envisaged, there is merit to remain prudent about easing the monetary policy stance further. Improving the operational monetary framework—including structured open market operations and reserve averaging—will enhance policy transmission. Strengthening FX interbank

market functioning is also essential to improve price discovery and support reserves accumulation, which will also require a reduction in FX sales. Building reserves buffers at the BoZ should remain a priority to build resilience against external shocks.

43. Advancing financial sector reforms remains critical to strengthen stability and lay the foundation for inclusive growth. The review of Banking and Financial Services Act and the adoption of the deposit insurance scheme are welcome steps to bolstering the financial stability framework. While the banking sector remains well-capitalized and liquid, certain aspects such as low intermediation, high loan and deposit concentration, significant sovereign-bank nexus and dollarization continue to pose risks. Effective oversight of the new credit facilities is essential to ensure central bank's autonomy and credibility. Efforts should continue to strengthen financial stability, drawing on the recently conducted Financial Sector Stability Review (FSSR).

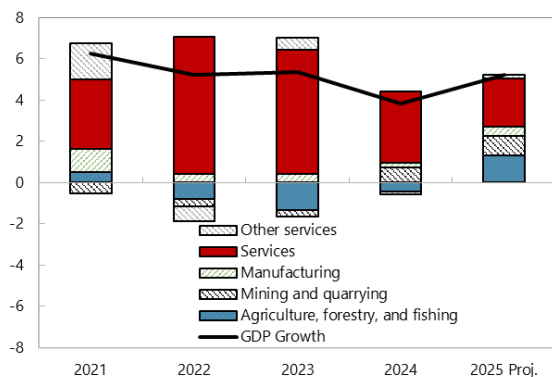
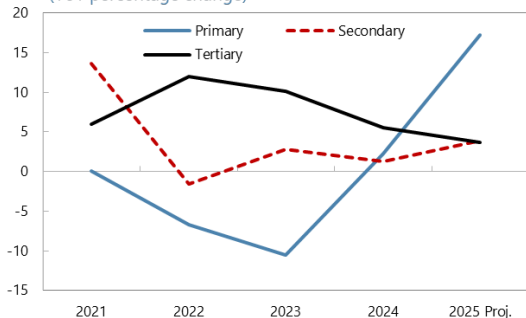
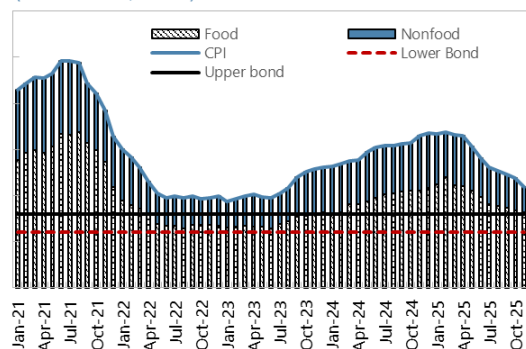
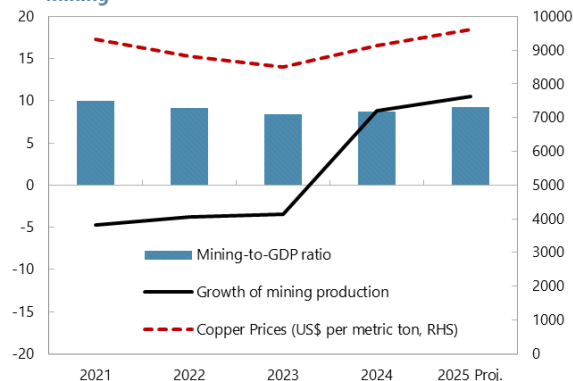
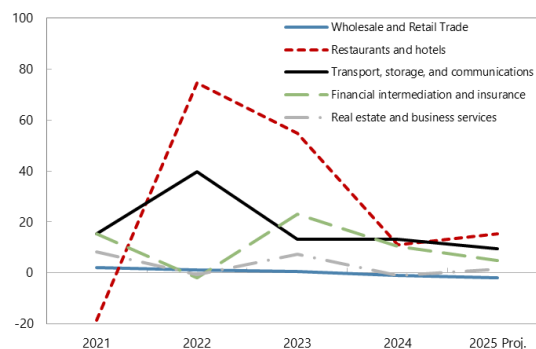
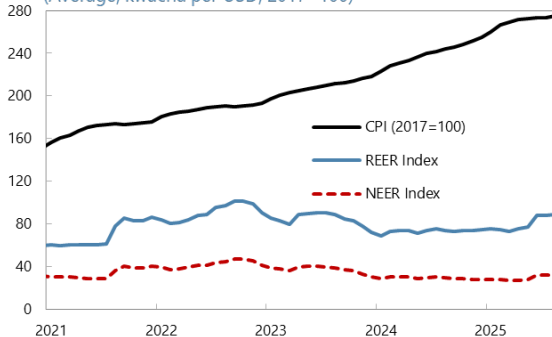
44. Finalizing the timely removal of MCPs remains a priority to ensure alignment with Fund policy. The ongoing efforts to complete their removal by early 2026 are welcome, and adherence to this timeline will be important for meeting Zambia's obligations under the Articles of Agreement.

45. Strengthening transparency, accountability, and governance is essential to boost inclusive and private-sector-led growth. The agriculture bills to revamp the role of the Food Reserve Agency and to promote agricultural marketing and credit will enhance predictability in the maize market and promote private sector investment. Lack of progress in amending the anti-corruption framework undermines the effectiveness of structural reforms and represents a bottleneck to growth. The authorities should advance, without further delays, legislative reforms to revise the anti-corruption framework in line with program commitments and reinforce the implementation of the Tazama open-access framework.

46. Given satisfactory program performance, sound macroeconomic policies and continued commitment to fiscal and debt sustainability, staff supports the completion of the Sixth and last Review under the ECF arrangement and of the financing assurances review, and the authorities' request for a waiver of non-observance of the QPC on the net international reserves. Staff proposes that Zambia is moved to the standard 12-month Article IV Consultation cycle. Given that outstanding credit to the PRGT exceeds the SDR 0.38 billion threshold, staff recommends initiation of a Post Financing Assessment.

Figure 2. Zambia. Real Sector Development, 2021–25

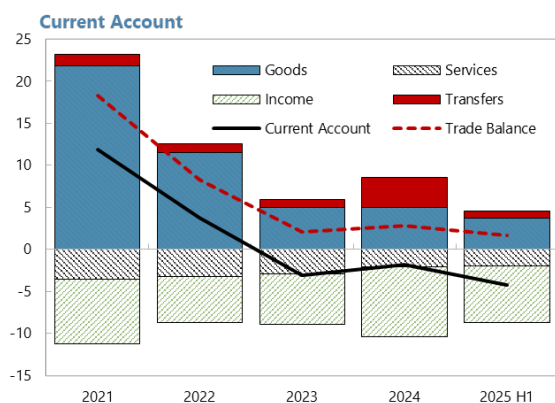
(In percent, unless otherwise specified)

*Economic activity continues to expand after a severe drought...***Contributions to GDP Growth***The recovery is particularly stronger in the primary sector***Primary, Secondary and Tertiary Sectors (YoY percentage change)***Inflation peaked in February, and has since started to ease...***CPI Inflation (Contribution, Y-o-Y)***...buoyed by robust mining growth.***Mining***...while services are driven by momentum in information and communication technology.***Components of Services Growth***...mainly driven by easing food prices and stronger kwacha.***Consumer Price Index and Exchange Rate (Average, kwacha per USD; 2017=100)**

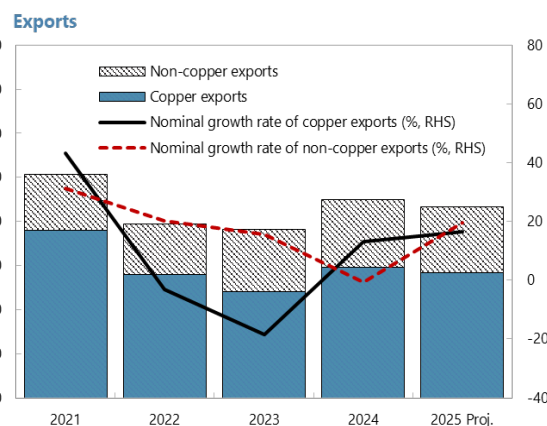
Sources: Bank of Zambia, ZamStat, and IMF staff estimates

Figure 3. Zambia: External Sector Developments, 2021–25
(Percent of GDP, unless otherwise specified)

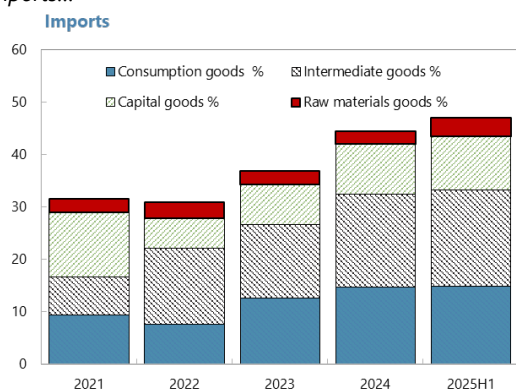
The current account deficit widened in 2025H1...



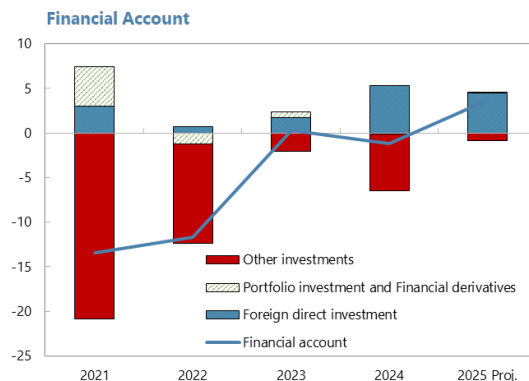
... despite rising copper export volumes and prices...



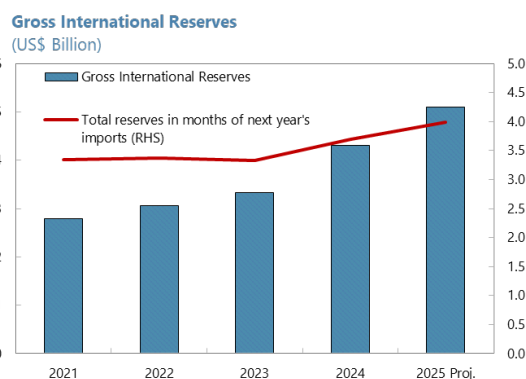
...amid higher-than-expected broad-based acceleration in imports...



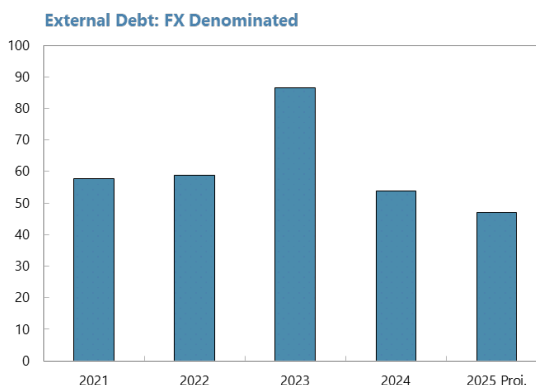
FDI continues to boost financial inflows.



The gross reserves buildup continues, supported by the mining sector and multilateral financing ...¹



...while external debt continues its downward trend.



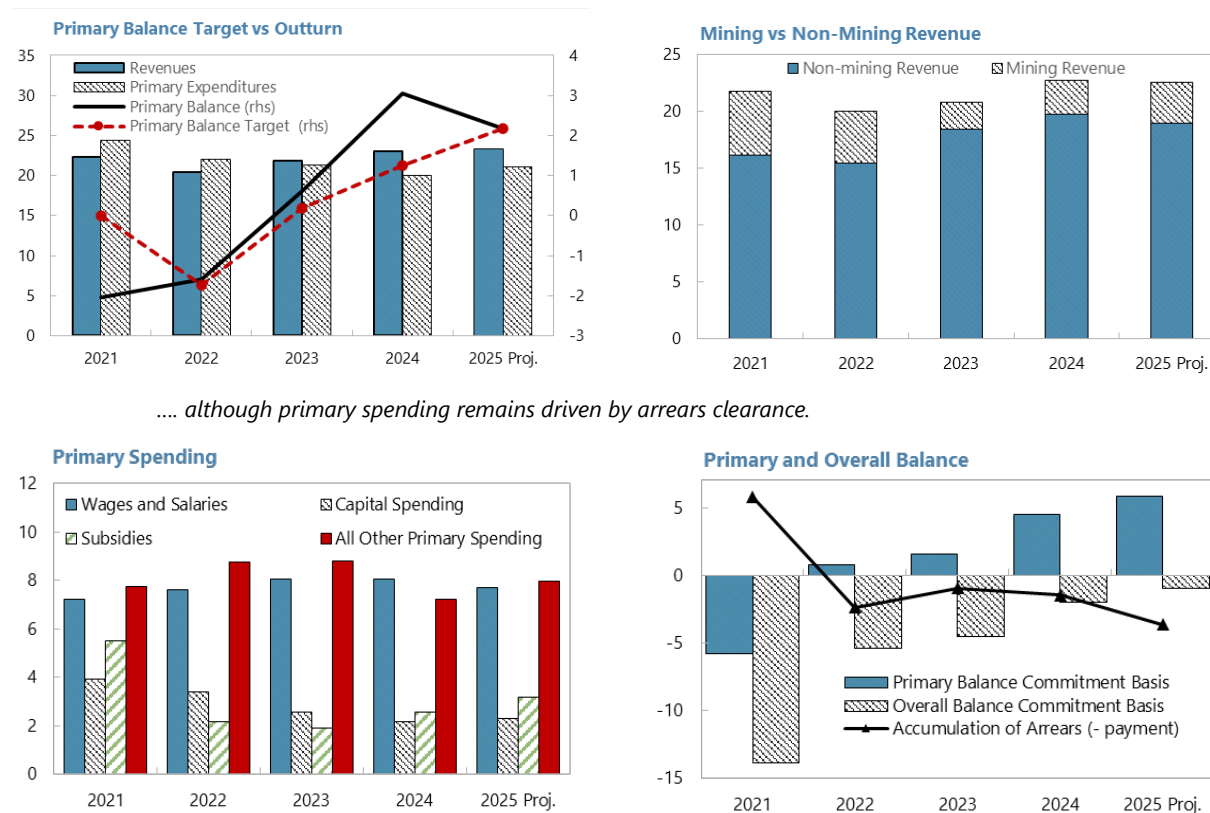
Sources: Bank of Zambia, ZamStat, Haver and IMF staff estimates.

¹ GIR are reported per BPM6.

Figure 4. Zambia: Fiscal Developments, 2021–25
(Percent of GDP)

The 2025 primary balance remains aligned with the target...

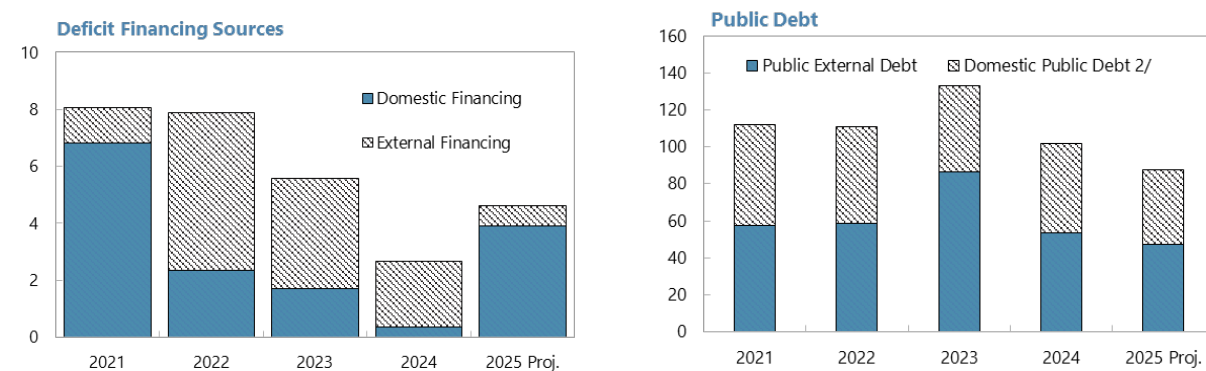
... as revenues continue to perform in line with the budget...



... although primary spending remains driven by arrears clearance.

The deficit is mostly financed from domestic sources...

...consistent with declining external public debt.¹



Sources: Zambia: Ministry of Finance National Planning and IMF staff estimates.

1/Pre-restructuring stocks.

2/ Domestic Debt includes Non-Resident Holdings and Budgetary Arrears.

Figure 5. Zambia: Monetary and Financial Developments, 2021–25

(In percent)

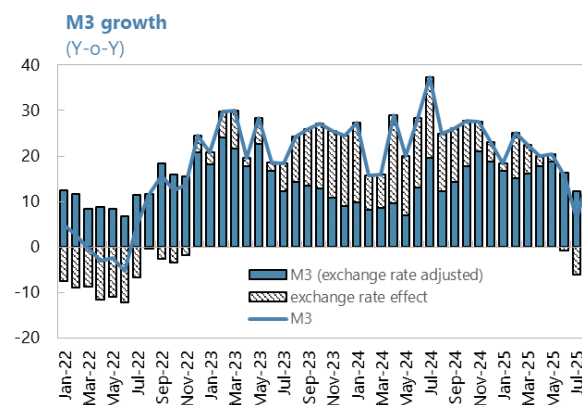
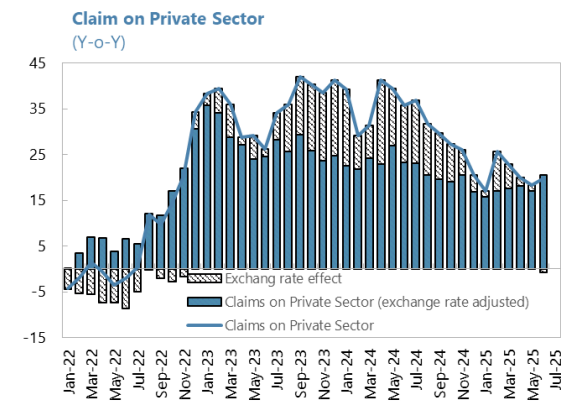
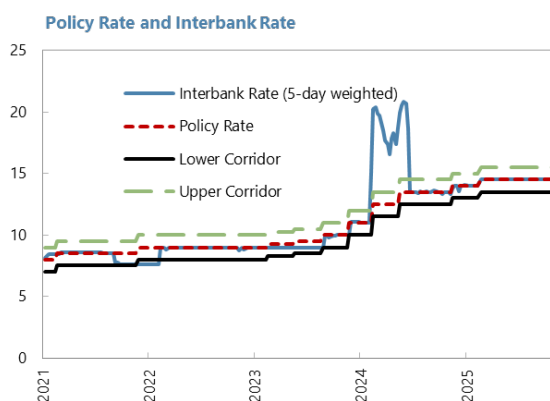
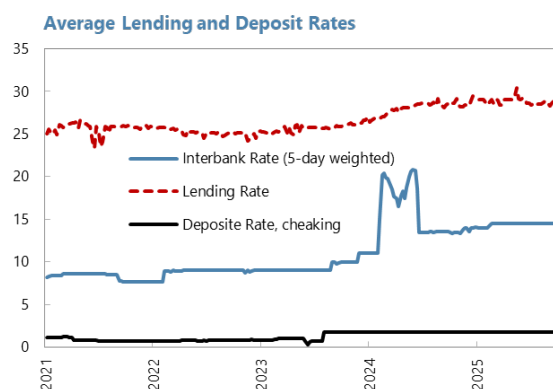
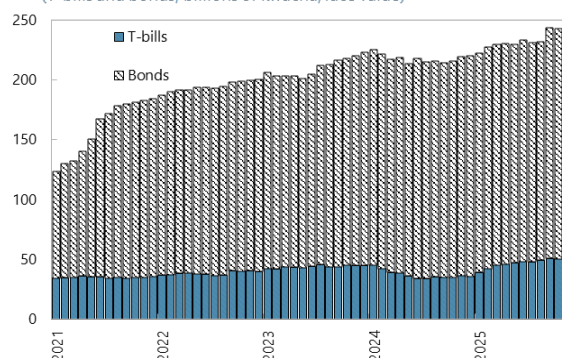
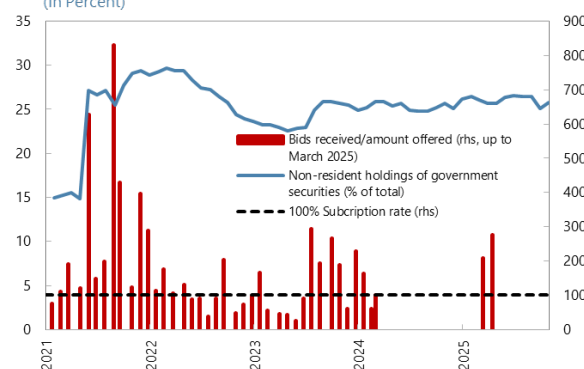
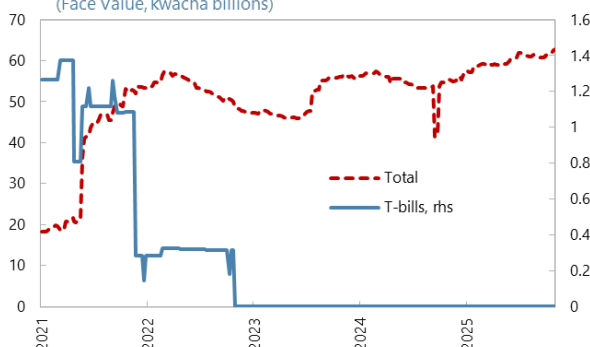
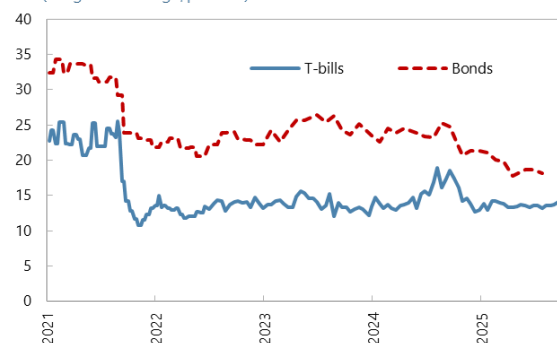
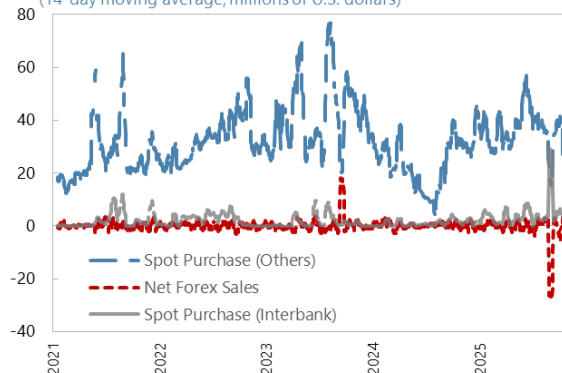
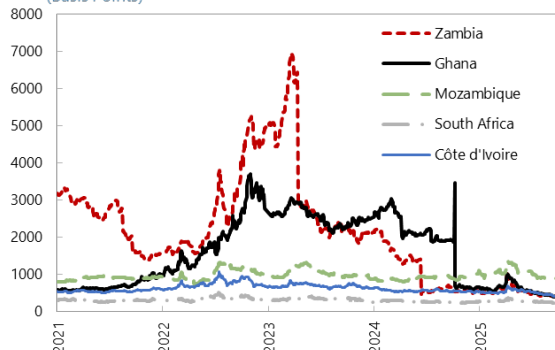
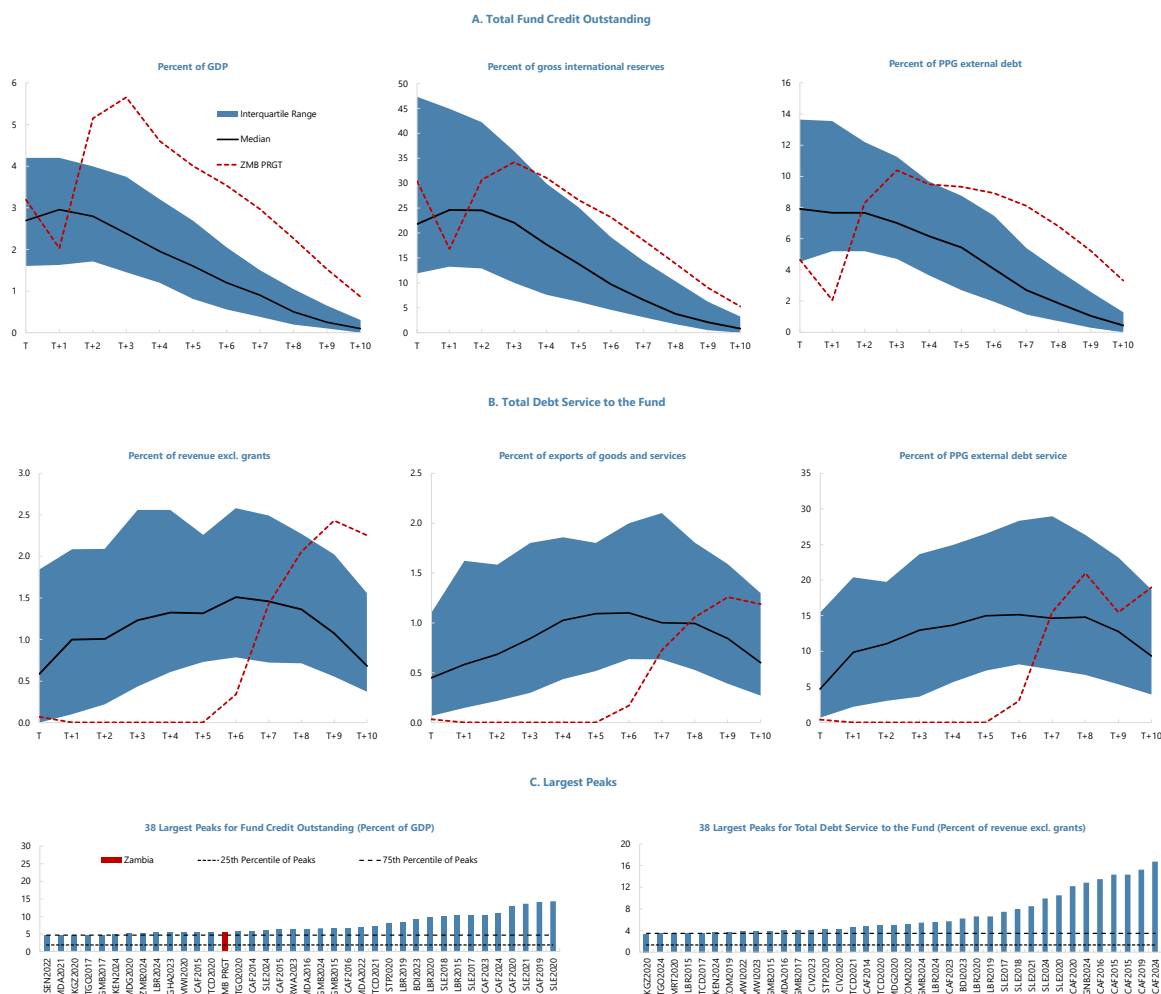
M3 growth rate has decelerated....*...while banks continued to extend credit to the private sector....**...Interbank rate has remained aligned within the policy rate corridor since June 2024....**...while lending rates have only marginally decreased.*

Figure 6. Zambia: Financial Sector Developments, 2021–25*Reliance on bond financing persisted...***Outstanding Government Securities**
(T-bills and bonds, billions of kwacha, face value)*...with continued interest by non-resident investors....***Non-Resident Holdings of Bond Auction Performance**
(In Percent)*Rising demand for bonds has sustained ...***Foreign Holdings of Government Securities**
(Face Value, kwacha billions)*... although the spread between bonds and T-bills has narrowed.***Government T-Bills and Bonds Yields**
(weighted average, percent)*While pressures have eased, banks remain net FX purchasers.***Commercial Banks' Forex Purchase**
(14-day moving average, millions of U.S. dollars)*Spreads on Zambian Eurobonds are now on par with other SSA issuers.***Weighted Average Spread**
(Basis Points)

Sources: Bank of Zambia, ZamStat and IMF staff estimates

Figure 7. Zambia: Capacity to Repay Indicators Compared to PRGT Countries
(In percent of the indicated variable)



Notes:

- T=date of arrangement approval. PPG=public and publicly guaranteed.
- Red lines/bars indicate the CtR indicator for the arrangement of interest.
- The median, interquartile range, and comparator bars reflect arrangements (including blends) approved for PRGT countries between 2014 and 2024.
- The comparator group "All PRGT" excludes arrangements that never had a UCT between 2014 and 2024.
- PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
- Comparator series is for PRGT arrangements only and runs up to T+10.
- Debt Service obligations to the Fund reflect prospective payments, including for the current year.
- In the case of blenders, the red lines/bars refer to PRGT +GRA. In The case of RST, the red lines/bars refer to PRGT+GRA+RST.
- International reserves are proxied by imputed reserves as measured by net foreign assets or by the currency union's total reserves for LICs that are part of currency unions.

Table 1. Zambia: Selected Economic Indicators, 2021–31
(Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					ECF 5th Review1/	Proj.	ECF 5th Review1/	Proj.	Projections				
National Accounts and Prices													
GDP growth at constant prices (in percent)	6.2	5.2	5.4	3.8	5.8	5.2	6.4	5.8	6.0	5.7	5.3	5.3	5.3
Agriculture (in percent)	6.9	-10.6	-20.5	-9.2	25.4	31.0	13.8	6.0	4.6	4.0	7.0	6.0	4.0
Mining (in percent)	-4.7	-3.7	-3.5	8.8	11.5	10.5	14.6	14.9	14.8	13.6	8.0	7.5	7.5
Non-mining, non-agricultural (in percent)	7.7	7.7	8.3	4.1	4.3	3.4	5.0	4.8	5.1	4.8	4.9	4.9	5.1
GDP deflator (in percent)	25.1	6.1	7.1	14.4	11.5	11.1	6.9	7.4	6.4	7.0	6.9	6.7	6.7
GDP at market prices (billions of kwacha)	442	494	557	662	813	774	924	879	992	1,122	1,264	1,420	1,595
Consumer prices													
Consumer prices (average)	22.0	11.0	10.9	15.0	14.2	14.0	9.2	9.3	7.5	7.0	7.0	7.0	7.0
Consumer prices (end of period)	16.4	9.9	13.1	16.7	11.1	11.0	7.9	8.2	7.0	7.0	7.0	7.0	7.0
External Sector													
Current account balance	11.9	3.7	-3.0	-1.9	1.3	-2.1	2.7	1.7	2.6	2.8	3.0	3.2	3.2
Exports of goods and services	53.1	42.7	41.5	50.4	49.8	48.4	48.2	46.5	46.3	46.4	46.4	46.4	46.3
Imports of goods and services	34.8	34.4	39.5	47.4	42.1	45.4	39.7	40.2	39.2	38.8	38.8	38.6	37.9
Average exchange rate (kwacha per U.S. dollar)	20.0	16.9	20.2	26.2	...	...	...	...	...	...	...	...	...
(percentage change; depreciation +)	9.1	-15.4	19.3	29.5	...	...	...	...	...	...	...	...	...
End-of-period exchange rate (kwacha per U.S. dollar)	16.7	18.1	25.7	27.9	...	...	...	...	...	...	...	...	...
Terms of trade (deterioration -)	22.5	-5.8	-13.6	6.3	4.4	5.9	1.2	2.7	0.7	0.2	-0.3	-0.5	-0.5
Financial Account balance	-13.4	-11.7	0.3	-0.7	-0.5	3.9	-1.5	-1.4	-1.6	-1.7	-1.4	-1.6	-1.1
Gross international reserves (months of prospective imports)	3.3	3.4	3.3	3.7	4.5	4.0	4.4	3.9	4.2	4.4	4.6	4.8	5.0
Money and Credit													
Reserve money (end of period)	8.5	12.0	65.5	42.0	19.1	17.3	14.7	12.8	15.0	19.8	18.9	18.2	17.9
Money supply (M3, percentage change)	3.7	24.5	24.6	23.0	19.1	10.0	14.7	13.6	12.8	13.1	12.6	12.3	12.3
Credit to the private sector (percent of GDP)	8.5	10.2	12.8	13.0	16.1	14.5	18.4	15.8	16.2	16.4	16.6	16.8	17.0
Credit to the private sector growth	-7.8	34.2	41.3	20.5	52.1	30.4	29.7	24.1	15.3	14.4	14.1	13.7	13.8
National Accounts													
Gross investment	31.4	27.0	31.4	31.2	32.3	32.3	32.4	33.5	33.4	33.5	33.8	34.5	34.4
Public	3.9	3.4	2.6	2.2	3.4	2.3	3.6	3.4	3.2	3.2	3.4	4.1	4.0
Private	27.4	23.6	28.9	29.0	28.9	30.0	28.9	30.1	30.2	30.3	30.4	30.4	30.4
National savings	43.3	30.7	28.4	29.2	33.6	30.1	35.1	35.2	36.0	36.4	36.8	37.7	37.6
Central Government Budget													
Revenues	22.4	20.4	21.9	23.1	22.8	23.3	23.0	24.3	23.5	23.8	23.9	24.1	24.2
Taxes	16.1	16.1	16.6	17.9	17.4	17.9	17.7	18.6	18.6	18.8	18.9	19.0	19.2
Grants	0.6	0.4	1.1	0.4	0.9	0.7	0.8	0.9	0.2	0.3	0.2	0.2	0.2
Other revenues	5.7	3.9	4.2	4.8	4.5	4.7	4.5	4.7	4.7	4.8	4.8	4.8	4.8
Expenditures	30.5	28.2	27.4	26.5	28.0	27.9	26.7	27.0	25.5	25.5	25.2	24.8	24.8
Expenses	26.6	24.8	24.8	24.3	25.0	25.6	23.3	23.7	22.3	22.3	21.8	20.7	20.8
Net acquisition of nonfinancial assets	3.9	3.4	2.6	2.2	3.0	2.3	3.4	3.4	3.2	3.2	3.4	4.1	4.0
Net lending/borrowing (cash basis)	-8.1	-7.8	-5.5	-3.5	-5.3	-4.6	-3.7	-2.8	-2.0	-1.7	-1.3	-0.7	-0.6
Net lending/borrowing (commitment basis)2/	-13.9	-5.4	-4.5	-2.0	-2.3	-1.0	-2.1	-1.8	0.0	0.0	0.0	-0.7	-0.6
Primary balance (cash basis, program target)	-2.1	-1.6	0.6	3.1	1.1	2.2	2.7	3.8	3.5	3.4	3.1	3.2	3.5
Non-mining primary balance (cash basis)	-7.7	-6.1	-1.7	0.1	-2.0	-1.5	-0.4	0.3	-0.1	-0.4	-0.6	-0.6	-0.3
Public Debt													
Total public debt (gross, end-of-period) 3/4/	112.1	110.9	133.4	101.8	91.9	87.6	79.0	78.3	68.5	62.5	56.9	52.7	48.3
External	57.8	58.8	86.4	53.7	55.9	47.1	46.6	42.2	36.9	34.3	31.4	28.5	26.0
Domestic	54.4	52.1	46.9	48.1	36.0	40.5	32.4	36.1	31.6	28.2	25.5	24.2	22.3

Sources: Zambian authorities; and IMF staff estimates and projections.

1/ IMF CR No. 25/225

2/ Adjusted for the accumulation/clearance of VAT refund claims and expenditure arrears.

3/ Nonresident holdings of local currency debt are included under domestic debt here, unlike in the DSA, which is conducted on a residency basis.

4/ Including arrears.

Table 2a. Zambia: Balance of Payments, 2021–31
(Millions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					ECF 5th Review1/	Proj.	ECF 5th Review1/	Proj.	Projections				
Current Account	2,630	1,093	-838	-487	375	-657	916	644	1,138	1,382	1,552	1,818	1,965
Current Account, excluding budget support grants				-788	150	-833	669	536	1,091	1,335	1,505	1,778	1,965
Trade balance	4,816	3,368	1,373	1,301	2,944	1,575	3,516	2,850	3,560	4,108	4,455	4,926	5,648
Exports, f.o.b.	11,202	11,505	10,521	11,367	13,225	13,377	14,730	15,751	18,060	20,045	21,529	23,198	24,972
Of which: Copper	8,396	8,129	6,617	7,494	8,687	8,742	9,742	10,389	12,051	13,799	14,972	16,118	17,604
Imports, f.o.b.	-6,386	-8,137	-9,148	-10,066	-10,281	-11,802	-11,213	-12,901	-14,501	-15,937	-17,074	-18,272	-19,323
Services (net)	-779	-946	-799	-556	-685	-643	-632	-484	-453	-467	-516	-551	-569
Income (net)	-1,709	-1,614	-1,668	-2,301	-2,317	-2,080	-2,489	-2,341	-2,530	-2,854	-2,956	-3,139	-3,636
Of which: Interest on public debt	-736	-906	-717	-471	-741	-772	-716	-723	-655	-713	-635	-640	-959
Current transfers (net) ² , of which	301	285	257	769	207	315	274	510	515	548	523	543	521
Other official grants ⁶			128	99	0	98	35	244	208	208	159	150	98
Remittances	137	131	129	240	207	216	239	266	307	340	365	393	424
Capital and Financial Account	-2,883	-3,338	162	1,040	-75	1,203	-436	-412	-504	-644	-584	-770	-579
Capital account	77	76	78	1,335	67	70	69	78	81	80	78	75	73
Project grants	77	76	78	64	67	70	69	78	81	80	78	75	73
Other Private ³	0	0	0	1,271	0	0	0	0	0	0	0	0	0
Financial account	-2,960	-3,414	85	-296	-142	1,133	-506	-490	-585	-725	-661	-845	-652
Foreign direct investment (net)	674	198	488	1,347	1,113	1,379	1,543	1,750	2,117	2,244	2,357	2,541	2,740
Portfolio investment (net)	1,002	-332	177	-41	46	20	213	-38	114	56	193	224	-409
Financial derivatives (net)	-26	-31	-4	2	-3	2	-4	2	3	3	3	3	4
Other investments (net)	-4,611	-3,249	-577	-1,604	-1,297	-268	-2,258	-2,205	-2,818	-3,028	-3,214	-3,614	-2,986
Public sector (net)	-1,346	-1,021	-898	185	-262	-266	-132	-56	-6	-264	-282	-450	-902
Disbursements	571	914	333	426	364	290	442	483	356	279	202	202	339
Amortization due	-1,917	-1,935	-1,232	-241	-627	-555	-575	-540	-362	-542	-484	-652	-1,241
Monetary Authority (SDR Allocation)	1,328	0	0	0	0	0	0	0	0	0	0	0	0
Commercial banks (net)	-205	-411	483	-661	-78	-78	-324	-324	-275	-262	-235	-200	-170
Other sectors	-4,388	-1,817	-162	-1,128	-957	75	-1,801	-1,824	-2,537	-2,503	-2,697	-2,964	-1,915
Errors and Omissions	-369	-5	-811	-527	0	0	0	0	0	0	0	0	0
Overall Balance	-623	-2,251	-1,486	-275	75	370	232	124	587	691	922	1,008	1,385
Financing	623	2,251	1,486	275	-75	-370	-232	-124	-587	-691	-922	-1,008	-1,385
Central bank net reserves (- increase)	-1,607	-71	100	-225	-403	-592	-664	-341	-967	-852	-1,064	-1,151	-1,385
Of which: Change in gross reserves	-1,604	-258	-274	-986	-774	-781	-664	-532	-967	-814	-888	-876	-1,053
Of which: Use of Fund resources	-3	187	373	761	370	189	0	191	0	-39	-176	-275	-333
New MDB financing ⁵				376	328	170	432	218	380	162	142	143	0
WB loans				91	103	46	79	110	183	115	95	103	0
WB grants				176	225	124	248	108	47	47	47	40	0
AfDB loans				108	0	0	105	0	150	0	0	0	0
Exceptional financing (accumulation of arrears) ⁴	2,230	2,322	1,387	124.1	0	51.0	0	0	0	0	0	0	0
Memorandum Items:													
Exports of goods and services	11,728	12,444	11,454	12,747	14,633	14,926	16,357	17,659	20,260	22,480	24,141	26,014	28,008
Imports of goods and services	7,691	10,022	10,880	12,002	12,373	13,993	13,473	15,293	17,153	18,839	20,202	21,640	22,929
Change in copper export volume (percent)	-5.2	2.2	-15.4	5.2	16.5	11.1	14.6	14.9	14.8	13.6	8.0	7.5	9.2
Gross international reserves ⁵	2,796	3,054	3,328	4,314	5,087	5,094	5,751	5,626	6,594	7,407	8,295	9,172	10,224
In months of prospective imports	3.3	3.4	3.3	3.7	4.5	4.0	4.4	3.9	4.2	4.4	4.6	4.8	5.0
GDP (billions of U.S. dollars)	22.1	29.2	27.6	25.3	29.4	30.8	33.9	38.0	43.8	48.5	52.0	56.1	60.5

Sources: Zambian authorities; and IMF staff estimates and projections.

