



Budget 2027: The Run-Up

Revenue fell short in the first half of 2026 and spending ran ahead of plan. Parliament has also been asked for K46.2 billion in supplementary estimates. This report sets out what that leaves for the 2027 National Budget, which Dr Situmbeko Musokotwane presents on Friday, 30 October 2026.



1 The 2026 budget in brief



2 Revenue: Q1, Q2 and Q3



3 2025 against 2026

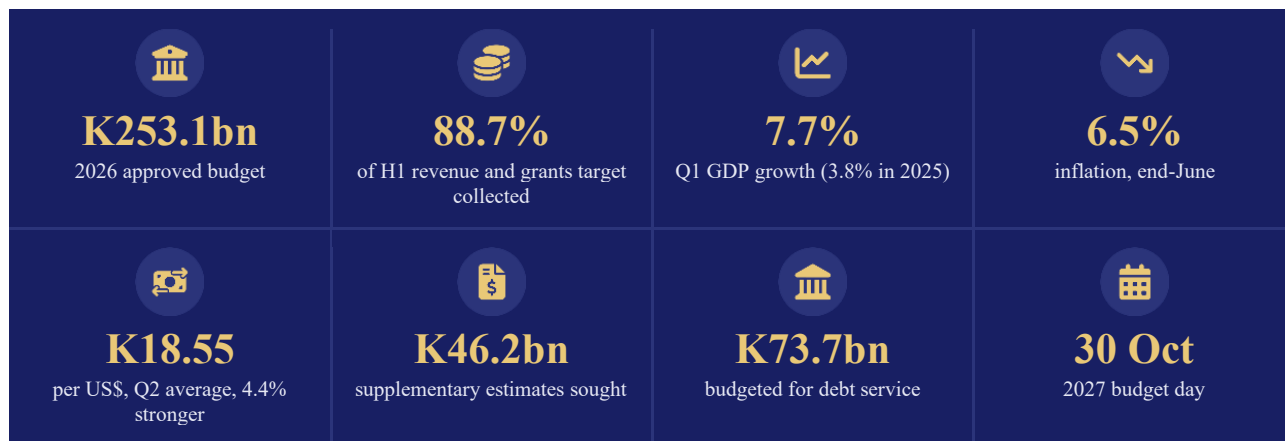


4 Eight sectors, with guest expert on CDF



5 2027 and the Grow Zambia Agenda

2026 in eight numbers



Key takeaways

Growth picked up in the first half, inflation is within the 6 to 8 percent band, and the Kwacha has gained against the dollar.

Revenue and grants were K12.1 billion short of target by June, while spending was K12.0 billion over (calc.). Most of the gap traces to FRA maize purchases, the fuel tax relief and grants that did not arrive.

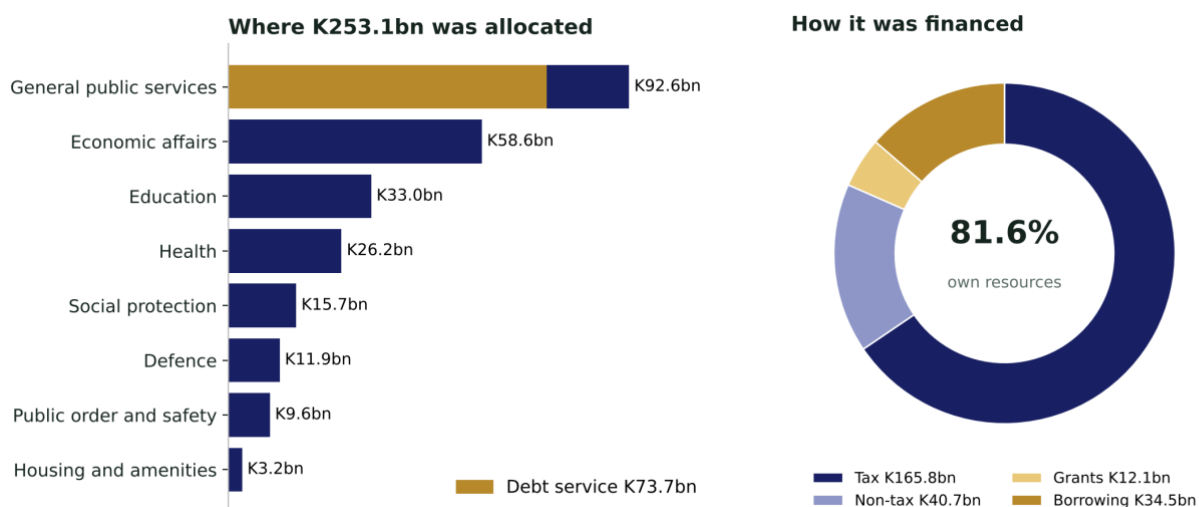
For 2027, Treasury has set an envelope of K271.9 billion with K44.9 billion of borrowing. After existing commitments, about K6.9 billion is free for new spending.

