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ANALYSIS OF THE 2027 NATIONAL BUDGET

PART 2: UNLOCKING REAL SECTOR GROWTH AND EXPORT POTENTIAL THROUGH PRIVATE SECTOR-LED DEVELOPMENT

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About this Report

The Honourable Minister of Finance and National Planning delivered the 2027 National Budget to the National Assembly on Friday, 6th November 2026, under the theme **"Grow Zambia: From Stabilisation to Unlocking Opportunities, Creating Jobs and Improving Livelihoods for All".** As the first budget of the second term of the United Party for National Development (UPND) administration after the August 13th 2026, general election, the 2027 Budget sets the course for Zambia's economic development journey over the next five years. With the last five years mainly focusing on stabilising macroeconomic frameworks, addressing debt challenges, including debt restructuring, and navigating the effects of external shocks such as the 2023/24 drought and the Russia-Ukraine war, the 2027 Budget presents a unique opportunity to redirect policy efforts towards translating achieved macroeconomic gains into meaningful welfare benefits through improved livelihoods.

Therefore, the 2027 Budget sets a foundation for the **Grow Zambia Agenda** for the next five years (2031), targeting to double the size of the Zambian economy through increased outputs in key sectors of the economy. This includes producing 10 million metric tonnes (MT) of maize, 10,000 megawatts (MWs) of electricity, achieving 5 million international tourist arrivals, 3 million MT of copper and soya beans, 1 million MT of wheat and sugar each, and US$1 billion in beef exports. With the theme dubbed **"Unlocking Real Sector Growth and Export Potential Through Private Sector-Led Development"**, this analysis examines pronounced policy effects on the real sector. The report is structured as follows. Part I focuses on specific sectors such as mining, agriculture, manufacturing, tourism and transport, while Part II analyses environmental sustainability and climate resilience issues. As reflected in the theme, the report begins with an extract on exports, which anchors the Grow Zambia Agenda.

Report Highlights

Below are key highlights of the analysis.

1. The Grow Zambia Agenda is anchored on exports:

The 2027 Budget signals that economic growth must be driven by production, value addition and increased exports, with the private sector playing the leading role in investment, processing, trade and job creation. This is important because exports do not merely earn foreign exchange, but also create incentives for firms to expand production, invest in better technology, improve quality and link local producers to regional and global value chains;

2. Translating reforms into growth in the agricultural sector will be key:

The Budget aims to operationalise recently enacted legislation such as the Agricultural Credits and Warehouse Receipts Act (2026), Agricultural Marketing Act (2026), and the Food Reserve Act (2026). These reforms provide an opportunity to address structural constraints in agricultural financing, market access, private sector participation and food-reserve management. However, several implementation gaps remain to make these reforms work in practice, in order to translate legislative reform progress into higher output and productivity;

3. Achieving the mining target of producing 3 million MT of copper annually by 2031 will require a departure from business as usual:

Output rose from 736,585 MT in 2023 to 824,513 MT in 2024, and 890,346 tonnes in 2025. This translates into annual growth of 11.9% and 8.0%, respectively. Unfortunately, this slow growth contrasts with the 26.4% annual increase required between the Budget's projected 930,000 tonnes in 2026 and the 2031 target;

4. The PPP viability gap financing fund could be a game changer if implemented:

The policy pronouncement is commendable, as it will make projects from different sectors like energy attractive for private investments, including addressing reported sector challenges of project bankability and viability. That said, we urge the Government to ensure that this Fund is actually implemented, given the poor track record of various funds established in Zambia;

5. Raising the share of manufacturing's contribution to GDP will require more than protecting existing firms:

Over the years, the manufacturing sector's share averaged about 8.6% between 2022 and 2025, reflecting persistent constraints such as energy deficits, limited access to finance, and skills and technology gaps. Proposed measures such as increasing customs duty on ceramic tiles and removing customs duty and VAT on raw materials are commendable, as they could promote local production, competitiveness and job creation. Beyond that, these measures should result in expansion of domestic processing, increase value addition, improve productivity, and attract investment into competitive value chains;

6. Zambia should develop a coordinated MICE strategy in order to realise its tourism potential:

Besides clearly defined institutional responsibilities, implementation timelines and measurable targets, the strategy should incorporate streamlined licensing processes to improve efficiency and reduce business costs, while promoting PPPs to mobilise investment in upgrading and expanding MICE infrastructure;

7. Effective implementation will be vital to enhance benefits of proposed railway reforms:

The repealing and replacement of the Railways Act, Cap. 453 of 1984, is important to introduce an open-access framework and separate infrastructure management from freight and passenger service provision. This will attract private operators and generate necessary revenue for sustainable network maintenance and rehabilitation. However, the success of this model will depend on several factors, including transparent access charges, effective regulation, and adequate reinvestment in railway infrastructure; and finally,

8. The need for policy preparedness regarding climate sustainability and resilience measures cannot be overstated:

While the 2027 Budget provides K21.5 million towards the drought insurance premium under the African Risk Capacity scheme, limited clarity on progress towards the operationalisation of the Stabilisation Fund announced in the 2025 Budget is notable. With the possibility of another severe drought approaching, will the Stabilisation Fund be operationalised in time to provide resources when they are needed, or will resources have to be mobilised after the effects of the disaster have been felt?