1/ IMF CR No. 25/225

2/ Excluding prospective budget support grants.

3/ The other private capital account balance stems from debt write-downs totaling over US\$ 1.2 billion, negotiated between resident enterprises and non-resident entities. These write-downs have been recorded in the capital account as debt forgiveness, benefiting Zambian enterprises and Zambia.

4/ For the third review, which assumed pre-restructuring debt service on external commercial debt, the residual gap indicated the gap that needed to be covered by the external commercial debt restructuring. Exceptional financing for 2024–25 reflects the accumulation/repayment of past-due interest (PDI) on the unstructured portion of external debt.

5/ GIR are reported per BPM6

6/ Budget support grants and loans recorded above and below the line have been reclassified for the 6th Review in line with the new guidelines for accounting for WB financing in IMF-supported programs.

Table 2b. Zambia: Balance of Payments, 2021–31
(Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					ECF 5th Review1/	Proj.	ECF 5th Review1/	Proj.	Projections				
Current Account	11.9	3.7	-3.0	-1.9	1.3	-2.1	2.7	1.7	2.6	2.8	3.0	3.2	3.2
Current Account, excluding budget support grants				-3.1	0.5	-2.7	2.0	1.4	2.5	2.8	2.9	3.2	3.2
Trade balance	21.8	11.5	5.0	5.1	10.0	5.1	10.4	7.5	8.1	8.5	8.6	8.8	9.3
Exports, f.o.b.	50.7	39.4	38.2	44.9	45.0	43.4	43.4	41.4	41.2	41.3	41.4	41.4	41.3
Of which: Copper	38.0	27.9	24.0	29.6	29.6	28.4	28.7	27.3	27.5	28.5	28.8	28.7	29.1
Imports, f.o.b.	-28.9	-27.9	-33.2	-39.8	-35.0	-38.3	-33.0	-33.9	-33.1	-32.9	-32.8	-32.6	-32.0
Services (net)	-3.5	-3.2	-2.9	-2.2	-2.3	-2.1	-1.9	-1.3	-1.0	-1.0	-1.0	-1.0	-0.9
Income (net)	-7.7	-5.5	-6.0	-9.1	-7.9	-6.7	-7.3	-6.2	-5.8	-5.9	-5.7	-5.6	-6.0
Of which: Interest on public debt	-3.3	-3.1	-2.6	-1.9	-2.5	-2.5	-2.1	-1.9	-1.5	-1.5	-1.2	-1.1	-1.6
Current transfers (net) ² , of which	1.4	1.0	0.9	3.0	0.7	1.0	0.8	1.3	1.2	1.1	1.0	1.0	0.9
Other official grants ⁶	0.0	0.0	0.5	0.4	0.0	0.3	0.1	0.6	0.5	0.4	0.3	0.3	0.2
Remittances	0.6	0.5	0.5	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Capital and Financial Account	-13.0	-11.4	0.6	4.1	-0.3	3.9	-1.3	-1.1	-1.2	-1.3	-1.1	-1.4	-1.0
Capital account	0.3	0.3	0.3	5.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Project grants	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Other Private ³	0.0	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-13.4	-11.7	0.3	-1.2	-0.5	3.7	-1.5	-1.3	-1.3	-1.5	-1.3	-1.5	-1.1
Foreign direct investment (net)	3.1	0.7	1.8	5.3	3.8	4.5	4.5	4.6	4.8	4.6	4.5	4.5	4.5
Portfolio investment (net)	4.5	-1.1	0.6	-0.2	0.2	0.1	0.6	-0.1	0.3	0.1	0.4	0.4	-0.7
Financial derivatives (net)	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments (net)	-20.9	-11.1	-2.1	-6.3	-4.4	-0.9	-6.7	-5.8	-6.4	-6.2	-6.2	-6.4	-4.9
Public sector (net)	-6.1	-3.5	-3.3	0.7	-0.9	-0.9	-0.4	-0.1	0.0	-0.5	-0.5	-0.8	-1.5
Disbursements	2.6	3.1	1.2	1.7	1.2	0.9	1.3	1.3	0.8	0.6	0.4	0.4	0.6
Amortization due	-8.7	-6.6	-4.5	-1.0	-2.1	-1.8	-1.7	-1.4	-0.8	-1.1	-0.9	-1.2	-2.1
Monetary Authority (SDR Allocation)	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks (net)	-0.9	-1.4	1.8	-2.6	-0.3	-0.3	-1.0	-0.9	-0.6	-0.5	-0.5	-0.4	-0.3
Other sectors	-19.9	-6.2	-0.6	-4.5	-3.3	0.2	-5.3	-4.8	-5.8	-5.2	-5.2	-5.3	-3.2
Errors and Omissions	-1.7	0.0	-2.9	-2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-2.8	-7.7	-5.4	-1.1	0.3	1.2	0.7	0.3	1.3	1.4	1.8	1.8	2.3
Financing	2.8	7.7	5.4	1.1	-0.3	-1.2	-0.7	-0.3	-1.3	-1.4	-1.8	-1.8	-2.3
Central bank net reserves (- increase)	-7.3	-0.2	0.4	-0.9	-1.4	-1.9	-2.0	-0.9	-2.2	-1.8	-2.0	-2.1	-2.3
Of which: Change in gross reserves	-7.3	-0.9	-1.0	-3.9	-2.6	-2.5	-2.0	-1.4	-2.2	-1.7	-1.7	-1.6	-1.7
Of which: Use of Fund resources	0.0	0.6	1.4	3.0	1.3	0.6	0.0	0.5	0.0	-0.1	-0.3	-0.5	-0.6
New MDB financing ⁶	0.0	0.0	0.0	1.5	1.1	0.6	1.3	0.6	0.9	0.3	0.3	0.3	0.0
WB grants	0.0	0.0	0.0	0.7	0.8	0.4	0.7	0.3	0.1	0.1	0.1	0.1	0.0
Exceptional financing (accumulation of arrears) ⁴	10.1	8.0	5.0	0.5	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:													
Financial Account (percent of GDP w/o FDI)	-16.4	-12.4	-1.5	-6.5	-4.3	-0.8	-6.0	-5.9	-6.2	-6.1	-5.8	-6.0	-5.6
Total official grants (percent of GDP)	0.3	0.3	0.7	0.6	0.2	0.5	0.3	0.8	0.7	0.6	0.5	0.4	0.3
Gross international reserves ⁵	2,796	3,054	3,328	4,314	5,087	5,094	5,751	5,626	6,594	7,407	8,295	9,172	10,224
In months of prospective imports	3.3	3.4	3.3	3.7	4.5	4.0	4.4	3.9	4.2	4.4	4.6	4.8	5.0
GDP (billions of U.S. dollars)	22.1	29.2	27.6	25.3	29.4	30.8	33.9	38.0	43.8	48.5	52.0	56.1	60.5

Sources: Zambian authorities; and IMF staff estimates and projections.

1/ IMF CR No. 25/225

2/ Excluding prospective budget support grants.

3/ The other private capital account balance stems from debt write-downs totaling over US\$ 1.2 billion, negotiated between resident enterprises and non-resident entities. These write-downs have been recorded in the capital account as debt forgiveness, benefiting Zambian enterprises and Zambia.

4/ For the third review, which assumed pre-restructuring debt service on external commercial debt, the residual gap indicated the gap that needed to be covered by the external commercial debt restructuring. Exceptional financing for 2024–25 reflects the accumulation/repayment of past-due interest (PDI) on the unstructured portion of external debt.

5/ GIR are reported per BPM6

6/ Budget support grants and loans recorded above and below the line have been reclassified for the 6th Review in line with the new guidelines for accounting for WB financing in IMF-supported programs.

Table 3a. Zambia: Fiscal Operations of the Central Government, 2021–31
(Millions of kwacha)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					ECF 5th Review1/	Proj.	ECF 5th Review1/	Proj.	Projections				
Revenues	98,945	100,684	122,104	152,625	185,084	180,509	212,125	213,389	233,589	267,149	302,594	341,703	386,069
Revenues excluding grants	96,463	98,702	116,055	150,271	177,733	174,916	204,436	205,255	231,620	264,225	299,571	338,438	382,434
Revenues excluding grants adjusted by the backlog of VAT refunds	94,547	96,861	111,830	149,038	181,266	188,053	207,970	209,497	235,862	268,467	303,813	338,438	382,434
Tax	71,151	79,492	92,381	118,803	141,414	138,819	163,045	163,921	184,853	210,542	238,789	270,208	305,895
Income tax	22,815	26,890	30,232	39,390	47,269	47,681	53,727	54,151	61,099	69,121	77,852	87,456	98,237
Profit tax	19,242	21,020	14,913	19,973	24,058	29,687	28,354	32,223	36,462	41,847	47,373	53,176	59,653
Mining	12,702	11,958	5,353	7,740	9,492	12,014	11,085	13,735	15,601	18,247	20,793	23,317	26,113
Non-mining	6,540	9,062	9,560	12,232	14,566	17,673	17,270	18,488	20,860	23,599	26,580	29,859	33,540
Value-added tax	19,516	20,816	33,209	41,517	46,975	40,314	55,497	51,932	58,315	66,434	75,693	87,708	101,144
Excise taxes	4,327	5,190	7,548	9,366	11,408	10,341	12,979	12,731	14,612	16,911	19,514	21,375	24,353
Taxes on international trade	5,250	5,577	6,480	8,557	11,704	10,796	12,488	12,884	14,366	16,230	18,356	20,493	22,508
Other revenues	25,312	19,210	23,674	31,468	36,319	36,097	41,391	41,334	46,767	53,684	60,782	68,229	76,539
Of which: Mining royalties	12,268	10,445	7,709	11,538	15,975	16,225	17,618	17,766	20,175	23,601	26,899	30,166	33,784
Grants	2,481	1,981	6,049	2,353	7,352	5,593	7,688	8,134	1,969	2,923	3,023	3,265	3,635
Expenditures	134,929	139,315	152,642	175,502	227,780	216,235	246,347	237,719	253,276	286,336	318,707	352,158	395,504
Expenses	117,477	122,446	138,340	161,107	203,358	198,595	215,258	208,007	221,606	250,240	275,989	294,460	331,905
Compensation of employees	31,881	37,699	44,898	53,250	58,925	59,657	66,378	64,914	74,249	83,834	94,188	106,820	118,412
Goods and services	15,094	13,084	12,981	10,910	15,818	16,749	20,777	25,012	26,567	29,957	36,895	45,881	50,750
Interest	26,910	30,797	33,943	43,096	51,997	52,644	58,852	58,024	54,450	56,894	55,750	56,096	65,213
Domestic	24,929	30,057	31,782	38,457	39,704	40,234	51,584	52,001	48,957	51,362	50,363	50,917	59,809
Foreign	1,980	739	2,161	4,639	11,825	11,749	5,977	6,022	4,686	4,951	5,054	5,179	5,405
Subsidies	24,345	10,715	10,565	16,944	28,026	24,549	15,271	13,515	14,335	16,314	17,632	19,929	23,538
Of which: Agricultural (FISP and FRA)	11,845	8,526	8,788	10,175	16,070	14,036	13,004	11,255	11,919	13,676	15,666	17,720	21,057
Of which: Energy (fuel and electricity)2/	10,610	1,840	969	2,760	10,712	9,920	853	892	873	892	0	0	0
Intergovernmental transfers	8,799	15,382	17,144	17,336	26,098	23,432	26,962	27,483	26,844	32,321	37,415	41,183	46,414
Social protection	5,538	7,424	7,660	11,424	15,610	14,672	16,603	14,118	15,918	17,996	20,167	22,654	25,447
Other	4,911	7,346	11,149	8,149	6,883	6,893	10,415	4,942	9,243	12,924	13,943	1,896	2,130
Net acquisition of nonfinancial assets	17,451	16,870	14,301	14,394	24,423	17,639	31,089	29,712	31,670	36,096	42,718	57,698	63,599
Of which: Domestically-financed	9,296	10,828	10,144	7,580	15,878	12,290	14,132	19,317	22,338	28,355	37,056	51,872	53,898
Of which: Foreign-financed	8,155	6,041	4,157	6,815	8,545	5,350	16,957	10,396	9,332	7,741	5,662	5,826	9,701
Net lending/borrowing (cash basis)	-35,984	-38,632	-30,538	-22,877	-42,696	-35,726	-34,223	-24,331	-19,687	-19,187	-16,113	-10,456	-9,435
Primary balance (cash basis)	-9,074	-7,835	3,405	20,219	9,302	16,918	24,630	33,693	34,763	37,706	39,636	45,641	55,778
Primary balance (cash basis) adjusted with the fuel arrear operation					20,014	26,838							
Expenditure arrears (- payments)	14,525	-13,642	-9,404	-10,908	-20,486	-15,206	-10,901	-4,660	-15,117	-15,191	-12,255	0	0
Backlog of VAT refunds (flow)	1,916	1,841	4,225	1,233	-3,533	-13,138	-3,533	-4,242	-4,242	-4,242	-4,242	0	0
Arrears on external interest (flow)	9,120	0	0	0	0	0	0	0	0	0	0	0	0
Overall balance, (commitment basis)3/	-61,546	-26,831	-25,359	-13,201	-18,676	-7,383	-19,788	-15,429	-329	245	384	-10,456	-9,435
Primary balance (commitment basis)3/	-25,516	3,966	8,585	29,894	33,321	45,261	39,064	42,595	54,122	57,139	56,133	45,641	55,778
Financing	35,984	38,632	30,538	22,877	42,696	35,726	34,223	24,331	19,687	19,187	16,113	10,456	9,435
Net acquisition of financial assets (+ drawdown, - accumulation)	-2,674	-1,440	491	2,626	0	0	0	0	0	0	0	0	0
Domestic	2,674	1,440	-491	-2,626	0	0	0	0	0	0	0	0	0
Foreign	0	0	0	0	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities	38,292	40,354	30,562	20,207	42,696	35,726	34,223	24,331	19,687	19,187	16,113	10,456	9,435
Domestic	32,774	12,968	8,950	4,939	29,688	30,292	29,642	23,758	22,684	21,620	21,045	20,901	23,925
Foreign	5,518	27,386	21,612	15,268	13,008	5,434	4,581	573	-2,997	-2,433	-4,932	-10,446	-14,490
Exceptional financing	0	0	0	0	0	0	0	0	0	0	0	0	0
Statistical discrepancy / financing gap	366	-283	-515	44	0	0	0	0	0	0	0	0	0
Memorandum items:													
Primary expenditure (cash basis)	108,019	108,519	118,698	132,406	175,783	163,591	187,495	179,696	198,826	229,442	262,957	296,062	330,291
Primary expenditure (commitment basis)	122,544	94,876	109,294	121,498	155,297	148,386	176,594	175,036	183,709	214,251	250,702	296,062	330,291
Primary balance excluding mining revenues (commitment basis)3/	-50,486	-18,438	-4,477	10,615	7,854	17,021	10,361	11,094	18,346	15,291	8,442	-7,843	-4,119
Mining revenues (in million of US\$)	1,247	1,323	646	737	920	1,124	1,055	1,361	1,579	1,808	1,962	1,962	2,112
Non-mining primary balance (cash basis)	-34,045	-30,239	-9,656	940	-16,165	-11,322	-4,073	2,192	-1,013	-4,142	-8,055	-7,843	-4,119
Backlog of VAT refunds (stock)	10,368	12,209	16,434	17,667	15,389	16,968	11,855	12,726	8,484	4,242	0	0	0
Stock of expenditure arrears	57,031	47,659	61,427	67,023	38,258	57,632	27,696	42,399	27,144	12,199	0	0	0

Sources: Zambian authorities; and IMF staff estimates and projections.

1/ IMF CR No. 25/225

2/ From 2022 onwards this represents clearance of arrears for fuel. There are no direct transfers to electricity sector

3/ Adjusted for the accumulation/clearance of arrears on audited VAT refund claims and expenditure arrears.

Table 3b. Zambia: Fiscal Operations of the Central Government, 2021–31
(Percent of GDP)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					ECF 5th Review1/	Proj.	ECF 5th Review1/	Proj.	Projections				
Revenues	22.4	20.4	21.9	23.1	22.8	23.3	23.0	24.3	23.5	23.8	23.9	24.1	24.2
Revenues excluding grants	21.8	20.0	20.8	22.7	21.9	22.6	22.1	23.3	23.3	23.5	23.7	23.8	24.0
Revenues excluding grants adjusted by the backlog of VAT refunds	21.4	19.6	20.1	22.5	22.3	24.3	22.5	23.8	23.8	23.9	24.0	23.8	24.0
Tax	16.1	16.1	16.6	17.9	17.4	17.9	17.7	18.6	18.6	18.8	18.9	19.0	19.2
Income tax	5.2	5.4	5.4	5.9	5.8	6.2	5.8	6.2	6.2	6.2	6.2	6.2	6.2
Profit tax	4.4	4.3	2.7	3.0	3.0	3.8	3.1	3.7	3.7	3.7	3.7	3.7	3.7
Mining	2.9	2.4	1.0	1.2	1.2	1.6	1.2	1.6	1.6	1.6	1.6	1.6	1.6
Non-mining	1.5	1.8	1.7	1.8	1.8	2.3	1.9	2.1	2.1	2.1	2.1	2.1	2.1
Value-added tax	4.4	4.2	6.0	6.3	5.8	5.2	6.0	5.9	5.9	5.9	6.0	6.2	6.3
Excise taxes	1.0	1.1	1.4	1.4	1.4	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.5
Taxes on international trade	1.2	1.1	1.2	1.3	1.4	1.4	1.4	1.5	1.4	1.4	1.5	1.4	1.4
Other revenues	5.7	3.9	4.2	4.8	4.5	4.7	4.5	4.7	4.7	4.8	4.8	4.8	4.8
Of which: Mining royalties	2.8	2.1	1.4	1.7	2.0	2.1	1.9	2.0	2.0	2.1	2.1	2.1	2.1
Grants	0.6	0.4	1.1	0.4	0.9	0.7	0.8	0.9	0.2	0.3	0.2	0.2	0.2
Expenditures	30.5	28.2	27.4	26.5	28.0	27.9	26.7	27.0	25.5	25.5	25.2	24.8	24.8
Expenses	26.6	24.8	24.8	24.3	25.0	25.6	23.3	23.7	22.3	22.3	21.8	20.7	20.8
Compensation to employees	7.2	7.6	8.1	8.0	7.3	7.7	7.2	7.4	7.5	7.5	7.5	7.5	7.4
Goods and services	3.4	2.6	2.3	1.6	1.9	2.2	2.2	2.8	2.7	2.7	2.9	3.2	3.2
Interest	6.1	6.2	6.1	6.5	6.4	6.8	6.4	6.6	5.5	5.1	4.4	3.9	4.1
Domestic	5.6	6.1	5.7	5.8	4.9	5.2	5.6	5.9	4.9	4.6	4.0	3.6	3.7
Foreign	0.4	0.1	0.4	0.7	1.5	1.5	0.6	0.7	0.5	0.4	0.4	0.4	0.3
Subsidies	5.5	2.2	1.9	2.6	3.4	3.2	1.7	1.5	1.4	1.5	1.4	1.4	1.5
Of which: Agricultural (FISP and FRA)	2.7	1.7	1.6	1.5	2.0	1.8	1.4	1.3	1.2	1.2	1.2	1.2	1.3
Of which: Energy (fuel and electricity)2/	2.4	0.4	0.2	0.4	1.3	1.3	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Intergovernmental transfers	2.0	3.1	3.1	2.6	3.2	3.0	2.9	3.1	2.7	2.9	3.0	2.9	2.9
Social protection	1.3	1.5	1.4	1.7	1.9	1.9	1.8	1.6	1.6	1.6	1.6	1.6	1.6
Other	1.1	1.5	2.0	1.2	0.8	0.9	1.1	0.6	0.9	1.2	1.1	0.1	0.1
Net acquisition of nonfinancial assets	3.9	3.4	2.6	2.2	3.0	2.3	3.4	3.4	3.2	3.2	3.4	4.1	4.0
Of which: Domestically-financed	2.1	2.2	1.8	1.1	2.0	1.6	1.5	2.2	2.3	2.5	2.9	3.7	3.4
Of which: Foreign-financed	1.8	1.2	0.7	1.0	1.1	0.7	1.8	1.2	0.9	0.7	0.4	0.4	0.6
Net lending/borrowing (cash basis)	-8.1	-7.8	-5.5	-3.5	-5.3	-4.6	-3.7	-2.8	-2.0	-1.7	-1.3	-0.7	-0.6
Primary balance (cash basis)	-2.1	-1.6	0.6	3.1	1.1	2.2	2.7	3.8	3.5	3.4	3.1	3.2	3.5
Primary balance (cash basis) adjusted with the fuel arrear operation					2.5	3.5							
Expenditure arrears (- payments)	3.3	-2.8	-1.7	-1.6	-2.5	-2.0	-1.2	-0.5	-1.5	-1.4	-1.0	0.0	0.0
Backlog of VAT refunds (flow)	0.4	0.4	0.8	0.2	-0.4	-1.7	-0.4	-0.5	-0.4	-0.4	-0.3	0.0	0.0
Arrears on external interest (flow)	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, (commitment basis)3/	-13.9	-5.4	-4.5	-2.0	-2.3	-1.0	-2.1	-1.8	0.0	0.0	0.0	-0.7	-0.6
Primary balance (commitment basis)3/	-5.8	0.8	1.5	4.5	4.1	5.8	4.2	4.8	5.5	5.1	4.4	3.2	3.5
Financing	8.1	7.8	5.5	3.5	5.3	4.6	3.7	2.8	2.0	1.7	1.3	0.7	0.6
Net acquisition of financial assets (+ drawdown, - accumulation)	-0.6	-0.3	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	0.6	0.3	-0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	8.7	8.2	5.5	3.1	5.3	4.6	3.7	2.8	2.0	1.7	1.3	0.7	0.6
Domestic	7.4	2.6	1.6	0.7	3.7	3.9	3.2	2.7	2.3	1.9	1.7	1.5	1.5
Foreign	1.2	5.5	3.9	2.3	1.6	0.7	0.5	0.1	-0.3	-0.2	-0.4	-0.7	-0.9
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy / financing gap	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Primary expenditure (cash basis)	24.4	22.0	21.3	20.0	21.6	21.1	20.3	20.4	20.0	20.4	20.8	20.8	20.7
Primary expenditure (commitment basis)	27.7	19.2	19.6	18.4	19.1	19.2	19.1	19.9	18.5	19.1	19.8	20.8	20.7
Mining revenues (in million of US\$)	5.6	4.5	2.3	2.9	3.1	3.6	3.1	3.6	3.6	3.7	3.8	3.5	3.5
Primary balance excluding mining revenues (commitment basis)3/	-11.4	-3.7	-0.8	1.6	1.0	2.2	1.1	1.3	1.8	1.4	0.7	-0.6	-0.3
Backlog of VAT refunds (stock)	2.3	2.5	2.9	2.7	1.9	2.2	1.3	1.4	0.9	0.4	0.0	0.0	0.0
Stock of expenditure arrears	12.9	9.6	11.0	10.1	4.7	7.4	3.0	4.8	2.7	1.1	0.0	0.0	0.0
Nominal GDP (billions of kwacha)	442.3	494.0	557.4	662.1	812.7	774.3	923.7	879.4	992.2	1,122.5	1,264.2	1,420.2	1,595.3

Sources: Zambian authorities; and IMF staff estimates and projections.

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2/ From 2022 onwards this represents clearance of arrears for fuel. There are no direct transfers to electricity sector

3/ Adjusted for the accumulation/clearance of arrears on audited VAT refund claims and expenditure arrears.

Table 4. Zambia: Monetary Survey, 2021–31
(Millions of Kwacha, unless otherwise indicated)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					ECF 5th Review1/	Proj.	ECF 5th Review1/	Proj.			Projections		
Depository corporations survey:													
Net Foreign Assets	37,624	50,562	56,457	81,966	96,633	70,252	93,168	70,960	87,917	113,893	144,939	173,744	207,555
Net Domestic Assets	70,002	83,437	110,478	123,299	163,860	155,541	205,761	185,469	201,415	213,426	223,729	240,400	257,642
Domestic claims	103,414	99,282	140,474	151,654	204,442	181,060	246,288	210,604	234,410	259,991	288,823	320,591	356,654
Net claims on central government	64,641	46,798	63,232	59,960	67,333	62,778	70,284	65,232	67,770	70,232	73,139	76,087	79,252
Claims on other sectors	38,773	52,484	77,242	91,694	137,109	118,282	176,004	145,372	166,639	189,759	215,683	244,504	277,401
Claims on other financial corporations	189	521	1,080	928	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346
Claims on state and local government	41	41	15	66	71	71	77	77	84	91	98	106	115
Claims on public non-financial corporations	871	1,358	4,726	4,638	4,638	4,656	4,638	4,656	4,656	4,656	4,656	4,656	4,656
Claims on private sector	37,672	50,563	71,421	86,062	130,868	112,208	169,762	139,292	160,553	183,666	209,583	238,396	271,284
Other items net	-33,412	-15,845	-29,996	-28,355	-29,605	-25,520	-29,220	-25,135	-32,995	-46,565	-65,094	-80,192	-99,011
Broad Money (M3)	107,626	133,998	166,935	205,266	244,437	225,792	280,338	256,429	289,332	327,318	368,668	414,144	465,198
Bank of Zambia:													
Net Foreign Assets	12,127	15,472	21,046	34,809	49,719	40,079	65,720	54,953	72,162	97,199	122,586	150,458	183,296
Asset	47,101	55,945	86,637	122,229	134,502	108,254	145,947	124,143	140,261	169,355	197,757	228,769	264,879
Liabilities	-34,974	-40,472	-65,590	-87,420	-84,783	-68,175	-80,227	-69,190	-68,099	-72,156	-75,170	-78,311	-81,582
Net Domestic Assets	16,939	17,094	32,855	41,735	41,433	49,734	38,819	46,320	44,308	42,298	43,245	45,616	47,941
Net domestic claims	28,710	8,217	31,253	30,587	28,612	36,914	25,614	33,115	30,707	28,289	28,395	29,875	31,257
Net claims on other depository corporations	6,984	2,441	5,570	6,058	-1,380	12,384	-1,380	8,586	5,778	2,959	2,666	3,746	4,727
Net claims on central government	21,631	5,667	25,521	24,309	24,309	24,309	24,309	24,309	24,709	25,109	25,509	25,909	26,309
Claims on other sectors	95	110	162	220	87	220	87	220	220	220	220	220	220
Other items (net)	-11,771	8,877	1,602	11,148	12,820	12,820	13,205	13,205	13,601	14,009	14,849	15,740	16,685
Reserve Money	29,066	32,567	53,902	76,544	91,152	89,813	104,539	101,273	116,471	139,497	165,831	196,074	231,238
Currency outside banks and cash in vaults	13,550	14,740	16,641	20,269	22,485	20,770	28,502	26,072	32,120	34,203	36,120	37,875	39,511
Other depository corporation reserves	15,426	17,732	36,781	56,184	74,545	68,859	92,562	74,996	84,123	105,037	129,422	157,873	191,361
Liabilities to other sectors	90	95	480	91	199	184	224	205	227	257	290	326	366
Memorandum Items:													
Reserve money (end-of-period, percentage change)	8.5	12.0	65.5	42.0	19.1	17.3	14.7	12.8	15.0	19.8	18.9	18.2	17.9
Broad Money (M3) (percentage change)	3.7	24.5	24.6	23.0	19.1	10.0	14.7	13.6	12.8	13.1	12.6	12.3	12.3
Credit to the private sector (percentage change)	-7.8	34.2	41.3	20.5	52.1	30.4	29.7	24.1	15.3	14.4	14.1	13.7	13.8
Velocity (nominal GDP/M3)	4.1	3.7	3.3	3.2	3.3	3.4	3.3	3.4	3.4	3.4	3.4	3.4	3.4
Money multiplier (M3/reserve money)	3.7	4.1	3.1	2.7	2.7	2.5	2.7	2.5	2.5	2.3	2.2	2.1	2.0
Credit to the private sector (percent of GDP)	8.5	10.2	12.8	13.0	16.1	14.5	18.4	15.8	16.2	16.4	16.6	16.8	17.0
Nominal GDP (billion kwacha)	442.3	494.0	557.4	662.1	812.7	774.3	923.7	879.4	992.2	1,122.5	1,264.2	1,420.2	1,595.3

Sources: Zambian authorities; and IMF staff estimates and projections.

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Table 5. Zambia: Financial Soundness Indicators, 2015–25
(Percent, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
											Sep
Capital Adequacy											
Regulatory capital to risk-weighted assets	21.0	26.2	26.5	22.1	22.2	20.1	24.7	22.8	23.5	24.4	24.5
Tier 1 regulatory capital to risk-weighted assets	19.2	23.4	24.5	20.1	20.1	17.8	23.3	21.9	22.8	23.0	23.2
Capital to total assets	12.2	13.5	12.6	12.3	12.2	8.4	10.9	10.6	11.3	12.2	12.5
Asset Quality											
Past due advances (NPL) to total advances	7.3	9.7	12.0	11.0	8.9	11.6	5.8	5.0	4.2	4.1	3.5
Loan loss provisions to non-performing loans	70.5	71.5	69.2	86.4	91.6	75.9	102.8	93.4	92.2	91.2	99.2
Bad debt provisions to advances	4.6	5.6	8.0	9.5	8.2	8.8	6.0	4.4	3.6	3.4	3.3
Earnings and Profitability											
Return on average assets	2.8	2.5	3.1	3.0	3.3	2.1	5.2	5.0	5.8	5.1	5.1
Return on equity	13.1	12.3	15.4	14.7	16.2	12.9	35.1	29.9	33.8	29.7	28.0
Liquidity											
Liquid assets to total assets	34.8	39.1	45.5	47.0	42.2	48.6	46.6	50.7	48.5	49.3	46.7
Liquid assets to total deposits	47.9	54.2	56.5	57.0	51.5	57.4	56.3	67.6	64.9	64.7	64.4
Advances to deposits ratio	56.4	50.0	45.2	47.3	51.5	41.0	39.4	35.7	39.8	39.1	45.8
Exposure to Foreign Currency											
Foreign currency loans to total gross loans	36.9	35.7	41.6	44.5	50.3	47.1	33.7	40.9	42.8	43.3	45.8
Foreign currency liabilities to total liabilities	48.9	45.0	44.0	46.6	47.4	52.2	41.9	41.7	44.9	48.3	47.4
Net open position in foreign exchange to capital	4.7	0.8	1.4	1.7	1.3	1.1	0.2	5.6	0.2	1.5	0.6

Source: Bank of Zambia.

Table 6a. Zambia: External Financing Needs and Sources, 2021–31
(Millions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					ECF 5th Review1/ Proj.	Proj.	ECF 5th Review1/ Proj.	Proj.	Projections				
I. Total Requirement	5,618	3,159	2,970	3,166	2,276	2,138	2,707	2,720	2,942	2,676	3,726	3,984	2,342
Current Account Deficit, excluding Official Transfers	-2,630	-1,093	965	1,064	76	1,055	-386	-184	-837	-1,080	-1,300	-1,588	-1,867
of which interest due on public debt	736	906	717	471	741	772	716	723	655	713	635	640	959
Public Sector Debt Amortization	1,917	1,935	1,232	241	627	555	575	540	362	542	484	652	1,241
of which public debt	1,917	1,935	1,232	241	627	555	575	540	362	542	484	652	1,241
of which private debt	406	334	516	573	661	698	764	861	992	1,099	200	200	1,370
Gross Reserves Accumulation, incl SDR allocation	1,604	258	274	986	774	781	664	532	967	814	888	876	1,053
of which reserve accumulation	277	258	274	986	774	781	664	532	967	814	888	876	1,053
of which SDR allocation (+) / use (-)	1,328	0	0	0	0	0	0	0	0	0	0	0	0
Repayments to the Fund	3	0	0	0	0	0	0	0	0	39	176	275	333
Other Capital Flows2/	4,723	2,059	499	875	801	-253	1,854	1,833	2,449	2,362	3,479	3,769	1,583
II. Total Sources	3,388	100	1,045	1,905	1,578	1,728	2,275	2,312	2,562	2,514	3,584	3,841	2,342
Official Transfers (Current and Capital)	77	76	78	1,611	292	293	352	429	335	335	283	265	171
BoZ Liabilities, incl. SDR allocation	1,328	0	0	0	0	0	0	0	0	0	0	0	0
Foreign Direct Investment, net	674	198	488	1,347	1,113	1,379	1,543	1,750	2,117	2,244	2,357	2,541	2,740
Private Sector Loans, net	-264	-206	7	-1,439	-237	-254	-274	-313	-361	-400	550	608	-498
Loan Disbursements to Public Sector	571	364	296	426	364	290	442	483	356	279	202	202	339
Portfolio Investment, net	1,002	-332	177	-41	46	20	213	-38	114	56	193	224	-409
III. Financing Gap (I-II)	2,230	3,059	1,925	1,261	699	410	432	408	380	162	142	143	0
IV. Expected Sources of Financing	2,230	3,059	1,925	1,261	699	410	432	408	380	162	142	143	0
New AfDB/WB financing	0	550	165	376	328	170	432	218	380	162	142	143	0
WB	0	550	165	268	328	170	327	218	230	162	142	143	0
WB loans	0	550	37	91	103	46	79	110	183	115	95	103	0
WB grants	0	0	128	176	225	124	248	108	47	47	47	40	0
AfDB	0	0	0	108	0	0	105	0	150	0	0	0	0
Exceptional Financing (Accumulation of arrears)	2,230	2,322	1,387	124	0	51	0	0	0	0	0	0	0
IMF ECF Arrangement	0	187	373	761	370	189	0	191	0	0	0	0	0
V. Residual financing gap (III-IV)	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum Items													
Gross International Reserves (GIR), total	2,796	3,054	3,328	4,314	5,087	5,094	5,751	5,626	6,594	7,407	8,295	9,172	10,224
Reserve Assets (Includes reserve position in the Fund), total3/	2,328	2,695	2,505	3,238	3,478	3,394	3,587	3,686	4,460	5,060	5,713	6,331	7,242
Imports of Goods and Services (million USD)3/	7,691	10,022	10,880	12,002	12,373	13,993	13,473	15,293	17,153	18,839	20,202	21,640	22,929
Gross remittances (million USD)3/	240	243	246	334	323	339	373	418	482	533	572	617	665
GIR in months of prospective imports	3.3	3.4	3.3	3.7	4.5	4.0	4.4	3.9	4.2	4.4	4.6	4.8	5.0
o/w total reserve assets in months of prospective imports	2.8	3.0	2.5	2.8	3.1	2.7	2.8	2.6	2.8	3.0	3.2	3.5	3.6

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2/ Includes financial derivatives (net), errors and omissions, and other sectors from Table 2a.

3/ Remittances data revised based on the newly published BoZ series. Total reserves assets are defined as unencumbered reserves, including the position in the Fund. Balance of Payments (BPM6) statistics that updated with each WEO forecast in April and October and used in the computation of the Composite Indicator (CI) score.

Table 6b. Zambia: External Financing Needs and Sources, 2021–31
(Percent of GDP)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
					ECF 5th Review1/	Proj.	ECF 5th Review1/	Proj.	Projections				
I. Total Requirement	25.4	10.8	10.8	12.5	7.8	6.9	8.0	7.2	6.7	5.5	7.2	7.1	3.9
Current Account Deficit, excluding Official Transfers	-11.9	-3.7	3.5	4.2	0.3	3.4	-1.1	-0.5	-1.9	-2.2	-2.5	-2.8	-3.1
of which interest due on public debt	3.3	3.1	2.6	1.9	2.5	2.5	2.1	1.9	1.5	1.5	1.2	1.1	1.6
Public Sector Debt Amortization	8.7	6.6	4.5	1.0	2.1	1.8	1.7	1.4	0.8	1.1	0.9	1.2	2.1
Gross Reserves Accumulation, incl SDR allocation	7.3	0.9	1.0	3.9	2.6	2.5	2.0	1.4	2.2	1.7	1.7	1.6	1.7
of which reserve accumulation	1.3	0.9	1.0	3.9	2.6	2.5	2.0	1.4	2.2	1.7	1.7	1.6	1.7
of which SDR allocation (+) / use (-)	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments to the Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.5	0.6
Other Capital Flows2/	21.4	7.1	1.8	3.5	2.7	-0.8	5.5	4.8	5.6	4.9	6.7	6.7	2.6
II. Total Sources	15.3	0.3	3.8	7.5	5.4	5.6	6.7	6.1	5.8	5.2	6.9	6.8	3.9
Official Transfers (Current and Capital)	0.3	0.3	0.3	6.4	1.0	0.9	1.0	1.1	0.8	0.7	0.5	0.5	0.3
BoZ Liabilities, incl. SDR allocation	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Direct Investment, net	3.1	0.7	1.8	5.3	3.8	4.5	4.5	4.6	4.8	4.6	4.5	4.5	4.5
Private Sector Loans, net	-1.2	-0.7	0.0	-5.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	1.1	1.1	-0.8
Loan Disbursements to Public Sector	2.6	1.2	1.1	1.7	1.2	0.9	1.3	1.3	0.8	0.6	0.4	0.4	0.6
Portfolio Investment, net	4.5	-1.1	0.6	-0.2	0.2	0.1	0.6	-0.1	0.3	0.1	0.4	0.4	-0.7
III. Financing Gap (I-II)	10.1	10.5	7.0	5.0	2.4	1.3	1.3	1.1	0.9	0.3	0.3	0.3	0.0
IV. Expected Sources of Financing	10.1	9.8	7.0	5.0	2.4	1.3	1.3	1.1	0.9	0.3	0.3	0.3	0.0
New AfDB/WB financing	0.0	1.9	0.6	1.5	1.1	0.6	1.3	0.6	0.9	0.3	0.3	0.3	0.0
WB	0.0	1.9	0.6	1.1	1.1	0.6	1.0	0.6	0.5	0.3	0.3	0.3	0.0
WB loans	0.0	1.9	0.1	0.4	0.4	0.1	0.2	0.3	0.4	0.2	0.2	0.2	0.0
WB grants	0.0	0.0	0.5	0.7	0.8	0.4	0.7	0.3	0.1	0.1	0.1	0.1	0.0
AfDB	0.0	0.0	0.0	0.4	0.0	0.0	0.3	0.0	0.3	0.0	0.0	0.0	0.0
Exceptional Financing (Accumulation of arrears)	10.1	8.0	5.0	0.5	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF ECF Arrangement	0.0	0.6	1.4	3.0	1.3	0.6	0.0	0.5	0.0	0.0	0.0	0.0	0.0
V. Residual financing gap (III-IV)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items													
Gross International Reserves (GIR), total	12.7	10.5	12.1	17.0	17.3	16.5	16.9	14.8	15.1	15.3	16.0	16.4	16.9
Reserve Assets (Includes reserve position in the Fund), total	10.5	9.2	9.1	12.8	11.8	11.0	10.6	9.7	10.2	10.4	11.0	11.3	12.0
Imports of Goods and Services3/	34.8	34.4	39.5	47.4	42.1	45.4	39.7	40.2	39.2	38.8	38.8	38.6	37.9
Gross remittances3/	1.1	0.8	0.9	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
GIR in months of prospective imports	3.3	3.4	3.3	3.7	4.5	4.0	4.4	3.9	4.2	4.4	4.6	4.8	5.0
o/w total reserve assets in months of prospective	2.8	3.0	2.5	2.8	3.1	2.7	2.8	2.6	2.8	3.0	3.2	3.5	3.6

1/ IMF CR No. 25/225

2/ Includes financial derivatives (net), errors and omissions, and other sectors from Table 2a.

3/ Remittances data revised based on the newly published BoZ series. Total reserves assets are defined as unencumbered reserves, including the position in the Fund. Balance of Payments (BPM6) statistics that updated with each WEO forecast in April and October and used in the computation of the Composite Indicator (CI) score.

Table 7. Zambia: Schedule of Reviews and Disbursements¹

Availability Date	Millions of SDR	In Percent of	
		Quota	Conditions
August 31, 2022	139.88	14.3	Board approval of arrangement
April 1, 2023	139.88	14.3	Observance of end-December 2022 and continuous performance criteria and completion of first review
October 1, 2023	139.88	14.3	Observance of end-June 2023 and continuous performance criteria and completion of second review
April 1, 2024	433.34	44.3	Observance of end-December 2023 and continuous performance criteria and completion of third review
October 1, 2024	139.88	14.3	Observance of end-June 2024 and continuous performance criteria and completion of fourth review
April 1, 2025	139.88	14.3	Observance of end-December 2024 and continuous performance criteria and completion of fifth review
October 1, 2025	138.92	14.2	Observance of end-June 2025 and continuous performance criteria and completion of sixth review
Total	1,271.66	130.0	
1/ Zambia's IMF quota is SDR 978.2 million.			