Figures are official outturns from the Ministry of Finance and National Planning Q1 and Q2 2026 Economic Reviews, or approved allocations from the 2025 and 2026 Budget Speeches, unless marked. “Calc.” marks our own arithmetic. The Q3 2026 review had not been published when this brief went to print.



1 The 2026 budget in brief

Presented on 26 September 2025 under the theme “Consolidating Economic and Social Gains Towards a Prosperous, Resilient and Equitable Zambia,” the K253.1 billion budget (27.4 percent of GDP) was the last under the Eighth National Development Plan. Debt service took K73.7 billion, close to 29 percent of the total.



Approved 2026 allocations by function and sources of financing. 2026 Budget Speech and Infographic.

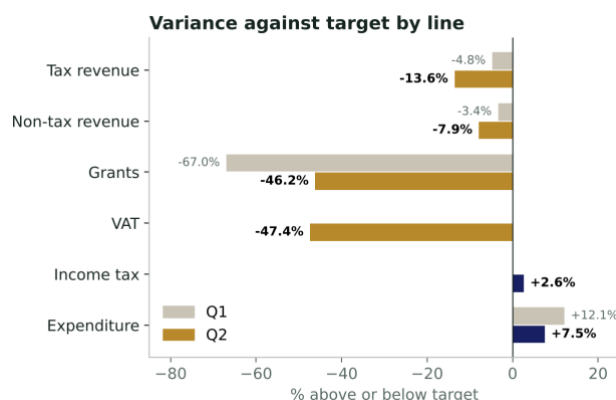
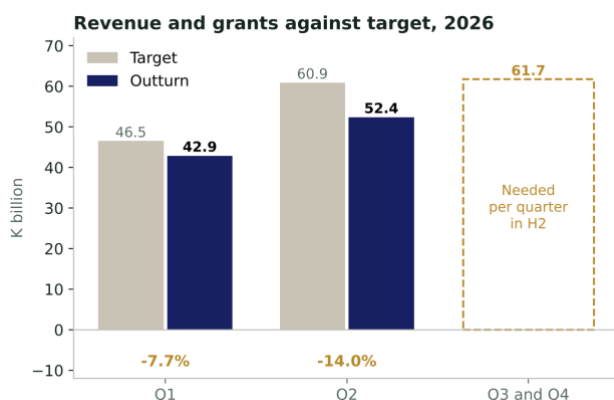
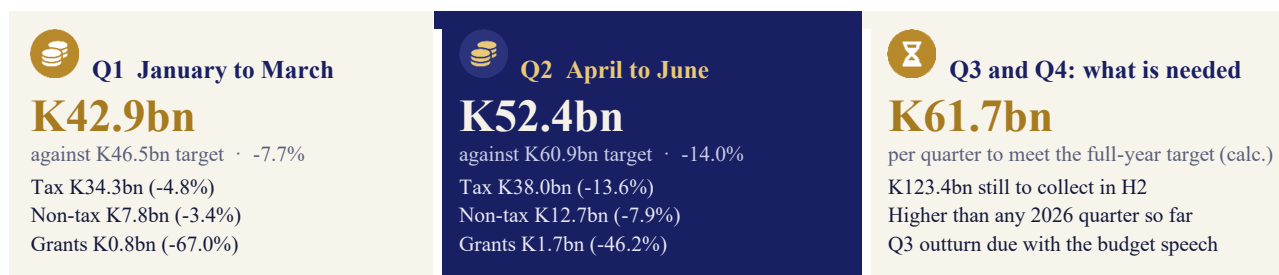
Scorecard: targets against the latest outturn