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01

Trade as the Engine for Grow Zambia Agenda

The 2027 Budget places exports at the heart of the Grow Zambia Agenda by recognising that Zambia's production ambitions cannot be sustained by domestic demand alone. The targets for maize, soya beans, sugar, wheat, beef and copper all point to the need for larger and more reliable markets beyond Zambia's borders. In this regard, the Budget correctly signals that economic growth must be driven by production, value addition and increased exports, with the private sector playing the leading role in investment, processing, trade and job creation. This is an important policy direction because exports do not merely earn foreign exchange; they also create incentives for firms to expand production, invest in better technology, improve quality and link local producers to regional and global value chains. For Grow Zambia to succeed, trade must therefore be seen not as a supporting issue, but as one of the main vehicles through which production targets are converted into incomes, jobs and industrial growth.

Going forward, the central issue is not only whether Zambia can produce more, but whether it can produce competitively and sell consistently into domestic, regional and international markets. This makes export diversification an important part of the Grow Zambia Agenda. However, diversification should not be interpreted to mean that Zambia must move away from mining or reduce its dependence on copper in a narrow sense. Rather, the country can diversify within the copper value chain by promoting copper processing, fabrication, cable production, electrical components and other downstream activities that retain more value domestically. At the same time, Zambia can broaden its export base through agricultural commodities, agro-processing, tourism and light manufacturing. In practical terms, each target comes with specific challenges. The maize target will require predictable export policies, better storage, aggregation and logistics. Soya beans will require stronger out-grower systems, local crushing capacity and coordinated development of markets for beans, oil and stockfeed. Wheat and sugar expansion will depend on lowering production costs, improving irrigation, ensuring energy reliability, and securing both industrial and export markets. The beef target will require disease control, traceability systems, cold-chain infrastructure and certified abattoirs to meet export standards. The copper target, in turn, will depend not only on higher output, but also on reliable power, transport infrastructure, policy predictability and stronger local linkages into manufacturing and services.

In this context, the practical test of the 2027 Budget is whether its measures genuinely improve Zambia's export competitiveness and strengthen private sector participation. Measures such as automating export permits, smarter borders, improved rail systems, and support for productive sectors can lower trade costs and make Zambian firms more competitive. However, some import taxes and surtaxes may also raise the cost of important industrial inputs, risking the protection of one producer while weakening another. That is why the implementation of the Grow Zambia Agenda must be accompanied by careful value-chain analysis, so that industrial protection does not undermine exporters, processors and job creation. Government should therefore complement production targets with practical market development plans, export finance, standards support, efficient VAT refunds, trade facilitation reforms and a stable policy environment that gives the private sector confidence to invest. If these conditions are met, the Grow Zambia Agenda can become more than a production strategy; it can become a genuine export-led transformation agenda that builds on Zambia's strengths in copper while expanding opportunities in agriculture, manufacturing and services.

1.1 Where the Rubber Meets the Road: Turning Agricultural Reforms into Growth



Agriculture sits at the heart of the Grow Zambia Agenda, with five of the eight production targets relating directly to the sector. This includes producing 10 million metric tonnes (MT) of maize, 3 million MT of soya beans, 1 million MT of wheat and sugar, respectively, and US$1 billion in beef exports by 2031. Delivering on these targets would position the sector as a major driver of economic growth, export diversification and employment generation.

The 2027 Budget pronounced full resolve to implement key reforms in the sector, including the Agricultural Credits and Warehouse Receipts Act No. 7 of 2026, the Agricultural Marketing Act No. 8 of 2026, and the Food Reserve Act No. 6 of 2026. These reforms provide an opportunity to address structural constraints in agricultural financing, market access, private sector participation and food-reserve management. That said, several implementation gaps remain in translating legislative reform progress into higher output, productivity, and trade. Among the gaps are adequate resourcing, complementary investment, and effective institutional coordination and implementation: this is where the rubber meets the road.