Table 8. Zambia: Indicators of Capacity to Repay the Fund, 2025–39

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Fund Obligations Based on Existing Credit (millions of SDRs)															
Principal	0.0	0.0	0.0	28.0	127.3	198.6	226.5	226.5	198.6	99.3	28.0	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)															
Principal	0.0	0.0	0.0	28.0	127.3	198.6	254.3	254.3	226.4	127.1	55.8	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Obligations Based on Existing and Prospective Credit															
Millions of SDRs	0.0	0.0	0.0	28.0	127.3	198.6	254.3	254.3	226.4	127.1	55.8	0.0	0.0	0.0	0.0
Millions of U.S. dollars	0.0	0.0	0.0	38.6	175.8	274.8	352.0	352.0	313.3	175.9	77.2	0.0	0.0	0.0	0.0
Percent of exports of goods and services	0.0	0.0	0.0	0.2	0.7	1.1	1.3	1.2	1.0	0.5	0.2	0.0	0.0	0.0	0.0
Percent of debt service	0.0	0.0	0.0	3.1	15.7	21.3	16.0	19.6	17.7	14.2	6.8	0.0	0.0	0.0	0.0
Percent of quota	0.0	0.0	0.0	2.9	13.0	20.3	26.0	26.0	23.1	13.0	5.7	0.0	0.0	0.0	0.0
Percent of gross international reserves	0.0	0.0	0.0	0.5	2.1	3.0	3.4	3.3	2.8	1.5	0.6	0.0	0.0	0.0	0.0
percent of GDP	0.0	0.0	0.0	0.1	0.3	0.5	0.6	0.5	0.4	0.2	0.1	0.0	0.0	0.0	0.0
Outstanding Fund Credit Based on Existing and Prospective Credit															
Millions of SDRs	1271.7	1271.7	1271.7	1243.7	1116.4	917.9	663.5	409.2	182.8	55.8	0.0	0.0	0.0	0.0	0.0
Millions of U.S. dollars	1741.9	1748.1	1751.5	1716.5	1543.2	1271.5	919.2	566.8	253.3	77.2	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	11.7	9.9	8.6	7.6	6.4	4.9	3.3	1.9	0.8	0.2	0.0	0.0	0.0	0.0	0.0
Percent of debt service	117.4	112.6	134.1	136.7	138.0	98.5	41.8	31.6	14.3	6.3	0.0	0.0	0.0	0.0	0.0
Percent of quota	130.0	130.0	130.0	127.1	114.1	93.8	67.8	41.8	18.7	5.7	0.0	0.0	0.0	0.0	0.0
Percent of gross international reserves	34.2	31.1	26.6	23.2	18.6	13.9	9.0	5.3	2.2	0.6	0.0	0.0	0.0	0.0	0.0
percent of GDP	5.7	4.6	4.0	3.5	3.0	2.3	1.5	0.9	0.4	0.1	0.0	0.0	0.0	0.0	0.0
Net Use of Fund Credit (millions of SDRs)															
	278.8	0.0	0.0	-28.0	-127.3	-198.6	-254.3	-254.3	-226.4	-127.1	-55.8	0.0	0.0	0.0	0.0
Memorandum Items:															
Exports of goods and services (millions of U.S. dollars)	14925.7	17659.5	20259.6	22480.4	24140.7	26014.1	28008.1	29670.5	31703.1	33889.0	36240.1	38849.9	38849.9	38849.9	38849.9
External Debt service (millions of U.S. dollars)1/	1484.1	1551.9	1305.8	1255.2	1118.6	1291.3	2199.4	1794.1	1769.8	1235.6	1136.9	1427.3	1915.3	2038.3	1964.3
Gross international reserves (millions of U.S. dollars)	5094.2	5626.2	6593.6	7407.4	8295.2	9171.5	10224.2	10746.3	11381.6	12021.0	12723.6	12723.6	12723.6	12723.6	12723.6
Quota (millions of SDRs)	978.2	978.2	978.2	978.2	978.2	978.2	978.2	978.2	978.2	978.2	978.2	978.2	978.2	978.2	978.2
Nominal GDP (millions of U.S. dollars)	30829.8	38001.5	43795.7	48498.0	52002.8	56074.9	60461.6	65194.8	69777.4	74714.7	80035.4	85770.6	91953.9	98612.3	105792.4

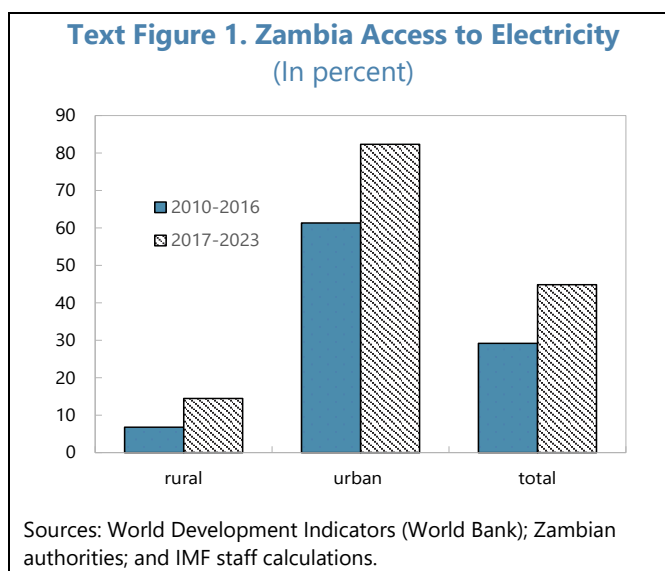
Sources: IMF staff estimates and projections.

1/ Total debt service includes IMF repayments.

Annex I. Zambia: Challenging Pathway for Diversifying the Energy Mix

Zambia's hydropower-led electricity production was significantly impacted by the 2024 severe drought, substantially increasing reliance on imported electricity and costly fuel imports. Despite improved generation capacity, the insufficient electricity generation to meet demand amid the 2024 drought, has prompted the government to bridge the electricity gap and enhance the national energy mix, mainly by integrating solar and thermal energy into the grid, while continuing investment in hydro-electricity generation. The government's ambitious target of installing over MW1,000 of solar capacity has been facing some challenges. As a result, the electricity deficit is expected to widen further in 2026. Enhancing the energy mix and closing the electricity gap hinge on ZESCO's continued efforts to implement its turnaround strategy to improve its financial sustainability.

1. While the authorities have made significant strides in improving access to electricity, important disparities have persisted across regions. Access to electricity has significantly improved over the past fifteen years to 51 percent of the population, compared to 22 percent in 2010. This trend was mainly driven by improved access in the urban areas (around 90 percent), while access in the rural areas lagged behind (only 18 percent, Text Figure 1). Providing universal access to affordable, reliable and sustainable energy is part of the country's vision and commitment to achieving the SDGs by 2030.¹



2. The hydropower-led energy model has proven less resilient in the face of repeated and severe droughts. The country currently relies heavily on hydropower, constituting 81 percent of its installed capacity as of October 2025, most of which is generated from the Zambezi catchment area. Thermal (8 percent), solar (8 percent) and diesel (3 percent) contribute only marginally to the current installed capacity.² However, the 2024 severe drought have significantly reduced the availability of water to operate Zambia's large hydro schemes at their maximum capacity. By end-September 2024, electricity generation reached 27 percent of installed capacity—as the water level

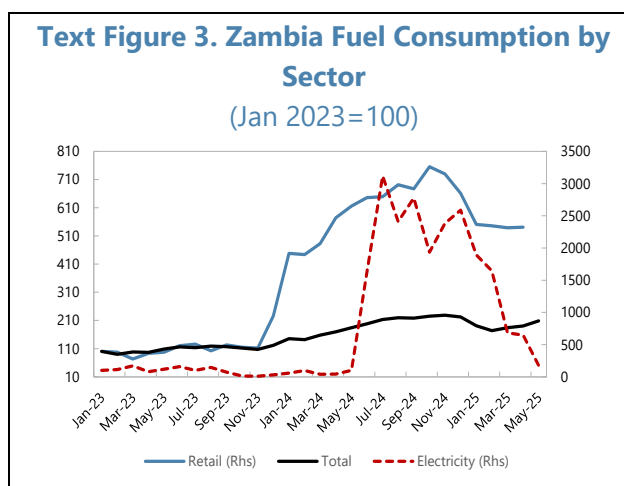
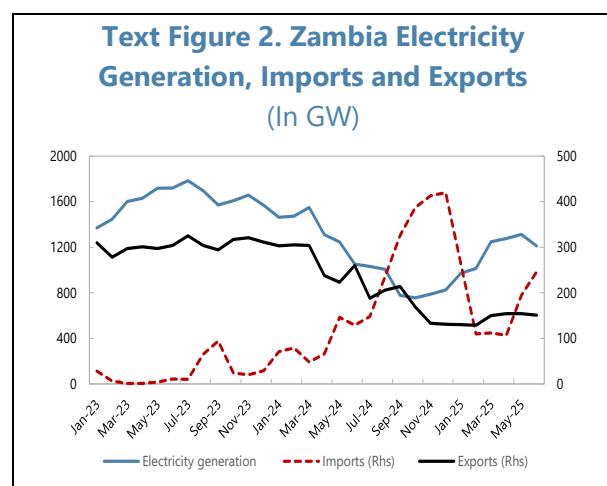
¹ GRZ, 2006, GRZ National Long Term Vision 2030. www.moe.gov.zm/irp/?wpdmpo=grz-national-long-term-vision-2030.

² This includes the MW750 Kafue Gorge Lower Hydro Plant and recently the MW100 Chishamba Solar PV commissioned by Zambian national power utility—ZESCO, and the MW32 Riverside Solar Plant commissioned by CEC (Copperbelt Energy Corporation).

in lake Kariba stood around 476.5 meters, only slightly above the minimum operating level of 475.5 meters—leading to protracted and repeated power shortages that have mainly fallen on households.

3. Despite improved generation capacity, domestic electricity supply remains insufficient to meet national demand. As of October 2025, the installed generation capacity reached MW3,902, with the integration of solar energy—particularly the MW100 installed capacity from the Chishamba Solar PV Plant—into the grid. The available capacity has improved to 41 percent of installed capacity (from 27 percent during the drought last year), mostly produced by ZESCO (61 percent of total generation), and the independent power producers (IPPs) (17 percent of total electricity generation), while the partnerships between ZESCO and IPPs have provided additional generation of MW342 (21 percent of total production).³ The electricity sector is reportedly facing a deficit of nearly MW707 in 2025, as monthly national demand stood at MW2,301.

To bridge the gap, the government has prioritized mining and large corporates on accessing electricity, with most of the load shedding taken by the households. The 2024 drought has prompted the government to seek alternative energy sources. Bilateral agreements were engaged for premium power tariffs for large power users such as mines, agriculture and manufacturing, representing over 50 percent of total electricity demand. These agreements allow miners to expand their access to electricity, as the installed solar power solutions are grid-connected for the baseload, with the possibility to inject a portion of power supply into the national transmission system, freeing up such energy for other consumers. The government has also licensed energy traders for power trading, especially for mining and to contribute to scaling up power generation, transmission and distribution infrastructure. Faced with repeated load shedding, some households have shifted to solar solutions. As of November 2025, ZESCO announced that only four hours of electricity, on average, would be available, noting significant electricity production challenges due to the slow recovery of the water reservoirs in 2025.



³ The IPPs have access the national grid and sell the electricity to ZESCO through Power Purchase Agreements (PPA).

4. The reliance on imported electricity and costly fuel imports has significantly increased, thereby triggering the emergency tariffs policy.

Copper producers increased their reliance on costly imported power to maintain their output levels, almost doubling their reliance on imported electricity. Overall electricity imports increased to the tune of MW236, mostly sourced from Mozambique via BRZ logistics and Commodity Trading and South Africa's Eskom. As a result, imports peaked at 52 percent of total energy generation in 2024Q4 (Text Figure 2), while exports continued the downward trend and stood at 12 percent of total generation in 2025Q1.⁴ In addition, the reliance on diesel has significantly increased in 2024, especially in the electricity and retails sectors (Text Figure 3). In line with the emergency conditions in the energy sector, the regulator approved an extension of emergency electricity tariffs thrice since November 2024, where weighted average tariffs went up by 70 percent.

5. The Government is implementing a multi-phase plan to promote renewable energy focusing on short-term solar projects combined with long-term diversification efforts to strengthen climate resilience.

In line with the IRP (2023–50, see Box 1), the Ministry of Energy has streamlined the approval process for solar projects, cutting the timeframe from over six months to just 48 hours, and support installing over MW1,000 of solar capacity by end-2025. In this regard, ZESCO and the private sector are investing in grid-connected utility scale projects and green cities⁵ to generate additional MW1,265 and MW80, respectively. Several solar power stations, including Chisamba II Solar PV (MW100), Chipata West Solar PV (MW100), and Mansa Solar PV (MW50) are expected to be operational by 2026Q3, while the rest of the projects are expected to be commissioned by June 2027 (Table 1). These projects are expected to enhance the national energy mix with new solar projects providing additional MW453 by June 2026 before reaching MW868 by December 2026, boosting the solar power generation share to 26 percent in 2026. The electricity deficit is expected to increase further in 2026, as the expected improvement in electricity generation remains insufficient to meet the growing demand estimated including from miners and other large businesses. The electricity gap reflects recent household demand trends, increasing

Table 1. Zambia: Expected Solar Projects

Projects	Capacity (MW)	COD*
Kasupe – I Solar PV Plant	7.5	2025Q4
Luapula Solar PV Plant	50	2025Q4
Mailo II	35	2026Q1
Choma Solar PV Plant	35	2026Q2
Kasupe – II Solar PV Plant	7.5	2026Q2
Lusaka Road	30	2026Q3
Chisamba II Solar PV Plant	100	2026Q3
Chipata West Solar PV Plant	100	2026Q3
Mumbwa Solar PV Project	50	2026Q3
Kasama Solar PV Plant	100	2026Q4
Siavonga Solar	100	2026Q4
KGL	100	2026Q4
KGL II	100	2027Q1
Mumbwa II Solar PV	50	2026Q4
Siavonga Solar II	100	2026Q4
Kafue West	100	2027Q1
Lusaka West	200	2027Q2

*Commercial operations date

Sources: ZESCO; Zambian authorities; and IMF staff calculations.

⁴ Exports were primarily destined to Namibia's NamPower, Botswana's Power Corporation and Zimbabwe's Zimplats, and to a lesser extent toward the Southern African Power Pool.

⁵ This project aims at installing rooftop solar solutions to mitigate electricity deficits in markets, residential areas, schools and government institutions.

access to solar energy, and improved rainfall contributing to gradual recovery of Kariba and Kafue Gorge reservoirs. However, the energy deficit is expected to ease with the ongoing strategic plans to strengthen medium-term baseload through the geothermal projects including Maamba coal phase-II (MW300) and United Capital Fertilizer's project (MW600), while the wind power initiatives are part of the long-term energy-mix diversification efforts. The strategic partnership signed with Tanzania's AMSONS Group in December 2025 are reportedly expected to add MW500 of solar to the grid within 18 months, with the entire MW1,300 installed within 24 months.

6. Over the medium term, closing the electricity deficit hinges on clear plans to restore ZESCO's financial sustainability. Despite the emergency tariffs implemented during the drought, ZESCO was unable to generate enough revenues to recover for the increased cost of electricity. The power utility is making progress to clear the domestic IPP arrears and improve its financial position. Without corrective action, ZESCO's debt and liquidity problems will deepen the energy supply issues. The multi-year tariff plan (MYTP) approved in 2023 is now obsolete and a new MYTP is needed to ensure cost-recovery over the medium term. ZESCO's financial viability is paramount to bolstering investment in the energy sector. Otherwise, the projected generation capacity supply to meet increased demand will be delayed beyond 2028.

Box 1. Zambia: Integrated Resource Plan

The IRP (2023-50) provides a comprehensive and forward-looking roadmap for electricity planning spanning thirty years. It aims to ensure universal electrification by 2030 and to meet the country's transformative growth path in agriculture, mining and manufacturing by 2050.⁶ Providing universal access to affordable, reliable and sustainable energy is part of the country's vision and commitment to achieving the SDGs by 2030. The IRP determined the quantum of additional grid-connected generation capacity required to meet the electricity demand across all sectors by 2050. With a projected spike in electricity demand of 121 percent by 2030 (5,422 MW) and 349 percent by 2050 (11,031 MW), the estimated installed capacity to meet the demand is expected to increase from MW3,705 (at end June 2023) to MW10,013 by 2030 and MW23,193 by 2050 (Figure 1).⁷ Moreover, energy exports are expected to increase, leveraging Zambia's strategic position within the Southern African Power Pool (SAPP) and the designated point of connection to the Eastern Africa Power Pool.

The IRP has been guided by the need to foster economic diversification. While the demand needs are growing, the needs from sectors such as agriculture and manufacturing are expected to increase significantly compared to the mining sector (Figure 2). The IRP assumptions include: 1) higher copper production amounting to 3 million tons/year by 2040, with increased mining of other minerals, including manganese, tin, gold, and lithium; 2) improved residential connections from 60,000/year to 120,000/year; 3) upgraded manufacturing to support the industrialization and build resilient supply chains, and 4) enhanced irrigation and agro-processing to boost wheat production to 15 million tons/year target, maize production to 6 million tons/year, and soya production to 3 million tons/year.

⁶ This is the result of a two-year development process by the Ministry of Energy, with support from the UK Government's Foreign Commonwealth and Development Office (FCDO), local energy experts and stakeholders.

⁷ <https://www.moe.gov.zm/irp/?wpdmp=summary-report>

Box 1. Zambia: Integrated Resource Plan (Concluded)

Figure 1. The IRP Projected Installed Capacity by Source (In MW)

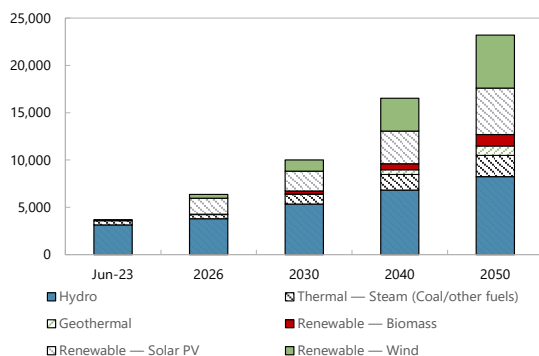
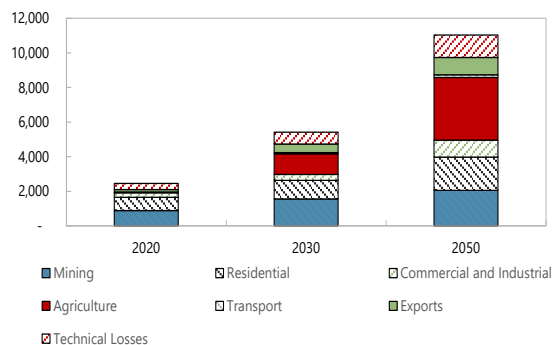


Figure 2. The IRP Projected Demand by Sector (In MW)



Sources: IRP (2023-50); ZESCO; Energy Regulation Board; Zambian authorities; and IMF staff calculations.

Enhancing the energy mix is key for sustainable and climate-resilient growth. The IRP focuses on increasing renewable energy investments, notably solar PV and wind power, to bring renewable energy share from 3 percent to 33 percent of total generation by 2030 and 56 percent by 2050. In addition, the IRP recommends continued investment in hydropower projects, especially in the northern area, considered less susceptible to adverse climate change effects. Although the share of renewable energy is expected to increase, hydropower remains the dominant source of generation comprising 53 percent in 2030 and 36 percent in 2050.

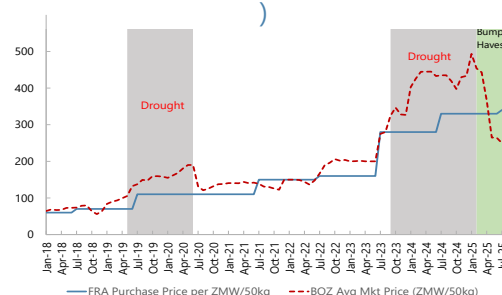
Annex II. Market Role, Fiscal Costs, and Reform Commitments of the Zambia Food Reserve Agency

Zambia's maize market is highly segmented and characterized by strong public sector intervention. The Food Reserve Agency (FRA) was created in 1996 to maintain a strategic food reserve. Over time, its combined role in price stabilization and farmer support has become a source of fiscal risk. Its purchases of maize this season have more than tripled the targeted reserve level envisaged under the 2025 Budget. To cover the shortfall the authorities have indicated possible government-to-government maize sales, though details remain uncertain. FRA reforms are central to reducing distortions in agriculture and fiscal risks and supporting private sector investment in the sector.

1. Zambia's maize market is highly segmented and characterized by strong public sector intervention. FRA purchases food for strategic reserves; then "semipublic" millers managed by the military and private millers and traders channel supply to urban markets; small farmers, who sell any surplus to FRA or middle-men and larger commercial farmers who are allowed to export, depending on domestic production, government policy and regional demand. The FRA typically targets a strategic maize reserve of MT500,000, that serves as a buffer against shocks. However in July 2025, President Hakainde Hichilema directed the FRA to double its maize purchase target to one million metric tonnes or more. The decision was justified on food-security grounds and on FRA's ability to operate in remote districts through its extensive depot and storage network, where private buyers remain scarce. However, this significantly expanded FRA's footprint in the market and altered procurement dynamics during a bumper harvest, with implications for price formation, private-sector participation, and future fiscal risks.

2. As a result, the FRA continues to exert a dominant influence over maize pricing. FRA purchase prices are typically set just below prevailing market price levels, but have been set above market prices in the last three elections cycles, while subsequent sales occur at below cost recovery. The implicit subsidy is about K 40 per 50 kg bag, or roughly 12 percent of the purchase price. When budget allocations are insufficient, the cost is shifted to farmers through arrears accumulation (Text Figure 1). Budget support to FRA has fluctuated sharply (Text Figure 2), from 0.2 percent in 2022 to 0.5 percent of GDP in 2024 during the drought, now back to 0.2 percent in 2025 reflecting political pressures, weather shocks, and arrears clearance.

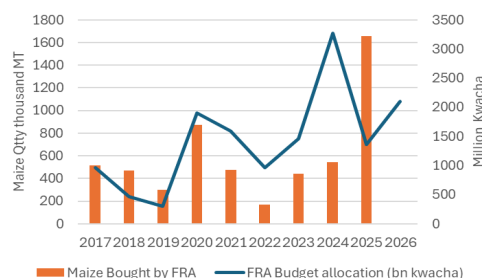
Text Figure 1. FRA Floor Price vs. Market Price 2018-25
(50 kg maize bag)



3. The 2025 procurement cycle intensified FRA's financing pressures.

Following the presidential directive, the FRA purchased MT1.65 million at K 340 per bag as of November 2025, at a cost of K11.2 billion (1.4 percent of GDP) and against a budget allocation of only K 1.4 billion (0.2 percent of GDP). FRA purchases exceeded available storage capacity of MT1.5 million, forcing FRA to outsource storage at extra cost and higher risk of spoilage. Any 10-percent spoilage rate would erase about K 1 billion in value. Exporting the surplus has therefore become essential to generate revenues and minimize losses. Domestic sales of K3.7 billion and the Malawi export contract valued at an estimated K1.8 billion will only partially reduce the financing gap. FRA still faces a K 4.8 billion shortfall in 2025, for which the government granted FRA to recourse to short-term domestic bank financing amounting to K 5 billion (0.6 percent of GDP). While this eases immediate cash pressures, it shifts the fiscal burden to 2026 through additional debt service obligations.

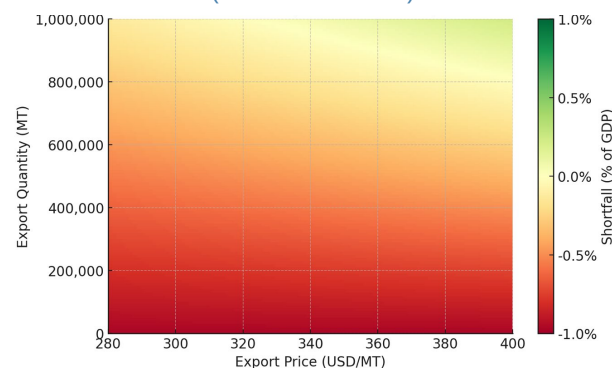
Text Figure 2. FRA Budget Allocations and Maize Purchases, 2017–26



4. To cover the shortfall authorities have indicated possible government-to-government maize sales, though details remain uncertain.

FRA will need to export at prices above cost-recovery levels, which are likely in the 340–350 dollars per metric ton range. Depending on the volumes and prices agreed, the extra budgetary burden could range between 0.1 and 0.5 percent of GDP (see Text Figure 2). In addition to financing, logistical challenges are significant. FRA maize “exports” were capped by Cabinet decision at MT150,000 and restricted sale to domestic millers (at close to international price) to safeguard food security, contain inflation, and support local value addition. Exporting MT150,000 requires over 6,500 trucks (MT22.5 each) although authorities are allegedly exploring rail exports. For context, importing MT195,000 from Tanzania in 2024 took more than 10 months. Moving MT700,000 would require 31,000 truck trips—logistics left to the importer.

Text Figure 2. FRA Net Cash Gap Heat Map (Percent of GDP)



5. The 2026 budget allocates K 2.1 billion (0.3 percent of GDP) to the FRA, enough to buy 309k MT (at current FRA price). Yet this is insufficient to accommodate the K 5 billion debt repayment collateralized on MT735,000 of maize. Completion of other export contracts above cost recovery will be essential to generate the windfall for debt repayment while a shortfall of K 2 billion

(0.3 percent of GDP) could remain assuming the MT309,000 purchase target is respected, implying risks of renewed arrear accumulation or off-budget borrowing.

6. FRA reforms are central to reducing distortions and fiscal risks in agriculture. Under the Fourth Review, the authorities pledged to confine FRA to its reserve mandate, ensure transparency in maize import contracts, and publish audited financial accounts. The Fifth Review commitments went further: by September 2025, Parliament will receive a revised Food Reserve Agency Act, Agricultural Marketing Act, and Agricultural Credit Act. Together these are supposed to anchor FRA's role strictly as a buyer of last resort at market-based prices, guided by a new Agricultural Marketing Council, while enabling warehouse receipts to function as tradable instruments. FRA will also publish its 2024 audited accounts and delink e-voucher eligibility from compulsory sales to the Agency. While FRA remains a critical instrument for food security, aligning FRA's operations with its statutory mandate, ensuring maize purchase at transparent market-based prices, and rechanneling social protection through targeted programs will be key to limiting fiscal risks and creating space for priority investment.

Annex III. Risk Assessment Matrix¹

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
Domestic Risks			
Recurrent drought and extreme climate events affecting agricultural output, damaging key infrastructure, causing loss of human lives and livelihoods, leading to water and food shortages, and amplifying supply chain disruptions.	L	H. Higher food prices would take a toll on the cost of living and hinder medium-term growth. Lower hydropower generation and open-pit mining could dampen growth prospects.	Provide effective support to vulnerable households. Diversifying food crops and recourse to sustainable agriculture are promising avenues to mitigate extreme weather impact on food insecurity. Consider medium-term strategies to help regulate water flows. Maintain exchange rate flexibility to adjust to the external sector pressure resulting from the climate shock.
Social discontent. Supply shocks, high inflation (including due to drought and electricity tariff increases), and spillovers from crises in other countries worsen inequality and trigger social unrest.	L	M. Social unrest could weaken political impetus for economic adjustment and reform, dent investor confidence, and lead to rising financing pressures and capital flight, growth slowdown, and higher inflation.	Advance reforms to strengthen governance and maintain revenue-based consolidation, for additional fiscal space to support social spending. Maintain exchange rate flexibility to cushion balance-of-payments pressures while maintaining monetary policy focused on price stability. Clear and timely communication on the objectives and benefits of reforms is essential to secure public buy-in.
Further delays in debt restructuring negotiations.	L	M. Exchange rate pressures could intensify, while domestic yields may increase, partly due to rising exposure to non-resident holders amid tight domestic financial conditions. Additional external arrears could increase uncertainty in restoring debt sustainability, dampening the growth outlook.	Expedite fiscal adjustment through revenue mobilization and priority spending. Enhance public investment management and structural reforms to boost investment and FDI. Enhance monitoring of financial sector developments along with contingency planning.
Global Risks			
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	H	H. Weakened global demand may result in lower copper prices, widening external and fiscal balances and leading to kwacha depreciation. Lower FDI and disrupted supply chain will lower growth potential.	<ul style="list-style-type: none"> Continue implementing orderly fiscal adjustments and maintain exchange rate flexibility to cushion external shocks while allowing monetary policy to focus on price stability.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
Global Risks			
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	H	H. A disruption in global supply chains may weaken global demand for Zambia's upstream exports and increase the costs of imports of intermediate goods.	<ul style="list-style-type: none"> Enhance domestic revenue mobilization measures, while strengthening the fiscal framework to prevent procyclical fiscal policy and build buffers to support economic resilience.
Commodity price volatility. Shifts in supply and demand may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	H	H. Spillover from rising commodity price volatility could negatively affect growth, inflation, the balance of payments, and the vulnerability of the financial system.	<ul style="list-style-type: none"> Enhance export competitiveness and diversification through structural reforms. Diversify import supply chains. Enhance regional integration, including through existing SADC and AfCFTA protocols.
Fiscal Vulnerabilities and Higher Long-Term Interest Rates. Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers. To the extent that major economies are affected, market imbalances could emerge, exacerbating risks from a close sovereign-financial nexus	H	H. Tighter financial conditions and capital outflows could worsen fiscal and external imbalances, exerting pressure on the exchange rate and inflation and hindering growth.	<ul style="list-style-type: none"> Persevere in implementing structural reform to improve the business environment, improve productivity and reduce informality, and support economic diversification.
Decline in International Aid. A further sharp reduction in international financial assistance, including development aid and humanitarian support, could severely affect low-income and fragile countries.	H	H. The decline in international development aid may exacerbate pre-existing challenges and significantly affect the most vulnerable groups. The stop-gap financing for health-related spending could add pressure on the budget. Aid withdrawal would strain public finances, worsen current accounts, increase debt vulnerabilities, and further deteriorate living conditions and food security.	

Annex IV. Strengthening the Fiscal Framework Amid Positive Mining Sector Prospects¹

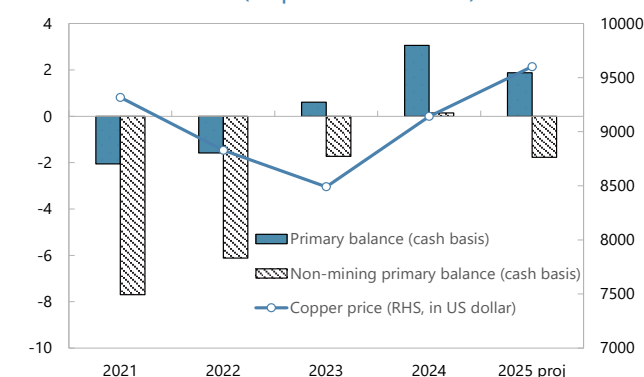
1. **Policy discussions on fiscal frameworks for resource-rich developing countries have generally focused on using rules to manage revenue volatility and achieve macroeconomic stability.** Key objectives included balancing current consumption with savings for future generations and using frameworks to smooth government spending despite volatile commodity prices. Frameworks were examined based on factors like whether a country had ample or scarce capital and the expected duration of its resource revenue. To this end, a revamped fiscal framework accounting for non-renewable resources, like mining wealth, are used to prove a more stable and predictable economic environment.
2. **In examining the options for fiscal policy frameworks, resource-rich developing countries have sought to tackle infrastructure and development needs by scaling up growth-enhancing expenditure.** An upgraded fiscal framework for Zambia should reflect country-specific factors, which may change over time; promote the sustainability of fiscal policy; be sufficiently flexible to enable scaling up growth-enhancing expenditure; consider absorption capacity constraints and the quality of public financial management systems; and provide adequate precautionary buffers given Zambia's vulnerability to high volatility and uncertainty of resource revenues. The fiscal framework could be supported by accumulating resource funds if they are properly integrated with the budget and the fiscal policy anchor.
3. **The Zambian government remains committed to enhancing its fiscal framework to account for non-mining wealth.** Public debt is projected at 86 percent of GDP by end-2025. In 2022, Zambia adopted a fiscal rule capping the debt-to-GDP ratio at 65 percent of GDP, targeting compliance by 2027. Fiscal policy enhancements prioritize addressing vulnerabilities tied to copper price volatility and the anticipated medium-term rise in mining output. In undertaking a new fiscal framework, one needs to consider that its ultimate success would depend on the political commitment to implement it, and this would likely require extensive outreach to get the buying-in from the population.
4. **The expected growth in mineral wealth has spurred government consideration of establishing a Sovereign Wealth Fund (SWF), inspired by resource-rich peers.** Design options range from a stabilization fund to an expansive wealth fund channeling substantial inflows from diverse sources into sectors prioritized by the Government. Nevertheless, there is uncertainty about medium-term-mining revenue prospects, and this should inform the approach adopted in creating such a fund. The potential to increase copper production in Zambia is quite significant over the medium term albeit with some uncertainty. As such, in the near term, the authorities' focus would be better placed on adopting an operational fiscal rule as a priority, along with accelerating PFM reforms, which together would underpin a robust framework to create a stabilization fund.

¹ This annex draws from the recommendations embedded in the technical assistance report titled "Zambia: Improving the Fiscal Framework", November 2025, prepared by the Fiscal Affairs Department of the IMF.

5. Defining an operational fiscal rule targeting a non-resource primary balance (NRPB) would help guide Zambia's convergence toward its statutory debt limit. Such a rule would

support debt reduction by focusing on a controllable fiscal indicator, reducing procyclicality, and encouraging expansion of non-mining revenues. The existing debt limit rule in the 2022 Public Debt Management Act would be strengthened by adopting a comprehensive fiscal framework that includes a revised timeline for rule application, a formal procedure for invoking escape clauses with parliamentary oversight, accountability mechanisms for ex-post deviations including mandatory parliamentary reporting, and regular five-year reviews to ensure relevance and effectiveness.

Text Figure 1. Non-Mining Primary Balance, 2021–25
(In percent of GDP)



Sources: Zambia authorities and IMF staff calculations.

6. Effective implementation of the fiscal rule and a sufficiently robust design and adoption of a SWF in line with international best practices would also require reforms to strengthen PFM. Following the introduction of the fiscal rule, coordinated and effective fiscal policy implementation would require clear and distinct roles and accountability for the various directorates within the Ministry of Finance and National Planning, especially for the Economic Management Directorate and the Budget Office. Enhancing fiscal discipline and resource allocation efficiency would be aided by improving budget preparation and execution through comprehensive guidelines for costing strategic plans and building analytical capacity in line ministries – especially in the health and education ministries. To improve macro-fiscal forecasting in the MOFNP will be essential for sound fiscal management. In particular, it would be necessary to upgrade forecasting models, technical capacity, along with enhancing the MOFNP coordination with stakeholders, and expediting the overdue GDP and CPI rebasing. Coordination would be further improved by establishing an internal fiscal policy committee to monitor compliance with the fiscal rule and promote accountability and timely corrective actions. Moreover, fiscal risk management will be aided by the upcoming State-Owned Enterprises (SOE) Act to mitigate risks to public finances. Finally, codifying reporting requirements on fiscal rule implementation with regular transparent reports will strengthen public and parliamentary oversight, thereby boosting the credibility, accountability, and sustainability of Zambia's fiscal framework.

7. The authorities should consider complementing the operational fiscal rule with a SWF that has a clear economic stabilization mandate and is fully integrated into the fiscal framework.

In practice, the SWF would be managed by the Central Bank and be subject to transparent governance and robust reporting standards rooted in cost-benefit analysis. The SWF would invest in low-risk, liquid foreign financial assets, with mining revenues from corporate taxes and royalties flowing into the fund to finance the non-resource deficit or to serve as a liquidity reserve for contingencies. Although short to medium-term resources are currently limited, the SWF would gradually accumulate assets to ensure long run self-sustainability. The SWF would complement fiscal rules by accounting for rule-related savings and enabling exchange rate stabilization while retaining the potential to evolve into a longer-term wealth fund if mining revenues exceed expectations.

8. A strong SWF governance model with clear lines of responsibility is key. Regarding the investment of funds accumulated in a SWF, it is typically the responsibility of parliament and government to establish investment objectives and risk tolerance, before delegating to an operational manager the implementation of the investment activities. The operational manager is often the central bank or a dedicated government-designated asset management institution. While political authorities will set the investment policy (often expressed in the form of a benchmark with associated risk limits that reflect the owner's risk preferences), the operational manager would be responsible for selecting the individual financial assets. To strengthen the governance model, some countries appoint dedicated advisory bodies to parliament and to government, to further support an informed public debate on the management of the resource revenues and to ensure that investment policy deliberations by government are well-informed.

Annex V. Stocktaking of Fiscal Structural Reforms Under the ECF Arrangement

Zambia has undertaken significant fiscal structural reforms under the ECF arrangement. Notable progress was made in improving restoring debt sustainability and improving debt management and transparency. Improving cash management is paramount to better utilize government funds and complement debt management. The Zambia Revenue Authority (ZRA) has also taken steps to modernize tax administration, including establishing a large taxpayer office in 2024 and leveraging data from multiple government agencies through interfaces and information exchange. Some progress has been made in strengthening public investment management, while the tight fiscal environment has prompted greater reliance on PPPs to address infrastructure gaps. The authorities have started reporting fiscal risks, though better analysis and mitigation plans still need to be outlined. SOEs and PPPs present significant fiscal risks.

- 1. Zambia has made notable progress in restoring debt sustainability and improving debt management and transparency.** The adoption of the Debt Management Act in 2022 introduced a debt rule and strengthened parliamentary oversight over borrowing. Since 2023, the Ministry of Finance has issued annual borrowing plans, approved alongside the budget, and publishes a quarterly debt bulletin detailing the stock of public and publicly guaranteed debt, including budgetary arrears, on its website. The Debt Management Office has been reorganized into front, middle, and back offices, and a new debt procedures manual was adopted in July.
- 2. Despite progress, improving cash management is paramount to better utilize government funds and complement debt management.** The authorities established a Cash Management Unit, which has started producing rolling month-ahead forecasts, and a Cash Management Committee. However, visibility on cash balances remains constrained by fragmented arrangements: the government operates three main accounts at the central bank, each monitored by different departments, leaving no comprehensive view. Moreover, most budgetary institutions and projects hold accounts in commercial banks rather than under a centralized Treasury structure. An ongoing Treasury survey to take stock of these accounts, close idle ones, and manage balances has had limited results.¹ Consolidating all government accounts and balances into the Treasury Single Account (TSA) is critical to minimizing borrowing costs and ensuring efficient use of limited resources.
- 3. The Zambia Revenue Authority (ZRA) has taken steps to modernize tax administration. A large taxpayer office was established in 2024, and ZRA is leveraging data from multiple government agencies through interfaces and information exchange.** A smart invoicing system, operational since 2025 and covering over 60 percent of taxpayers, is enhancing transaction tracking. A compliance risk management unit, established in June, is expected to support risk-based audits.

¹ As of September, there were over 20,000 accounts in commercial banks (with 2,000 closed and over 500 new opened in 2025) suggesting that keeping accounts outside TSA is standard practice. The overall balance of these accounts remains high—K 7.7 billion in September (down from K 12 billion in February)—equal to 40 percent of the annual net domestic borrowing ceiling.

While efforts to clear legacy VAT refund arrears continue, the practice of auditing all claims delays refunds. As the smart invoicing system is consolidated and the risk unit strengthened, ZRA should transition to risk-based audits.

4. Some progress has been made in strengthening public investment management (PIM).

Excessive borrowing for large, inefficient projects (prior to Zambia's 2020 debt default) has ceased. Average capital expenditure declined to 2.7 percent of GDP in 2022–25, compared to 8.6 percent in 2018–20. A stocktaking exercise of investment projects was completed in 2023, and the authorities published prioritization criteria for project selection in 2025. The 2025 Public Investment Program was aligned with the budget. However, in-year monitoring of project implementation, cost overruns, and delays remains absent. Arrears—particularly for road projects—remain significant (K 9.9 billion as of 2025Q2). Multiannual commitments are not yet recorded in the IFMIS system, limiting fiscal control. Project appraisal and selection do not account for climate impact, and climate budget tagging is lacking. The Climate PIMA assessment conducted by the IMF in 2025 recommended integrating climate considerations into PIM processes. As fiscal space improves and PIM processes are enhanced, Zambia should increase investment to meet infrastructure needs.