Objective	2026 target	Latest outturn	Status
Real GDP growth	6.4%	7.7% in Q1; 5.3% projected for the year	⚠️ Below
Inflation	6 to 8%	6.5% at end-June	✅ Met
Reserves	Above 4 months	US\$6.2bn, 5.2 months (end-June)	✅ Met
Domestic revenue	22.3% of GDP	H1 domestic revenue 8.9% below target (calc.)	⚠️ Off track
Fiscal deficit	2.1% of GDP	H1 spending 9.4% above target (calc.)	⚠️ At risk
Net domestic borrowing	2.3% of GDP	K25.5bn added in supplementaries (calc.)	⚠️ At risk

Sources: 2026 Budget Speech; MoFNP Q1 and Q2 2026 Economic Reviews; NDCC (Sept 2026); 2027 budget hearings (Oct 2026).

2 Revenue generated: Q1, Q2 and Q3

Government needs K218.6 billion in revenue and grants in 2026. By the end of June it had collected K95.2 billion against a target of K107.4 billion, a shortfall of K12.1 billion (calc.).



Revenue and grants against target, and variance by line. MoFNP Q1 and Q2 2026 Economic Reviews.

Why revenue fell short

- VAT was the weakest line in Q2, at K5.9 billion against K11.3 billion (-47.4%). Part of this was deliberate: from April to June government suspended excise duty on petrol and diesel and zero-rated fuel for VAT, at a cost of about K1.3 billion a month, to soften the rise in oil prices after the Middle East conflict.
- Grants came to K2.5 billion in the first half, less than half the K5.6 billion planned (calc.). Foreign-financed grants recorded nothing in Q2.
- Income tax did better, finishing Q2 2.6 percent above target, with company tax on target.
- Expenditure reached K139.7 billion against a half-year target of K127.7 billion (calc.). FISP took K7.87 billion in Q1 alone, and two supplementary estimates followed: K26.3 billion in May and K19.9 billion in October, most of it for FRA maize.



Outlook for the full year

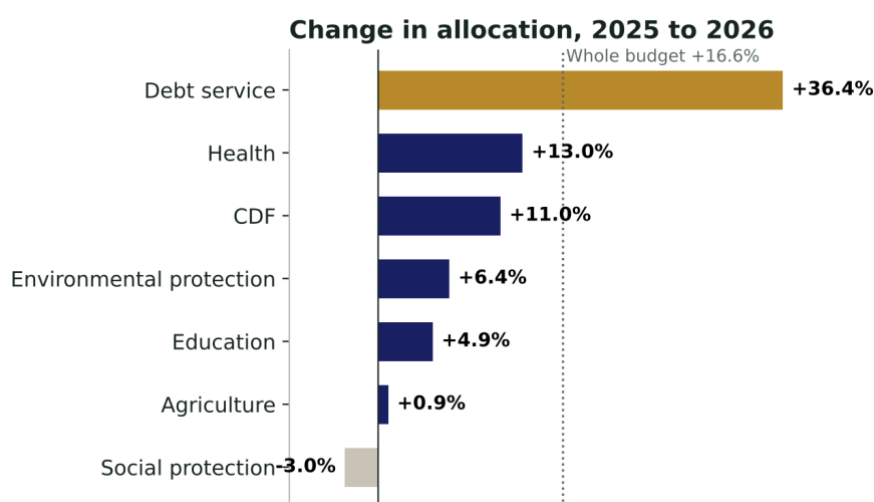
ZRA projects 2026 collections of K169.6 billion against its K185 billion target. The Commissioner General says compliance must rise by at least 10 percentage points to close the gap.

Sources: MoFNP Q1 and Q2 2026 Economic Reviews; Secretary to the Treasury, April 2026 Town Hall; Lusaka Times (10 May 2026); Zambia Monitor (Sept and Oct 2026).



3 2025 against 2026

Between 2025 and 2026 the budget grew by K36.0 billion, or 16.6 percent. Debt service rose by K19.7 billion, more than half of that increase, at over twice the pace of the budget as a whole.



Change in approved allocation, 2025 to 2026. Dotted line shows growth of the whole budget.