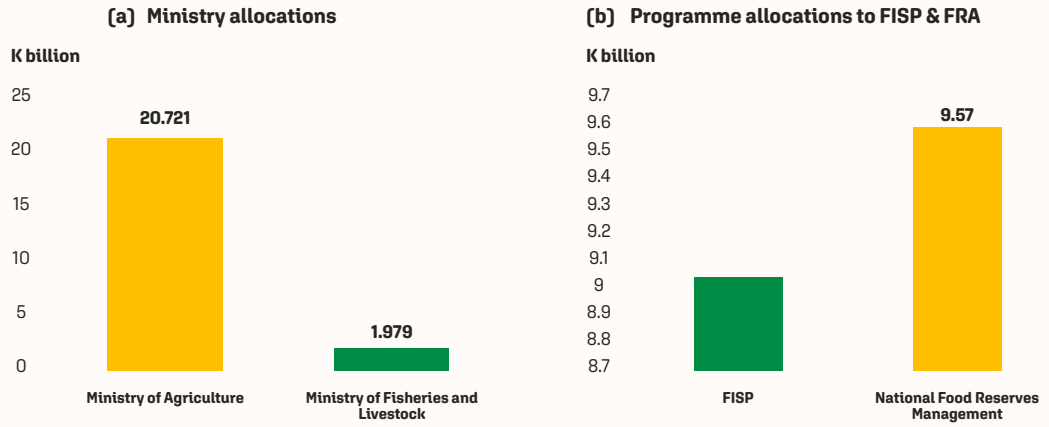
Specifically, the 2027 budget allocates K22.7 billion to Agriculture, Fisheries and Livestock, compared with K15.1 billion in 2026, representing a nominal increase of 50.5%. Of the K22.7 billion, the Ministry of Agriculture receives K20.72 billion, accounting for 91.3% of the combined sector allocation, compared with K13.226 billion in 2026, a nominal increase of 56.7%. The remaining K1.98 billion (8.7%) is allocated to the Ministry of Fisheries and Livestock. These allocations, though distinctive, are complementary because of their strong potential for forward and backward linkages, as their outputs can easily be combined in a single value chain. However, allocations for livestock and fisheries seem insufficient given the scale of animal health management responsibilities and their critical role in achieving the strategic objective of a US$1 billion target for beef exports.

Within the agricultural sector, National Food Reserves Management receives K9.57 billion, while the Farmer Input Support Programme (FISP) is allocated K9.04 billion. The allocation to National Food Reserves Management increases nominally by 330.9%, from K2.22 billion in 2026 to K9.57 billion in 2027, largely reflecting outstanding obligations from the 2026 crop marketing season and highlighting the need to contain further fiscal exposure. Against this backdrop, the 2027 budget's commitment to operationalise the Food Reserve Act No. 6 of 2026 is highly commendable and should be prioritised to ensure that the legislative reforms translate into more efficient food reserve management in the future.

Beyond strengthening food reserve management, the budget also recognises the need to deepen agricultural market participation and attract private investment through the operationalisation of the Agricultural Marketing Act No. 8 of 2026 and the Agricultural Credits and Warehouse Receipts Act No. 7 of 2026.

The proposed organised production and supply scheme, drawing on the Nakambala outgrower model, is a welcome step towards linking smallholder farmers to anchor investors, agro-processors, and other agribusinesses. However, this should be supported by the timely development of complementary crop, livestock and fisheries infrastructure, including certified cold room storage facilities, commodity trading systems, warehouse receipt financing, farmer aggregation centres, disease surveillance and vaccination facilities, and community-based animal disease-free compartments, among others. Most importantly in the crop sub-sector, the timely establishment and operationalisation of the proposed Farm Block Development Agency will be essential to ensuring effective coordination of farm block development and mobilisation of private investment. As such, the disbursement of K7 million in the 2027 budget will be key to supporting this process.

Figure 1: Budget Allocations to Agriculture, Fisheries and Livestock Budget, 2027



Source: Constructed by author from the 2027 National Budget Estimates (Yellow Book)

The transition of the Farmer Input Support Programme (FISP) from a subsidy-based framework to an agricultural loan scheme represents a significant advancement in Zambia's ongoing agricultural reform efforts. This move aims to reorient the sector towards a more commercially viable model.

A key justification for this transition is the recognition that input subsidies have proven insufficient as an effective financing mechanism for small-scale agriculture. Historically, FISP has failed to foster commercial behaviour among its beneficiaries, who continue to rely on inefficient input usage, exhibit weak market linkages, and demonstrate limited capacity for climate adaptation and resilience.

The proposed credit model offers a strategic opportunity to mitigate these structural deficiencies. For the FISP reform to succeed, it must create conducive conditions that enable input access to translate into enhanced productivity. Additionally, the program's scope should be expanded to encompass all agricultural activities as part of the Grow Zambia initiative.