5. The tight fiscal environment has prompted greater reliance on PPPs to address infrastructure gaps. The amended PPP Act, approved in 2023, strengthened Ministry of Finance oversight. To date, 14 PPP projects have been adopted and are in different stages of progress—from implementation to pending financial close—with a combined contract value of \$8.3 billion, and another 23 projects are in the pipeline.² While most projects are structured as concession contracts without direct budgetary payments, fiscal risks—including implicit guarantees and foregone revenue—are not fully assessed or disclosed. Most adopted PPPs originated from unsolicited proposals (11 out of 14). Although the PPP Act prescribes direct procurement only in specific situations, six out of 14 contracts have been awarded through direct procurement.

6. The authorities have started reporting fiscal risks, though better analysis and mitigation plans still need to be outlined. In 2025, they began publishing a Fiscal Risk Statement (FRS), submitted to parliament alongside the annual budget. The 2026 FRS, while making progress by incorporating sensitivity analysis for key macroeconomic indicators and their impact on fiscal variables, falls short in providing mitigation measures for certain specific risks. The analysis of risks stemming from fiscally important SOEs remains limited, and risks related to PPP contracts are not disclosed **(end-September 2025 SB)**.

7. SOEs continue to present significant fiscal risks. The authorities did not meet the structural benchmark on adopting a new legal act enhancing the Ministry of Finance's oversight role over SOEs by end-September, but the act was submitted to Parliament in November. Some progress has been made toward increasing transparency regarding SOE financial results. Audited statements for the Industrial Development Corporation (IDC)—an umbrella corporation managing a large portfolio of SOEs—are published on its website. The Ministry of Finance will publish a consolidated

² This includes the Lobito Corridor Project and the rehabilitation of Tazara railway, which combined constitute 80 percent of the total contract value.

report on SOE financial results in January 2026. Based on 2024 data, 19 out of 32 SOEs are profitable and total liabilities (0.6 percent of 2024 GDP) exceeded total assets (0.3 percent of GDP) suggesting that most SOEs are technically insolvent.

Annex VI. Strengthening Financial Sector Supervision and Resolution—The Revised Banking and Financial Services Act and Deposit Insurance Framework

The reform of the Banking and Financial Services Act (BFSA) and the new deposit insurance framework mark a significant advancement in Zambia's financial regulation, supervision, and financial safety net. Timely implementation will be essential to ensure that the legal framework is fully operationalized. The reforms seek to align Zambia's legal framework more closely with international standards.

1. The revised BFSA enhances Zambia's financial regulatory and supervisory framework and introduces a modern resolution regime, broadly in line with international standards.¹

On regulatory and supervisory framework, the key features are:

- **Objectives, scope and licensing:** The Bill clarifies the primary objective of supervision as safety and soundness of Zambia's financial system. The Bill will continue to cover financial service providers, which include banks, financial institutions (non-bank financial institutions (NBFIs) taking deposits) and financial businesses (non-deposit-taking NBFIs). Additionally, it seeks to improve market access with additional license types for community banking, alternative financial services and virtual banking. The Bill also clarifies licensing conditions and revocation grounds, triggers and procedures.
- **Ownership and control:** The Bill also sharpens supervisory oversight of ownership and control changes by broadening the definition of significant shareholding and strengthening notification and approval processes for changes in ownership and control.
- **Corporate governance:** The Bill enhances the corporate governance framework by specifying the board's duties and responsibilities, expanding grounds for disqualification and removal of directors and senior officers, and enabling the BoZ to assess collective suitability of the board.
- **Prudential regulation and supervision:** The Bill continues to set prudential requirements for deposit-taking institutions on minimum capital, liquidity, leverage and empowers the BoZ to designate systemically important banks and set capital buffers. Finally, it grants the BoZ powers to supervise financial service providers belonging to banking groups on a consolidated basis and enables it to take a wide range of supervisory actions. The Bill also enhances the definition of related parties and the framework governing related-party transactions.
- **AML/CFT:** The Bill grants the BoZ explicit oversight of AML/CFT. It establishes a risk-based, consolidated approach to AML/CFT supervision, including periodic assessments.

On Early intervention and resolution framework, the key features are:

¹ Basel Committee for Banking Supervision (BCBS) [Core Principles for Effective Supervision](#), Financial Stability Board (FSB) [Key Attributes for Effective Resolution Regimes](#), and International Association of Deposit Insurers (IADI)'s [Core Principles for Effective Deposit Insurance Systems](#).

- **Early intervention and recovery planning:** The Bill streamlines Zambia's overly-fragmented enforcement and early intervention framework for a more flexible framework to deal with regulatory breaches and distressed institutions, and distinguishes better between early intervention and resolution stages. The Bill incorporates forward-looking triggers for early supervisory intervention and requires institutions to prepare a recovery plan in normal times.
- **Scope, objectives and resolution authority:** The Bill formally establishes a resolution regime for banks and other deposit-taking institutions, with the BoZ as the resolution authority. The objectives include maintaining financial stability, ensuring the continuity of essential functions, supporting public and market confidence, minimizing losses to public funds, limiting disruptions to the financial system, and protecting deposits.
- **Resolution powers:** Conditions for entry into resolution are forward looking and based on a non-viability assessment. The Bill provides the BoZ with improved resolution powers. Resolution powers include taking control and managing the institution by overriding shareholders' rights, removing or replacing senior management. The BoZ can also appoint a resolution manager, continue operations of the failed institution, suspend payment of obligations and temporarily stay the exercise of early termination rights in financial contracts.
- **Resolution tools:** Resolution tools can be used separately or in combination and include the (a) sale of a failed institution, (b) transfer all or parts of its business to a private sector acquirer (purchase and assumption) or (c) to a bridge bank established by the BoZ and owned by the Government, (d) full or partial write-down or conversion of shareholders and creditors (bail-in), (e) restructuring and reorganization and (f) liquidation via an administrative procedure.
- **Creditor safeguards:** Creditors of a resolved institution have a right to compensation where they do not receive at a minimum what they would have received in a liquidation ("no creditor worse off than in liquidation" safeguard).
- **Resolution funding:** The Bill provides for government back-stop resolution funding arrangements to preserve financial stability and only after losses have been absorbed by shareholders and subordinated debt holders of the failed institutions. Public costs should be recovered from either liquidation proceeds or ex-post levies on the industry.
- **Cross-border coordination:** For both supervision and resolution, the Bill empowers the BoZ to enter cooperation arrangements with foreign counterparts, including for information sharing and coordination of crisis management. This is important in the context of Zambia's banking sector, which is dominated by foreign banks.
- **Resolution planning:** Under the Bill, the BoZ will prepare resolution plans and can direct institutions to remove impediments to resolution within a given timeframe. This is important for resolution planning in normal times.

2. The authorities should identify resources for implementing the enhanced legal framework. Among others, the BoZ will need to: further develop its early intervention and prompt corrective action framework; establish clear procedures for initiating and executing resolution; operationalize the use of resolution tools (e.g. how to establish a bridge bank); and develop recovery and resolution planning activities. Resolution financing arrangements should be elaborated

in coordination with the Ministry of Finance. While the resolution function currently sits within the BoZ's prudential supervision department, it will be important to enhance its operational independence by establishing separate reporting lines and ultimately a separate resolution unit. The FSSR has identified recommendations and a TA roadmap for the authorities to consider.

3. The Banking and Financial Services (Deposit Protection) Directives issued by the BoZ establish a deposit insurance framework in Zambia. The framework follows many elements of the Core Principles, such as objectives and mandate, powers, membership, sources and uses of funds. The Deposit Protection Bill, submitted to Parliament in November, will establish the Zambia Deposit Insurance Corporation (ZDIC) to manage the DIF as a standalone institution. Once passed, the Deposit Protection Act will allow for a transition period when the DIF will build funding and operational capacity before being hived off. Key aspects include the following:

- **Objectives, mandate and powers:** The scheme aims to protect depositors and contribute to financial stability. The DIF has a “paybox plus” mandate – it can pay out insured depositors in liquidation and provide financial contributions in resolution. Its contributions to resolution are limited to cases involving a transfer of deposits to an acquirer or a bridge bank and cannot exceed the estimated outlays in case of direct reimbursement of insured deposits.
- **Governance:** Under the Directives, the DIF will be managed by the BoZ. The latter plans to set up a committee to administer and manage the affairs of the scheme, which will report to the BoZ Board for ultimate oversight. Under the Bill, the ZDIC's Board will be chaired by the Governor and composed of part-time members from the BoZ, Ministry of Finance, Pensions and Insurance Authority, Securities and Exchange Commission and a Director-General, as ex officio. The Director-General, appointed by the Board, will be responsible for day-to-day operations.
- **Membership and coverage:** Members are banks and other deposit-taking institutions. The scheme covers insured depositors up to K 250,000 per depositor per institution, representing about 98 percent of deposit accounts and 14 percent of deposits in value.
- **Sources and uses of funds:** The DIF's target size is 3 percent of total industry deposits. It is an ex-ante fund, with initial funding provided by the BoZ and member institutions, as well as annual premiums based on a flat rate. Special premiums can also be collected after a payout to replenish the DIF. Under the Directives, the DIF's account will be held at the BoZ, recorded as a liability on the BoZ's balance sheet and disclosed in the BoZ's annual statements with a detailed note on the Fund's assets and liabilities.
- **Emergency funding:** If the DIF has insufficient funds to reimburse depositors, an emergency credit line can be established with the Government or the BoZ. In practice, it is unclear whether the BoZ could lend to the DIF under the BoZ Act. In any case, government funding is preferred over central bank funding, as the latter could compromise core monetary policy objectives and should therefore be subject to robust safeguards, which are not clearly provided at present.
- **Reimbursement process:** In the event of a liquidation order, depositors must be notified of the reimbursement process within seven days, after which the payout must commence within 30 days. The 37 day-period (25 working days) for commencing the payout is too long compared

to the seven working-day target for completing payout of most insured depositors that is prescribed in the IADI Core Principles.

4. The BoZ should prioritize implementing the governance arrangements of the DIF, building its funding capacity, and developing its investment strategy in line with the IADI Core Principles. The BoZ, and subsequently the ZDIC, should also build the necessary operational capacity to significantly accelerate payouts. This should include having a credible plan to meet the seven-working-day target in a reasonable timeframe, adopting a single customer view on insured depositor information and testing processes.

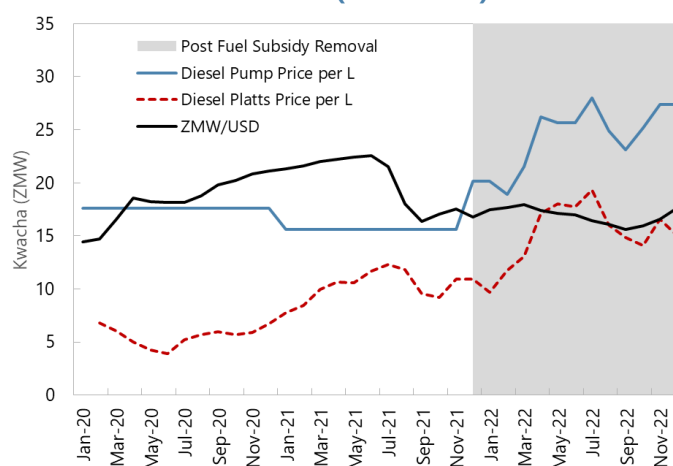
Annex VII. Fuel Reforms in Zambia, Pricing and Tazama Pipeline Open Access Progress (2022–25)

Zambia has made significant progress on fuel-sector reforms since 2022, shifting away from untargeted subsidies toward more cost-reflective pricing and a more competitive import structure. The Tazama pipeline, long dominated by single-supplier arrangements, was opened to third-party access to reduce the premia and improve efficiency. Implementation has been uneven, however, as regulatory gaps, administrative bottlenecks and limited competition slowed progress. Recent reforms have begun to address these constraints, and open access is now starting to yield lower costs and greater transparency in fuel procurement.

1. The authorities initiated major fuel-sector reforms in 2022, beginning with the removal of fuel subsidies and the introduction of a cost-reflective pricing mechanism.

Zambia's fuel subsidies amounted to 3.9 percent of GDP over 2020–21, as pump prices were kept frozen despite rising global oil prices and a depreciating exchange rate. The government removed fuel subsidies in December 2021 and restored monthly price adjustments, but the system remained only partially rules-based and relied on price smoothing. The authorities were also to reinstate excise duty on fuel from January 2022, but a waiver was extended until September 2022.

Figure 1. Diesel Prices Pre and Post Fuel Subsidies Removal (In Kwacha)

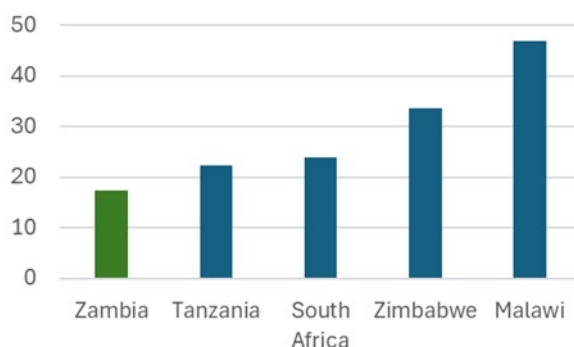


Sources: IMF Staff Computations and ERB.

2. As of January 2024, the authorities also reinforced transparency with the monthly publication of the full [price-build-up](#). In December 2024, the authorities

completed the revision of the fuel-pricing by issuing a Statutory Instrument, replacing ad-hoc price setting and price smoothing with an automatic monthly pass-through adjustment administered by the Energy Regulatory Board (ERB). The new formula links domestic prices to Platts quotations, the exchange rate, costs and premia associated with imports freights, domestic transport costs, and taxes. The fuel pricing SI was designed to eliminate discretionary adjustments that had allowed periodic below-cost retail prices and contributed to recurring instability in fuel procurement. While these measures improved the pricing framework, they did not fully address persistent supply-chain inefficiencies and the limited competition in pipeline access.

Figure 2. Wholesale Diesel Price: a regional comparison (Nov 2025, in Kwacha per Liter)

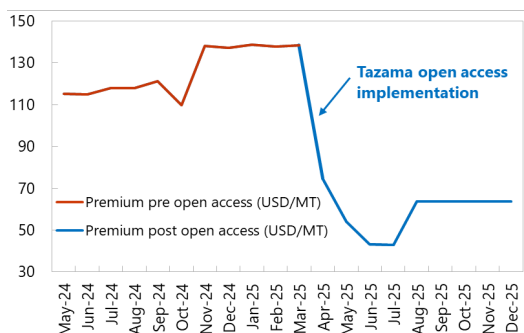


Sources: IMF Staff Computations, ERB (Zambia), MERA (Malawi), ZERA (Zimbabwe), and EWURA (Tanzania)

3. In parallel, the government committed to implement a competitive, rules-based open access framework to the Tanzania–Zambia Mafuta (Tazama) pipeline to lower premia and strengthen transparency. Initially, structural inefficiencies in the fuel import system included reliance on a single supplier, opaque contracting, and weak cost transparency. Early efforts focused on the regulatory groundwork and a Statutory Instrument in September 2023 created the legal basis for third-party access, while open-access guidelines were to follow in October 2023. By end-March 2024, the authorities committed to publish tender results. Progress stalled through 2023–24 due to regulatory, operational, and logistical bottlenecks, including security-clearance requirements, incomplete tendering procedures, limited inter-agency coordination, and governance gaps that allowed for some discretionary practices to persist. The Tazama open access revised guidelines were ultimately published in July 2025, with the full operationalization of the open access by end-April 2025 [and transparent publication of tender outcomes](#). The first delivery under the new framework, delayed by storage congestion in Dar es Salaam, commenced on April 17, and publication of tender results has since become routine.

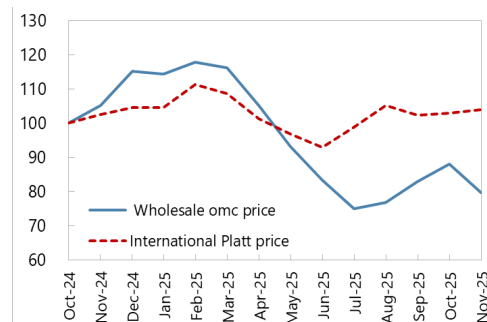
4. With the move to the open access, premiums fell abruptly to US\$75/MT in April 2025 and continued to decline to US\$54/MT in May 2025 before stabilizing around US\$64/MT later in the year. The post–open access average premium of US\$59 represents a reduction of nearly US\$67 per ton relative to the pre-reform period, a decline of more than 50 percent, translating into estimated savings of around US\$6.7 million per month for Zambian consumers. Sustaining these gains will require continued adhering to competitive tendering, avoiding administrative bottlenecks, and fully enforcing open-access rules.

Figure 3. Tazama Pipeline Procurement Premium including OMC Margin (in USD/MT)



Sources: IMF Staff Computations and ERB

Figure 4. Indexed Wholesale vs Platts Comparison (Index base Oct 24)



Sources: IMF Staff Computations and ERB

5. As a result, wholesale pricing outcomes in Zambia show a marked compression since the launch of open access in April 2025. In the months preceding operationalization, the wholesale index consistently exceeded the Platts index (Fig 4), indicating that domestic structural constraints notably inflated importers margins were driving wholesale price rather than international markets. After open access was introduced in April 2025, four local OMCs, in partnership with two international traders, delivered through the pipeline which covers broadly 2/3 of national consumption. The relationship then reversed, the wholesale index declined steadily while the Platts index remained broadly stable around its October baseline, indicating that savings from lower premia on Tazama pipeline bids became the main force pushing wholesale prices down.

Appendix I. Letter of Intent

December 19, 2025
Lusaka, Zambia

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431
United States of America

Dear Madam Managing Director,

1. **Amid significant external and climate shocks, Zambia has advanced in restoring macroeconomic stability over the last three years.** Despite external and domestic shocks, the country has corrected macroeconomic imbalances, reached agreement on 94 percent of external debt under the perimeter of the debt restructuring, and undertaken sustained fiscal consolidation while safeguarding social spending. Public debt has declined from 133 percent of GDP in 2023 to 86 percent of GDP by end-June 2025 (considering agreements with creditors), gross international reserves have increased to \$5.3 billion, covering 4.2 months of prospective imports as of mid-December, while inflation has started to decline, reaching its lowest level in two years in October.
2. **Economic activity continued to expand in 2025 despite the severe drought of 2024.** Real GDP grew by 4.9 percent in the first half of the year, supported by a record maize harvest of 3.7 million tons, strong mining output, and firm momentum in the service sector. Mining production increased by 18.4 percent by August, driven by the ramp-up at KCM, Mopani, and Kansanshi. Inflation peaked at 16.8 percent in February and declined to 10.9 percent in November, mainly due to easing food prices, stronger kwacha, and the lagged effects of tight monetary policy. With inflation expected to decelerate further, the Bank of Zambia reduced the policy rate to 14.25 percent in November, the first cut in five years, while continuing to monitor risks closely.
3. **We maintained a firm commitment to fiscal prudence and macroeconomic stability, delivering strong consolidation and improved external buffers under the ECF arrangement.** We project a primary surplus on a cash basis at 1.9 percent of GDP, including clearing external fuel arrears (1.3 percent of GDP) through a liability-management operation. Strong revenue performance is masked by the expected clearance in VAT refunds amounting to 3.3 percent of GDP by end-2025. The current account posted a deficit of 2 percent of GDP in the first half of 2025 despite higher copper export volumes and prices, reflecting a broad-based pick-up in imports and lower grants following the unwinding of drought support. Financial inflows strengthened due to higher foreign direct investment and increased nonresident participation in domestic securities.

4. Agreements in principle have been reached with 94 percent of the creditors within the restructuring perimeter. Engagement with remaining private creditors is ongoing to secure agreements consistent with program parameters and comparability of treatment. Our focus remains on expediting implementation of signed agreements and concluding the remaining ones. As Zambia's risk of debt distress remains high under the post-restructuring scenario, we will maintain fiscal consolidation efforts and limit external borrowing to support reaching a moderate risk of debt distress over the medium term.

5. We have made good progress in implementing policies that safeguard macroeconomic stability, address Zambia's economic and social priorities, and strengthen governance. We met all end-June 2025 quantitative performance criteria (QPCs) and indicative targets (ITs) except for the NIR QPC and the arrears clearance IT. We also met all end-September 2025 ITs except for the NIR IT. The NIR targets were missed because mining-related FX inflows were significantly lower than projected, reflecting VAT refunds to mining companies and despite a calibrated reduction in FX sales. We met eight of the nineteen structural benchmarks for this review and completed sixth with delays, and we have advanced in progressing with those that are delayed for additional stakeholder engagement. We issued BoZ directives establishing a transitory deposit insurance framework and submitted the revised Banking and Financial Services Act to Parliament consistent with program commitments, a prior action for this review. We also submitted bills to reform the Food Reserve Agency, agricultural marketing, and agricultural credit acts to improve predictability in the maize market and support private investment. The new State-Owned Enterprise (SOE) Act is expected to strengthen governance and oversight of SOEs. We will continue engaging with stakeholders, in consultation with the IMF to revise the Anti-Corruption Act before its submission to the Parliament, in line with program commitments. We are making progress to remove the official actions that gave rise to two multiple currency practices to restore compliance with the obligations of Article VIII of the Fund's Articles of Agreement.

6. We request the completion of the sixth review under the ECF arrangement, completion of the financing assurances review, and a waiver for the non-observance of the NIR performance criterion. The completion of the sixth review would allow for a disbursement of SDR 138.92 million, half for budget support. The attached Memorandum of Economic and Financial Policies takes stock of the progress made under the ECF-supported program and the policies set forth in the attached MEFP. Underscoring our commitment to transparency, we consent to the publication of the staff report on the Sixth review, upon approval by the IMF Executive Board.

Yours sincerely,

/s/

/s/

Hon. Dr. Situmbeko Musokotwane, MP
Minister of Finance and National Planning
Republic of Zambia

Dr. Denny H. Kalyalya
Governor, Bank of Zambia
Republic of Zambia

Attachments:

- I. Memorandum of Economic and Financial Policies (MEFP)
- II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

I. CONTEXT

1. This Memorandum of Economic and Financial Policies (MEFP) sets out the policies and commitments of the Government of the Republic of Zambia for the Sixth Review under the Extended Credit Facility (ECF) Arrangement. Being this the last review under the ECF arrangement, the memorandum underscores the authorities' strong commitment to preserving macroeconomic stability, sustaining inclusive growth, and consolidating the gains achieved under the ECF-supported program.

2. The Zambian reform program, supported by the IMF's ECF arrangement since August 2022, has largely achieved its objectives. Fiscal and debt sustainability have been restored following successful debt restructuring agreements and continued fiscal consolidation, despite significant adverse external shocks. The primary fiscal balance (cash basis) improved from a deficit of over 4 percent of GDP during 2018–21 to a surplus of around 2 percent of GDP in 2024. Inflation has eased from its 2024 peak, while gross international reserves strengthened to close to 4.2 months of prospective imports of goods and services (4.5 months of current imports). Going forward, we will continue to implement prudent macroeconomic policies and structural reforms to promote sustainable development and strengthen economic resilience.

II. RECENT ECONOMIC DEVELOPMENTS

3. Economic activity continued to expand in 2025 following the 2024 drought.

- **Real GDP growth in 2025H1 is estimated at 4.9 percent (y/y) mainly driven by a record maize harvest, the mining sector and services,** including communications and tourism. Agricultural output rebounded to MT3.7 million (from MT1.5 million the last season), while mining output rose by 18.4 percent (y/y) by end-August, led by higher production at KCM, Mopani, and Kansanshi.
- **Inflation has declined steadily since February 2025, reaching 10.9 percent in November.** Inflationary pressures have eased, driven by lower yoy maize and fuel prices, appreciation of the exchange rate, and the impact of tight monetary policy. However, inflation remains above the 6–8 percent target band as food prices have generally been sticky. Food inflation, a large share of the CPI basket, fell from 21 percent in February to 13.9 percent in November, supported by a record maize harvest but the pace of food disinflation slowed in 2025Q3. The moderation in non-food inflation to 6.6 percent in November from 11.7 percent in February was mainly on account of the exchange rate appreciation. In November, the Bank of Zambia (BoZ) lowered the policy rate to 14.25 percent from 14.5 percent, with real interest rates turning positive since June 2025.

- **The current account shifted into deficit in the first half of 2025.** Preliminary data show a deficit of 2.0 percent of GDP in 2025H1 (compared to a surplus of 0.2 percent of GDP in 2024H1), driven by lower official grants, partly reflecting the unwinding of drought-related support alongside a broad-based increase in imports, particularly capital goods such as heavy-duty vehicles, as well as intermediate goods, including electrical energy, fertilizers, and machinery parts. On the export side, growth was boosted by higher earnings from copper and non-traditional exports (NTEs). Notably copper export receipts increased by 14 percent (y/y), supported by stronger production and higher copper prices. The increase in NTEs was largely due to cement and lime, fresh vegetables, cane sugar, electrical cables, and chemicals. In addition, financial inflows were supported by FDI and nonresident purchases of local currency debt. Gross international reserves (GIR) rose to \$5.3 billion by mid-December (4.2 months of prospective imports), up from \$4.3 billion (3.7 months of prospective imports of goods and services) at end-2024.

4. Public debt at end June -2025. Public and publicly guaranteed (PPG) external debt on a contractual basis stood at US\$22.1 billion at end-June 2025, up from US\$21.7 billion at end-2024. The increase reflects the impact of (i) the principal repayment of about US\$223.98 million; (ii) about US\$108 million in new foreign-currency disbursements to the central government, primarily from the World Bank; and (iii) nonresident holdings of domestic currency debt classified as part of external PPG debt, which increased to US\$2.6 billion (0.31 percent of GDP) as of June 2025, from US\$2.1 billion as of end-2024, reflecting primary market purchases. Between the period under review, IPP arrears declined from US\$337.0 million to US\$262.0 million. The stock of central government domestic debt increased to K 243.1 billion at end-June 2025, from K 229.5 billion at end-2024.

5. Public debt arrears increased only on claims within the debt restructuring perimeter. Public and publicly guaranteed external arrears (incl. external debt as well as contractor and IPP arrears) amounted to US\$5.1 billion as of June 2025, declining by US\$0.9 billion since end-2024. There has been no accumulation of external supplier and contractor arrears, nor external arrears on ZESCO other than external payables (IPPs), relative to end-2024. Expenditure arrears have decreased slightly to K 80.8 billion at end-June 2025, from K 80.8 billion as of end-2024, driven by the decrease in fuel and FISP arrears. Other budgetary arrears have increased mostly due to the compensation and awards. In 2025, the Government settled US\$311.9 million in fuel arrears through domestic loans from commercial banks (see below ¶22).

6. External debt restructuring continues to advance. We have reached agreements on debt treatment covering 94 percent of the debt under the perimeter of the debt restructuring. We continue to engage in good faith with the remaining commercial creditors to secure agreements in line with program parameters and the comparability of treatment as defined by the Official Creditor Committee (OCC). We are also progressing well with signing bilateral agreements with official creditors and expect completion by end-2025. Zambia's weighted average sovereign spread stood at 352 bps as of October 30th, 2025, after it spiked to 1,055 bps on April 7, 2025 partly due to global trade tensions that triggered risk aversion in emerging-market investors.

7. Liquidity conditions have improved, with the interbank interest rate stable and closely aligned with the Monetary Policy Rate.

Investor demand for Government securities remained strong, reflected in the increase in average subscription rates. Between January and October 2025, average subscription rates for Treasury bills and Government bonds rose to 105.9 percent and 183.8 percent, from 86.3 percent and 143.3 percent, respectively, over the same period in 2024. By end-October 2025, the weighted average yield rate on Government bonds declined to 17.7 percent from 21.3 percent at end-December 2024. However, the weighted average rate for Treasury bills increased to 13.9 percent from 13.5 percent. Supported by favorable auction results, net domestic financing reached K 22 billion as of end-October 2025.

8. Private sector credit growth reached 22 percent by September 2025, with overall credit growth at 15.7 percent.¹

Most of the credit was directed towards the manufacturing, agriculture and energy sectors. Kwacha-denominated credit growth (at 29.5 percent) surpassed FX-denominated credit growth (at 28.8 percent). Deposits in the banking system increased 6 percent by September 2025, driven by 6.1 percent and 21.4 percent growth in Kwacha and FX-denominated deposits, respectively. The key deposit sources were mining, pension funds and insurance sectors. Financial intermediation has picked up, as the loan-to-deposit ratio increased to 45.8 percent in September 2025 from 39.1 percent in December 2024.

9. The financial sector remained well capitalized and liquid as of September 2025. The total regulatory capital adequacy ratio reached 24.5 percent, compared to 24.4 percent at end-2024. Asset quality also remained satisfactory, with non-performing loans (NPLs) ratio improving to 3.5 percent compared to 4.1 percent at end-2024. Provisions have also remained above 90 percent of total non-performing loans in 2025. Banking sector liquidity has remained stable overall, despite pressures observed in some banks. Outstanding vulnerabilities in the financial system relate to the concentration in assets and liabilities, low financial intermediation, elevated share of foreign-currency denominated loans, and some build up in maturity mismatches.

III. OUTLOOK AND RISKS

10. The outlook for 2025-26 remains positive, though constrained by continued energy shortages.

- We now project real GDP growth at 5.2 percent, up from 3.8 percent in 2024 but below the initially projected 5.8 percent at the time of the Fifth Review, mainly reflecting lower-than-projected hydropower generation and mining production.
- For 2026, we project real GDP growth at 5.8 percent, below earlier expectations, as limited hydropower generation and periodic load management continue to weigh on non-mining economic performance. Electricity generation is expected to remain below historical averages, with reservoir levels at Kariba and Kafue Gorge recovering only gradually. Mining output remains the main growth driver, supported by the ramp-up in investments, while agriculture

¹ At constant 2020 exchange rate

should normalize after the 2025 rebound, and construction is supported by road and airport infrastructure projects.

- Inflation is projected to ease toward single digits supported by the exchange rate appreciation and the expected decline in food prices, as food supply stabilizes.
- The current account is expected to post a moderate surplus on the back of stronger copper exports.

11. Medium-term growth prospects remain positive, supported by narrowing the electricity deficit, rising mining production, prudent macroeconomic policies, and ongoing structural reforms. Real GDP growth is projected to average 5.9 percent over 2027–28, driven by mining, electricity expansion, and ongoing recovery in agriculture and manufacturing. The current account surplus is projected to increase to 3.0 percent of GDP over 2027–30. Gross international reserves are expected to reach close to 5 months of prospective imports of goods and services by 2030. Over the medium term, sustained investment in energy diversification, prudent macroeconomic policies and structural reforms will be essential to rebuild buffers and support higher, more resilient and inclusive growth.

12. Significant downside risks could widen external and fiscal imbalances and undermine investment and growth. Weaker global growth and commodity price volatility, especially copper, could strain export receipts and fiscal revenues. Food and energy price shocks, amplified by geopolitical tensions, could raise inflation and worsen food security. Prolonged power shortages could weigh on activity and delay inflation convergence to the BoZ target band. Election-year dynamics in 2026 could increase fiscal pressures, risking arrears accumulation or crowding out priority spending. Delays in concluding remaining debt agreements or in executing pledged mining and energy investments could also dampen growth prospects. The emerging global policy uncertainty and escalation in the global trade war also have some potential to undermine the stability of the financial system. On the upside, timely completion of the restructuring, faster commissioning of energy projects, and stronger-than-expected mining production would support growth and resilience.

IV. MACROECONOMIC POLICIES

A. Fiscal Policy

13. Fiscal consolidation continued in 2025 anchored on sustained revenue mobilization and expenditure control. The primary surplus (cash basis) is projected at 16.9 billion (2.2 percent of GDP), including the repayment of fuel arrears equivalent to 1.3 percent of GDP. Total revenue and grants are expected to reach K 180.5 billion (23.3 percent of GDP), slightly below the revised budget level due to an accelerated pace of VAT refunds to clear legacy arrears. Revenue performance has been supported by higher-than-budgeted income tax revenues, while the offsetting of VAT refund arrears with current tax liabilities masks a solid VAT performance (on a gross basis). Going forward, revenue will be supported by the new tax measures adopted in the

revised 2025 budget. These include (i) halving exemptions on imports of manufacturing inputs, (ii) doubling the surcharge on imports of domestically produced goods (to 10 percent), (iii) increasing excise duties on alcoholic beverages, sugar and sugary drinks, and introducing an excise tax on betting, (iv) unifying the withholding tax rate on interest payments for government securities at 20 percent; (v) applying VAT at the standard rate (from zero) for IT supplies and equipment; and (vi) introducing a Minimum Alternative Tax as a backstop to business income tax. Non-mining revenues are also expected to strengthen on account of improved compliance and administrative efficiency. Expenditure pressures remained elevated in 2025 due to high interest costs and arrears clearance, with the overall deficit projected at 4.6 percent of GDP, 0.7 percent of GDP lower than projected at the time of the Fifth Review. Interest payments are projected at K 52.6 billion (about 6.8 percent of GDP). Net domestic financing is projected at K 30.3 billion, about 3.9 percent of GDP.

14. We met the end-June 2025 primary fiscal balance QPC and end-September IT. The end-June 2025 primary fiscal balance QPC (K 7.6 billion) was exceeded (K 14.94 billion) as was the end-September IT target of K 6.4 billion, preliminary assessed at K 13.6 billion, thanks to solid revenue performance and spending restraint. Based on current trends, we expect the end-year primary balance to reach K 14.6 billion (1.9 percent of GDP). Lower-than-expected disbursements will reduce foreign-financed capital expenditure. ITs on non-grant non-mining revenue for both end-June (K 74 billion) and end-September (K 107.8 billion) were exceeded. Lower-than-budgeted grants (K 1.8 billion) and lower revenues K 2.8 billion due to accelerated VAT refunds will result in a shortfall in overall revenues vis-à-vis the revised 2025 budget (estimated at K 4.6 billion). We have met and exceeded the IT on VAT refund clearance for the legacy stock both in June and September and although we closely missed the end-June 2025 IT on expenditure arrears clearance (K 2.9 billion vs a target of K 3.2 billion), we met and exceeded the end-September (an outturn of K 11.9 billion versus a target of K 4.7 billion) as we advanced with the fuel arrears clearance operation. We have refrained from borrowing at non-concessional terms in line with program commitments.

15. We continued to protect social programs in 2025. Domestically financed social spending is projected at about K 60 billion (7.7 percent of GDP), with continued support to health, education and social protection. We continue to expand education and health services to improve access for Zambian population, especially in the rural areas, by increasing the number of teachers and health workers. Since we introduced free education in 2022, student enrollment has increased by 2.3 million learners, and we have hired over 40,000 new teachers and over 20,000 health workers. We have expanded the school feeding program to 106 districts, covering over 4.6 million students. To improve the quality of learning and the student teacher ratio from the current 1:44 for primary education (1:33 for secondary), we will continue to prioritize the education and health sectors.

16. We successfully concluded a liability management operation to clear expensive fuel arrears to non-resident suppliers, ensuring discounts on penalties. As of October, we have cleared a legacy stock of \$828 million (of which 57 percent were related to late interest fees and penalties). The operation was financed by a foreign exchange denominated loan from domestic banks and general revenues. This operation has ensured both NPV savings and replaced a costly

external liability with a domestic one, that will be serviced from the arrears' clearance budget going forward in line with the June 2024 Revised Dismantling of Domestic Arrears Strategy.

17. We have accelerated the clearance for VAT refunds in 2025 to deal with the legacy stock. As of end-November 2025, we cleared K 21.9 billion of legacy VAT refunds for the period prior to December 2024; by end 2025, we expect to have paid K 25.5 billion (1.7 percent of GDP) for both current year and legacy VAT refund arrears. We have increased the monthly ceiling for VAT refunds (through cash payments and offsets with other tax obligations) to K 2.2 billion in 2025 and plan to further increase it to K 2.5 billion. We plan to treat VAT refund claims in separate streams (mining and non-mining), implementing the First-in-First-Out principal within each category. We advanced with the implementation of the Smart Invoice System (SIS) and, as of September, almost 87 percent of the VAT-registered payers were recorded in the system. Overall, almost 70 percent of taxpayers are using the SIS. To speed up refunds, we implemented risk-based audits and prioritize audits of high-risk claims in 2025Q4.

18. The Food Reserve Agency has continued to operate beyond its reserve mandate, generating new fiscal risks.

- As of end-October 2025, FRA has bought MT1.668 million of maize at an estimated cost of about K 11.3 billion (against MT543,000, K 1.3 billion envisaged in the budget and K1.0 billion for arrears). The current FRA shortfall amounts to about K 9.0 billion (0.9 percent of GDP). After accounting for sales to Malawi (K 1.8 billion) and earlier implicit subsidies of about K 800 per MT due to the lack of cost recovery for transportation, storage and maize fumigation on community sales price. To settle payments to farmers, FRA has secured local bank financing amounting to K 5 billion, backed by maize collateral of about MT 700,000. The government will only Fund FRA in line with Budget commitments. Future operations will continue to be fully financed from the Agency's own resources, with procurement conducted at market-based prices and sales aimed, at achieving cost recovery in line with the revised FRA act.
- To strengthen transparency and accountability, we published the audit of the government's drought response, covering all Food Reserve Agency and DMMU procurement, logistics, storage, and distribution contracts (**end-September 2025 SB**). The [report was published](#) in October 2025. The 2024 audited financial statements of the Food Reserve Agency [has been published in November 2025](#) (**end-September 2025 SB**).

19. Fiscal policy will continue to target a primary surplus in 2026. We submitted a draft 2026 Budget to Parliament consistent with program parameters (**end-September 2025 SB**). The primary surplus (cash basis) is projected at K 33.7 billion (3.8 percent of GDP), envisaging a stronger consolidation than at the time of the Fifth Review. Revenues are projected to reach 24.3 percent of GDP in 2026 based on both policy and administrative measures. Revenue measures in 2025-26 are estimated to yield 0.7 percent of GDP. To ensure the implementation of the minimum alternative tax (adopted by parliament in August), we will prepare and adopt all the necessary regulations for its prompt implementation. We expect net external repayments in the coming years, and we are committed to ensuring that our net domestic borrowing is within the levels planned in the

medium-term budget plan (2.4 percent in GDP, gradually coming down to 1.5 percent of GDP over the medium term). Despite this strong consolidation, we will protect priority health and education spending and increase allocation for some programs that benefit local communities such as the Constituency Development Fund.

20. The Government is committed to revamping the fiscal framework to better account for the mining wealth. The Government remains committed to improving fiscal policy formulation. As a resource-rich country, Zambia's fiscal policy is usually procyclical, with mining revenues being prone to volatility due to global commodity prices. As a first step towards establishing a more operational fiscal rule to complement the existing debt rule, we will start reporting copper prices assumptions and the non-mining primary balance (defined as revenues (excluding mining sector CIT and mineral royalties) minus non-interest expenditure) in the budget as a better reflection of our policy efforts. We will refrain from creating any wealth funds outside of the central government budget process and any sovereign wealth fund will be considered as an integral part of revamping the fiscal framework, a long-term ambition that is pre-conditioned by the consolidation of a credible fiscal framework.

B. Fiscal Structural Reforms

Mobilizing Revenues

21. We will continue implementing reforms to increase domestic revenues to support spending for development. We will continue strengthening tax policies and leveraging technology to enhance tax administration and improve tax compliance.

- *Tax Policy.* We will leverage the recommendations of the diagnostic assessment of Zambia's tax system (covering income tax, VAT, and excise tax) to support our efforts for a wide-ranging reform of the tax system to actualize fiscal objectives over the medium term.
- *Tax Administration.* To enhance domestic revenue mobilization and compliance, the Zambia Revenue Authority (ZRA) is modernizing its internal organization and expanding data analytics. The new operating model includes:
 - *Smart invoicing system.* Since January 2025, penalties are enforced in the event of non-compliance on the use of the Smart Invoice System (SIS) and, input VAT deductions are restricted to transactions issued through the SIS.² As of October 2025, 18,914 VAT-registered taxpayers (86 percent of the total VAT taxpayers) are using SIS. Overall, out of a total of 39,288 taxpayers, 67 percent are using the SIS.
 - *Compliance Risk Management Unit (CRMU).* We have established and staffed a compliance risk management (CRM) unit in 2025Q2 under the Data Analytics Department, and established a CRM steering committee as a formal governance structure that oversees CRM initiatives. As the function matures, it will report onto the Audit and Risk Committee of the ZRA Board. The CRMU is now operational—and we started to conduct audits based on the inputs of the risk unit— in

² Except for exempt invoices as foreseen in the VAT Act.