Line	2025	2026	Change	Signal
Total budget	K217.1bn	K253.1bn	+16.6%	Larger envelope, lower deficit target
Debt service	K54.0bn	K73.7bn	+36.4%	Domestic interest up 39.3%
Health	K23.2bn	K26.2bn	+13.0%	Medicines up, infrastructure down
Education	K31.5bn	K33.0bn	+4.9%	Share falls, 14.5% to 13.0%
Agriculture	K15.4bn	K15.5bn	+0.9%	FISP and FRA lines cut
CDF	K5.6bn	K6.2bn	+11.0%	K40m per constituency
Social protection	K16.2bn	K15.7bn	-3.0%	Cash for Work halved
Environmental protection	K1.48bn	K1.57bn	+6.4%	Share slips, 0.7% to 0.6%
Energy	No total	K500m fund	n/a	New Electricity Fund
Mining (geological mapping)	K364m	K541.5m	+48.8%	Total mining line K1.2bn

Sources: 2025 and 2026 Budget Speeches and Infographics; 2025 vs 2026 sector comparison supplied.



4 Eight sectors in 2026



Health

K26.17bn

10.3% of budget · +13.0% on 2025

- Medicines K6.40bn (+29.3%); equipment K953.5m (+32.8%)
- Infrastructure down 11.6% to K1.70bn

2027 test: replace lost donor money; grants were 45% of plan in H1 (calc.).



Education

K33.04bn

13.0% of budget · +4.9% on 2025

- School operations K2.43bn; loans and scholarships K1.36bn
- 3,500 more teachers planned for 2026

2027 test: protect free education as enrolment grows, and stop the share falling.



Agriculture

K15.55bn

approved · +0.9% on 2025

- FISP K9.15bn (-1.3%); FRA K2.10bn (-11.2%)
- Supplementaries added K23.2bn, mostly FRA maize

2027 test: budget FRA purchases realistically to avoid another supplementary.



Energy

K500m

new Electricity Fund · no comparable total

- 3,886MW installed; +1,500MW solar and +300MW thermal planned
- 1,315MW under construction in September

2027 test: a funded path towards the 10,000MW target.



Mining

K1.20bn

mining-related allocation

- Mapping K541.5m (+48.8%); small-scale mining K449.5m
- Copper output 890,346t in 2025, short of 1Mt

2027 test: policy stability to reach 1.08Mt of copper in 2027.



CDF

K6.25bn

K40m per constituency · +11.0%

- Since 2022: 2,800 classroom blocks, 131 health posts, 1,941 boreholes
- Q1 release K696.1m

2027 test: 226 constituencies at K40m would cost K9.04bn (calc.).



Debt management

K73.67bn

29.1% of budget · +36.4% on 2025

- Domestic K52.0bn (+39.3%); external K21.67bn (+30.0%)
- Government securities K270.7bn at end-June

2027 test: K37.3bn of domestic borrowing planned, and its interest cost.



Environment

K1.57bn

0.6% of budget · +6.4% on 2025

- Share slips from 0.7%
- Climate spending also sits in agriculture, energy and water

2027 test: fund El Niño preparedness early, not through supplementaries.



GUEST EXPERT · CDF IN FOCUS

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Questions this feature answers

1. With 226 constituencies, should 2027 hold K40 million each, raise it, or move to a formula based on population and need?
2. What do audit findings say about absorption and project completion under CDF?
3. How can councils show citizens where each kwacha went?



Question 1: hold K40 million, raise it, or use a formula?

With 226 constituencies instead of 156, the K40 million rate now carries a very different price. The table sets out what each option would cost in 2027.

Option	2027 cost	Change on 2026	What it means
Hold K40m in all 226	K9.04bn	+K2.80bn (+44.8%)	Equal and simple; uses about 40% of the K6.9bn uncommitted space
Hold the 2026 total	K6.25bn	No change	About K27.6m each, a 31% cut per constituency
Raise above K40m	Over K9.04bn	Over +K2.80bn	Hard to fund in a budget with K6.9bn of free space
Base plus need formula	K6.25bn to K9.04bn	Set by Treasury	Equal floor, with the rest shared by population and poverty

All costs are our calculations on the 2026 rate of K40 million per constituency and the K6.25 billion 2026 allocation.