However, this reform should be well planned to ensure a smooth transition, given the sheer size and complexity of the FISP programme and its critical role in food security and Grow Zambia. Provincial transition task forces should be established and operationalised as soon as the Budget has been legislated. Further, the reform will inevitably require a tiered financing model that provides an interest-free credit tier for a base acreage to start with and the other tiers with a cost-recovery interest rate across all farming activities. In addition, credit derisking by linking producers to reliable contract farming/out-grower schemes, farmer organisations, aggregators, and off-takers should be prioritised to make applications more bankable and support lowering the cost-recovery interest rate charged on applications for higher credit tiers. If adopted, this arrangement will help with loan recovery and reduce the high loan delinquency that has characterised agricultural credit.

It is imperative that the transition is supported by timely access to both agricultural and veterinary extension services, which are essential for optimising the utilisation of available inputs. Zambian farmers, on average, require enhanced support from extension services. Implementing a reform to establish a predominantly private extension service delivery mechanism under the Grow Zambia Agenda will be crucial in fostering agricultural growth and safeguarding farmers from avoidable losses. It is advisable to pilot these interventions in controlled environments (sandboxes) in 2027.

As we look ahead to broader implementation, it's vital to weave climate resilience into our agricultural reforms to ensure sustainable growth in crop production, fisheries, and livestock. Unfortunately, there's a noticeable funding gap for the Strengthening Climate Resilience of Agricultural Livelihoods in Agro-Ecological Regions I and II of Zambia (SCRALA) program for 2026 and 2027, despite a significant allocation in 2025. This is especially concerning given the anticipated El Niño-related challenges in the upcoming farming season.

To address these risks, we encourage the Government to harness the innovative FISP input-credit model, the Sustainable Agriculture Financing Facility (SAFF), and the Constituency Development Fund (CDF). These initiatives can enhance farmers' access to critical climate-resilient inputs and technologies. Additionally, scaling up agricultural extension services will empower farmers with the knowledge and tools needed for climate-smart practices before the 2027/2028 season. Together, we can build a more resilient future for our agricultural community!

1.2 Mining for Prosperity: Making Zambia's Copper Growth Count

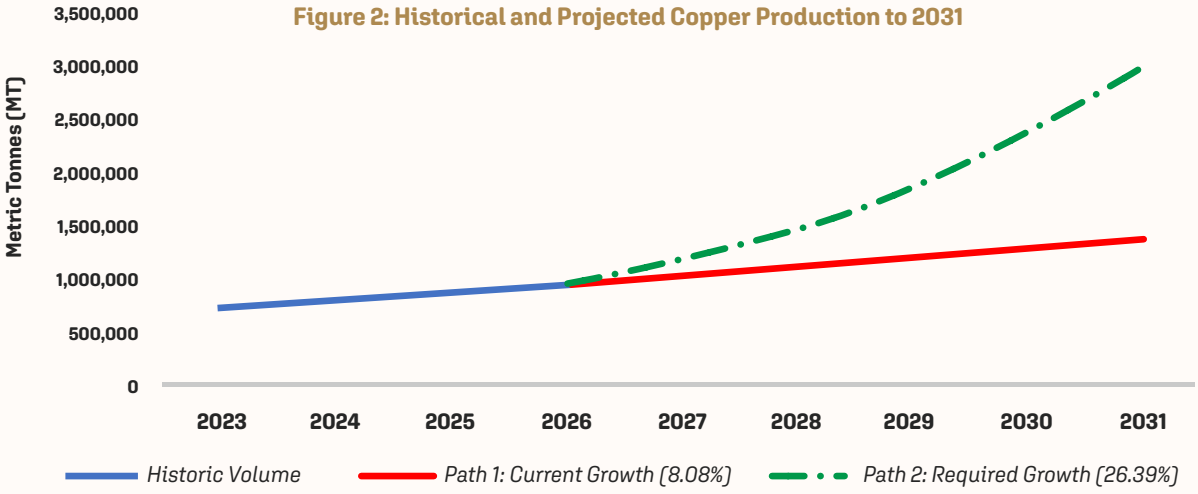


The 2027 Budget places mining at the forefront of the Grow Zambia Agenda, targeting 3 million metric tons (MT) of copper by 2031. This goal will be supported by expansions of existing mines, rehabilitation efforts, and new projects. However, recent production trends highlight the challenges ahead.