2025Q2 (**end-June 2025 SB**). ZRA has also established a Domestic Taxes Risk Management Unit to work closely with the CRMU. As part of the second phase of the BIDA project, ZRA is developing a compliance risk management tool that integrates third-party data to provide a comprehensive 360-degree view of taxpayer transactions. We continue to expand the number of government agencies with which we will exchange information despite some challenges.

Enhancing Expenditure Efficiency

22. We will continue strengthening public finance management. Public expenditure will remain transparent and accountable, to improve efficiency and channel resources to programs and projects that have a direct impact on the lives of the Zambian people.

23. We will continue to target social spending. The revised 2025 budget envisaged increasing social spending to a floor of K 60 billion, of which:

- *Social Cash Transfer.* We phased out the emergency drought support to one million additional beneficiaries that received temporary support for the period June 2024-June 2025. The social cash transfer has currently 1.3 million beneficiaries. We maintained the transfer value of the social cash transfer for regular beneficiaries at K 400 per month to protect its erosion from inflation. In 2026, we plan to maintain the transfer value at K 400 per month extending the coverage to about 1.5 million beneficiaries.
- *School feeding program.* In January 2025, we expanded the program to additional 36 districts reaching 106 districts. In 2026, the program will be extended to all the districts covering over five million students.
- *Cash-for-work (CFW) program.* We will extend the CFW program established during the drought to 2026, and plan to allocate K 1 billion to continue to support vulnerable individuals in exchange for cash wages (K 600 per month). Targeting of beneficiaries will be strengthened by establishing a consolidated social register with the assistance of the World Bank by 2026Q1.

24. We fully implemented the e-Voucher system. Total spending under the program in 2025 is projected at 0.7 percent of GDP, partly due to the settlement of arrears from the 2024/25 farming season. Thus, the overall spending for FISP in 2025 is expected to close at 1.9 percent of GDP. In 2026, the budget allocation is expected at 1.0 percent of GDP.

- All districts are under the e-voucher system during the 2025-26 season, which we plan to sustain in the future.
- The independent audit of the 2024 e-voucher rollout for all 74 districts verifying the identity of all FISP beneficiaries, reporting and investigating potential implementation issues, and ensuring transparent and minimal selection criteria for input manufacturers, distributors and agrodealers/retailers vetting (**end-September 2025 SB**) has been delayed. We completed an [internal audit of the 2024–25 e-voucher rollout](#), covering all the 74 districts and providing assessment of governance, control, and implementation weaknesses. The exercise, conducted by the Internal Audit Division of the Ministry of Finance in collaboration with the Ministry of Agriculture, aimed at evaluating the integrity and transparency of the FISP and has already

informed corrective actions, including strengthened beneficiary verification through ZIAMIS, with 212,851 beneficiaries replaced maintaining the number of beneficiaries to a total of 1,024,434 beneficiaries. However, as the audit was undertaken by the Audit Division of the Ministry of Finance and National Planning rather than by an independent (private) firm due to financial constraints following the drought experienced in 2024. To address these gaps, we will commission an external independent audit in early 2026, with complete coverage of the remaining districts, and publish the consolidated report on the Ministry of Finance website in 2026.

- As all districts move to the e-voucher in the 2025/26 farming season, the Ministry of Agriculture did not procure direct inputs. Hence, the Government published summary information on all procurement contracts related to FISP, including beneficial ownership on the [Ministry of Agriculture website](#) (continuous SB)
- As per previous commitment we have now published summary information on all [procurement contracts](#), related to imports of maize as part of 2024 drought response, including beneficiary ownership, on the FRA website on November 25, 2025.

Improving Public Financial Management

25. We will continue to dismantle expenditure arrears in line with our end-June 2024 revised arrears clearance strategy. In 2026, the budget envisages K 4.7 billion for arrears' clearance (of which K 0.9 billion will go for clearance of discounted fuel arrears), while the repayment operation embedded in domestic debt service spending.

26. IFMIS and commitment control system. We have continued to expand the government information management system (IFMIS) with 44 new sites. All 61 central government ministries, provinces and agencies are enrolled, and we continue the roll-out in the 10 provinces and districts for decentralized ministries, such as Education, Health and Fisheries and Livestock. In 2025, all expenditure financed by Government of Zambia will be included in IFMIS. We have also piloted two World Bank funded projects in the IFMIS system in 2025 and plan to extend to 17 more projects in 2026. We continue to record legacy arrears in the IFMIS system, but reconciliation has been challenging especially at province and district levels, and we expect to have recorded legacy arrears by 2026H1. The recording of multi-year commitments in the IFMIS is possible from a technical point but necessitates new regulations to authorize such recordings at the time of budget approval.

27. Local government units will start producing financial statements in 2026 using standardized reporting systems. We have opted to use open-source software systems, mindful of costs and sustainability challenges of bespoke systems. In line with the indicators envisaged in the World Bank financed Zambia Devolution Support Program, an implementation program has been submitted to the Ministry of Local Authorities. We expect that 90 percent of the local authorities will start producing financial statements based on the Uniform Standard Financial Management in 2026, with all reporting by 2027.

28. We remain committed to stepping up efforts to strengthen the public investment management (PIM) and the public-private partnerships (PPPs). We will continue to complement our investment plans with PPPs: we have signed two new PPP contracts in 2025 (bringing the total signed PPPs to 14 contracts), with another 36 in the pipeline. We will continue to actively monitor PPP contracts, to quantify associated risks and disclose them comprehensively in future Fiscal Risk Statements. We will also aim to opt for open competitive procurement procedures to ensure better value for money, whenever possible.

29. We will review and update our PIM framework to include climate considerations in project planning and appraisal. Following the 2024 IMF Public Investment Management Assessment (PIMA), which incorporated the climate module, we developed a screening matrix for the technical appraisal of infrastructure projects to ensure they are climate resilient. Further technical assistance was provided by GIZ in July 2025 with a focus on reviewing and updating the policy and regulatory framework, including PIM manuals and guidelines, to mainstream climate considerations in project planning and appraisal. The Road Sector Investment Program III (ROADSIP III) through the Road Development Agency (RDA) has been developed and awaits Cabinet approval in the first quarter of 2026.

30. Improved Cash Management. We continue to survey government accounts in commercial banks, with the aim of closing idle accounts. By end-September 2025, 2,091 dormant accounts were closed, and 548 new accounts were opened, bringing the total number to 20,528 accounts. Both the number and balances on these accounts remain elevated; the bulk of them belong to schools and hospitals which makes their concentration due to infrastructure and access challenges difficult. The Cash Management Unit is now fully staffed and functional and is working to improve the quality of its rolling month-ahead forecasts. Forecasting information is now updated with actual expenditure realizations rather than budget allocations, which has improved forecasting. However, a comprehensive and timely visibility of the CMU on government cash balances is limited by the existence of separate government accounts to channel revenues, debt proceeds and payment transactions.

Enhancing Fiscal Transparency and Reporting Fiscal Risks

31. Budget Execution and Financial Reports. The Government will continue publishing quarterly economic reviews on budget performance and the [annual financial report](#). The latest Budget Execution Report, expanding on the performance on broad revenue and expenditure categories including social spending, was published in June 2025 (website link to be included here).

32. Fiscal risks. In 2025, we further expanded the Fiscal Risk Statement aligned with the FY26 budget. While we committed to incorporating sensitivity analysis scenarios for the macro, quantifying the impact of those scenarios on fiscal variables, and including quantitative financial information about SOEs and signed PPPs to enhance the understanding of fiscal risks (**end-September 2025 SB**), our analysis on PPPs was not fully incorporated as we faced capacity challenges. The Fiscal Risk Unit, placed under the Economic Management Department, is still being

formalized, facing staff constraints and delays in becoming fully operational, now expected by 2026Q1.

33. State-Owned Enterprises (SOEs). The Cabinet adopted a new SOE Act consistent with the SOE policy at end-October (**end-September SB**) that will better clarify the role of the Ministry of Finance in exercising oversight and managing fiscal risks emanating from SOE-s. In addition, to managing fiscal risk from SOEs, the Debt Policy and Strategy under the Debt Management Office will continue to conduct credit risk assessments on all public bodies that intend to borrow. By law, any public institution that intends to borrow requires MoFNP's approval. We will continue to publish audited financial statements for SOEs under the IDC as well as comprehensive reports over the whole SOE-s sector. IDC has published the [2024 IDC's audited financial statements](#) at end-November (instead of the end-September 2025 original schedule) due to delays in consolidating financial statements. In parallel, the MoFNP will publish a comprehensive report based on 2023-24 audited financials for all SOEs (including those under IDC) in January 2026.

Energy Reforms

34. Implementation of the open access to the TAZAMA pipeline has proven challenging, and we are working on setting the conditions for its success.

- We issued revised TAZAMA Open Access guidelines in June 2025 and launched another round of prequalification in July due to derailment of schedule caused by non-delivery of cargos for June and July 2025 by the winning OMC's for the two months and the need to adopt the revised Tazama Open Access (TOA) guidelines in process implementation. The round was launched to consolidate TOA performance by ensuring that the pre-qualified list constitutes OMC's that are capable of perform accordingly but later canceled. We reopened supplier eligibility in October 2025 to ensure that Oil Marketing Companies (OMCs) are prequalified as per Open Access Guidelines schedule and have published the list on November 13th for the period January-June 2026. On December 31, we will publish the revised Open Access Guidelines version 4.0 to correct shortfalls and revise the tender size of one lot of 100 000 metric tons to align with Dar-es-Salaam minimum offloading quantum of 70 000 metric tons.
- Between July and September 2025, the capacity under the open access was reduced to MT70,000 to comply with a court order that grants MT35,000 to an OMC to fulfil previous commitments. All product transiting through the pipeline matched the lowest price on the open access winning bid for the delivery month. So far MT27,000 is outstanding from the total allocation of MT105,000 and will be cleared in the first half of 2026.
- We have faced challenges with OMCs failing to provide performance bonds in July and August, leading to an emergency procurement as per section 8.3.7 of the TOA. We first issued two monthly tenders for August delivery, later canceled due to high premia. We then adopted a three-month tender to leverage on volumes and obtain better premia, especially for the August and September flotations which were late due to the failed tenders. We extended the November and December use of the pipeline to the OMCs selected during the 3-month tender.

- Contrary to previous commitment on refraining from discretionary awarding tenders outside the open access framework, we have extended the three-month August award OMCs to December at the same premium. As a result, we did not meet the continuous structural benchmark, to imports of diesel through the Tazama pipeline under the open access at the full capacity. This has however enabled us to secure delivery at a very competitive price currently the cheapest in the region and benefiting all Zambians. Table 1 presents the cost difference (savings or additional costs) achieved by using the Tazama open tender process versus the BPS premium baseline in Tanzania. It also demonstrates how these competitive Tazama Open Access premiums influenced the trend in local pump prices.

Table 1. Zambia: TAZAMA Open Access Premiums Vs Tanzania BPS Premiums and Impact on Pump Prices				
Month	Tanzania BPS PREMIUM	TAZAMA OPEN ACCESS PREMIUM	PREMIUM (SAVING)/ADDITIONAL COST	ERB Announced Pump Prices
	a	b	c=(b-a)	
	Diesel	Diesel	Diesel	Diesel
	US\$/MT	US\$/MT	US\$/MT	K/Litre
Apr-25	73.51	84.00	10.49	30.23
May-25	68.99	54.12	(14.87)	27.38
Jun-25	82.27	43.19	(39.08)	25.12
Jul-25	88.96	43.01	(45.95)	23.13
Aug-25	83.99	63.75	(20.24)	23.13
Sep-25	90.00	63.75	(26.25)	25.02
Oct-25	94.09	63.75	(30.34)	26.20
Nov-25	94.24	63.75	(30.49)	25.35
Dec-25	94.38	63.75	(30.63)	26.98

- Emergency procurement will remain an exception, regulated under the open access guidelines. Any nominated OMC will undergo the standard procurement vetting process applied to all OMCs in open tenders. Going forward, there will be no discretionary award of tenders outside the open access framework.
- In preparation for the January tender, we issued a tender for two lots in late November 2025 but have secured berthing slot for only one lot. The second bidder failed to match the lowest premium provided by the first lot winner resulting to the second lot not being awarded to any OMC.

- We have published the results of TAZAMA open access tenders on the Ministry of Energy/Tazama websites within one month of contract award, (except for the extension of the August tender for the period November-December). Disclosed information includes the winning bidder (with price, type and quantities of inputs, total contract amounts and their beneficial owners), as well all unsuccessful bids (with price, type, and quantities of inputs) (**continuous SB**). Due to non-availability of beneficial ownership information at PACRA, TAZAMA now requests OMCs to submit their beneficial ownership information as part of their financial proposals.
- We commit to no longer grant waivers for the domestic sale of petroleum products outside of the ERB price and in foreign currency. Going forward, diesel imported through the pipeline will be sold by TAZAMA in local currency with domestic retail distribution being priority.
- To enhance transparency, MOE/TAZAMA is now publishing nominations and uplifts from Ndola Fuel Terminal by OMCs monthly. From July to September 2025, throughput under the open-access framework averaged about 90,000 MT per month with Ndola remaining the main distribution hub and Solwezi and Mpika serving mining and bulk customers. Retail consumption accounted for roughly 65–70 percent of total uplifts, mining for 15–17 percent, commercial users for 13 percent, and OMC bulk depots for about 5 percent. Controls to minimize diversion of fuel from retail to commercial/mining will be strengthened through enhanced fuel-marking, tighter monitoring and reporting of uplifts, digital tracking of consignments, and strict enforcement actions against non-compliant OMCs.
- We will continue to publish monthly revenues from the transport differential, including the remits to the Treasury, and monthly throughput volumes by the 15th of the following month on the TAZAMA and MoFNP websites. Billed collections for May–October 2025 totaled US\$23.2 million, below the Fifth Review projection (US\$50 million) owing to temporary reductions in the transport fee in August 2025. Any OMC that builds arrears with respect to the transportation fee differential will be suspended from participating in future open access tenders.
- Monthly publication of throughput volumes billed and collected revenues, and Treasury remittances has improved but remains delayed beyond the agreed 15-day deadline. We plan to regularize publication from November 2025 onward and the Ministry of Energy and TAZAMA will, by end-December 2025, introduce an online dashboard displaying monthly nominations, [uplifts by OMC and customer category](#), and [transport-differential payments](#).
- Export/removal in transit permits for fuel imported via the pipeline will only be granted transparently to offload excess fuel. We will introduce a new section under the amended open access guidelines to stipulate the triggers, process and procedures for issuing export/transit permits by end-December 2025. All export/removal in transit permits issued in a month will be published by 15th of the following month on the MOE/TAZAMA website, for each OMC with beneficial ownership and volume granted under each permit.

35. We have strengthened the monthly updates on domestic fuel prices to ensure full cost recovery.

- The Energy Regulatory Board (ERB) will keep publishing the retail and wholesale price structures simultaneously with the fuel price adjustments monthly (**continuous SB**).
- We issued Statutory Instrument No. 77 on Energy Regulation (Petroleum Products Price Setting) Regulations on 3rd December 2024 to clearly define the process, formulas, and data sources that will guide the monthly price review of petroleum products. This was to ensure cost recovery (plus margin) for Oil Marketing Companies (OMCs) while passing pipeline savings more effectively to consumers. In August 2025, we temporarily adjusted downward the road transportation compensation, contrary to SI no 77, and compensated eligible OMC through the Energy Fund for road transportation costs. The standard US\$133.33/MT rate was reinstated in September.
- The Government temporarily adjusted the transport cost used in the fuel price build-up for August 2025. This resulted in the net collectable transport differential being reduced from US\$79.3/MT to US\$23.0/MT for August 2025 only. The standard transport cost was restored from US\$77/MT to US\$133.3/MT in September 2025 and subsequent months.
- In August 2025, there was temporal deviation from SI No. 77 by adjusting the road transportation downward. However, no transport equalization was applied to diesel delivered by road, because road-delivered diesel primarily serves the commercial market, where actual transport costs are handled contractually between OMCs and clients. Under the current National supply structure, pipeline diesel volume is prioritized for the retail market, while road deliveries are primarily classified as commercial volumes.
- The fuel price formula will continue to incorporate the BPS premium for all fuels (both road and pipeline). To enhance transparency, we have also developed detailed implementation guidelines that provide clear instructions for the fuel price formulation.

36. The emergency tariffs in November 2024 paused the application of the pre-approved multi-year tariffs for the period 2023-27. The multi-year tariffs approved in 2023, which aimed at restoring ZESCO financial viability by 2027, will not suffice to restore Zesco's financial sustainability. From November 2024, emergency tariffs have been implemented to face the emergency caused by the drought, though revenues from these tariffs remain below cost-recovery. Originally introduced for three months period, the emergency tariffs were extended until end-October 2025. Against previous commitments, we have not been able to fully incorporate recent structural change in the market to enable Zesco to apply cost-reflective tariffs by end-2026. Overall, ERB's decision cuts ZESCO's projected 2025 revenue by 17 percent compared to its application. Under the approved glide path, cost reflectivity is now only expected in 2027, which would require a significant increase in tariffs.

37. ZESCO's financial position has weakened further as the 2024 drought resulted in higher electricity import prices that are not fully transferred to the consumer. By September 2025, total outstanding debt had remained at US\$2.6 billion since March 2025. On-lent loans from the Central Government amounted to US\$384 million, US\$207 million to commercial lenders and US\$2.0 billion as Government guaranteed loans, and around US\$300 million in non-guaranteed external debt. In addition, arrears remain substantial, with US\$181 million in domestic IPP arrears

and US\$81 million in external IPP arrears recorded at end-June 2025. In addition, Zesco hold a large stock of current payables in the form of trade credits, revolving obligations, and “provisioned-for” amounts owed to local suppliers and IPPs. To improve its balance sheet, ZESCO continues to negotiate the remaining IPP debt; mobilizing long-term domestic financing to repay IPP obligations; and to convert on-lent public loans to equity in close consultation with the MoFNP.

Restoring Debt Sustainability and Improving Debt Management and Transparency

38. The Government is advancing in restoring debt sustainability and reaching the objective of a return to “moderate” risk of debt distress over the medium term. We remain committed to refraining from contracting non-concessional debt (continuous PC) and limit new external borrowing and disbursements of contracted but undisbursed external debt to the central government and ZESCO (ITs). To bring Zambia’s risk of debt distress to “moderate” over the medium term, we are advancing in seeking debt relief from our external creditors to bring the debt service-to-revenue ratio to 14 percent by 2027 and maintain it at this level (on average) during 2026-31, while bringing the PV of external PPG debt-to-exports ratio to 84 percent by 2027, a level consistent with our weak debt-carrying capacity and with providing “substantial space” to absorb shocks. Reforms to achieve higher economic growth will improve Zambia’s revenue mobilization and debt carrying capacity. The Government of Zambia will continue to refrain from any payments on any external debt under the restructuring negotiation before a debt treatment agreement is reached on terms that are comparable with those provided by our official creditors.

39. We continue enhancing debt management and transparency. We prepared an annual borrowing plan consistent with the 2026 Budget, and have published, on a quarterly basis, the Debt Statistical Bulletin to cover external and domestic debt developments including loans contracted, new disbursements, information on guaranteed loans, non-guaranteed external State-Owned Enterprises (SOEs) debt, domestic and external arrears, and debt and any liabilities arising out of public private partnerships (**continuous end-quarter SB**). The 2025Q2 debt bulletin was published on the [MoFNP website](#) at end-August 2025.

40. We have established a Debt Management Office (DMO). The DMO has been operationalized its functions in line with the PDMA and has adopted the procedures manual (**end-July 2025 SB**).

41. We continue to strengthen the institutional framework for debt management. In undertaking the functions of the debt management office prescribed by the public debt management regulations issued in June 2024, we had technical assistance from the World Bank in May 2025 to enhance capacity in conducting credit risk assessments to assess the capacity of public bodies to borrow and to equip the DMO staff to develop a robust credit risk assessment framework.

42. The Government will continue to rely on domestic financing while diversifying its domestic investor base. We will continue to publish the quarterly issuance calendar based on domestic financing conditions, investor appetite and cash management needs. As the non-resident holdings of domestic debt could put pressure on external debt sustainability, we have already allocated to non-resident holdings K 1.6 billion in 2025, in line with the 5 percent of primary

domestic issuances. In 2026, we plan to roll over the non-resident principal exposure to smooth debt service, with the objective of allocating 15 percent of primary issuances during 2027-31. When conditions allow, we will start reopening benchmark bonds to build liquidity. To provide stable financing to the government and support financial market development, we will further consolidate our efforts at developing benchmarks along the yield curve, with technical assistance support from the IMF.

C. Enhancing Monetary and Exchange Rate Policies

43. The Bank of Zambia (BoZ) remains committed to achieving price stability. Following the declining trend in 2025, we expect inflation to ease further in 2026 given positive crop harvest estimates, recent exchange rate appreciation, and lower fuel prices. Despite downside pressures, higher tariffs and heightened global uncertainty could weigh on inflation dynamics. The Monetary Policy Committee will continue to rely on a forward-looking monetary policy framework anchored on the policy rate as a key signal for the monetary policy stance and stands ready to use, when appropriate, all instruments at its disposal in pursuit of the set inflation objective. Decisions on the policy rate will continue to be guided by inflation outcomes, forecasts, and identified risks in bringing inflation back to the 6-8 percent target band by 2026. Finally, we have abided by the Monetary Policy Consultation Clause (MPCC) under the ECF arrangement.

44. The BoZ is in the process of removing the two multiple currency practices (MCPs). The MCPs arise from the use of a lagged official exchange rate (an average of commercial banks' exchange rates) to purchase U.S. dollars from mining companies for (i) mining tax payments to ZRA, and (ii) custom duty receipts to ZRA. The most recent impermissible spreads were observed for mining taxes and customs duties on October 31, and November 24, respectively. We have submitted to Parliament amendments to the Customs Act requiring the use of the spot exchange rate, rather than a lagged rate, when purchasing U.S. dollars from mining companies for customs duty payments to the ZRA. In addition, we are in the process of revising the currency regulations, requiring mining companies to sell the FX to pay mining taxes using the prevailing market exchange rate.

45. We will maintain a flexible exchange rate regime whilst mitigating excessive volatility. Our commitment to maintaining exchange rate flexibility is consistent with our aim of increasing international reserves. In this regard, mining companies will continue to sell U.S. dollars to BoZ to meet their tax obligations to ZRA and BoZ will continue to utilize these to build reserves. Further, BoZ will continue to support the FX market to mitigate undue volatility.

46. Lower-than-projected FX-related mining flows resulted in lower NIR reserve accumulation. Despite the increase in gross international reserves, we missed the end-June 2025 NIR QPC and end-September 2025 IT (Table 2, MEFP), partly reflecting lower FX-related mining tax inflows due to offsets against VAT refund arrears. Hence, we request a waiver for non-observance of the QPC supported by corrective policy measures, including a calibrated reduction in the BoZ's FX intervention and the sale of government bonds held by the BoZ to domestic banks (\$90 million) in

December 2025. The proceeds were received in FX and helped build the BoZ's reserves. Recognizing the importance of reserve accumulation and program commitments, we will increase efforts to build reserves and narrow the deviation from the end-September target through targeted operations. The central government will continue to transfer all FX-denominated budget support disbursements (both loans and grants) to the BoZ to support reserve accumulation.]

47. We are taking steps to modernize the monetary policy operational framework.

- So far, eleven banks have signed the ISDA with BoZ, while agreements with three banks are undergoing internal review. In addition, the process to revise the Global Master Repurchase Agreement (GMRA) BoZ has been completed, and the revised document has been circulated to all commercial banks for signing. Seven banks have signed the revised GMRA while eight are still undertaking internal reviews. In addition, netting provisions have been included in the revised Banking and Financial Services Act in order to provide legal certainty on the enforceability of close-out netting under the ISDA and GMRA Agreements.
- We completed recalibrating parameters of the Quarterly Projection Model (QPM) to enhance forecasting and policy analysis.

D. Strengthening Financial Policies to Safeguard Financial Stability

48. The BoZ continues to strengthen its banking regulatory and supervisory framework.

- The Bank continues to publish its semi-annual Financial Stability Report (FSR). A fourth edition of the FSR was published in October 2025, featuring the results of the annual macro stress test.
- To strengthen the identification and analysis of financial stability risks and to help mitigate such risks, we took part in a Financial Sector Stability Review (FSSR) in September 2025, which covered: (i) regulation and supervision of banks and deposit-taking non-bank financial institutions (NBFIs); (ii) financial safety net and crisis management; (iii) systemic risk analysis, stress testing, and macro-prudential policy; (iv) financial markets infrastructure; and (v) financial sector statistics.
- On expanding the macro-prudential toolkit, we are undertaking several measures:
 - The capital regulations, providing guidelines on how to deploy countercyclical capital and conservation buffers, were issued in September 2025. The Bank shall continue to expand and refine its policy toolkit including the use of such measures as the loan-to-value ratio, loan-to-income ratio, loan-to-deposit ratio, capital buffer for systemically important institutions and sectoral risk weights. Provisions for using these instruments have been incorporated in the revised Banking and Financial Act and the instruments shall be deployed as necessary in response to emerging systemic risks. In the meantime, the Bank shall continue to conduct macro stress tests to assess the resilience of the financial system
 - The liquidity coverage ratio (LCR) directives are also expected to be issued by end-2025. The LCR will, however, be implemented in a phased manner over a five-year period. The net stable funding ratio (NSFR) regulations will be issued and implemented by June 2026. In the

meantime, the Bank has continued to conduct quarterly quantitative impact analysis to assess banks' preparedness to implement the liquidity regulations.

- To enhance cyber resilience, the Bank has continued to conduct cyber onsite examinations, in 2025, with 2 targeted inspections to address emerging issues and is following up on the implementation of recommendations made in previous examinations. In addition to the two targeted examinations in 2025, we have conducted four onsite examinations which include review of cyber risk management processes, and we plan to conduct four on site examinations in 2026.

49. The BoZ is reviewing the legal and regulatory financial framework to strengthen financial supervision, bank resolution and deposit insurance.

- The draft Banking and Financial Services Bill aligned with international standards, was submitted to Parliament in November 2025 (**end-September 2025 SB, prior action**). The new bill takes into account the recommendations from the 2022 IMF's Governance Diagnostic Assessment and the 2017 Financial Sector Assessment Program. The review of the BFSA strengthens the legal framework for, amongst others, licensing, ownership changes, corporate governance, auditing, prudential requirements, consolidated supervision, early intervention, enforcement, and resolution, following consultations with various stakeholders including IMF staff. Once the Bill is passed, the BoZ will focus on the implementation of the revised legal framework.
- In end-October 2025, the BoZ issued directives establishing a deposit protection scheme, largely consistent with the Core Principles for Effective Deposit Insurance Systems (**end-September 2025 SB**). The BoZ will establish a committee to administer and manage the deposit insurance fund (DIF)'s affairs, which will report to the BoZ Board for ultimate oversight. The DIF's account will be held at the BoZ, recorded as a liability on the BoZ's balance sheet and disclosed in the BoZ's annual statements with a detailed note on the Fund's assets and liabilities. In parallel, the authorities submitted a draft Deposit Insurance Bill to Parliament, elevating the framework to primary legislation and establishing a deposit insurance corporation as a legal entity distinct from the BoZ. The BoZ will build capacity to make the framework operational, including the goal of significantly reducing the deposit payout period over time in line with the Core Principles.

50. BoZ's facilities to support credit to the private sector are operative.

- As of end-October 2025, the BoZ has approved K 4.7 billion and disbursed K 2.3 billion of the Stability and Resilience Facility (SRF). Of the approved amount so far, the funds have been channeled to the primary sector (64.2 percent), manufacturing (17.4 percent); electricity, gas, steam and air conditioning supply (12.7 percent) and others (5.7 percent).
- The Zambia Credit Guarantee Scheme (ZCGS) has issued guarantees amounting to K 1.15 billion in 2025, and remains committed to facilitating access to affordable credit to micro, small and medium enterprises (MSMEs). The Government has maintained the Zambia Credit Guarantee Scheme allocation at K851.7 million in the 2026 Budget.

- The Small Business Growth Initiative (SBGI), a K 5 billion credit guarantee facility will be launched in the first quarter of 2026. In the meantime, a call for expression of interest was launched in August 2025 to initiate selection of both fund managers and participants. In December 2025, a Special Purpose Vehicle (SPV), supported with seed capital from the BoZ, was established to operationalize the SBGI.
- The BoZ issued revised directives on the use of the Kwacha as the settlement currency in domestic transactions in December 2025. The currency directives, issued in exercise of the powers contained in Sections 18 and 73 of the Bank of Zambia Act, require that all domestic transactions, unless exempted, be settled in Kwacha. Quoting and invoicing may be undertaken in a foreign currency, except where the Government is a party to the transaction, in which case they shall be conducted exclusively in Kwacha. These directives are intended to support the effective implementation of monetary and exchange rate policies and promote overall financial stability.

51. The BoZ implemented a dedicated AML/CFT/CPF supervision unit at end-2023 to support its risk-based approach to AML/CFT/CPF supervision and the effective application of sanctions for failure to comply with ML/TF/PF preventative measures. The BoZ is exploring the establishment of limits on cash transactions as a means to constrain illicit financial flows. Two new examinations were completed in 2025H1 and two others were conducted in the four-month period to (July to October 2025).

52. The Attorney General has addressed one of the outstanding issues from the IMFs safeguards assessment with respect to BOZ's holdings of the Government securities. In June 2025, the Attorney General provided clarity on the interpretation of (i) the statutory limit in Section 50 of the BoZ Act on the treatment of accrued interest, as well as securitized accrued interest; and (ii) whether rollovers of Government securities are, and under what terms, consistent with applicable laws and regulations. The assessment concluded that (i) the statutory limit does not include interest of any kind, and (ii) the BOZ Act gives the BOZ and Government the liberty to agree on the terms and conditions of Government securities rollovers (**end-July 2025 SB**).

E. Scaling Up Structural Reforms to Promote Higher and More Inclusive Growth

53. The Government will continue to promote growth through selective industrial strategies. More specifically,

- **Increasing productivity in agriculture.** The Comprehensive Agriculture Transformation Support Program (CATSP), approved in March 2024, remains the anchor of the medium-term agricultural investment strategy. It prioritizes irrigation, farm-block infrastructure, and value addition in Nansanga, Luena, Luswishi, and Shikabeta, with emphasis on climate-smart technologies delivered through the Zambia Integrated Agricultural Management Information System and the e-voucher. The National Crop Diversification Strategy, launched in September

2024, is being rolled out to expand legume, cassava, and horticulture value chains and strengthen agro-industrial linkages.

- **Reducing market distortion in agriculture.** The Food Reserve Agency (FRA) Act, the Agricultural Marketing Act, and the Agricultural Credit Act were submitted to Parliament in line with program commitments in November 2025. In sum, the Food Reserve Agency Act is being revised to reduce market distortions and clarify the Agency's role in grain markets, with the aim of encouraging greater private sector participation. The revised Act will streamline the FRA's mandate to maintain the National Strategic Food Reserve at levels necessary for food security and emergency response, as determined by the Agricultural Marketing Council. It will require FRA to operate using market-based prices and define its role strictly as a buyer of last resort to avoid competing with the private sector. The Agricultural Marketing Act will establish the Agriculture Market Observatory as an independent provider of domestic and regional market data, and the AMC as a public-private body offering strategic guidance on FRA purchase targets, trade policy, and any market interventions. Meanwhile, the Agricultural Credit Act will be aligned with the Securities Act to ensure warehouse receipts can function as tradeable financial instruments, supporting commodity trade and enhancing FRA's market operations. We will submit to Parliament the Food Reserve Agency Act, Agricultural Marketing Act, and Agricultural Credit Act consistent with the policy position papers and incorporating the principle of market-based pricing **(end-September 2025 SB)**.
- **In the energy sector, the Government is advancing structural and regulatory reforms to expand generation capacity and improve energy security.** The Electricity (Open Access) Regulations are now fully operational, allowing independent power producers to access the national grid and sell directly to eligible consumers. The Ministry of Energy has accelerated the licensing and permitting process for renewable projects, reducing approval times from over six months to less than two days. As of October 2025, installed generation capacity stands at about 3,900 MW, with effective available capacity averaging 2,800 MW due to reduced hydrology at Kariba and Kafue Gorge. To address the resulting supply gap of roughly 600–800 MW, emergency power imports (roughly 1.6 Twh in 2025) have been secured from Mozambique, Namibia, and Tanzania, while new domestic projects are being fast-tracked. Around 1,000 MW of solar projects are under construction—including Chisamba (100 MW), Choma (50 MW), Kasama (100 MW), and Kariba (100 MW)—with phased commissioning expected through 2026. The 300 MW Maamba Thermal Plant Phase II is on track for completion by mid-2026, and small hydro and diesel facilities are being rehabilitated to stabilize supply in rural areas.
- **Expanding mining production.** The regulations to establish the Minerals Regulation Commission (MRC), expected to centralize oversight of mineral resource development and management, originally planned by September 2025 remain to be issued. The MRC will be tasked with streamlining licensing processes, enhancing compliance monitoring, and promoting transparency within the sector. To this effect, the MRC is expected to become fully operational by end-2025. The Geological and Minerals Development Bill, which strengthens geological mapping and exploration, was adopted by Parliament in August 2025. The Mines and Minerals Development (Local Content) Regulations were also enacted in October 2025, establishing

clearer requirements for local procurement, employment, and value addition to increase citizen participation.

54. Financial inclusion. The implementation of the National Financial Inclusion Strategy 2024-28 aims to increase financial inclusion to 85 percent by 2028. Zambia is conducting a FinScope Survey in 2025 to assess progress in financial inclusion and guide future strategies. A multisectoral project team has been established to carry out the survey, with enumerators conducting interviews across all ten provinces. The topline findings are expected to be disseminated by end-2025.

55. The Government is taking steps to improve governance, in line with the recommendations contained in the IMF Diagnostic Report on Governance and Corruption.

- Regulation to operationalize the implementation of the Access to Information (ATI) bill was issued in November 2025. The regulations provides the procedures for submitting and processing the request, and the process for applying exemptions from official fees. Since Q3 2025, the government has operationalised the Access to Information Act by designating Public Relations Officers in every public institution to facilitate information sharing and process access-to-information requests, in line with Clause 9 of the Act.
- Despite the extensive inter-agency coordination and stakeholder consultations, we need additional time to incorporate in the Anti-Corruption Act Amendment Bill additional elements to guarantee a transparent and participatory appointment process for the ACC Board and Director-General, clarifies governance arrangements between the Board and management, aligns the definition of “public official” with the UN Convention against Corruption, and introduces more dissuasive penalties **(end-September 2025 SB)**. We will continue to coordinate with the IMF staff to meet program commitments.
- We remain committed to maintaining a sole mining license application system, the existing online application of mining licenses under the Mining Cadaster System to properly scrutinize license and transfer applications, and monitor the associated commitments on safety and environment, work programs, and production.
- The Government has made use of the e-GP system mandatory, while the ongoing consultations on the Companies Bill, 2025 focus on strengthening beneficial ownership (BO) provisions to ensure transparency and compliance. The Bill was approved by Cabinet in October 2025 and submitted to parliament in November. It introduces legal and regulatory amendments to operationalize PACRA’s beneficial ownership register, guarantee the accuracy and timeliness of BO information, and impose administrative sanctions on non-compliant entities.
- Overcoming original delays, the MoPNP issued the Statutory Instruments (Commencement Orders No. 30/2025 and No. 31/2025) associated with the 2016 Public Audit Act and the 2016 State Audit Commission Act, respectively, on May 23, 2025 **(end-January 2025 SB)**. Bringing the State Audit Commission Act into force will create a Board, to be established by end-2026, that will provide oversight of the Auditor General’s office.
- The Government will continue publishing regular tax expenditure reports detailing measures that result in significant revenue losses. The updated report, will include the following

exemptions: VAT at importation; withholding taxes; corporate income tax; personal income tax; import and export duties; and excise taxes. These updates, alongside revenue and expenditure performance reports, will include explanations for any deviations. This is being developed and will be published by end-December 2025.

- We are committed to developing a comprehensive legal framework on asset declarations, recognizing its essential role in promoting transparency and accountability. To ensure a robust and effective system, we will introduce clear timeframes for submitting initial, periodic, and final declarations, and mandate disclosing assets owned directly and beneficially. To enforce compliance, we will introduce a range of dissuasive and proportionate sanctions for any breaches of the disclosure obligations, ensuring the integrity and effectiveness of the system. The development of the layman's draft bill is underway and consultations with key stakeholders will commence in 2026.

V. IMPROVING STATISTICS

56. The Government remains committed to strengthening the production and dissemination of high-quality macroeconomic and fiscal statistics. Efforts will continue to focus on improving the estimation of GDP, employment, and government finance statistics, as part of implementing the Second-Generation Strategy for the Development of Statistics (NSDS2) aiming at improving the timeliness and granularity of data.

57. ZamStats is progressing with the rebasing of national accounts from the current 2010 base year to 2023, with completion and publication of Rebased GDP expected in the third quarter of 2026. The rebasing exercise will incorporate data from the 2022 Living Conditions Monitoring Survey (LCMS), the 2024/25 Household Budget Survey (HBS), the 2025 Economic Establishment Census scheduled to conclude by December 2025, and the 2023/2024 Integrated Agriculture Survey. ZamStats transitioned from a prototype Excel system for compiling GDP to full implementation in the NADABAS platform in April 2025. Supply and Use Tables (SUT) for 2023 are being compiled using the NADABAS system, aligned with a 36-industry, 68-product framework. This comprehensive exercise will also include updated estimates for the informal sector, agriculture, and financial services, and will significantly enhance the accuracy and relevance of GDP estimates. Parallel work is underway to expand quarterly GDP estimates using the expenditure approach.

58. The electronic Balance of Payments (e-BoP) system now captures all transactions, and since January 2024, it has been complemented by the Export Proceeds Tracking Framework. This framework requires that export proceeds be received through local banks, significantly improving the coverage and accuracy of trade in goods and services data. The services module, piloted in the first quarter of 2025, is scheduled to go live by mid-December 2025, while an import tracking module is currently under development for implementation in 2026.

59. Gaps related to unidentified other flows were identified in the compilation of balance of payments statistics. These are largely attributed to the accumulation of foreign assets by the private sector. Initial flow-of-funds accounts for selected mining companies were completed with

assistance from the IMF TA mission. The BoZ revised the balance of payments statistics for 2020-22, following the recommendation from the IMF TA mission on balance of payments statistics to address identified gaps related to other financial flows and the accumulation of foreign assets by the private sector. In December 2025, the BoZ will release results from the flow of funds study focused on the manufacturing sector, as part of our ongoing effort. to improve the quality of external sector statistics. As part of these efforts, we will work toward publishing more granular and timely balance of payments data.

VI. OTHER ISSUES

60. We will continue to strengthen our institutional capacities, with the support of our partners. Building capacity will help strengthen internal monitoring mechanisms and support program implementation. The provision of technical assistance has already contributed to in-depth diagnostics essential in implementing our reform plans, including enhancing cash management. We look forward to receiving more technical assistance as we continue the reform agenda on fiscal framework with a focus on resource revenue management, tax policy recommendations and enhanced assessment of tax expenditure costs and efficiency, administration of local excise (especially alcoholic and other taxable beverages), and the VAT control model.

61. We intend to use half of the IMF financing as budget support. In line with IMF safeguards policies, this is consistent with the Memorandum of Understanding signed in August 2022 between the Government and the BoZ clarifying our respective roles and responsibilities for servicing the associated financial obligations to the Fund.