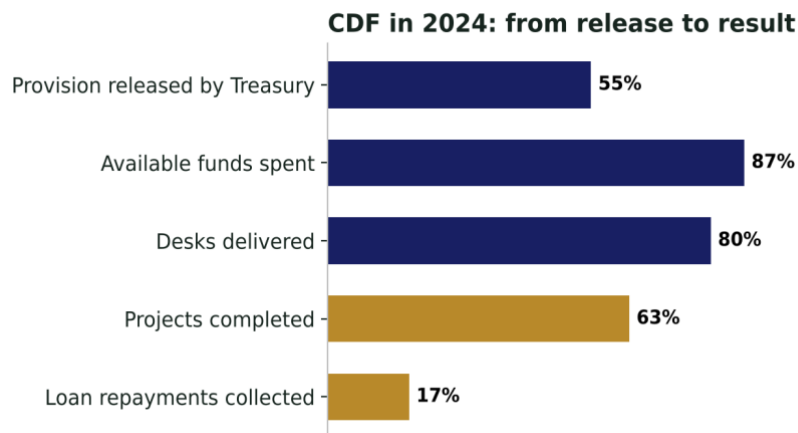
We think the case for simply raising the rate is weak. In 2024 Treasury released K2.63 billion of the K4.78 billion provided for CDF, about 55 percent, so the published rate already overstates what constituencies receive. Councils also began 2024 holding K3.56 billion carried over from earlier years, more than they received during the year. Across all council finances, the Auditor General found K1.09 billion unspent at the end of 2024 and only half of planned activities carried out.

One option is an equal base for every constituency, say K30 million (K6.78 billion in total), released in full and on time, with up to K10 million more paid only to councils that complete projects and account for the base. If every council qualified, the cost would reach K9.04 billion, the same as holding K40 million across the board.

A needs-based formula is also worth considering. Constituencies differ in population and poverty, and the Local Government Equalisation Fund already shares its money this way. The price is transparency: citizens can check a flat rate easily, but a formula is hard to follow unless its inputs are published.

Question 2: what do audit findings say?

The Auditor General's CDF report for 2024, covering all 156 constituencies, is the latest audit of the fund. It shows councils spending faster than before but still struggling to finish projects, deliver what they pay for and recover loans.



Auditor General's Report on the Constituency Development Fund for 2024 (calc.). Desk and loan figures as at September and October 2025.



- Councils had K5.89 billion available in 2024, mostly money carried over from 2023, and spent K5.12 billion. Community projects left K612 million unspent, while administration costs ran 31 percent over budget.
- Of 4,879 projects due, including 2,051 carried over from 2023, 3,060 were completed. Another 1,293 were still under way at the end of the year.
- Councils paid K514.2 million for 356,460 desks. By September 2025, 71,301 desks worth K130.7 million had not arrived, and 1,300 of the 21,817 desks inspected were already breaking.
- Clinics, police posts and classrooms worth K22.0 million in 18 constituencies were finished but had stood unused for between three and 23 months.
- Loan recovery is the weakest area. Councils lent K657.0 million to 8,783 people; of the K375.3 million due by October 2025 they had collected K63.8 million, about 17 percent, and had not terminated a single defaulting agreement.
- Smaller abuses recur. 364 grant recipients diverted K7.8 million, K5.1 million in bursaries went to a college that closed before its students finished, and six councils bought K22.4 million of goods outside e-GP.

The wider audit of local authorities for 2024 points the same way. Most councils keep clean books, with 114 of 116 receiving unqualified opinions, but they spent only 57 percent of sector grants and about 7 percent of Devolution Support Programme funds.

Taken together, the findings suggest that councils' capacity to finish projects, enforce contracts and recover loans is now the main limit on what CDF delivers. Any change to the allocation in 2027 will only work if that capacity improves.

Question 3: how can councils show where each kwacha went?

Seven measures would make CDF far easier for citizens to follow.

1. Councils publish a quarterly register of every CDF project, showing its location, contractor, contract sum, amount paid, progress and whether the finished facility is in use.
2. Every site carries a signboard with the amount, the contractor and the expected completion date.