In 2023, copper output was 736,585 MT, which increased to 824,513 MT in 2024 and further to 890,346 MT in 2025. This represents annual growth rates of 11.9% and 8.0%, respectively. Unfortunately, this growth is significantly below the 26.4% annual increase needed to reach the Budget's projected 930,000 MT in 2026 and achieve the target by 2031.

To meet these ambitious targets, substantial production acceleration will be necessary, along with the timely completion of major mining projects, a reliable electricity supply, efficient transport and logistics services, and ongoing investment in mining infrastructure.

Figure 2: Historical and Projected Copper Production to 2031



Source: Constructed by author from the 2025 Annual Economic Report and Budget Speech (2027)

The approximately K1.2 billion mining allocation aims to address weaknesses in exploration information, regulation, and small-scale mining. Within this budget, K171.7 million is designated for mining standards and regulation, reflecting a 126.2% nominal increase from K75.9 million in 2026. According to the Budget Speech, the aerial survey will be completed by the end of 2026, followed by ground-based geological investigations in 2027. These investigations are crucial for verifying, interpreting, and validating the aerial survey results, as it only identifies potential deposits. Physical ground investigations are necessary to confirm whether a site actually has commercially viable reserves.

Furthermore, while the introduction of the new digital licensing system and the decentralised Minerals Regulation Commission aims to expedite approvals, these technology upgrades will have limited impact if existing administrative bottlenecks continue to delay processes. To effectively attract investment, the government must ensure access to public geological data, set clear processing deadlines, and provide regular, transparent reporting on licensing, inspections, and compliance.

Measures for artisanal and small-scale miners are designed to address challenges such as limited equipment, skills, and access to formal markets. The K450.7 million allocation, the proposed gold trading agency, and the 50% royalty reduction for sales to approved aggregators represent positive initiatives to promote gold sales through formal channels. It is essential to ensure that market competitiveness exists for formal aggregators to discourage the continuation of informal markets. Competitive pricing, independent testing, accessible collection points, and prompt payment are crucial components.

The proposed increase in withholding tax on mining dividends from zero to 15% seeks to boost revenue from mining activities and align the statutory dividend withholding rate with those in other sectors. However, increasing dividend taxation may reduce the returns distributed to shareholders. Similarly, the proposed 5% export duty on zinc concentrates is a step in the right direction. Nonetheless, it is important to ensure that local processing capacity exists and to promote domestic beneficiation before fully implementing this measure. Export taxation alone does not guarantee commercially viable processing capacity and may hinder operational expansion, potentially leading to lower output.

Overall, the 2027 Budget addresses important constraints in exploration, regulation, and formalisation. However, these measures by themselves do not create a credible pathway to achieving the target of 3 million metric tons of copper by 2031, which requires an additional 2.07 million tons beyond the projected output for 2026. While this target is necessary, the success of mining under the Grow Zambia initiative should be evaluated not just by the quantities extracted or the tax revenues generated, but also by factors such as the establishment of local supplier contracts, the viability of mineral processing, the number of formal jobs created, export earnings, and the growth of production in other critical and rare minerals. Researching the sector's performance in these areas is essential to documenting the social contract between the government and citizens.



1.3 Beyond the Deficit: Navigating New Challenges in the Energy Sector

The 2027 Budget recognises that a reliable energy supply is essential for the country's economic growth, as it supports production in key sectors such as mining, manufacturing, and agriculture. In the electricity sector, Grow Zambia aims to increase generation capacity to 10,000 megawatts (MW) by 2031. Installed capacity for 2026 is estimated at 4,722 MW. If the projected additional capacity of 1,400 MW is realised in 2027, the total capacity will reach 6,122 MW. To meet the target of 10,000 MW by 2031, approximately 970 MW of additional capacity will need to be added each year from 2028 to 2031 (see Figure 3).

Continued diversification of the energy mix is essential to reduce vulnerability to climate-related risks and shocks, which can be detrimental when the country is heavily reliant on hydropower. Similarly, it is crucial to implement key reforms such as open access, transitioning to cost-reflective tariffs, and facilitating marketing and access to trade finance. These measures are vital to attract private-sector investment and expand energy generation.