Table 1. Zambia: Quantitative Performance Criteria and Indicative Targets, 2024–25¹
(Millions of Kwacha; cumulative from the beginning of each year; except where otherwise indicated)

	December 2024				March 2025				June 2025				September 2025			
	ECF 4th Review	Adjusted target	Act	Status	ECF 4th Review	Adjusted target	Act updated	Status	ECF 5th Review 2/	Adjusted target	Actual	Status	ECF 5th Review 2/	Adjusted Target	Actual	Status
I. Quantitative Performance Criteria^{3/}																
1. Floor on the central government's primary balance (cash basis)	-4,698	8,363	20,219	Met	1,829		4,143	Met	7,604		14,345	Met	11,500	6,358	13,368	Met
2. Ceiling on new central bank credit to the central government ^{4/}	0		0	Met	0		0	Met	0		0	Met	0		0	Met
3. Floor on the net official international reserves of the Bank of Zambia (millions of US dollars)	1,750	1,853	1,891	Met	2,100	2,020	1,954	Not Met	2,250	2,224	1,891	Not Met	2,550	2,548	2,062	Not Met
II. Continuous Performance Criteria																
4. Ceiling on new external debt arrears by central government, the Bank of Zambia, and ZESCO (millions of US dollars) ^{5/}	0		0	Met	0		0	Met	0		0	Met	0		0	Met
5. Ceiling on the contracting or guaranteeing of new non-concessional external debt by central government, the Bank of Zambia, and ZESCO (millions of US dollars)	0		57.9	Not Met	0		0	Met	0		0	Met	0		0	Met
III. Monetary Policy Consultation																
6. Average CPI inflation																
Upper outer band	17.8				17.6				16.9				14.0			
Upper inner band	16.8				16.6				15.9				13.0			
Mid-point	14.8	16.3	Met		14.6		16.7	Not Met	13.9	15.3	Met		11.0		12.7	Met
Lower inner band	12.8				12.6				11.9				9.0			
Lower outer band	11.8				11.6				10.9				8.0			
IV. Indicative Targets																
7. Floor on the fiscal revenue of central government excluding grants and mining revenue ^{8/}	118,954		130,993	Met	32,220		32,047	Not Met	71,579		74,207	Met	100,000	105,000	107,838	Met
8. Ceiling on the present value of new external borrowing (millions of US dollars) ^{6/}	75		64.2	Met	0		0	Met	0		0	Met				
9. Ceiling on the disbursement of contracted but undisbursed external debt to central government and ZESCO (millions of US dollars) ^{7/}	145		51.4	Met	100		2.6	Met	100		28	Met	100			Met
10. Floor on social spending by the central government	50,000		53,830	Met	13,618		15,931	Met	27,291		34,160	Met	42,000		49,549	Met
11. Floor on the net clearance of arrears on expenditure and tax refunds																
11a. Floor on the net clearance of expenditure arrears ^{9/} (+ clearance/-accumulation)	4,800		8,513	Met	1,471		1,770	Met	3,242		3,150	Not Met	4,700		11,961	Met
12. Floor on the net clearance of arrears of tax refunds ^{9/} (+ clearance/-accumulation)	4,430		11,607	Met	1,027		5,536	Met	2,054		5,696	Met	3,500		13,138	Met
V. Memorandum Items																
13. Expected budget grant disbursements (millions of US dollars)	114				n.a				n.a				n.a			
14. Expected public sector loan disbursements into the Treasury Single Account at the Bank of Zambia (millions of US dollars)					87				174		0		261			
15. Expected public sector disbursements, including budget support grants and loans, expected to be channeled into the Treasury Single Account at the Bank of Zambia (millions of U.S. dollars) <i>NIR Adjustor 10/</i>	564		387		136		0		208		84		279		151	
16. Government Debt Service (millions of U.S. dollars) <i>NIR Adjustor 10/</i>	873		593		99		43		436		339		523		396	
17. Expected liability management operation to clear fuel arrears (millions of US dollars). If the size of this operation is higher (lower), the primary balance will be adjusted downwards (upwards) by the difference expressed in the equivalent kwacha amount. <i>Primary Balance Adjustor</i>	600		103		600				600				600			

Sources: Zambian authorities; and Fund staff estimates and projections.

1/ All definitions and adjusters are available in the Technical Memorandum of Understanding (TMU).

2/ IMF CR No. 25/225

3/ Indicative targets for March and September.

4/ Without prejudice to the relevant provisions in the BoZ Act.

5/ Cumulative from the date of program approval.

6/ Excludes borrowing from the IMF, IDA, and the AfDB.

7/ Excludes disbursements from IDA and AfDB.

8/ From June 2023, the indicative target on the floor of revenue will drop the adjustment for VAT backlog, since this is a separate IT.

9/ From June 2023, the indicative targets on the clearance of arrears are split into separate ITs on expenditure arrears and tax refund arrears to better capture progress in each category.

10/ Expected public sector disbursements have been revised for the 6th Review relative to the 5th Review, reflecting updated information from the World Bank. Government debt service has also been revised to ensure consistency between the BoZ and MoFP data.

Table 2. Zambia: Prior Actions and Structural Benchmarks Under the ECF Arrangement

Sixth ECF Review				
Prior Action				
Submit to Parliament a comprehensive review of the Banking and Financial Services Act in line with program commitments (MEFP ¶151)				
Structural Benchmarks	Timeline	Considered Met	Comments	Status
i) <u>Submit to Parliament the revised FRA act, Agricultural marketing bill and Agricultural credit act (MEFP ¶155)</u>	End-September 2025	The revised FRA act, Agricultural marketing bill and Agricultural credit act are submitted to Parliament.	Completed with delays	Not Met
ii) <u>Submit the 2026 Budget in line with program parameters (MEFP ¶121)</u>	End-September 2025	The 2026 budget in line with program parameters is submitted to Parliament		Met
iii) <u>Submit to Parliament a revised Anti-Corruption Bill in line with the recommendations envisaged in the IMF Diagnostic Report on Governance and Corruption. (MEFP ¶157)</u>	End-September 2025	Anti-Corruption Bill is submitted to parliament and published on the website of the National Assembly.		Not Met
iv) <u>Imports of diesel through the Tazama pipeline are done via open access at the full capacity of the Tazama pipeline. (MEFP ¶1)</u>	Continuous SB	Publish the date of first delivery of low sulphur gas oil procured under the open access guidelines for the full capacity of the pipeline and summary of the underlying contract including the delivery commencement date and delivery volumes on the MoE website	Open access was not undertaken for Nov-Dec 2025 fuel imports. Tazama guidelines were not applied.	Not Met
v) <u>Adopt the procedures manual for the Debt Management Office. (MEFP ¶142)</u>	End-March 2025, now proposed end-July 2025	The procedures manual is published on the website of the MoFNP (hyperlink to be included).		Met
vi) <u>Adopt the deposit insurance framework consistent with the Core Principles for Effective Deposit Insurance Systems and Basel Supervision Principles. (MEFP ¶151)</u>	End-April 2025, now proposed end-September 2025	The BoZ adopts a deposit insurance scheme and publishes it on the BoZ website.	Completed with delays	Not Met
vii) <u>The ZRA will establish a Compliance Risk Management Unit. (MEFP ¶123)</u>	End-June 2025	The ZRA board will establish and staff a Compliance Risk Management Unit with clear roles and responsibilities.		Met
Structural Benchmarks	Timeline	Considered Met	Comments	Status

Table 2. Zambia: Prior Actions and Structural Benchmarks Under the ECF Arrangement (Continued)				
viii) Expand the 2026 Fiscal Risk Statement incorporating sensitivity analysis scenarios for the macro, quantifying the impact of those scenarios on fiscal variables, and including quantitative financial information about SOEs and signed PPPs to enhance the understanding of fiscal risks. (MEFP ¶134)	End-September 2025	The 2026 FRS is published alongside the 2026 Draft Budget Documents		Not Met
ix) Submit to Cabinet a new bill on State-Owned Enterprises that incorporates the principles of the SOE policy and clearly defines the role of Ministry of Finance in monitoring SOEs. (MEFP ¶135)	End-September 2025	Cabinet adopts new SOE act and submits it to Parliament	Completed with delays	Not Met
x) Publish FRA 2024 audited financial statements. (MEFP ¶120)	End-September 2025	Final audit report published on FRA website.	Completed with delays	Not Met
xi) Publish the audit report by the controller of Internal Audit on the government's drought response, detailing price and details of service rendered for all FRA and Government activities (procurement and logistics contracts, storage and distribution), and DMMU procurement contracts. (MEFP ¶120)	End-September 2025	The final audit report published on the MoF website.		Met
xii) Conduct an independent audit of the 2024-25 e-voucher rollout in all 74 districts, verifying the identity of all FISP beneficiaries, reporting and investigating potential implementation issues, and ensuring transparent and minimal selection criteria for input manufacturers, distributors and agro-dealers/retailers vetting. (MEFP ¶126)	End-September 2025	Audit conducted by an independent auditing firm and full report published on the MoF website,		Not Met
xiii) FISP contracts – Publish summary information on all procurement contracts related to the annual Farmer Input Support Program (FISP) or its successor, including beneficial ownership. (MEFP ¶126)	Ongoing – within 3 months of contract award	Summary information published on Ministry of Agriculture website.	Non applicable as all districts are under the e-voucher	
Structural Benchmarks	Timeline	Considered Met	Comments	Status

Table 2. Zambia: Prior Actions and Structural Benchmarks Under the ECF Arrangement
(Concluded)

xiv) Publish a quarterly debt statistics bulletin. (MEFP ¶41)	Quarterly – within 3 months	Report is published online.		Met
xv) Publish summary information on the financing agreements for all newly contracted external loans by the general government, including new loan contracts guaranteed or new guarantees on existing loan contracts. (MEFP ¶41)	Quarterly (on an ongoing basis)	Report is published online.		Met
xvi) FRA/DMMU - Publish summary information on all procurement contracts, related to imports of maize as part of 2024 drought response, including beneficiary ownership, on the FRA and DMMU websites as contracts are allocated. (MEFP ¶1)	Ongoing – within one month of the contract award	All FRA and DMMU procurements contracts will use the E-GP procurement platform and be available on FRA and DMMU websites	Completed with delays	Not Met
xvii) Publish the Tazama open access tender results on the Ministry of Energy website, including winning bidder and all unsuccessful bids with price, type and quantities of inputs, total contract amounts and their beneficial owners. (MEFP ¶36)	Ongoing – within one month of the contract award	Full results including unsuccessful tenders are published on a Quarterly basis on MoE website		Not Met
xviii) Publish the retail and wholesale price structures for the previous month, with all line details, in the monthly fuel price announcements by the Energy Regulatory Board. (MEFP ¶37)	Monthly (Ongoing)	Wholesale and retail price buildups (full detail) published in the Energy Regulation Board website when monthly price adjustment is announced.		Met

Attachment II. Technical Memorandum of Understanding

This Technical Memorandum of Understanding (TMU) defines the indicators used to monitor the program and reflects the understandings between the Zambian authorities and the IMF. The TMU also defines the associated reporting requirements.

1. The exchange rates for the purposes of the program are specified in Table 1 below.

Table 1. Zambia: Program Exchange Rates (Rates as of May 31, 2022)		
Currency	Zambian Kwacha per currency unit	Currency units per US Dollar
US Dollar	17.28	1.00
GB Pound	21.71	0.80
Euro	18.46	0.94
Rand	1.10	15.67
SDR	23.32	0.74
Renminbi	2.58	6.67

Source: Bank of Zambia.

2. For the purposes of the program, the central government of Zambia corresponds to the budgetary central government encompassing the activities of the national executive, legislative, and judiciary branches covered by the national budget. Specifically, it includes Parliament, the Office of the President, the national judiciary, all ministries, departments, agencies, constitutional commissions, and independent offices. See Annex Table 1.
3. The fiscal year starts on January 1 and ends on December 31.

QUANTITATIVE PERFORMANCE CRITERIA

A. Floor on the Central Government's Primary Balance (Cash Basis)

Definition

4. The floor on the primary balance of the central government will be measured from the revenue and expenditure side ("above the line") at current exchange rates and on a cash basis. Data on net domestic financing (NDF) will be reconciled between the Ministry of Finance and National Planning (MoFNP) and the Bank of Zambia (BoZ). The primary fiscal balance is calculated as the difference between government primary revenue and primary expenditure. Government primary revenue includes all tax and non-tax receipts, including external grants but excluding all interest revenue. Primary expenditure consists of current plus capital expenditure, excluding all interest payments.

Reporting

5. Data will be provided to the Fund, using current exchange rates, with a lag of no more than 60 days after the test date for December test dates. For all other test dates, data should be provided with a lag of no more than 30 days after the test date.

Adjustors

6. If the amount of general budget support grants expected to be disbursed within the fiscal year falls short of the programmed amount, the floor on the primary balance will be adjusted downward by the amount of the shortfall. The kwacha value will be calculated at the current exchange rate. General budget support grants exclude grants linked to externally financed capital projects or those earmarked to fund specific activities and programs.

7. If the amount of fuel arrears repaid as a result of the liability management operation is lower (higher) than the one envisaged in the baseline, the primary fiscal balance (on a cash basis) will be adjusted upwards (downwards) by the difference. The kwacha value will be calculated at the current exchange rate at the time of the loan disbursement.

B. Ceiling on New Central Bank Credit to the Central Government

Definition

8. New central bank credit to the central government is defined as the change in the total stock of outstanding loans and advances by the BoZ to the central government.

It excludes:

- Purchases by the BoZ of debt securities issued by the Government in the open market for purposes of implementing monetary and financial stability policies;
- on-lending of IMF credit; and
- interest accrued on the stock of outstanding loans and advances by the BoZ to the Government, its institutions, agencies, statutory bodies, and local authorities.

Reporting

9. The data for new central bank credit to the central government will be reconciled with the monthly monetary survey and submitted within 25 business days of the end of the month.

10. Data submissions should include a breakdown of outstanding loans and advances, as well as outstanding amounts of other central bank claims on the government, including debt securities and on-lending of IMF credit.

C. Floor on the Net Official International Reserves of the Bank of Zambia

11. The net official international reserves (NIR) of the BoZ will be calculated as the difference between its gross international reserves and official reserve liabilities.

12. Gross international reserves consist of:

- Monetary gold;
- Foreign currency;
- Unencumbered foreign-currency deposits at non-resident banks;
- Foreign securities and deposits; and
- SDR holdings and Zambia's reserve position with the IMF.

13. Gross international reserves exclude:

- Non-convertible currencies, except for operational balances in Rand with the South African Reserve Bank;
- Any encumbered reserve assets including but not limited to reserve assets pledged, swapped, or used as collateral or guarantee for third-party external liabilities;
- Reserve requirements on other depository corporations' foreign currency deposits;
- Any foreign assets not readily available to or not controlled by the BoZ; and
- Any foreign currency claims on Zambian residents.

14. Official reserve liabilities are defined as short-term (one year or less in original maturity) liabilities of the BoZ to non-residents, plus any outstanding use of IMF credit, and swap arrangements (maturing in less than one year) with residents and non-residents. Short-term liabilities exclude liabilities with an asset counterpart that is encumbered (excluded from the asset side as well).

15. All values not in U.S. dollars are to be converted to U.S. dollars using the program exchange rates defined in paragraph 2 above.

Reporting

16. Daily data on net international reserves, including their components, will be reported by the BoZ on a weekly basis, within 15 business days from the end of each week.

Adjustor

17. If the amount of public sector disbursements expected to be channeled through the Treasury Single Account (TSA) at the BoZ falls short of the programmed amount (e.g., due to disbursement delays or delays in the transfer of the associated funds from GRZ accounts to

BoZ gross international reserves), the NIR target will be adjusted downward by the amount of the shortfall. Starting in 2024, if the amount of public sector disbursements expected to be channeled through the Treasury Single Account (TSA) at the BoZ is lower(higher) than the programmed amount, the NIR target will be adjusted downward (upward) by the amount of the shortfall (excess).

18. If the amount of **central government external debt service payment** falls short of the agreed projections, the NIR target will be adjusted upward by the amount of the shortfall. Conversely, if the actual debt service payments exceed the agreed projections, the NIR target will be adjusted downward by an equivalent amount.

CONTINUOUS PERFORMANCE CRITERIA

19. External debt is defined on a residency basis. The term “debt” has the meaning set forth in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 16919-(20/103) of the Executive Board (October 28, 2020).

- For the purpose of these guidelines, the term “debt” will be understood to mean a current (i.e., not contingent) liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time. These payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:
 - Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
 - suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
 - leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified periods of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.
- Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

D. Ceiling on New External Debt Arrears by Central Government, the Bank of Zambia, and ZESCO

Definition

20. The performance criterion on the non-accumulation of new external debt arrears is defined as a cumulative flow in gross terms starting from the date of program approval (August 31, 2022) and applies on a continuous basis. External debt arrears are defined here as debt service (principal and interest) that is overdue (considering any contractually agreed grace periods) on external debt contracted or guaranteed by the central government, the BoZ, and ZESCO with non-residents. This performance criterion does not cover arrears on debt subject to renegotiation or restructuring.

Reporting

21. Arrears will be monitored continuously by the MoFNP, including for ZESCO, and the BoZ. The MoFNP will immediately report to the IMF staff any new accumulation of external arrears; otherwise, data will be compiled jointly by the two institutions, and will be reported by the MoFNP on a quarterly basis, within 30 days from the end of each quarter.

E. Ceiling on the Contracting or Guaranteeing of New Non-Concessional External Debt by Central Government, the Bank of Zambia, and ZESCO

Definition

22. The newly contracted or guaranteed external debt by the central government, the BoZ and ZESCO with non-residents is concessional if it includes a grant element of no less than 35 percent. The grant element is the difference between the net present value (NPV) of debt and its nominal value and is expressed as a percentage of the nominal value of the debt. The NPV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due. The discount rate used for this purpose is 5 percent. Loans provided by a private entity will not be considered concessional unless accompanied by a grant or grant element provided by a foreign official entity, such that both components constitute an integrated financing package with a combined grant element equal to at least 35 percent. External debt is defined as in paragraph 18 above.

23. For debt carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the three-month U.S. Secured Overnight Financing Rate (SOFR) is 2.38 percent and will remain fixed for the duration of the program. The spread of three-month Euro EURIBOR over three-month USD SOFR is -150 basis points. The spread of three-month JPY Tokyo Interbank Offered Rate (TIBOR) over three-month USD SOFR is -250 basis points. The spread of three-month U.K. Sterling Overnight

Index Average (SONIA) over three-month USD SOFR is -50 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over three-month USD SOFR is -50 basis points.¹ Where the variable rate is linked to a benchmark interest rate other than the three-month U.S. SOFR, a spread reflecting the difference between the benchmark rate and the three-month U.S. SOFR (rounded to the nearest 50 basis points) will be added. Given the ongoing transition away from LIBOR, once operationally feasible, this TMU can be updated to reflect the benchmark replacement for JPY LIBOR, the Tokyo Overnight Average Rate (TONAR).

24. This minimum grant element applies not only to debt as defined in Point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements (Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009), but also to commitments contracted or guaranteed for which value has not been received.

25. New non-concessional external debt is defined as any form of new debt other than concessional debt as defined in paragraph 20 above, contracted or guaranteed by the central government, BoZ, and ZESCO with non-residents.

26. For the purpose of this performance criteria, the ceiling on contracting or guaranteeing of new non-concessional external debt by the central government, BoZ, and ZESCO excludes: (i) loans stemming from the restructuring or rescheduling of external debt; (ii) central government securities issued in domestic currency, placed in the domestic primary or secondary markets, and held by non-residents; (iii) debt contracted from IMF, World Bank and AfDB; iv) short-term trade credits for imports, incurred since the beginning of the calendar year; and v) central bank debt issuance for the purposes of monetary policy or reserves management and FX swaps for the purposes of monetary policy or reserves management.

27. For program purposes, a debt is considered to be contracted when all conditions for its entry into effect have been met in accordance with the terms of the contract and as provided in the national legislation. Contracting of credit lines (which can be drawn at any time and entered into effect) with no predetermined disbursement schedules or with multiple disbursements will be also considered as contracting of debt.

Reporting

28. The MoFNP will immediately report to the IMF staff details of any new external loans contracted or guarantees issued. Detailed data on all new external debt (concessional and non-concessional) contracted or guaranteed by the central government, BoZ, and ZESCO will also be provided by the MoFNP on a monthly basis, within 30 days from the end of each month. The information will include (i) amounts contracted or guaranteed; (ii) currencies; and (iii) terms and

¹The program reference rate and spreads are based on the “average projected rate” for the three-month U.S. SOFR over the following 10 years from the most recent April 2022 World Economic Outlook (WEO).

conditions, including interest rates, maturities, grace periods, payments per year, commissions and fees, and collaterals.

F. Other Continuous Quantitative Performance Criteria

29. As for any Fund arrangement, continuous QPCs also include the non-introduction of exchange restrictions and multiple currency practices. Specifically, continuous conditionality covers (i) non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions; (ii) non-introduction or modification of multiple currency practices; (iii) non-conclusion of bilateral payments agreements that are inconsistent with Article VIII; and (iv) non-imposition or intensification of import restrictions for balance of payments reasons. These continuous QPCs, given their non-quantitative nature, are not listed in the QPC table annexed to the MEFP.

MONETARY POLICY CONSULTATION CLAUSE

30. The consultation bands apply to the average rate of inflation in consumer prices as measured by the overall consumer price index (CPI) published by ZamStats. If the observed quarterly average rate of CPI inflation (calculated as the average of the 3 monthly year-on-year inflation rates within a quarter) falls outside the outer bands for June and December test dates, the authorities will complete a consultation with the IMF Executive Board which would focus on: (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for program deviations, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary. When the consultation with the IMF Executive Board is triggered, access to Fund resources would be interrupted until the consultation takes place and the relevant program review is completed. If the observed quarterly average rate of CPI inflation falls outside the inner bands for each test date, the authorities will conduct discussions with Fund staff.

INDICATIVE TARGETS

G. Floor on the Fiscal Revenues of the Central Government Excluding Grants and Mining Revenues

Definition

31. The fiscal revenues of the central government include all tax and non-tax receipts but exclude external grants as well as revenues from corporate income tax on the mining sector and the mineral royalty tax.

Reporting

32. Data on fiscal revenues (cash basis) will be provided to the IMF staff, using current exchange rates, with a lag of no more than 60 days after the test date for December test

dates. For all other test dates, data should be provided with a lag of no more than 30 days after the test date.

H. Ceiling on the Present Value of New External Borrowing

Definition

33. This indicative target is a ceiling to the present value of all new external debt contracted or guaranteed by the central government, the BoZ and ZESCO, including commitments contracted or guaranteed for which no value has been received. External debt is defined as in paragraph 18 above. The present value (PV) of new external debt is calculated by discounting the future stream of payments of debt service (principal and interest) due on this debt on the basis of a discount rate of 5 percent and taking account of all aspects of the debt agreement including the maturity, grace period, payment schedule, upfront commissions, and management fees. In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the nominal value of the debt.

34. For the purpose of this indicative target, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or kind).

35. For the purposes of this indicative target, the ceiling excludes: (i) loans stemming from the restructuring or rescheduling of external debt; (ii) central government securities issued in domestic currency, placed in the domestic primary or secondary markets, and held by non-residents; (iii) debt contracted from IMF, World Bank and AfDB; (iv) short-term trade credits for imports, incurred since the beginning of the calendar year.; and (v) central bank debt issuance and FX swaps for the purposes of monetary policy or reserves management.

Reporting

36. The authorities will inform the IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government and will consult with staff on any potential debt management operations.

I. Ceiling on the Disbursement of Contracted but Undisbursed External Debt to Central Government And ZESCO

Definition

37. This ceiling applies to the disbursement of contracted but undisbursed external debt to the central government and ZESCO, and of contracted but undisbursed government-guaranteed external debt to ZESCO. The ceiling is set based on data shared by the authorities with staff on projected disbursements of contracted but undisbursed external debt between 2022 and 2025, after considering the authorities' estimates for the cancelation and rescoping of

contracted but undisbursed external loans and applies to this list. External debt is defined as in paragraph 18 above. Disbursements from IDA and AfDB will be excluded from this ceiling.

Reporting

38. Detailed data on disbursements of contracted but undisbursed external loans of the central government and contracted but undisbursed external loans of ZESCO (government-guaranteed or not) will be provided on a quarterly basis, within 30 days from the end of each quarter, including amounts, currencies, creditors, and project names.

J. Floor on Social Spending by the Central Government

Definition

Social spending is defined as central government expenditure on the Social Cash Transfer, Food Security Pack, Empowerment Fund (Women and Youth), the Public Welfare Assistance Scheme, Water and Sanitation, budget transfers to the Public Service Pensions Fund, the Health Sector, and the Education Sector. It is computed on a cash basis.

Reporting

39. Data will be provided to the IMF staff, using current exchange rates, with a lag of no more than 60 days after the test date for December test dates. For all other test dates, data should be provided with a lag of no more than 30 days after the test date.

K. Floor on the Net Clearance of Expenditure Arrears and Floor on Net Clearance of Tax Refund Arrears by Central Government

Definition

40. Arrears on (i) expenditure and (ii) tax refunds are defined as:

(i) Expenditure Arrears

- **For wages, salaries, and pension contributions: any payments outstanding after the agreed date for payment of staff and for payroll deductions to third parties.**
- **For goods & services and capital spending (including contractor payments): an arrear arises** when the bill has been received and delivery verified, but payment has not been made within the normal period per standard GRZ policy (30 days), or as stated in the supplier's contract.
- **For utilities: if unpaid after the due date.**
- **For subscriptions and leases:** amounts outstanding after the due date.

For the purposes of assessing the indicative target, changes in the stock of expenditure arrears

due to ongoing audits, accumulation of penalties or interest, and exchange rate valuation effects will not affect the assessment. The target will be considered as met, when agreed stock at the end of the previous fiscal year is reduced in an amount equal or larger than the agreed pace of rundown of arrears.

(ii) Tax (VAT) Refund Arrears

- **For VAT refunds:** overdue if unpaid one month after the claims were validated and approved for payment.

For the purposes of assessing the indicative target, the impact of newly validated claims for the previous year will be neutralized. This means that the target will be assessed as met if the gross clearance of VAT refunds is equal to (or more than) the sum of new claims submitted for the current year plus the agreed pace of rundown of the previous year's arrears.²

Reporting

41. Information regarding central government arrears on expenditure and tax refunds will be compiled through quarterly audits of the accounts of the ZRA and spending ministries and agencies, conducted by the Internal Audit Department of the MoFNP. The audits will be completed, and data submitted within 90 days from the end of each quarter. For expenditure arrears, arrears denominated in foreign currency will be reported in the original currency of denomination.

42. For the clearance of VAT refund arrears, the MoFNP will report separately clearance of the stock of audited VAT refunds accumulated up to the end of the previous fiscal year, as well as accumulation of claims and clearance of newly approved VAT refund in the current fiscal year.

MONITORING AND REPORTING REQUIREMENTS

43. To facilitate the monitoring of the program, the information listed in Annex Table 2 below was ported to the IMF staff within the timeframe indicated. These data will be provided electronically by email to AFRZMB@IMF.ORG.

Table 1. Zambia: Administrative Units Comprising the Budgetary Central Government

Office of the President – State House
Office of the Vice President
National Assembly
Electoral Commission of Zambia
Civil Service Commission
Office of the Auditor General
Cabinet Office – Office of the President
Teaching Service Commission – Office of the President
Zambia Police Service Commission
Zambia Police Service
Office of the Public Protector
Ministry of Mines and Mineral Development
Ministry of Home Affairs and Internal Security
Drug Enforcement Commission
Ministry of Foreign Affairs and International Cooperation
Judiciary
Disaster Management and Mitigation Unit
Local Government Service Commission
Ministry of Information and Media
Public Service Management Division
Ministry of Local Government and Rural Development
Zambia Correctional Services
Ministry of Justice
Ministry of Commerce, Trade and Industry
Human Rights Commission
Ministry of Small and Medium Enterprise Development
Zambia Correctional Service Commission
Ministry of Finance and National Planning
Smart Zambia Institute
Ministry of Labor and Social Security
Ministry of Water Development and Sanitation
Ministry of Green Economy and Environment
Ministry of Infrastructure, Housing and Urban Development
Ministry of Energy
Ministry of Technology and Science
Ministry of Tourism
Ministry of Youth, Sport and Arts
Ministry of Defense
Zambia Security Intelligence Services – Office of the President
Ministry of Education
Ministry of Lands and Natural Resources
Ministry of Fisheries and Livestock
Anti-Corruption Commission
Muchinga Province
Ministry of Agriculture
Lusaka Province
Copperbelt Province
Central Province
Northern Province
Western Province
Eastern Province
Luapula Province
North-Western Province
Southern Province

Table 2. Zambia: Reporting Requirements

Data Description	Data Freq.	Agency	Reporting Freq.	Date
Monetary and Financial Sector				
1. Reserve money and its components (NDA and NFA) at current and program exchange rates	D	BoZ	W	T15
2. Excess reserves	D	BoZ	M	T15
3. Overnight interbank rates	D	BoZ	W	T15
4. Treasury bill and BoZ bill auction results	W	BoZ	W	T15
5. Interest rates	M	BoZ	M	T15
6. Holdings of government and BoZ securities by maturity and type of investors (local commercial banks, non-banks, and foreigners)	M	BoZ	M	T15
7. Monetary survey (incl. the BoZ and ODC surveys)	M	BoZ	M	T15
8. Financial soundness indicators by bank	M	BoZ	M	T15
External Sector				
9. Exchange rates	D	BoZ	W	T15
10. Gross international reserves and foreign exchange purchases and sales	D	BoZ	W	T15
11. BoZ FX cash flow	M	BoZ	M	T15
12. FX backlog	W	BoZ	M	T15
Fiscal				
13. Net domestic financing	D	BoZ	W	T7
14. Revenues from the Tazama pipeline transport cost differential	M	MoFNP	M	T30
15. Fiscal table including revenue, expenditure, and financing	M	MoFNP	Q	T30
16. Social spending	Q	MoFNP	Q	T30
17. Stocks of arrears on expenditure, tax refunds, and domestic debt service	Q	MoFNP	Q	T90
18. Stock of VAT arrears divided by stock of arrears as of end-year plus new approved VAT refund claims and payments in the current fiscal year.	M	MoFNP	Q	T90
Real Sector				
19. Consumer price index and monthly statistical bulletin	M	ZamStats	M	T15
20. National accounts	Q	ZamStats	BA	T30
External Debt				
21. New external loans contracted or guaranteed by the central government, BoZ, and ZESCO, or any other agency on their behalf, with detailed information on the amounts, currencies, terms, conditions, and purposes.	Q	MoFNP	Q	T30
22. Disbursements of contracted but undisbursed external loans to the central government and contracted but undisbursed external loans to ZESCO (government-guaranteed or not)	M	MoFNP	Q	T30
Program Monitoring				
23. Report on program performance	Q	MoFNP	Q	T90
D = Daily, W = Weekly, M = Monthly, Q = Quarterly, BA = Bi-annual, A = Annual; TX = X days after the date of the last observation				



ZAMBIA

January 09, 2026

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW— DEBT SUSTAINABILITY ANALYSIS

Approved By

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(IMF) and **Manuela Francisco and**
Hassan Zaman (IDA)

The Debt Sustainability Analysis (DSA) was prepared jointly by the staff of the International Monetary Fund and the International Development Association, in consultation with the authorities.

Zambia: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgment	No

Zambia's public debt is assessed as sustainable but remains at high risk of overall and external debt distress. The analysis is based on a full post-restructuring macro-framework, incorporating the treatment of official bilateral claims agreed with Zambia's Official Creditor Committee (OCC), the completed Eurobond exchange, the agreements in principle (AIP) reached with some external commercial creditors, and under the assumed treatment of residual claims of other external commercial creditors in line with authorities' restructuring strategy and consistent with program parameters and the comparability of treatment principles. Under the baseline, breaches of the overall and some external debt indicator thresholds remain¹ The present value of external debt-to-exports ratio is expected to decline below the 84 percent threshold—indicating “substantial space to absorb shocks”—by 2027. However, the debt service-to-revenue ratio (DSRR) is projected to breach the 14 percent threshold in 2025 (at 21.4 percent, though it is below the threshold at 12.4 percent excluding the fuel arrears clearance operation and past due interest on restructured debt). The 2026-31 average DSRR is projected at 13.4 percent, below the 13.8 percent in the previous DSA, with the improved ratio due to significant Kwacha appreciation boosting the nominal value of US\$ denominated revenues, as well as lower nominal interest rates and a tighter-than-envisioned fiscal consolidation. Zambia's debt indicators are projected to improve consistent with a moderate risk of external debt distress in the medium term. Shocks to exports, the exchange rate and growth would present downside risks to the debt outlook.

¹ Zambia's debt-carrying capacity is weak based on the composite indicator (CI). The composite indicator is calculated using data from the October 2025 WEO and the 2024 CPIA, the latest available.

PUBLIC DEBT COVERAGE

1. As in the previous DSA, the coverage of Zambia's public and publicly guaranteed (PPG) debt for the purpose of the DSA includes the following : (i) central government domestic and external debt, including arrears to external suppliers (fuel and contractors) and central government guaranteed external debt; (ii) the nonguaranteed external debt of Zambia Electricity Supply Company (ZESCO), the fiscally important state-owned utility;² and (iii) the domestic and external arrears of the same enterprise. Central bank external debt (including outstanding Fund credit), together with the debt of social security funds guaranteed by the central government, is also included in the coverage.³ As in previous DSAs, local governments and SOEs without government guarantees are excluded from the DSA coverage.

2. The DSA also incorporates the treatment of the non-guaranteed external debt of ZESCO, including domestic and external debt arrears. In accordance with the LIC-DSF Guidance Note, given the significant fiscal risks posed by ZESCO its non-guaranteed external debt, outstanding arrears to domestic (US\$181 million at end-June 2025), and external independent power producers (IPPs, US\$81 million at end-June 2025), are included in the DSA perimeter.⁴ Beyond this outstanding debt, as of end-September 2025, ZESCO's overall balance sheet had current payables in various forms (i.e. trade credits and other revolving and "provisioned-for" payables to various suppliers as well as independent local and IPPs). While these are current payables, they can potentially constitute further risk to the budget, especially given that current electricity tariffs are below cost recovery.

3. The DSA is conducted on a residency basis. In line with the LIC-DSF Guidance Note, non-resident (NR) holdings of domestic-currency debt (as recorded by the authorities) are treated as external debt for the purpose of this DSA, while recognizing the underlying measurement challenges. End-September 2025 data indicate that the stock held by non-resident increased to K 61.2 billion (US\$2.72 billion or 24.2 percent of the outstanding domestic-currency government securities) from K 57.6 billion by end-2024. The authorities restricted participation of NRs in the primary market given debt sustainability risks. In 2024-25, a limit of 5 percent of the face value of gross domestic bonds issuance in the primary market was applied in line with the agreement on the restructuring perimeter reached with the OCC in June 2023. However, in 2026, the authorities intend on rolling over all maturing debt held by non-residents which coincides with 23 percent primary bond issuances allocated to NRs and maintain primary bond issuances allocation to NRs at 15 percent over the medium term.

² The government-guaranteed debt of ZESCO and other SOEs has always been included in the DSA and is now also part of the authorities' officially published debt metric. ZESCO's contingent risks to the sovereign relate to its persistent and large cash deficits. See [Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries \(2018\)](#).

³ As of end-December 2022, this debt consists solely of an outstanding government guaranteed external loan to the Public Service Pension Fund of US\$52.7 million.

⁴ ZESCO generated sufficient revenues in 2023 and fully amortized its nonguaranteed external debt by end-2023.

Text Table 1. Zambia: Public Debt Coverage and the Magnitude of the Contingent Liability Tailored Stress Test

Subsectors of the public sector	Sub-sectors covered		
1 Central government	X		
2 State and local government			
3 Other elements in the general government			
4 o/w Social security fund	X		
5 o/w Extra budgetary funds (EBFs)			
6 Guarantees (to other entities in the public and private sector, including to SOEs)	X		
7 Central bank (borrowed on behalf of the government)	X		
8 Non-guaranteed SOE debt	X		

Public debt coverage and the magnitude of the contingent liability tailored stress test

8. Please customize elements of the contingent liability tailored test, as applicable.

1 The country's coverage of public debt	The central government plus social security, central bank, government-guaranteed debt, non-guaranteed SOE debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4 PPP	35 percent of PPP stock	1.4	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		8.4	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

BACKGROUND ON DEBT

4. Zambia sought debt treatment under the G20 Common Framework following its 2020 default and the accumulation of external arrears. This followed Zambia's default on its sovereign Eurobonds in 2020 and the accumulation of arrears to both official bilateral and other commercial external creditors. To address debt sustainability challenges, the authorities requested a debt treatment under the G20 Common Framework (CF) in January 2021, which is now incorporated in the DSA given that agreements have been reached with most creditors, and good-faith negotiations are ongoing with the residual ones.

5. Progress on debt restructuring with official creditors continues to advance. The Official Creditor Committee (OCC) under the CF, formed in June 2022, reached agreement on a memorandum of understanding (MoU) on terms of the debt restructuring in October 2023. The MoU, signed by all OCC members, reflects the agreed debt treatment consistent with program parameters announced in June 2023. As of November 2025, four bilateral debt restructuring agreements (China, France, India, and Saudi Arabia) under the OCC deal have been signed. Although the OCC MoU has been signed, debt service under the OCC agreement did not commence in 2023 as envisaged, pending the signature of bilateral agreements between Zambia and each OCC member. Signatures of additional bilateral agreement are expected by end-2025. As such, debt service in 2025 includes past due interest accumulated during 2023-24, with an expected reduction of past due interest from 2023-25 by almost 74 percent (US\$141 million), with the rest (about US\$51 million) expected to be paid in 2026.

6. Commercial debt restructuring has moved forward in parallel. In addition to the Eurobond exchange in June 2024 and the agreements in principle (AIPs) with four major external commercial creditors—Bank of China, Industrial and Commercial Bank of China, China Development Bank, and SINOSURE insured exposures. The authorities have also reached AIP with other commercial creditors, bringing the agreed deals to about 94 percent of the external debt in the restructuring perimeter – the same

level as in the previous DSA. These agreements are considered sufficiently credible to be included in the baseline. Signing of agreements with commercial creditors has also progressed.

7. The creditor composition of external debt (Table 1) reflects the representation of the official creditors in the OCC. Official representatives of some countries with eligible claims represented in the OCC made requests to classify their claims backed by an official export-credit agency as commercial claims, in particular China requested to classify all Sinosure-backed commercial claims as private.⁵ These claims are therefore included as part of commercial creditors' claims, and the arrears related to these claims are considered as arrears to the private sector for the purpose of the application of Fund's policies.

8. Zambia's external public and publicly guaranteed (PPG) debt on contractual basis is expected to rise to US\$21.7 billion at end-2025, up from US\$21.4 billion at end-2024 at the Fifth review.⁶ As in the last DSA the debt stock reflects the haircut from the completed Eurobond exchange and a principal payment of about US\$336.3 million on the restructured bond. The increase was driven by about US\$127 million in new foreign-currency denominated disbursements to the central government—mainly from the World Bank, EIB, and the AfDB, and the existing buildup of about US\$1.05 billion in interest arrears (on a contractual basis) on central government foreign-currency denominated debt. Fuel arrears owed to non-resident suppliers and ZESCO's arrears to external IPPs declined marginally as the authorities made some payments. Nonresident holdings of domestic-currency debt increased to US\$2.7 billion by end-September 2025, however the share of NR holders of domestic debt fell to 24.2 percent at end-September 2025, down from about 25 percent at end-2024, and a peak of around 29 percent in 2022 (see Text Figure 1).

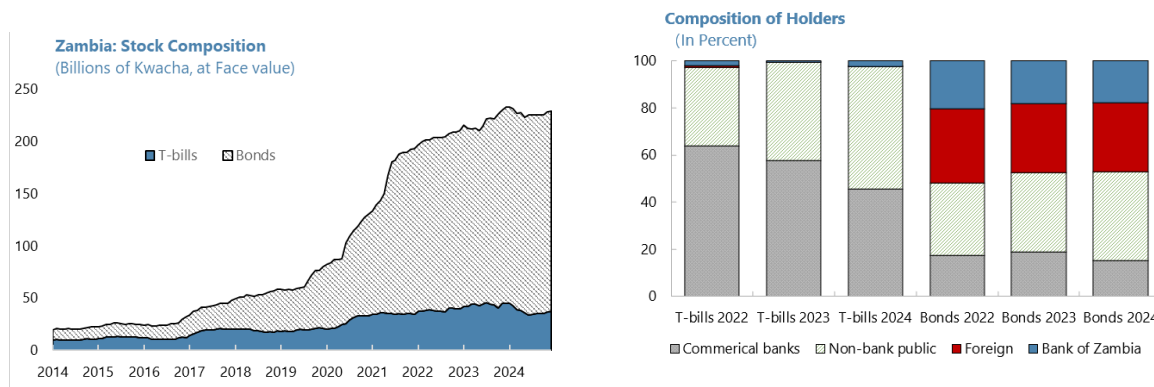
9. Zambia remains without access to international capital markets. After peaking at 6,954 basis points in March 2023, weighted average Eurobond spreads narrowed to 352 basis points (bps) by October 31, 2025.

10. Outstanding domestically issued government securities increased in 2025. Government securities stood at K 252.8 billion at end-September 2025 (38.1 percent of 2024 GDP) compared to K 229.4 billion at end-2024 (33.6 percent of GDP). This reflects that the authorities continue to rely on domestically issued debt to finance the fiscal deficit as well as the bond operation relating to the resolution of the fuel arrears. The stock of NR holdings increased by 6.2 percent in nominal terms, from K 57.6 billion (8.6 percent of GDP) at end-2024 to K 61.2 billion (9.2 percent of GDP) at end-September 2025. Of the outstanding amounts held by NR holders, about 64 percent are concentrated in original bond maturities of 10 years or more, though about 17 and 30 percent of the outstanding amounts are maturing in 2026 and 2031 respectively, with another 24 percent cumulatively maturing between 2032 and 2035.