3. The Ministry of Local Government ranks councils each quarter on spending, completed projects, loan recovery and audit queries cleared.
4. Councils move onto one accounting system linked to IFMIS and e-GP, so CDF payments can be traced from release to contractor. The Auditor General flagged the current mix of standalone systems in 2024.
5. Each council reports what it has done on every Auditor General finding before it receives its next release.
6. Ward Development Committees confirm completion, with photographs, before the final payment is made.
7. Councils publish loan repayment rates by constituency and enforce the termination and recovery clauses the CDF guidelines already contain.



What to watch on 30 October

Whether the Minister states a rate per constituency and a total, whether releases are tied to utilisation and audit compliance, and whether the loan component returns.

Sources: Auditor General's Report on the Constituency Development Fund for 2024; Auditor General's Report on the Accounts of Local Authorities for 2024; Lusaka Times (24 Dec 2025, 29 Sept 2026); Diggers (24 Jul 2025); MLGRD; MoFNP April 2026 Town Hall; 2027 budget hearings. Analysis and calculations by The Zambia Economist.

Sources: 2025 and 2026 Budget Speeches and Infographics; MoFNP Q1 and Q2 2026 Economic Reviews; April 2026 Town Hall; Energy News Network (Oct 2026); Reuters (Oct 2026).

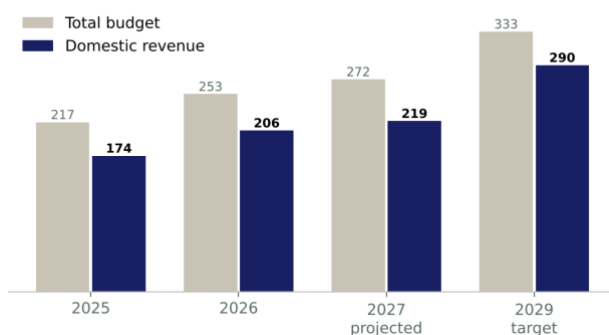


5 2027 and the Grow Zambia Agenda

Because 2026 was an election year, the Constitution allows the budget within 90 days of the President's swearing-in. Treasury set out the frame at the October budget hearings; the Minister fills it in on 30 October.



Fiscal path, K billion



2027 discretionary budget: K86.8bn



Fiscal path to 2029 and the 2027 discretionary budget. "Other commitments" is the residual (calc.). MoFNP 2027 budget hearings.



From stability to production

The Minister calls stability "not an end in itself". Each sector has been asked to state what it will produce and where it will invest.



1.08Mt

copper target for 2027, 1.40Mt
by 2029



10,000MW

generation target in the medium-
term plan



6.9%

average growth, 2027 to 2029



K290.1bn

domestic revenue target for 2029



What to watch on 30 October

1. How far Q3 revenue went towards closing the K12.1 billion gap.
2. The 2026 deficit, and what K44.9 billion of borrowing implies for 2027.
3. Any new tax measures, or whether the K218.6 billion revenue target rests on compliance alone.
4. Whether FRA and FISP are funded well enough to avoid a third supplementary estimate.
5. The CDF rate per constituency, and the total across 226 constituencies.
6. How the budget replaces donor money lost in health.

Sources: Diggers (24 Oct 2026); Open Zambia (Aug 2026); ZNBC and APO (Oct 2026); Reuters via CNBC Africa (5 Oct 2026); The Zambia Economist (Oct 2026); Energy News Network (Oct 2026).

Sources

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3. MoFNP: 2025 and 2026 National Budget Infographics
4. [2026 Budget Address](#)
5. [Lusaka Times: K26.3bn supplementary budget](#)
6. [Zambia Monitor: K19.9bn supplementary budget](#)
7. [Zambia Monitor: ZRA compliance drive](#)
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10. [The Zambia Economist: 2027 budget hearings](#)
11. [Diggers: 2027 budget on 30 October](#)
12. Office of the Auditor General: Report on the Constituency Development Fund, 2024
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14. [Lusaka Times: Auditor General flags K300m unrecovered CDF funds](#)
15. [Diggers: 2025 CDF utilisation at 63%](#)
16. [Lusaka Times: CDF loans frozen at 35% repayment](#)
17. [Energy News Network: 10,000MW target](#)

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