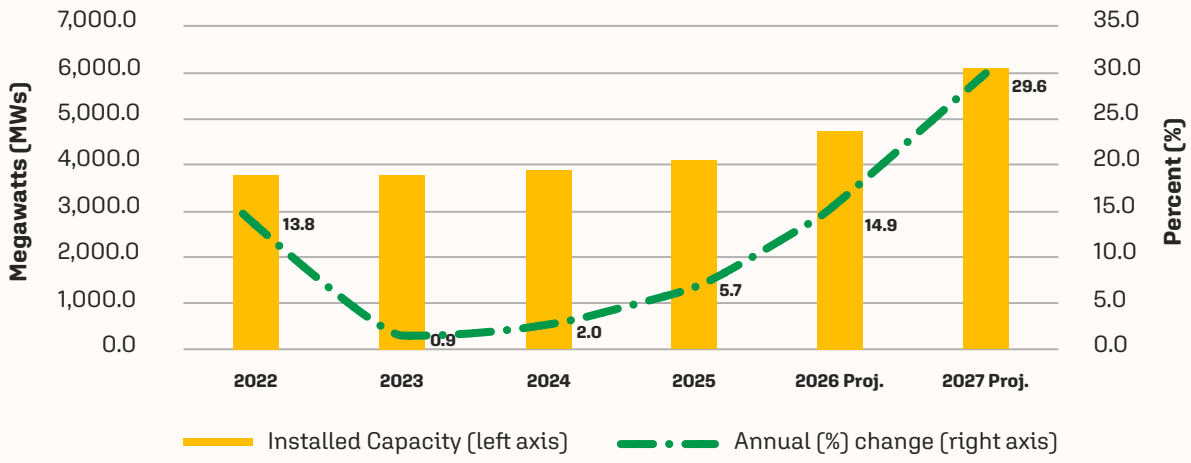
The commitment to streamline regulatory approvals must be maintained to expedite project identification, feasibility assessments, and final project selection and approval.

Additionally, the proposed K507 million Public-Private Partnership (PPP) viability gap financing fund is commendable, as it will make projects from various sectors—including energy—more attractive for private investment. However, we urge the government to operationalise this fund promptly and provide clear, accessible guidelines to avoid the challenges encountered by similar funds in Zambia.

With a projected total installed capacity of at least 6,000 MW beyond 2027, completing regional interconnectors such as those between Zambia and Tanzania, Zambia and Malawi, and Kalumbila and Kolwezi is vital to improve supply reliability and facilitate power trading within regional power pools.

Implementing the energy compact program supported by the World Bank and the African Development Bank under Mission 300 will be crucial to increasing electricity access for households. Whenever possible, this initiative should be financially supported by resources from the Electricity Fund established in 2026 to help reduce connection fees.

Figure 3: Zambia's Total Installed Electricity Generation Capacity



Source: Constructed by author from Energy Sector Reports and Budget Speech (2027)

The announcement to construct a new multi-product petroleum pipeline and rehabilitate the TAZAMA pipeline is commendable and long overdue. This development will significantly reduce the cost of transporting fuel and contribute to lower domestic pump prices. However, constructing a new pipeline is a medium-term project, with benefits realised only after completion. Therefore, it remains crucial to promptly and fully implement the current TAZAMA Open Access Framework, as it promotes competition and transparency and enhances the security of supply for low-sulphur gas (diesel). The government should continue to address related implementation challenges to prevent potential shortages in the domestic market.



1.4 Enhancing Local and Regional Competitiveness in the Manufacturing Sector

The 2027 National Budget identifies manufacturing as a key driver of the Grow Zambia Agenda, targeting a GDP contribution above 8.5%. Although notable, this target remains below the 2018 National Industrialisation Policy ambition of 15% by 2027, and Vision 2030s' 18.3%. Between 2022 and 2025, manufacturing's contribution averaged about 8.6% , reflecting persistent constraints to diversification and industrialisation. Key challenges include energy deficits, limited access to finance, skills and technology gaps, policy inconsistencies, and exchange-rate fluctuations .

Addressing these constraints requires strengthening manufacturing competitiveness through proposed measures, including reduced regulatory costs and value-chain and development finance. While value-chain financing can improve access to affordable finance and sustain production, its impact may be constrained by high borrowing costs, inadequate collateral, weak supplier linkages and limited productive capacity. Therefore, the Government should operationalise targeted credit guarantee schemes, strengthen local supplier development programmes, and promote sustainable public-private partnerships (PPPs) with financial institutions. In addition, targeted Foreign Direct Investment (FDI) should be promoted to mobilise capital, facilitate technology and skills transfer, integrate local firms into regional and global value chains, and expand export-oriented manufacturing. These measures will improve access to affordable long-term financing and stimulate investment in productive manufacturing activities.

Further, the Budget seeks to increase employment in the manufacturing sector beyond the 323,159 jobs reported in 2025. Key priorities include supporting the growth of local companies through local content requirements and capacity-building programmes, strengthening skills development, and expanding industrial infrastructure, particularly for Multi-Facility Economic Zones (MFEZs). MFEZs provide opportunities to attract investment, expand industrial activity and create employment. Table 1 Presents employment trends in the manufacturing sector, alongside job creation at the Lusaka South MFEZ, illustrating the potential contribution of these zones to employment generation.