⁵ Under the Debt Service Suspension Initiative (DSSI), China requested to classify its national development bank, the China Development Bank, as a commercial creditor—consistent with the classification requested under the Common Framework.

⁶ Although an MoU has been signed with official creditors and an AIP reached with the majority of commercial creditors, the authorities report on a contractual basis until the agreements are finalized and implemented.

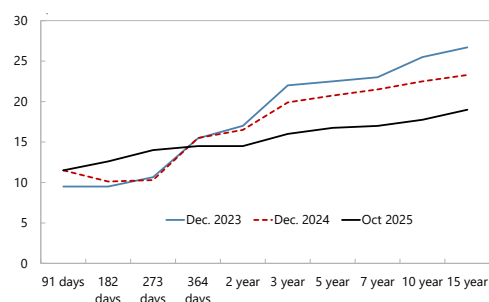
Text Figure 1. Zambia: Central Government Domestically Issued Securities
(End-2024)



Sources: Zambian authorities and IMF staff estimates.

11. Yields on government securities diverged in 2024, with short-term rates rising while long-term rates declining (Text Figure 2). Successive monetary policy tightening in 2024, along with a 900-basis point increase in the Statutory Reserve Requirement (SRR) in February, pushed yields higher, particularly at the shorter end of the yield curve. The 91-days T-bill yield increased by 200 bps in 2024 and stands at 11.5 percent as of end-October 2025, while the 182- and 273-day T-bill yields increased by 248 and 370 basis points, respectively, between December 2024 and end-October 2025. Yields on longer-term bonds declined markedly between end 2024 and end-October 2025—by 200 bps to 475 bps—reflecting improved market sentiment due to progress in debt restructuring and renewed demand from NR investors.

Text Figure 2. Zambia: Government T-Bill and Bond Rates
(In percent)



Sources: Zambian authorities and IMF staff estimates.

Table 1. Zambia: Public and Publicly Guaranteed Debt Stock—Creditor Composition and Contracted Debt Service¹
(As of end-2024)

	Debt stock (end of period) ²				Debt service ³			
	2023		2024		2025	2026	2025	2026
	(In US\$)	(In US\$)	(Percent total debt)	(Percent GDP) ¹⁰	(In US\$)		(Percent GDP)	
Total	30,970	30,348	100.0	127.8	2,536	2,344	8.2	6.2
External Foreign-Currency Debt	19,121	18,867	62.2	79.5	732	753	2.4	2.0
Multilateral creditors ⁴	4,147	5,272	17.4	22.2	195	236	0.6	0.6
IMF	563	1,295	4.3	5.5				
World Bank	2,252	2,522	8.3	10.6				
ADB/AfDB/IADB	917	1,045	3.4	4.4				
Other Multilaterals	415	410	1.4	1.7				
o/w EIB	207	213	0.7	0.9				
o/w IFAD	132	123	0.4	0.5				
Bilateral creditors ⁵	6,456	6,637	21.9	28.0	206	115	0.7	0.3
Paris Club	1,524	1,460	4.8	6.1	42	21	0.1	0.1
o/w: Israel	488	452	1.5	1.9				
o/w: UK	249	299	1.0	1.3				
Non-Paris Club	4,932	5,177	17.1	21.8	164	94	0.5	0.2
o/w: China	4,174	4,473	14.7	18.8				
o/w: India	345	301	1.0	1.3				
Eurobonds	3,715	2,739	9.0	11.5	237	357	0.8	0.9
Commercial creditors	3,313	2,952	9.7	12.4	94	45	0.3	0.1
Fuel arrears	897	713	2.3	3.0	n/a	n/a	n/a	n/a
Arrears to external contractors	492	475	1.6	2.0	n/a	n/a	n/a	n/a
ZESCO external IPP arrears	101	81	0.3	0.3	n/a	n/a	n/a	n/a
			0.0	-				
Domestic-Currency Debt	11,849	11,481	37.8	48.4	1,803	1,591	5.8	4.2
Held by residents, total	6,852	6,158	20.3	25.9	1,431	1,039	4.6	2.7
Held by non-residents, total	2,191	2,067	6.8	8.7	373	552	1.2	1.5
T-Bills	1,746	1,340	4.4	5.6	190	-	0.6	-
Bonds	7,297	6,884	22.7	29.0	1,613	1,591	5.2	4.2
Loans	-	-	-	-				
Domestic budget arrears and ZESCO domestic IPP arrears	2,806	3,256	10.7	13.7	n/a	n/a	n/a	n/a
Memorandum Items:								
Collateralized debt ⁶	2,428	1,367	4.5	5.8				
o/w: Related								
o/w: Unrelated								
Contingent liabilities	n/a		n/a	n/a				
o/w: Public guarantees								
o/w: Other explicit contingent liabilities ⁷								
SOE guaranteed external debt ⁸	1,560	1,606	5.3	6.8				
SOE non-guaranteed external debt (ZESCO) ⁸	-		-	-				
Total external PPG debt ⁹	21,312	20,934	69.0	88.2				
Nominal GDP	27,578	25,303			30830	38001		

1/ Debt stock is based on end-December 2024 data from the authorities on a contractual basis—before debt treatment, except for the Eurobond (reflecting post-restructuring terms) and for France and Saudi Arabia, where bilateral agreements were signed under the OCC MoU—and IMF staff estimates. It includes arrears on principal and interest, but excludes penalty fees and interest on arrears.

2/ Includes direct debt to central government, SOE guaranteed debt and non-guaranteed debt of ZESCO

3/ Post-restructuring debt service: creditor classification according to the OCC representation.

4/ "Multilateral creditors" are simply institutions with more than one sovereign as a shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

5/ Includes loans to central government and loans backed by guarantee from an official export-credit agencies, except Sinosure backed commercial claims.

6/ Based on latest available data, as of end-December 2022, there was around \$2.5 billion of disbursed external foreign-currency debt (including non-guaranteed debt of ZESCO) with some form of security or escrow arrangement that could be considered as collateralized debt, including debt with a government guarantee or third-party (exporter) guarantee as security. Almost all this debt is in arrears and, where the security or escrow provides for a claim on funds in a specific account, the authorities have reported zero balances in those accounts. The exception is the non-guaranteed external debt of ZESCO which is collateralized with receivables and which is being serviced. Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations

7/ Based on information received, there are no such contingent liabilities. Includes other one-off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

8/ Reflected in external foreign-currency public debt in this table.

9/ Total PPG external debt comprises total external foreign-currency debt, domestic-currency debt held by non-residents, fuel arrears, arrears to external contractors, and ZESCO non-guaranteed external debt and arrears.

10/ The debt-to-GDP ratios are calculated from the value in national currency by converting outstanding debt in US dollars at eop exchange rate, and nominal GDP at average period exchange rate.

MACROECONOMIC ASSUMPTIONS

The macroeconomic framework underpinning this DSA aligns with the baseline of the Sixth Review of the ECF program. Key changes from the previous DSA include stronger fiscal adjustment, and a deteriorated external sector over the medium term.

12. Recent developments. The Zambian economy showed resilience in the wake of a historic drought. Real GDP growth was 3.8 percent in 2024. Growth is projected to be 5.2 percent in 2025, as the rebound continues, though expanding economic activity continues to be hampered by limited access to electricity. Inflation is trending down, but remains high, supported by lower food and fuel prices and the Kwacha nominal appreciation in recent months. The current account is expected to deteriorate to a small deficit, compared to the small surplus at the time of the Fifth Review as the trade balance deteriorates due to a broad-based increase in imports. Fiscal performance up to September 2025 was stronger-than-envisaged with the end-September primary balance (cash basis) standing at K 13.4 billion, relative to a program IT of K 6.4 billion.

13. Growth. Growth in 2025-26 was revised down on account of lower than-expected mining activity, a normalized agriculture season in 2026, while investment in the copper sector is expected to boost output between 2026-28. Growth is expected to average around 5.3 percent over 2025-34. Advancing the structural agenda will lay the foundation for sustained and private-led growth. Ensuring ZESCO's financial viability and long run sustainability is essential to attract investment in the energy sector, in line with the Ministry of Energy's Integrated Resource Plan approved in November 2023. The Comprehensive Agricultural Transformation Support Program should help boost agricultural productivity and build climate resilience. Phasing out subsidies will create the fiscal space needed to build human capital.

14. Inflation. Near-term Inflation projections have been revised slightly upwards to account for sticky food prices and the impact of the exchange rate depreciation in 2025H1. Nevertheless, the BoZ lowered its policy rate by 25 basis points to 14.25 in November 2025, after having maintained a tightening cycle between 2024 and February 2025 during which time the policy rate was cumulatively increased by 350 basis points to address rising inflation and currency depreciation. In 2025, inflation is expected to average 14 percent, with end-year inflation projected at 11 percent, relative to 11.1 percent in the previous DSA. Inflation in 2026 is expected to average 9.3 percent (0.1 higher than in the previous DSA), with year-end inflation at 8.2 percent, thereby inflation is now expected to fall within the BoZ's target band by end-2027.

15. External. The medium-term outlook for the external position has deteriorated since the previous DSA. Preliminary data show a current account deficit of 2 percent of GDP in 2025H1 (shifting from a surplus of 0.2 percent of GDP in 2024H1), driven by broad-based import growth and lower official grants, partly reflecting unwinding drought support. Financial inflows were supported by FDI (1.8 percent of GDP, slightly below 2024H1) and nonresident purchases of domestic debt (0.5 percent of GDP). Gross international reserves (GIR) rose to 4.2 months of prospective imports by November, from 3.9 months at end-2024 supported by government's project financing and banks' reserve requirements. Net international reserves (NIR), however, increased only marginally to \$2.0 billion, as reserves buildup is somewhat constrained by

repaying VAT refund arrears through offsets against FX-payable mining taxes.⁷ In 2025, the current account is projected to deteriorate relative to the Fifth Review, reflecting higher imports—partly driven by recovering consumer and investment demand and a sustained energy deficit. Nevertheless, the external position is projected to improve following the debt restructuring and the continued implementation of policies under the program that will sustain fiscal consolidation, improve business confidence, and attract further foreign direct investment. The improved current and financial accounts are expected to support FX reserves accumulation.

Text Table 2. Zambia: Macro and Debt Assumptions

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	(Annual percentage change)									
Real GDP Growth										
Fifth review DSA	4.0	5.8	6.4	6.5	5.1	4.8	4.8	4.8	4.7	4.7
Current DSA	3.8	5.2	5.8	6.0	5.7	5.3	5.3	5.3	5.3	4.6
Inflation (Annual Average)										
Fifth review DSA	15.0	14.2	9.2	7.4	7.0	7.0	7.0	7.0	7.0	7.0
Current DSA	15.0	14.0	9.3	7.5	7.0	7.0	7.0	7.0	7.0	7.0
Inflation (End of Period)										
Fifth review DSA	16.7	11.1	7.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Current DSA	16.7	11.0	8.2	7.0	7.0	7.0	7.0	7.0	7.0	7.0
GDP Deflator										
Fifth review DSA	18.8	11.5	6.9	6.3	6.9	6.7	6.4	6.4	6.4	6.4
Current DSA	14.4	11.1	7.4	6.4	7.0	6.9	6.7	6.7	6.7	6.6
	(Percent of GDP)									
Revenues and Grants										
Fifth review DSA	22.2	22.8	23.0	23.3	23.4	23.6	23.8	23.9	23.9	24.0
Current DSA	23.1	23.3	24.3	23.5	23.8	23.9	24.1	24.2	24.2	24.3
Primary Balance (on Commitment Basis)¹										
Fifth review DSA	4.3	4.1	4.3	5.0	4.4	3.6	2.9	2.7	2.6	2.5
Current DSA	4.5	5.8	4.8	5.5	5.1	4.4	3.2	3.5	3.3	3.1
Primary Balance (on Cash Basis)¹										
Fifth review DSA	2.9	1.2	2.7	3.6	3.3	2.9	2.7	2.6	2.6	2.5
Current DSA	3.1	2.2	3.8	3.5	3.4	3.1	3.2	3.5	3.3	3.1
Exports of Goods										
Fifth review DSA	43.2	45.0	43.4	43.6	43.4	43.5	43.4	43.1	43.1	43.1
Current DSA	44.9	43.4	41.4	41.2	41.3	41.4	41.4	41.3	40.5	40.4
Non-Interest Current Account Balance										
Fifth review DSA	0.0	3.9	4.6	5.4	5.4	4.9	4.7	4.1	4.6	4.5
Current DSA	0.6	0.7	4.3	4.8	5.0	5.0	5.1	4.4	4.2	4.6
Net FDI Inflows										
Fifth review DSA	3.7	3.7	4.5	3.8	3.8	4.3	4.3	4.3	4.3	4.3
Current DSA	5.3	4.5	4.6	4.8	4.6	4.5	4.5	4.5	4.5	4.5
	(In Percent)									
Average nominal interest rate on external debt										
Fifth review DSA	2.5	3.4	2.8	2.8	2.9	2.9	3.0	2.8	2.7	2.5
Current DSA	2.5	5.1	3.1	3.3	3.3	3.3	3.3	3.2	3.0	2.8
	(Millions of dollars)									
Project Loan Disbursements										
Fifth review DSA	426	364	442	276	213	160	718	1008	907	836
Current DSA	426	290	483	356	279	202	202	339	484	379

1/ The primary balance on a cash basis measures the difference between total revenue and total non-interest expenditure, excluding interest payments on outstanding debt. In contrast, the commitment basis measures the difference between total revenue and total expenditure, including interest payments on outstanding debt.

⁷ Encumbered reserves reflect project inflows, statutory reserves, valuation gains, and IMF financing.

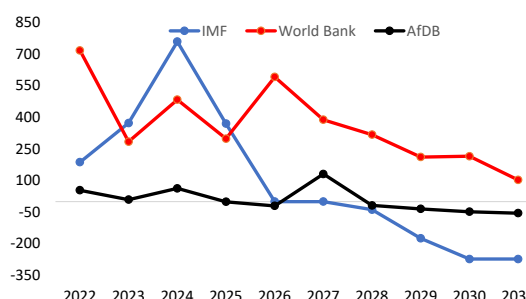
16. Fiscal. Fiscal consolidation accelerated in the first three quarters of 2025. The primary balance reached 2 percent of GDP at end-September, well above the end-September IT, despite revenues falling short of the 2025 revised budget due to VAT refunds, as investment spending—especially foreign-

financed—underperformed. The authorities are expected to complete the clearance of fuel arrears through a liability management operation financed by a foreign exchange (FX) denominated loan from domestic banks (1.3 percent of GDP). Revenues are expected to reach 22.6 percent of GDP⁸ on account of lower grants and faster VAT refunds. Primary expenditure in 2025 is projected at 21.4 percent of GDP, with most under-execution in capital spending. Including the fuel arrears operation (1.3 percent of GDP), the overall deficit is projected at 4.8 percent of GDP, of which only 1 percent is financed from external sources.

17. Financing. Financing assumptions are guided by the debt conditionality under the ECF program. Given the significant spike in domestic amortization in 2026 and the BOP needs, sustaining the exposure of non-residents in the domestic market will support the burden sharing and reduce exchange rate pressures. However, downside risks could deteriorate debt dynamics more intensively if market sentiment changes rapidly in the context of an electoral year and heightened global uncertainty.

- External Financing:** Borrowing—primarily from the IMF, the World Bank and the African Development Bank—will comprise an important part of the financing mix (Text Figure 3). Over the program period of 2022-25, external financing comprises disbursements of US\$1.6 billion on contracted but undisbursed priority project loans, about US\$2.3 billion of new financing from the World Bank (including grants), US\$1.7bn financing from the IMF, and US\$367 million from the African Development Bank.⁹ The World Bank is assumed to disburse US\$1.1 billion over 2025–26, of which US\$480 million are grants and US\$25 million corresponds to budget support. Under the program, Zambia will not undertake non-concessional borrowing unless an exception is granted in line with the IMF’s Debt Limit Policy or World Bank Sustainable Development Finance Policy.

Text Figure 3. Zambia: Net Financing from IFIs, 2022-2031
(In US\$, million)



Source: IMF and World Bank staff projections.

Notes: World Bank financing includes disbursements on grant terms from new operations approved in FY24-FY26

⁸ The nominal GDP has been revised downward from the Fifth Review level, hence as a share of GDP revenue is now higher though on nominal terms it is slightly below the Fifth Review level.

⁹ IDA financing figures are based on assumptions. Actual financing will depend on country performance, and other operational factors. Actual performance-based allocations (PBA) will be determined annually and will depend on (a) total IDA resources available; (b) the number of IDA-eligible countries; (c) the country’s performance rating, per-capita gross national income, and population; (d) implementation of IDA’s Sustainable Development Finance Policy (SDFP); and (e) the performance and other allocation parameters for IDA borrowers. IDA allocations and terms could significantly change because of adjustments to the IDA Grant Allocation Framework in new IDA cycles.

- **Domestic Financing:** Domestic borrowing will remain a key financing source. Initially, in 2025, the authorities aimed to raise K 19.4 billion in net domestic financing, but this was augmented by about K 11 billion in domestic financing to cover the LMO related to clearing the fuel arrears. Over the medium term, average real interest rates are projected to remain at around 1.9 percent for T- bills and 6.2 percent for bonds, with nominal rates expected to decline as inflation returns to target. Consequently, net issuance of domestic debt (excluding short-term debt) is anticipated to be slightly negative in the coming years, indicating that the government is containing its domestic financing needs.¹⁰ Hence, the domestic debt-to-GDP ratio is projected to converge with the median LIC level only by 2031 (Figure 6).

18. As in the previous DSA, the baseline incorporates the authorities' comprehensive debt restructuring agreements under a weak debt-carrying capacity. As of November 2025, restructuring agreements covering about 94 percent of claims within the restructuring perimeter have been reached.

- **Official Creditors:** Official creditors, represented by the G20 CF OCC, agreed on a debt treatment consistent with the financing assurances provided in June 2022. Embedded in a MoU, all parties signed. This agreement entails a fully quantified two-stage approach that includes a state-contingent treatment with a trigger linked to Zambia's debt carrying capacity (DCC). In the base case, consistent with Zambia remaining assessed as having a weak DCC, official creditors will significantly lengthen the maturity of their claims and reduce their interest costs consistent with the parameters of the ECF-arrangement. The state-contingent clause will be evaluated at end-2025. Though not currently expected, should an upgrade to a medium DCC occur, it would trigger an upside treatment, with some acceleration of principal payments and higher interest payments to official creditors. This treatment would remain anchored in the LIC-DSF and meet the corresponding DSA thresholds at medium DCC, i.e., the PV of external debt-to-exports at "substantial space to absorb shocks" threshold at 180 percent by 2027 and maintaining the average 2026-2031 external debt service-to-revenue ratio below the 18 percent threshold.
- **Eurobond:** The Eurobond exchange agreement completed on June 11, 2024, similar to the OCC treatment, features an upside scenario activated by a dual trigger linked to Zambia's DCC and/or the 3-year moving average of exports and fiscal revenues in U.S. dollars, relative to IMF staff projections from the second ECF review.¹¹ The state-contingent clause will be assessed from January 2026 to December 2028. One note includes a state-contingent clause; if triggered, it would accelerate payments and increase coupon rates. The upside treatment is anchored in the LIC DSF and meets DSA sustainability targets at medium DCC, as does the OCC treatment.
- **Commercial Creditors:** In late 2024, the authorities announced agreements in principle with two of the major commercial creditors—Industrial and Commercial Bank of China and China Development Bank—on terms that are in line with program parameters and CoT principle. Additional AIPs reached in 2025 include Bank of China, Investec, Israel Discount Bank, and

¹⁰ Net domestic debt issuance is estimated as public gross financing need minus gross external financing, asset drawdowns, adjustments, and domestic debt amortization, excluding short-term debt issued and matured within the same year.

¹¹ IMF Country Report No. 23/439.

Nordea. Similar to the OCC treatment, the agreement outlines a state-contingent treatment triggered by Zambia's DCC. In the base case, where Zambia remains classified with a weak DCC, creditors will extend claim maturities and lower interest costs consistent with the parameters of the ECF arrangement. The state-contingent clause will be assessed on June 30, 2026. If Zambia's economic performance and policymaking then justify an upgrade to a medium DCC, the upside treatment will be activated, leading to accelerated principal payments and higher interest payments. The authorities have also reached AIP with other smaller commercial creditors.

- **Outstanding commercial creditors:** Consistent with the IMF's Lending into Arrears policy, the authorities are making good faith efforts to reach a debt restructuring agreement with the residual external commercial creditors, on terms that are in line with program parameters and the CoT principle. The outstanding debt to these residual external creditors is about 6 percent of the public debt under restructuring.¹² The authorities remain committed to delivering a treatment consistent with the DSA parameters and on comparable terms with the OCC. The residual arrears with these creditors can be considered as treated on comparable terms and deemed away for the purpose of the DSA (in line with LIC DSF Guidance Note).

19. In line with the revised arrears' clearance strategy 2024, the authorities undertook a targeted liability management operation aimed at extinguishing fuel-related arrears to suppliers, which had accrued substantial fines and penalties. By end 2023, the stock of arrears had reached US\$896m, a 50 percent increase from its end-2021 level. As of October 2025, the authorities had settled \$828 million in arrears by paying \$415 million over 2024–25 (of which \$312 in 2025) and committing to pay \$116 million in lieu of discounted interest payments to one supplier between 2026 and 2028 in three equal installments. This arrangement resulted in an average discount of 36 percent on the total stock.

¹² The remaining claims exclude claims under audit of about US\$400 million.

Text Table 3. Zambia: Projected Borrowing Plan¹
January 1, 2023 to December 31, 2025

PPG external debt	Volume of new debt in 2023-25		PV of new debt in 2023-25 (program purposes)		PV of new debt in 2023-25 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By Sources of Debt Financing	175.0	100	71.9	100	71.9	100
Concessional Debt, of which	175.0	100	71.9	100	71.9	100
IFI debt	175.0	100	71.9	100	71.9	100
Other	0.0	0	0.0	0	0.0	0
Non-Concessional Debt, of which	0.0	0	0.0	0	0.0	0
By Creditor Type	175.0	100	71.9	100	71.9	100
IFI	175.0	100	71.9	100	71.9	100
Other	0.0	0	0.0	0	0.0	0
Uses of Debt Financing	175.0	100	71.9	100	71.9	100
Infrastructure	175.0	100	71.9	100	71.9	100

¹ In line with the TMU definition of debt ceilings, it does not include new financing from IMF, World Bank, AfDB and projected issuances of local-currency debt to NRs.

Sources: IMF staff calculations based on authorities' reported data.

20. Downside risks to the outlook. A slowdown in growth for major trading partners amid escalating trade tensions and deepening geopolitical fragmentation could adversely affect copper prices and strain external and fiscal accounts. Real income losses and worsening inequality could compound preexisting challenges, including vulnerabilities to weather-related shocks. While not directly vulnerable to global trade tariff shifts, Zambia remains vulnerable to reductions in official development assistance (ODA). The upcoming elections could generate spending pressures while tighter domestic market conditions, with a narrow investor base and a notable non-resident base, could challenge government financing, resulting in non-resident outflows and weaken the kwacha, posing risks to external and financial stability. Further, the national power utility company ZESCO has significant arrears, as its electricity tariffs do not reflect cost-recovery, and thus poses a potentially material fiscal risk to the Treasury.

21. Upside risks. These stem mainly from faster global and domestic growth, a speedy resolution of the remaining aspects of the debt restructuring, greater confidence effects, including stronger and broader reform momentum. Positive food and commodity price dynamics could result in lower inflation. Renewed mining investments could bolster investor confidence, support higher FDI, and expand higher value-added exports over the medium term. Delivering on planned solar, wind, and thermal projects would improve electricity generation, reduce energy imports (beyond a modest easing in the baseline), and improve further the current account.

22. Realism tools suggest that baseline scenario projections are reasonable. The DSA realism tools (Figure 3, 4) highlight the large size of the programmed fiscal adjustment relative to outcomes in other LIC programs, and the likelihood of a diminished growth contribution from public investment over the forecast period. However, the risk that the adjustment proves infeasible is mitigated by the demonstrated track record of the authorities in delivering a sustained and tighter than expected fiscal consolidation path. The

unusual relation between the fiscal adjustment and the growth projections in 2024 and 2025 under the baseline is due to the impact of the drought shock, and respectively, the rebound expected in 2025.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

23. Zambia's debt-carrying capacity under the Composite Indicator (CI) rating is assessed as weak, unchanged from the previous DSA.¹³ The latest CI score, 2.60 (as of October 2025), remains below the 2.69 threshold for medium debt-carrying capacity. Accordingly, debt sustainability is assessed using the thresholds applicable to countries with weak debt-carrying capacity.

24. The DSA includes stress tests that follow standardized settings. Zambia has a significant reliance on commodity exports that triggers the commodity price shock, but the natural disasters shock does not apply. Given significant Eurobond issuance in the past, the market financing tool applies.

Text Table 4. Zambia: Composite Indicator and Thresholds

Debt Carrying Capacity and Thresholds				
Country	Zambia			
Country Code	754			
Debt Carrying Capacity	Weak			
	Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
	Weak	Weak 2.60	Weak 2.58	Weak 2.62

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of Exports	140
GDP	30
Exports	10
Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.232	1.24	48%
Real growth rate (in percent)	2.719	4.567	0.12	5%
Import coverage of reserves (in percent)	4.052	26.966	1.09	42%
Import coverage of reserves ² (in percent)	-3.990	7.272	-0.29	-11%
Remittances (in percent)	2.022	1.037	0.02	1%
World economic growth (in percent)	13.520	3.032	0.41	16%
CI Score			2.60	100%
CI rating			Weak	

New framework

Cut-off values		
Weak	CI <	2.69
Medium	2.69 ≤ CI ≤	3.05
Strong	CI >	3.05

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

25. Two external debt indicators breach their respective thresholds under the baseline, signaling a high risk of external debt distress. External debt service relative to revenues breaches its threshold in 2025 and 2026, and again in 2031. Relative to the previous DSA, the debt service-to-revenue ratio threshold breach in 2025 fell by 2.3 percentage points, to 21.4 percent, due mainly to a reduction in the stock of past due interest which are now being gradually paid down, and the effects of the appreciation in terms of increasing US\$-denominated revenues. Unlike in the previous DSA, the breach disappears after excluding the fuel arrears LMO (around percent of revenue) and PDI (3 percent of revenues), with the ratio projected at 12.4 percent in 2025. Under the baseline of the full rollover of maturing NRH domestic debt in 2026 and

¹³ The composite indicator is calculated using data from the October 2025 WEO and the 2024 CPIA, the latest available.

15 percent primary bond issuances allocation to non-residents over the period 2027–2031, repayment of PDIs and resumption of post-restructuring amortization, the 2026–31 average for the debt service to revenue ratio is projected at 13.4 percent compared to 13.8 percent in the previous DSA (Table 1).¹⁴ The PV of PPG external debt-to-GDP remains above its 30 percent threshold through 2029, indicating one less year of breach relative to the previous DSA, however, measurement of this indicator is challenged by the authorities' ongoing rebasing of the GDP series. Finally, the PV of external debt-to-exports is projected to fall further (relative to the previous DSA) below the 84 percent "substantial space to absorb shocks" threshold by 2027. At the same time, the external debt service-to-exports ratio is expected to remain well below its threshold throughout the forecast horizon, averaging 6.5 percent over 2026–31 relative to 6.8 in the previous DSA.

26. The thresholds for all four external debt indicators are breached by large margins under stress tests (Figure 1). The standardized exports shock is the most extreme for all external debt indicators. Under the standardized exports shock, the PV of PPG external debt-to-exports ratio peaks at 277.5 percent in 2027 and remains well above the threshold throughout the long term. The market financing tool does not signal debt vulnerabilities in Zambia, but its relevance is limited as Zambia has currently no access to international capital markets and the DSA does not envisage a return to international capital markets over the projection period.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

27. The PV of total PPG debt-to-GDP ratio remains above its benchmark through the medium and long term (Figure 2). While on a declining trajectory, the ratio remains elevated—averaging over 53.5 percent over 2025–34, compared to 55 percent in the previous DSA—before falling below the 35-percent threshold in 2036. The elevated domestic debt vulnerabilities contribute to the breaches of the total PPG debt-to-GDP ratio (Figure 6). The most extreme shock scenario for this indicator is the one on exports, whereas the primary balance shock would impact the total debt service-to-revenue indicator the most.

RISK RATING AND VULNERABILITIES

28. Zambia's public debt is assessed as sustainable but remains at high risk of overall and external debt distress. Under the baseline, there are remaining breaches of the overall and some external debt indicator thresholds. Zambia's debt indicators are, however, projected to improve and reach the targets identified in Zambia's 2022 ECF Request as being consistent with a moderate risk of external debt distress in the medium term.

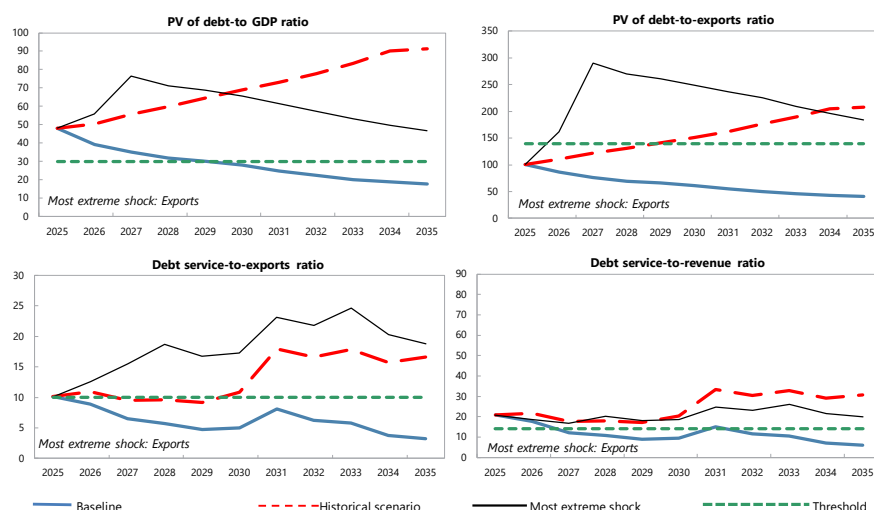
29. The medium-term assessment is supported by the authorities' strong commitment to restore debt sustainability. The government remains dedicated to maintaining a primary surplus over the medium term, including through additional revenue mobilization. Key measures include indexing excise taxes to inflation and refraining from introducing new tax expenditures. The authorities are also streamlining tax exemptions and adjusting excises and import duties to enhance revenues. Ongoing efforts to strengthen tax

¹⁴ The authorities are planning to undertake some liability management operations to smooth the debt service profile of domestic debt while enhancing the development of benchmark bonds along the domestic yield curve.

policies and enhance tax administration through technological advancements will bolster domestic revenue mobilization. Initiatives to reduce informality will support efforts to broaden the tax base. Furthermore, underscoring the government's strong commitment to fiscal consolidation and debt sustainability, the authorities are advancing debt management and transparency initiatives. These include publishing a quarterly debt bulletin and a medium-term debt management strategy for 2024–26, updating annual borrowing plans, adopting a procedures manual at the Debt Management Office expected to be fully operational in 2026.

30. In an alternative scenario where Zambia's debt-carrying capacity is upgraded to medium, the upside treatment agreed with the OCC and private commercial creditors, with higher debt service, is activated. Keeping the baseline macro framework unchanged, the evolution of the debt profile under this scenario is illustrated in Text Figure 4 with steady decline in the PV of external debt-to-exports, which falls below the “substantial space to absorb shocks” threshold of 180 percent by 2027 and that the external debt service-to-revenue ratio stabilizes at an average of about 17.9 percent over 2026–31, below the threshold of 18 percent. The external debt service-to-exports ratio will also remain well within safe limits, averaging 8.5 percent over 2026–31. The temporary breaches beyond 2031 of the external debt service-to-revenues threshold are judged to be distant and are mitigated by the fact that, in the event of an upgrade, the current macro baseline does not account for the likely improvement in economic conditions under this scenario. Overall, while the outlook under these conditions is still uncertain, all external debt burden indicators improve to levels that should be broadly aligned with Zambia reaching a moderate risk of external debt distress over the medium term, even if that might imply the need to use judgement (see Text Figure 4). That assessment will only be confirmed if this state of the world materializes.

Text Figure 4. Zambia: Alternative Baseline, Upside Case Treatment – Indicators of PPG External Debt, 2025–2035 ^{1/}



^{1/} Includes the agreed treatments and the authorities' strategy for the other commercial creditors. Sources: IMF staff projections based on the main elements of the agreed treatments and the authorities' restructuring strategy.

31. Risks to the debt outlook are significant. This DSA hinges on the Zambian authorities' commitment under their program to sustain credible steps toward restoring medium-term debt sustainability, including

through macroeconomic stabilization and stronger economic growth. It also hinges on continued fiscal consolidation that generates primary fiscal balances (cash basis) of 3.6 percent of GDP, on average, in 2026–30. However, delays or slippages in fiscal adjustment, budgetary risks arising from SOE’s especially in the energy sector—or adverse weather and external shocks—could severely derail the debt trajectory, potentially jeopardizing the gains made to date and heightening the risk of renewed debt distress. A reversal in the recent exchange rate appreciation would increase the debt service burden, which would require additional revenue measures to improve the indicator. While these risks are partly mitigated by the authorities’ track record of robust policy implementation since August 2021, sustained commitment and timely execution remain critical.

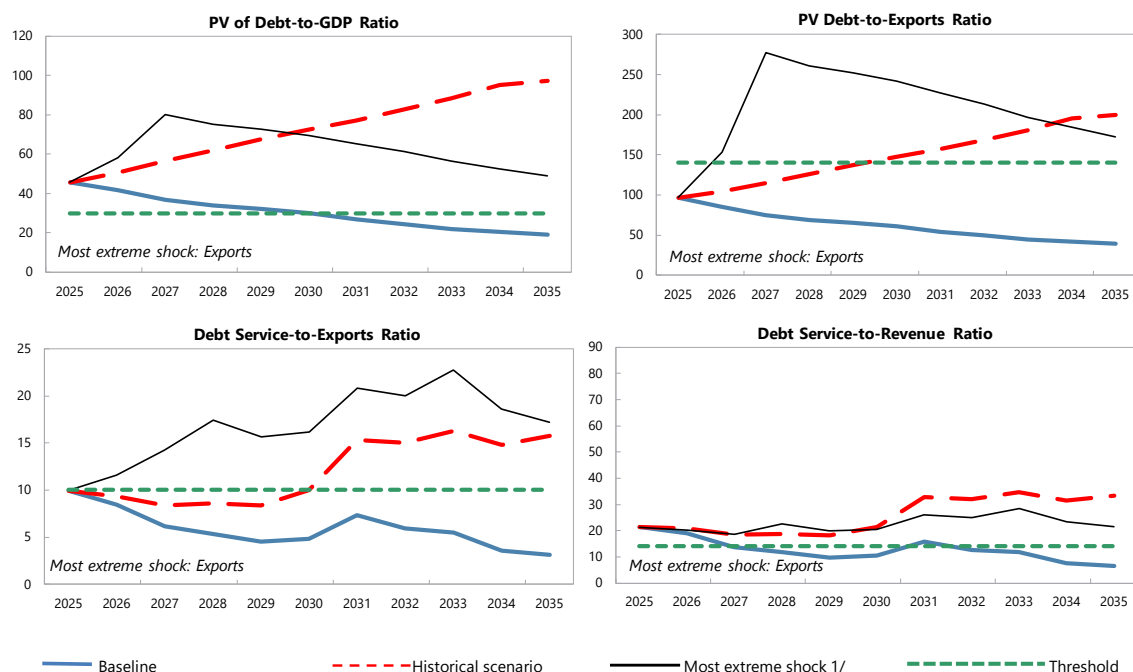
32. Reforms to support debt sustainability are also underway to further mitigate risks. The Public Debt Management Act, approved August 2022, provides greater oversight on borrowing plans and issuances of debt guarantees, establishes the debt management office, and enhances debt reporting and transparency.¹⁵ This will be supported by ongoing efforts to strengthen public financial management, including cash management and management of fiscal risks (including PPPs). The World Bank Sustainable Development Finance Policy supports reforms to strengthen debt management and fiscal sustainability. In FY25, it underpinned reforms related to SOEs and PPPs, and in FY26, the authorities have proposed reform measures to address fiscal risks from SOEs, credit risks from public bodies, and enhance the liability management operations framework.

Authorities' Views

33. The authorities agreed with staff’s debt sustainability assessment and reaffirmed their strong commitment to sustain efforts to reduce debt vulnerabilities. They expressed their commitment to implementing a combination of fiscal and structural reforms, alongside the completion of external debt restructuring consistent with the DSA and IMF program objectives. They recognized the need for credible and sustained policy efforts to sustain reduced vulnerabilities and support durable and more inclusive growth. The authorities noted the considerable progress made in concluding agreements with both official and commercial creditors and reiterated their determination to finalize the remaining deals in line with IMF program parameters and the CoT principle.

¹⁵ [Zambia's Debt Management Act \(2022\)](#).

Figure 1. Zambia: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2025–35



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price 2/	No	No
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

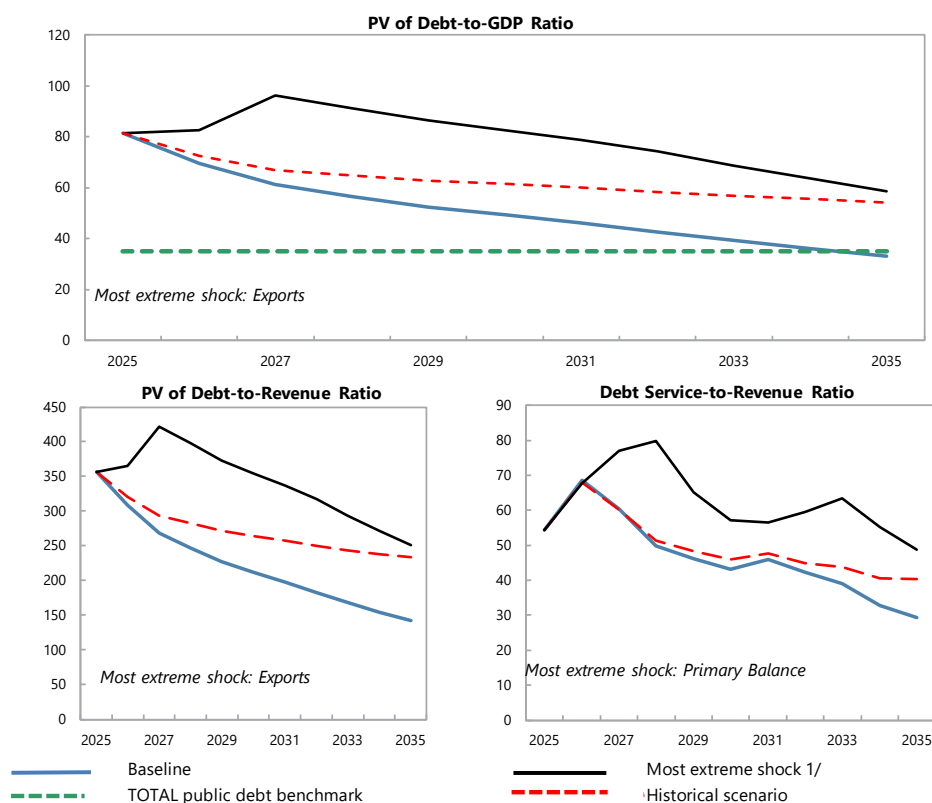
Borrowing assumptions on additional financing needs resulting from the stress tests		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	5.9%	5.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5

Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Zambia: Indicators of Public Debt Under Alternative Scenarios, 2025–35

Borrowing assumptions on additional financing needs resulting from the stress tests	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	17%	17%
Domestic medium and long-term	37%	37%
Domestic short-term	46%	46%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	5.9%	5.9%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	6.2%	6.2%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	5	5
Domestic short-term debt		
Avg. real interest rate	1.8%	1.8%

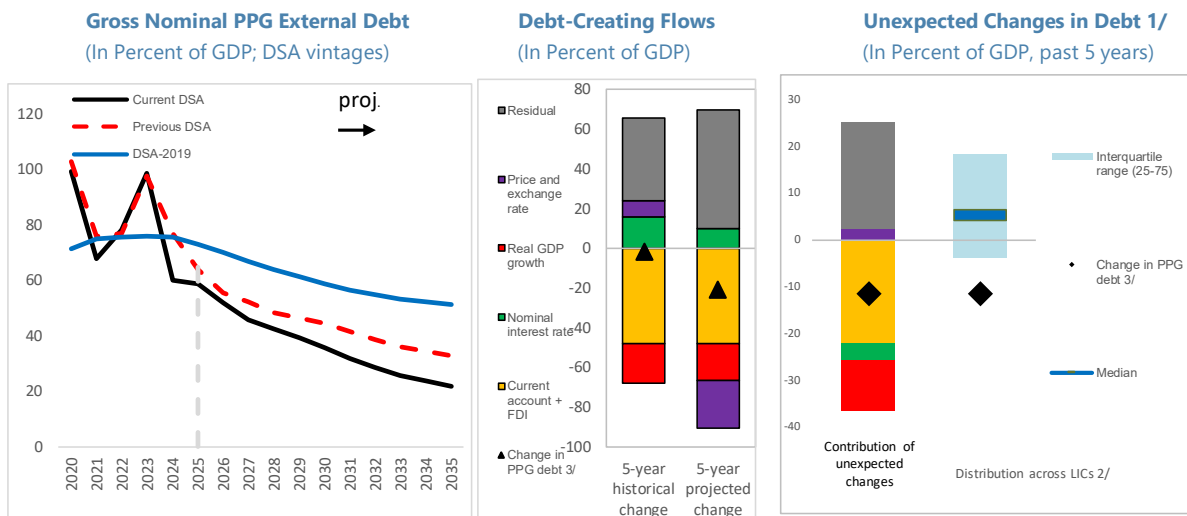
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

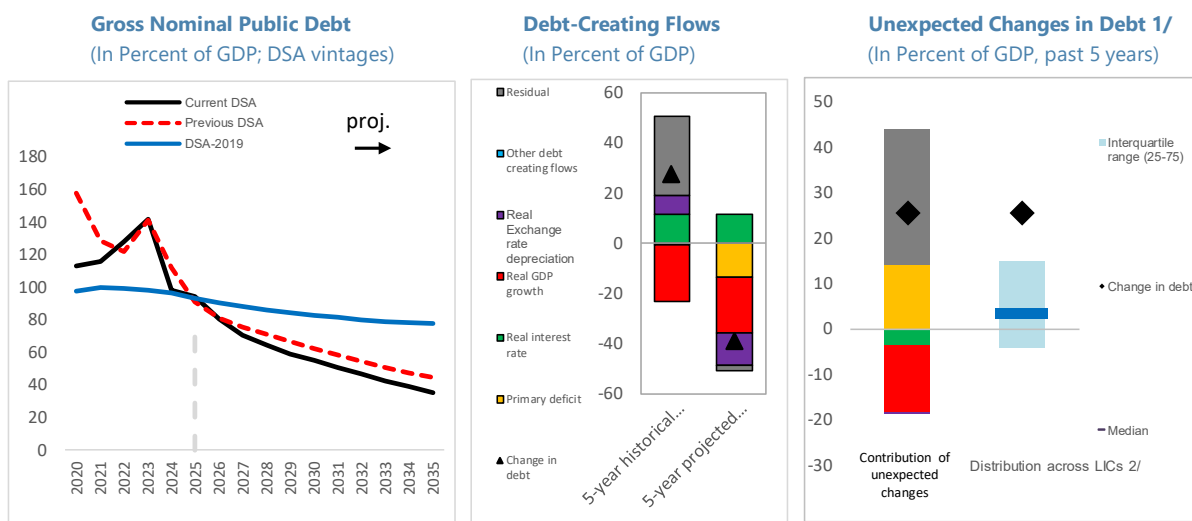
1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Zambia: Drivers of Debt Dynamics – Baseline Scenario

External Debt



Public Debt

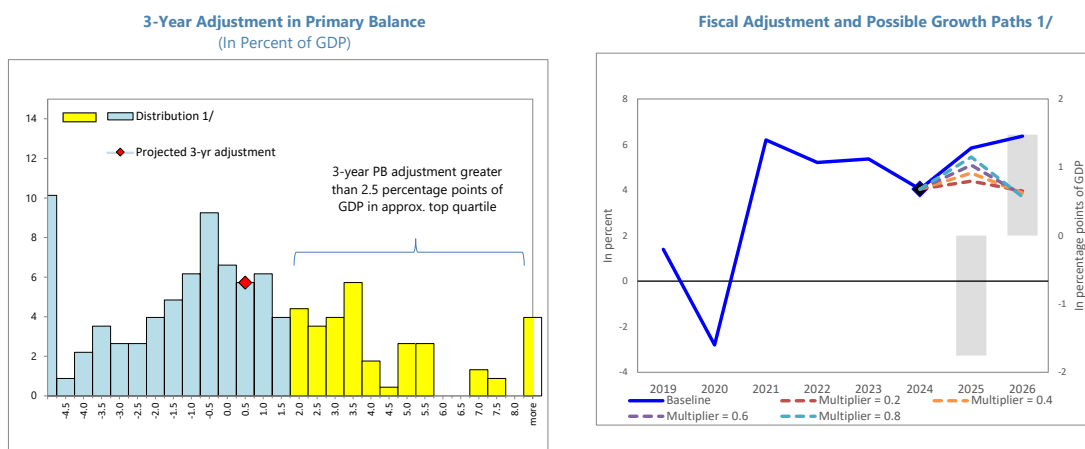


1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Zambia: Realism Tools



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

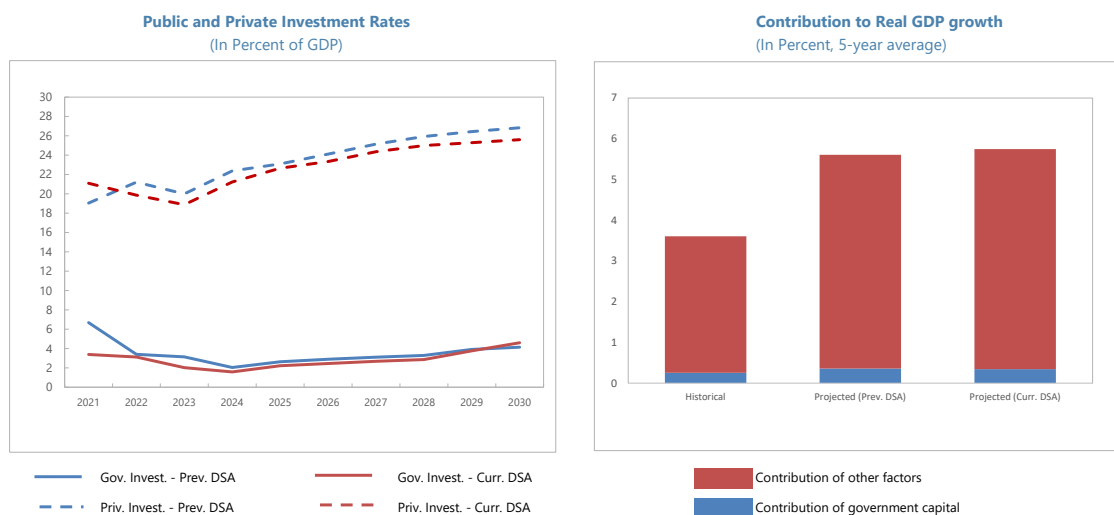
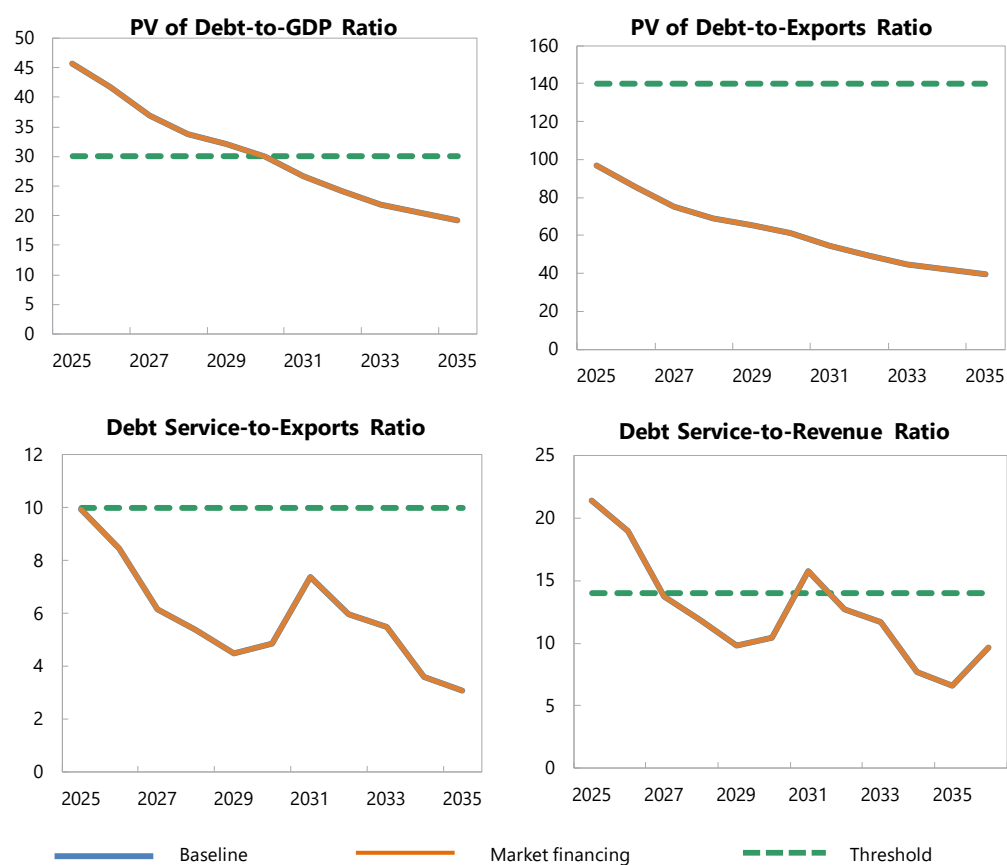


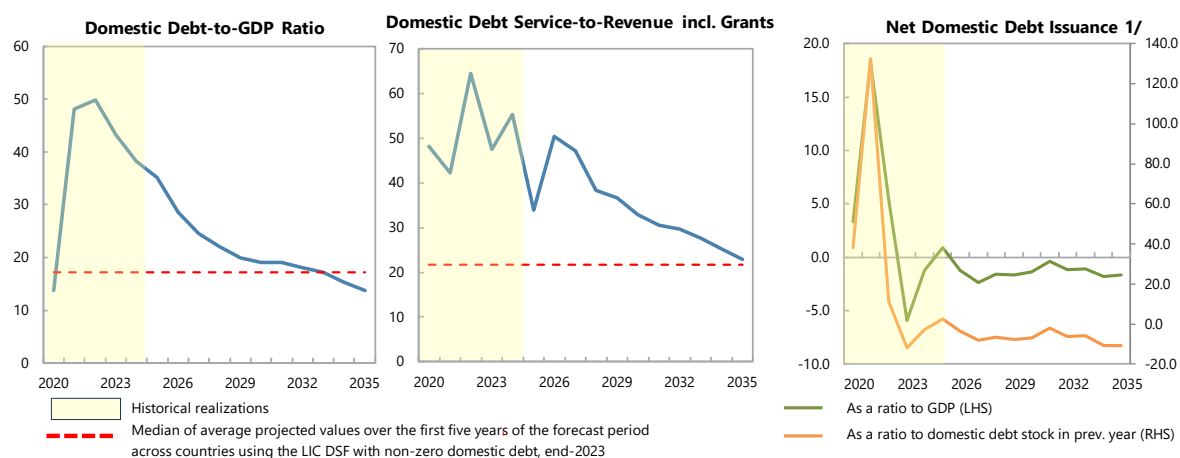
Figure 5. Zambia: Market-Financing Risk Indicators

	GFN	1/	EMBI	2/
Benchmarks	14		570	
Values	13		536	
Breach of benchmark	No		No	
Potential heightened liquidity needs	Low			
1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.				
2/ EMBI spreads correspond to the latest available data.				



Sources: Country authorities; and staff estimates and projections.

Figure 6. Zambia: Indicators of Domestic Public Debt, 2020–2035
(In percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	44%
Short-term	56%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	6.2%
Avg. maturity (incl. grace period)	6
Avg. grace period	5
Domestic short-term debt	
Avg. real interest rate	1.8%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

Table 2. Zambia: External Debt Sustainability Framework, Baseline Scenario, 2022–43
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/ Historical Projections	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2043	Historical	Projections
External debt (nominal) 1/	105.8	126.5	88.7	82.6	72.0	62.1	56.3	53.0	49.7	32.5	30.2	108.0	50.6
of which: public and publicly guaranteed (PPG)	78.1	98.4	60.1	59.4	52.0	45.6	42.1	38.7	35.4	21.5	6.8	64.6	36.6
Change in external debt	0.6	20.7	-37.8	-6.1	-10.6	-9.9	-5.8	-3.3	-3.3	1.5	-0.8		
Identified net debt-creating flows	-29.3	5.4	2.4	-7.8	-13.3	-12.9	-11.9	-11.3	-10.9	-10.4	-6.9	-4.5	-10.9
Non-interest current account deficit	-5.9	-1.6	1.4	-1.4	-5.0	-5.7	-5.8	-5.5	-5.2	-5.1	-3.3	-3.5	-4.8
Deficit in balance of goods and services	-8.3	-2.1	-2.8	-7.9	-10.3	-10.7	-10.8	-10.3	-10.2	-10.0	-6.0	-2.9	-10.1
Exports	42.7	41.5	48.4	47.3	48.7	49.2	49.0	49.1	49.1	48.7	28.6		
Imports	34.4	39.5	45.6	39.4	38.5	38.5	38.2	38.8	38.9	38.6	22.7		
Net current transfers (negative = inflow)	-1.0	-0.9	-1.7	-1.3	-1.6	-1.4	-1.4	-1.2	-1.2	-1.2	-0.8	-1.2	-1.3
of which: official	0.0	-0.5	-0.7	-0.6	-0.9	-0.7	-0.7	-0.5	-0.5	-0.5	-0.4		
Other current account flows (negative = net inflow)	3.4	1.4	5.9	7.8	6.9	6.4	6.4	6.1	6.2	6.2	3.4	0.6	6.5
Net FDI (negative = inflow)	-0.7	-1.8	-5.1	-4.8	-5.5	-4.9	-4.9	-4.9	-4.9	-4.9	-2.9	-2.6	-4.9
Endogenous debt dynamics 2/	-22.8	8.8	6.1	-1.6	-2.8	-2.3	-1.2	-1.0	-0.8	-0.4	-0.7		
Contribution from nominal interest rate	2.1	4.7	2.4	2.7	1.9	1.8	1.7	1.6	1.5	0.9	0.7		
Contribution from real GDP growth	-4.2	-6.0	-5.4	-4.3	-4.7	-4.1	-2.9	-2.5	-2.3	-1.4	-1.4		
Contribution from price and exchange rate changes	-20.7	10.2	9.1	...	...	...	...	...	...	...	...
Residual 3/	29.9	15.3	-40.2	1.6	2.7	3.0	6.1	8.0	7.7	11.8	6.1	10.5	5.8
of which: exceptional financing	-8.0	-4.5	-1.2	10.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	54.5	46.1	41.7	36.8	33.6	31.8	29.7	19.0	5.9		
PV of PPG external debt-to-exports ratio	...	...	112.5	97.6	85.5	74.8	68.5	64.8	60.5	39.0	20.6		
PPG debt service-to-exports ratio	26.3	22.7	6.6	9.9	8.5	6.2	5.4	4.5	4.8	3.1	5.2		
PPG debt service-to-revenue ratio	56.1	45.2	14.8	21.4	19.0	13.7	11.8	9.8	10.4	6.5	6.5		
Gross external financing need (Million of U.S. dollars)	1284.2	2425.5	721.1	511.9	-1140.4	-1819.6	-2260.0	-3333.8	-3405.6	-7443.6	-7344.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.2	5.4	4.0	5.8	6.4	6.5	5.1	4.8	4.8	4.7	4.8	3.4	5.2
GDP deflator in US dollar terms (change in percent)	25.4	-10.3	-8.3	12.7	4.8	8.6	4.7	2.2	2.7	2.7	3.0	-2.3	4.4
Effective interest rate (percent) 4/	2.6	4.2	1.8	3.7	2.6	2.8	3.0	3.0	3.0	3.2	2.4	2.3	3.0
Growth of exports of G&S (US dollar terms, in percent)	6.1	-8.0	11.3	16.5	15.0	16.8	9.7	7.3	7.5	7.3	0.0	3.0	9.9
Growth of imports of G&S (US dollar terms, in percent)	70.8	8.6	10.3	3.1	8.9	15.8	9.3	8.7	7.8	7.3	0.0	3.8	8.2
Grant element of new public sector borrowing (in percent)	...	...	...	32.1	25.7	26.3	21.5	15.9	18.9	27.8	28.5	...	24.9
Government revenues (excluding grants, in percent of GDP)	20.0	20.8	21.8	22.0	21.7	22.2	22.3	22.6	22.9	22.9	23.0	18.5	22.6
Aid flows (in Million of US dollars) 5/	226.5	373.2	196.5	476.2	680.0	619.3	489.2	381.9	409.6	823.7	1062.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.8	1.6	1.2	0.9	0.7	0.7	0.8	0.6	...	1.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	49.4	44.5	45.8	52.7	47.0	48.6	51.6	55.2	...	48.6
Nominal GDP (Million of US dollars)	29,164	27,578	26,326	31,412	35,022	40,510	44,588	47,772	51,383	73,751	134,771		
Nominal dollar GDP growth	32.0	-5.4	-4.5	19.3	11.5	15.7	10.1	7.1	7.6	7.6	8.0	1.2	9.9
Memorandum items:													
PV of external debt 7/	...	...	83.1	69.3	61.7	53.3	47.8	46.1	44.0	29.9	29.3		
In percent of exports	...	...	171.5	146.7	126.6	108.3	97.4	93.8	89.6	61.5	102.3		
Total external debt service-to-exports ratio	25.6	29.4	13.4	16.5	14.8	12.3	11.5	6.8	7.1	-0.3	2.7		
PV of PPG external debt (in Million of US dollars)	...	...	14340.4	14492.5	14600.6	14917.0	14983.9	15207.2	15257.6	14009.9	7962.0		
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...	0.6	0.3	0.9	0.2	0.5	0.1	0.2	-0.8		
Non-interest current account deficit that stabilizes debt ratio	-6.4	-22.4	39.2	4.7	5.6	4.2	0.0	-2.2	-2.0	-6.5	-2.5		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p(1+g) + E\alpha(1+r)]/(1+g+p+gp)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate; p = growth rate of GDP deflator in US dollar terms, E = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

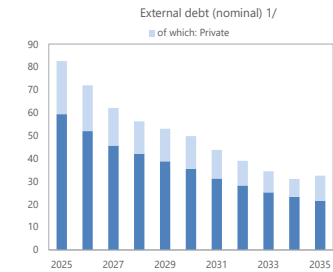
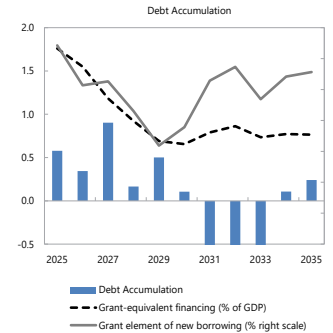


Table 3. Zambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–43
(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2043	Historical	Projections
Public sector debt 1/	127.8	141.6	98.3	94.2	80.3	70.1	64.2	58.8	54.8	50.6	46.6	42.6	38.8	35.5	14.4	87.4	57.9
of which: external debt	78.1	98.4	60.1	59.4	52.0	45.6	42.1	38.7	35.4	31.2	28.2	25.1	23.2	21.5	6.8	64.6	36.6
Change in public sector debt	12.0	13.8	-43.4	-4.1	-13.8	-10.3	-5.9	-5.4	-4.0	-4.2	-4.1	-4.0	-3.8	-3.4	-1.9		
Identified debt-creating flows	5.4	17.4	-17.3	-12.5	-8.5	-8.1	-3.9	-3.9	-3.6	-3.6	-3.6	-3.6	-3.5	-3.2	-1.8	2.8	-5.3
Primary deficit (cash basis)	3.6	-0.6	-2.9	-1.2	-2.7	-3.5	-3.2	-2.9	-2.7	-2.6	-2.5	-2.5	-2.4	-2.1	-1.3	1.5	-2.6
Revenue and grants	20.4	21.9	22.2	22.8	23.0	23.3	23.4	23.6	23.8	23.8	23.8	23.8	23.7	23.7	23.4	18.9	23.5
of which: grants	0.4	1.1	0.3	0.9	0.9	0.7	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4		
Primary (noninterest) expenditure	22.0	21.3	19.2	21.7	20.0	19.3	19.8	20.3	20.7	20.9	20.9	21.0	21.0	21.3	22.1	20.2	20.6
Automatic debt dynamics	1.8	18.0	-14.4	-11.4	-5.9	-4.6	-0.7	-1.1	-0.9	-1.0	-1.1	-1.1	-1.1	-1.1	-0.5		
Contribution from interest rate/growth differential	-0.3	-5.1	-8.7	-4.0	-3.2	-2.1	-0.8	-0.7	-0.7	-0.9	-0.9	-1.0	-1.0	-1.0	-0.5		
of which: contribution from average real interest rate	5.4	1.4	-3.2	1.4	2.4	2.9	2.6	2.2	2.0	1.6	1.3	1.1	0.9	0.8	0.3		
of which: contribution from real GDP growth	-5.7	-6.5	-5.5	-5.4	-5.6	-4.9	-3.4	-3.0	-2.7	-2.5	-2.3	-2.1	-1.9	-1.8	-0.8		
Contribution from real exchange rate depreciation	2.1	23.2	-5.7	...	...	...	...	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	6.7	-3.6	-26.1	1.1	-8.0	-4.7	-1.8	-1.8	-0.6	-0.8	-0.6	-0.5	-0.4	-0.3	-0.1	4.4	-1.7
Sustainability indicators																	
PV of public debt-to-GDP ratio 2/	...	...	96.2	81.4	69.5	61.1	56.6	52.5	49.6	46.3	42.8	39.4	36.2	33.3	13.6		
PV of public debt-to-revenue and grants ratio	...	...	434.1	355.9	307.3	267.7	246.2	226.6	212.1	197.7	182.5	168.2	154.7	142.4	58.1		
Debt service-to-revenue and grants ratio 3/	119.5	90.4	69.9	55.6	67.3	60.2	49.9	46.5	43.3	46.7	42.8	39.6	33.3	29.6	18.0		
Gross financing need 4/	25.9	19.2	12.5	13.3	12.8	10.4	8.4	8.1	7.6	8.4	7.5	6.8	5.4	4.8	2.9		
Key macroeconomic and fiscal assumptions																	
Real GDP growth (in percent)	5.2	5.4	4.0	5.8	6.4	6.5	5.1	4.8	4.8	4.8	4.7	4.7	4.7	4.7	4.8	3.4	5.2
Average nominal interest rate on external debt (in percent)	5.7	4.9	2.5	5.0	2.9	3.0	3.1	3.1	3.1	3.0	2.9	2.7	2.6	2.6	3.0	4.7	3.1
Average real interest rate on domestic debt (in percent)	5.3	-0.8	-6.6	-0.4	6.0	8.9	9.1	8.5	8.1	7.0	6.0	5.4	5.1	4.8	2.8	6.5	6.2
Real exchange rate depreciation (in percent, + indicates depreciation)	3.3	35.3	-6.7	...	...	...	...	...	...	...	...	...	...	...	...	9.1	...
Inflation rate (GDP deflator, in percent)	6.1	7.1	18.8	11.2	9.0	6.7	6.9	6.6	6.3	6.3	6.3	6.3	6.3	6.4	6.7	11.6	7.1
Growth of real primary spending (deflated by GDP deflator, in percent)	9.4	2.1	-6.1	19.4	-2.1	3.1	7.7	7.4	7.1	5.5	5.1	4.9	4.6	6.2	6.5	4.4	6.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-8.4	-14.4	40.5	2.9	11.2	6.7	2.7	2.5	1.3	1.6	1.5	1.5	1.3	1.2	0.6	-5.7	3.1
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt. The central government plus social security, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

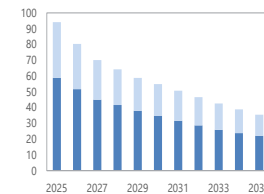
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (i.e., a primary surplus), which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

Public sector debt 1/

■ of which: local-currency denominated
■ of which: foreign-currency denominated



■ of which: held by residents
■ of which: held by non-residents

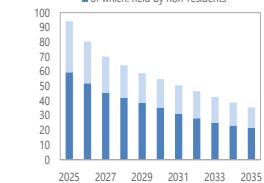


Table 4. Zambia: Sensitivity Analysis for Key Indicators and Publicly Guaranteed External Debt, 2025–35
(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	46	42	37	34	32	30	26	24	22	20	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	46	51	56	62	67	73	77	83	89	96	98
A2. Alternative Scenario : Contingent Liabilities + FX debt	46	42	37	33	31	29	26	23	21	19	18
B. Bound Tests											
B1. Real GDP growth	46	45	44	40	38	35	31	28	26	24	23
B2. Primary balance	46	43	41	38	37	35	32	29	28	26	25
B3. Exports	46	58	80	75	72	70	65	61	57	53	50
B4. Other flows 3/	46	47	46	43	41	39	35	32	29	28	26
B5. Depreciation	46	50	45	41	39	36	32	29	26	24	23
B6. Combination of B1-B5	46	60	63	59	56	54	49	46	42	39	37
C. Tailored Tests											
C1. Combined contingent liabilities	46	43	38	35	34	32	28	26	24	23	22
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	46	48	48	46	45	44	41	39	36	35	34
C4. Market Financing	46	42	37	34	32	30	26	24	22	20	19
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	98	86	75	69	64.8	60.5	53.8	49	44.17	41	39
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	98	104	115	126	137	148	157	169	181	196	201
A2. Alternative Scenario : Contingent Liabilities + FX debt	98	85	74	68	64	59	52	47	42	40	37
B. Bound Tests											
B1. Real GDP growth	98	86	75	69	65	60	54	49	44	41	39
B2. Primary balance	98	88	83	78	75	71	65	60	56	54	52
B3. Exports	98	153	278	261	252	242	227	214	198	186	174
B4. Other flows 3/	98	97	94	87	83	79	72	66	60	56	53
B5. Depreciation	98	82	73	67	63	59	52	47	43	40	38
B6. Combination of B1-B5	98	138	109	155	149	142	131	121	111	104	98
C. Tailored Tests											
C1. Combined contingent liabilities	98	88	78	72	69	64	57	53	49	46	44
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	98	107	106	99	96	91	84	80	75	72	70
C4. Market Financing	98	86	75	69	65	60	54	49	44	41	39
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	10	8	6	5	4	5	8	6	5	4	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	10	9	8	9	9	10	16	15	17	15	16
A2. Alternative Scenario : Contingent Liabilities + FX debt	10	8	6	5	4	5	7	6	5	3	3
B. Bound Tests											
B1. Real GDP growth	10	8	6	5	4	5	8	6	5	4	3
B2. Primary balance	10	8	6	6	5	6	8	7	6	5	4
B3. Exports	10	12	14	18	16	17	22	20	23	19	18
B4. Other flows 3/	10	8	7	6	6	6	9	7	7	5	5
B5. Depreciation	10	8	6	5	4	5	7	6	5	3	3
B6. Combination of B1-B5	10	10	12	11	10	10	14	13	13	10	9
C. Tailored Tests											
C1. Combined contingent liabilities	10	8	6	6	5	5	8	6	6	4	3
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	10	9	7	7	6	7	10	8	8	6	6
C4. Market Financing	10	8	6	5	4	5	8	6	5	4	3
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	21.4	19.0	13.7	11.8	9.8	10.4	16.1	12.7	11.7	7.6	6.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	21	21	19	19	18	22	34	33	35	32	34
A2. Alternative Scenario : Contingent Liabilities + FX debt	21	19	14	12	10	10	16	13	11	7	6
B. Bound Tests											
B1. Real GDP growth	21	21	16	14	12	12	19	15	14	9	8
B2. Primary balance	21	19	14	13	11	12	18	14	14	10	9
B3. Exports	21	20	19	23	20	21	27	26	29	24	22
B4. Other flows 3/	21	19	15	14	12	13	18	16	16	11	10
B5. Depreciation	21	24	17	14	12	13	20	15	14	9	8
B6. Combination of B1-B5	21	21	20	19	16	17	24	22	22	17	15
C. Tailored Tests											
C1. Combined contingent liabilities	21	19	14	12	10	11	17	13	12	8	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	21	21	17	17	14	15	21	18	18	13	12
C4. Market Financing	21	19	14	12	10	10	16	13	12	8	7
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Statement by the Staff Representative on Zambia
January 27, 2026

This statement provides a factual update on developments since the Staff Report was finalized. The additional information does not alter the thrust of the staff appraisal.

Economic developments

1. The Bank of Zambia (BoZ) has further built reserves, in support of the request for a waiver of non-observance of the end-June 2025 QPC on net international reserves.

Measures included sales of government bonds held on the BoZ's balance sheet and direct FX market purchases. Together with lower-than-projected external debt service payments, these actions raised gross international reserves to US\$5.5 billion at end-December 2025 (about 4.3 months of prospective imports of goods and services), exceeding staff report projections. With BoZ's FX purchases of US\$169.4 million in December, net international reserves increased to US\$2.3 billion, surpassing the end-June 2025 QPC.

2. The multiple currency practices (MCPs) have been removed. The BoZ issued new currency regulations, effective December 26, 2025, while the Zambia Revenue Authority amended the Customs and Excise Act, effective January 1, 2026.¹ These changes discontinued the use of lagged period-average exchange rates for the payment of mining and customs taxes, respectively, and replaced them with the official market exchange rates. As a result, no impermissible spreads were observed. Going forward, staff will continue to monitor the official exchange rates used for the payment of mining and customs taxes, as the official market exchange rate is not representative of the foreign exchange market in Zambia.

¹ See [The Bank of Zambia Currency Directives](#) and [The Customs and Excise General Amendment](#)

**Statement by Mr. Adriano Ubisse, Executive Director, Ms. Linda Motsumi, Senior Advisor to Executive Director, and Mr. Boyd Lumbwe, Advisor to Executive Director on Zambia
January 27, 2026**

Introduction

1. Our authorities express gratitude to the Executive Board, Management, and staff for their support in delivering far-reaching reforms under the 2022 ECF arrangement. The Sixth ECF Review coincides with Ms. Vera Martin's end of tenure as Zambia's Mission Chief, and the authorities wish to convey their sincere appreciation for her leadership and dedication as well as the strong collaboration with her team.
2. Anchored by the ECF, Zambia has achieved a significant and credible macroeconomic turnaround, reversing years of distress and restoring strong and resilient growth. Over the past four years, growth averaged 5.2 percent, up from 1.6 percent in the four years prior to 2021, despite the lingering effects of the pandemic and the historic 2024 drought. Inflation has fallen from double-digits in 2021 and is now projected to reach a single-digit rate during the first half of 2026. External buffers strengthened, with gross international reserves increasing by USD2.7 billion between end-2021 and end-2025.
3. Zambia was the first country to restructure its post-COVID debt under the G20 Common Framework, marking a significant milestone in restoring debt sustainability. They have secured agreements on 94 percent of debt within the restructuring perimeter and are actively engaging the remaining commercial creditors, while restructuring of bilateral agreements with official creditors is expected to be completed within the first half of 2026. Debt management and transparency have also been enhanced significantly.
4. Fiscal policy has provided a strong foundation for macroeconomic stability. The authorities front-loaded fiscal consolidation, turning persistent primary deficits into surpluses beginning in 2023, thereby creating fiscal space to protect vulnerable households. Robust policy measures boosted market confidence, leading S&P to upgrade Zambia to CCC+ (stable) and Fitch to B- (stable) status in November 2025, signaling stronger debt sustainability and macroeconomic stability.
5. Overall, the performance under the Sixth review was satisfactory. In view of this, the authorities request Executive Directors' support for its completion alongside financing assurances and the waiver of non-observance of the Quantitative Performance Criteria (QPC) on net international reserves (NIR).

6. The authorities reaffirm their commitment to sustain the reform momentum, including during the run-up to the August 2026 elections. The authorities will formally convey to Fund management their interest in a successor arrangement by end-January 2026, with a view to safeguarding progress on the priorities set out in the home-grown Eighth National Development Plan (NDP) and ensuring a smooth transition to the Ninth NDP, which will take effect in 2027.

Program Performance

7. All end-June 2025 QPCs and indicative targets (ITs) were met, with the exception of the QPC on NIR and the indicative target IT on spending arrears clearance. All end-September ITs were met, except for the NIR IT, which reflected lower-than-projected FX-denominated mining tax receipts as well as higher-than-projected import demand, which necessitated additional market support. Importantly, following the improvement in mining taxes and more favourable liquidity conditions in the foreign exchange market, the authorities were able to rebuild reserves during the fourth quarter of 2025. Preliminary data indicate that by end-December, the end-June NIR benchmark of USD2,250 million was exceeded by USD69.0 million and by mid-January 2026, the end-September NIR IT of USD2,550 million was surpassed by USD26.7 million.
8. Performance on structural benchmarks has been strong, with 14 of the 19 benchmarks met, though others with some delay. The key reforms delivered include the submission of the 2026 Budget to Parliament consistent with program parameters, adoption of the Debt Management Office (DMO) procedures manual, establishment of a Compliance Risk Management Unit at the Zambia Revenue Authority, publication of the audit of the Government's drought response, submission of the internationally aligned Banking and Financial Services Act (BFSA) to Parliament, adoption of the deposit insurance framework, and submission to Parliament of major legislative reforms to strengthen governance, including the revised FRA Act, Agricultural Marketing Bill, Agricultural Credit Act, and the new SOE Act.

Recent Economic Developments

9. Real GDP growth is projected to rebound to 5.2 percent in 2025 from 3.8 percent in 2024, supported by increased mining activity, recovery in agriculture, and strong performance of the information and communications technology sector. For 2026, real GDP is forecast to average 5.8 percent, before moderating to 5.3 percent over the medium-term. Downside risks include

slowdown in global growth, escalation of geopolitical tensions, recurrence of drought and other climate shocks.

10. Inflation declined from the peak of 16.8 percent in February 2025 to 11.2 percent in December 2025, driven by a stronger Kwacha and bumper maize harvest. It averaged 14.0 percent in 2025 and is projected to fall to single digits in 2026, reflecting the lagged effects of the Kwacha appreciation, reduced fuel prices, and lower electricity tariffs for residential customers.
11. On account of stronger growth in exports and a reduction in reinvested earnings, preliminary data indicate that the balance on the current account switched from an average deficit of 6.1 percent of GDP in the first half of 2025 to a surplus of 0.4 percent of GDP in the third quarter. Gross international reserves rose to USD5.5 billion at end of December 2025 from USD2.8 billion at end of December 2021.

Fiscal Policy and Debt Management

12. The authorities have maintained a firm commitment to fiscal prudence, delivering stronger-than-expected consolidation that has restored debt stability while safeguarding and strengthening the social safety net. This commitment is reaffirmed in the 2026 Budget, which targets a record primary surplus of 4.1 percent of GDP on a cash-basis, an improvement of 2.2 percentage points from the 2025 Budget, supported by revenue measures yielding 0.7 percent of GDP alongside continued expenditure containment.
13. The authorities recognize that sustaining primary surpluses above 3 percent of GDP over the medium term will require further progress in revenue mobilization. They therefore reiterate their willingness to improve tax efficiency, rationalize incentives, and broaden the tax base, building on the substantial gains already achieved. Since 2022, non-grant revenues have increased by 2.6 percentage points of GDP, reflecting the implementation of most tax policy measures envisaged at program approval. The authorities agree that further reforms, particularly the streamlining of corporate taxation, stabilization of import tax policies, and rationalization of fees and charges, would reduce distortions and improve the business environment without undermining competitiveness. The authorities are strengthening expenditure efficiency by enhancing public financial management, protecting social spending, and prioritizing high-impact programs. The expansion of social protection, school feeding, cash-for-work initiatives and the full rollout of the e-voucher system have increased spending efficiency.

14. The authorities have implemented a broad set of reforms to strengthen public financial management and fiscal transparency, including advancing the arrears clearance strategy, with dedicated budget allocations for 2026, and expanding IFMIS and commitment controls to all central government entities. Preparations are also underway for standardized financial reporting by local governments beginning in 2026. Public Investment Management is being reinforced through tighter oversight of PPPs, expanded fiscal risk disclosure, and the integration of climate considerations into project appraisal following the 2024 PIMA. Transparency has been enhanced through regular budget execution reporting, an expanded Fiscal Risk Statement, and strengthened oversight of SOEs, including adoption of a new SOE Act.
15. The authorities continue to advance external debt restructuring and enhancing public debt management. Public debt declined to 86 percent of GDP at end-June 2025 from 133 percent of GDP at end-2023. Consistent with program commitments to pursue restructuring terms that reduce Zambia's risk of debt distress to moderate over the medium-term, the authorities remain firmly committed to prudent borrowing, specifically by adhering to commitments on contracting non-concessional debt, new external borrowing and disbursements.

Monetary and Exchange Rate Policies

16. The BoZ has started to see the positive results of steadfast monetary policy decisions, as inflation slows and expected to fall inside the 6–8 percent target range in 2026. In this regard, at its November 2025 meeting, the Monetary Policy Committee (MPC) cautiously reduced the policy rate by 25 basis points to 14.25 percent. The downward trend persisted in the fourth quarter, though at a reduced rate. Notwithstanding, the MPC acknowledges that inflation is still above the target band and that market expectations, while decreasing, are still relatively high. The Committee will remain cautious and continue using the forward-looking approach, relying on the policy rate as the main indicator for communicating monetary policy decisions.
17. The authorities reaffirm their commitment to a flexible exchange rate regime, with BoZ interventions limited to mitigating excessive volatility. In parallel, they are modernizing the monetary policy operational framework by expanding bank participation in International Swaps and Derivatives Association (ISDA) and Global Master Repurchase Agreement (GMRA) agreements as well as by enhancing the Quarterly Projection Model. These will help strengthen policy analysis and transmission.

18. Steps have also been taken to remove the two multiple currency practices (MCPs) by amending the Customs Act to enforce use of the spot exchange rate for FX purchases related to customs duties and issuing Currency Directives so that mining tax payments through BoZ are conducted at the prevailing market rate.

Financial Sector Policies

19. The authorities have made steady progress in strengthening financial sector policies and institutions to safeguard financial stability. In September 2025, the authorities participated in a comprehensive Financial Sector Stability Review, covering regulation and supervision, crisis management, systemic risk analysis, financial market infrastructure, and statistics. In October 2025, the BoZ published the fourth edition of the semi-annual Financial Stability Report, incorporating the results of the annual macro stress test. To strengthen the quality of capital and make the sector more resilient, capital adequacy regulations were issued in September 2025. The regulations also expanded the policy toolkit and enhanced the macroprudential framework. The BoZ is finalizing the liquidity regulations, with the liquidity coverage ratio regulations expected to be issued early in the first quarter of 2026 and the Net Stable Funding Ratio by the end of the second quarter. Two targeted cyber examinations were undertaken in 2025 to strengthen cyber resilience, and four full-scope examinations were also done, which also reviewed cyber risks.
20. At end of October 2025, the BoZ issued Directives establishing a deposit protection scheme and, in parallel, submitted a Deposit Insurance Bill to Parliament to anchor the framework in primary legislation. The revised BFSA was submitted to Parliament in November 2025, strengthening supervision, resolution, and enforcement, in line with international standards. Preparatory steps for the Small Business Growth Initiative were advanced with an expression of interest (EOI) launched in August 2025. The EOI will be the basis for requesting proposals from both fund managers and participants. In the meantime, the authorities have initiated the process to establish a Special Purpose Vehicle, ahead of a planned launch in the first quarter of 2026. In December 2025, the BoZ issued Currency Directives mandating settlement of domestic transactions in Kwacha.

Structural Reforms

21. In July 2025, the TAZAMA open access framework was revised, which led to the reinstatement of full-cost recovery pricing for fuel in September. Further, in November 2025, supplier eligibility was set with the release of the prequalified Oil Marketing Companies list for January–June 2026 and improved tender outcome disclosure.

22. The authorities operationalized the Access to Information Act in November 2025, including through designating Public Relations Officers in all public institutions to process information requests.
23. The authorities advanced amendments to the Anti-Corruption Commission (ACC) Act in November 2025 to strengthen institutional governance and accountability by establishing a transparent, merit-based appointment process for the ACC Board and Director-General. Engagement with staff and other stakeholders is ongoing.
24. In October 2025, Cabinet approved the Companies Bill, which was then submitted to Parliament in November and enacted in December 2025 to enhance the business environment and increase transparency of beneficial ownership, alongside the Patents and Companies Registration Agency's ongoing institutional and IT improvements.

Conclusion

25. Our authorities reaffirm their commitment to preserving macroeconomic gains through ongoing prudent policies and reforms. They value the productive dialogue and guidance received throughout the implementation of the program and therefore request that the Executive Board complete the sixth and final review of the 38-month ECF arrangement. The Zambian authorities look forward to engaging with the Fund on the new arrangement.