Table 1: Employment in Manufacturing Sector

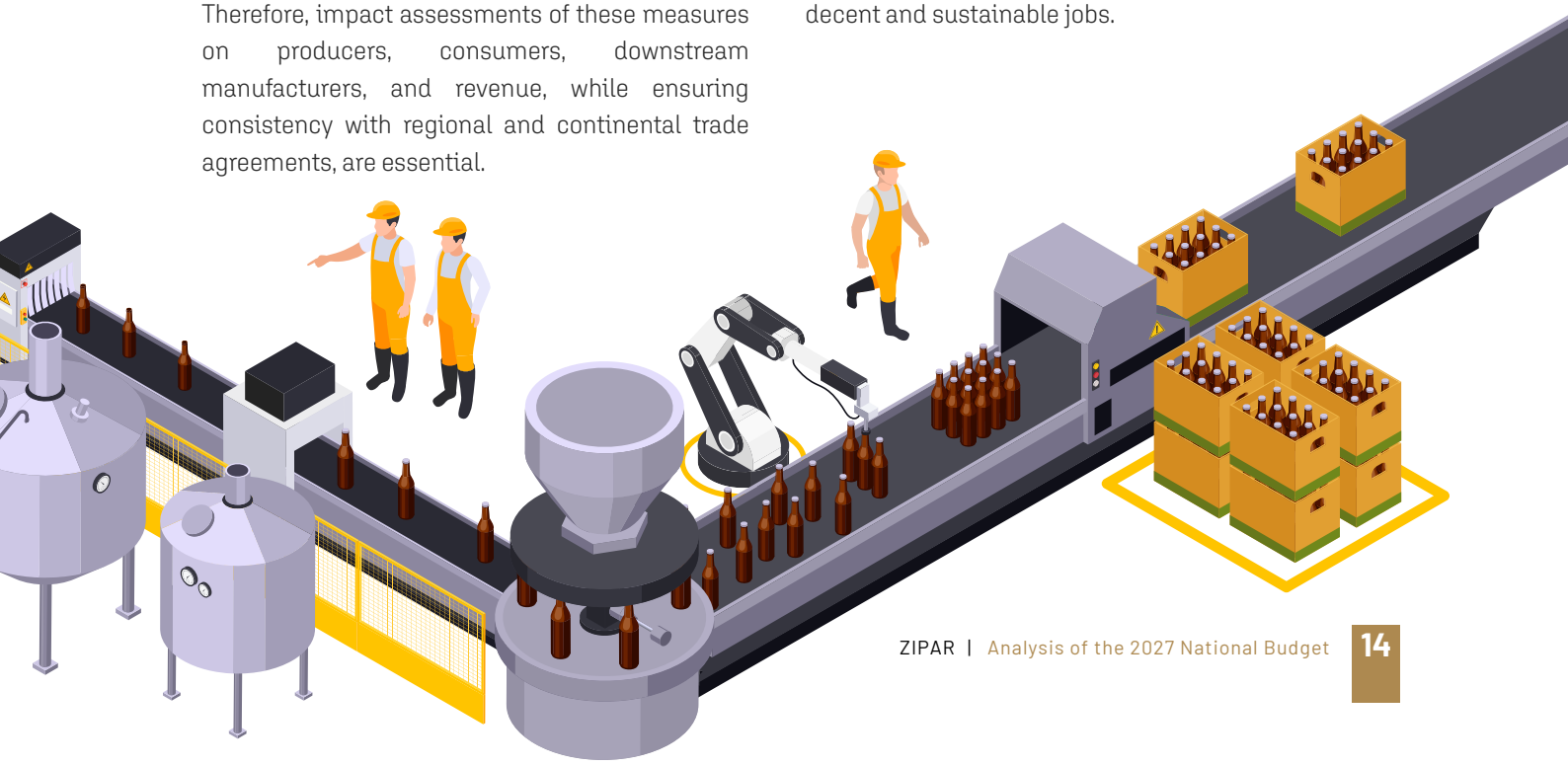
Year[3]		2022[4]	2023	2024	2025	2026
Number of Jobs	Lusaka South MFEZ	-	-	12,558	24,450[5]	31,000
	Manufacturing Sector[6]	325,539	334,060	265,772	323,159[7]	

[1]Source: World Development Indicators.
[2]Source: 2025 Budget Speech; Eighth National Development Plan, 2022.
[3]The Data is presented as extracted from the actual year of budget speech.
[4]The 2022 and 2023 the budget speech did not highlight the number of jobs created. Though 2023 projected a creating of 4000 jobs.
[5]The total Includes 8,450 jobs that were created by companies which were conducting construction activities at that time.
[6]Source: 2022-2025 Labour Force Survey Reports by ZAMSTATS
[7]The budget indicated above 320,000 jobs. The 323,159 was obtained from the 2025 Labour Force Surveys.

Source: Constructed by author from Budget Speeches and the Labour Force Survey Report (2025)

Finally, the 2027 Budget proposes fiscal measures to protect manufacturing and reduce input costs, including strengthening local raw material supply chains, increasing customs duty on ceramic tiles from 25% to 40%, adjusting duties on selected imports, and removing customs duty and VAT on raw materials used to manufacture sanitary products locally. Overall, these measures are commendable and could promote local production, competitiveness, exports and job creation. However, their effectiveness will depend on domestic capacity and input availability, as some measures, such as duties on crude edible oils, could increase costs for local manufacturers. Therefore, impact assessments of these measures on producers, consumers, downstream manufacturers, and revenue, while ensuring consistency with regional and continental trade agreements, are essential.

In closing, raising manufacturing's share of GDP will require more than protecting existing firms. Instead, the proposed 2027 measures should expand domestic processing through the strategic use of Multi-Facility Economic Zones (MFEZs), the enforcement of local content requirements, and the leveraging of targeted tax and duty exemptions on raw materials. Furthermore, these efforts must increase value addition to locally available inputs, improve productivity and product quality, attract investment into competitive value chains, and grow exports. In turn, improved competitiveness in the manufacturing sector should translate into wider market access, affordable products, and decent and sustainable jobs.



1.5 Promoting MSME Growth through Finance, Formalisation and Market Access



Micro, Small and Medium Enterprises (MSMEs) are central to the Grow Zambia Agenda's goal of job creation, with approximately 1.6 million MSMEs employing about 1.9 million people[8] . However, their growth is constrained by limited access to formal finance and markets, as well as persistent informality. A recent survey found that only 4.1% of MSMEs had access to credit in 2022, while 95.6% operated informally, with most lacking financial records[9]. The lack of market access for the goods and services hinders SMEs from growing and competing with bigger firms[10]. This raises an important question for the 2027 National Budget on whether its proposed interventions address these longstanding constraints and enable MSMEs to translate their economic potential into job creation and sustainable growth.

Specifically, the 2027 Budget offers MSMEs three financing channels. Firstly, the Bank of Zambia's K5 billion guarantee scheme could ease collateral constraints. However, clear eligibility rules are needed to prioritise first-time borrowers, as well as women- and youth-owned businesses. Secondly, value chain financing is commendable as it allows lending against buyers' credit rather than MSMEs' financial records. That said, reliance on lead firms creates dependency risks. In that regard, digital trading platforms could mitigate this by connecting suppliers to multiple certified buyers. Thirdly, the Constituency Development Fund (CDF) – which was maintained at K40 million per constituency remains an important financing avenue. Unfortunately, with only 35% of loans repaid since 2021[11], microfinance institutions could administer lending, using CDF funds as first-loss cover.

Beyond finance, the Budget seeks to widen market access. Currently, export markets for Zambian products and services are narrowly concentrated. Evidently 2025 major export markets for Zambian products in 2025 included DRC, South Africa, Zimbabwe, Tanzania, and Canada[12]. Thus, measures such as improving transport infrastructure and modernising border posts are commendable, as they will open up trade routes and enable Zambian products and services to penetrate markets in neighbouring countries and beyond. To facilitate market access at local level, the Government plans to establish the Farm Block Development Agency to facilitate market access for MSMEs and small farmers through the anchor farmer model, in which anchor farmers act as off-takers of produce from small farmers and MSMEs[13]. Other measures include spurring local participation and facilitate market access through local content, under which the production and supply of specific products and services are preferentially given to local businesses.

[8]Bank of Zambia (BoZ), & Zambia Statistical Agency (ZamStats). (2022). Micro, Small and Medium Enterprise (MSME) Finance Survey report. https://www.boz.zm/sites/default/files/2026-03/2022_MSME_Finance_Survey_Report.pdf
[9]Ibid.
[10]https://www.ccpc.org.zm/media/research/STUDY-REPORT-ON-MSMEs-ACCESS-TO-MARKETS-IN-ZAMBIA.pdf
[11]Ketra Kalunga. (2026, September 29). 2026 CDF loans suspended. Times of Zambia. https://times.co.zm/2026-cdf-loans-suspended/
[12]Zambia Development Agency. (2025). 2025 Annual report [Annual Report]. Zambia Development Agency. https://www.zda.org.zm
[13]Middelberg, S. L., van der Zwan, P., & Oberholster, C. (2020). Open Agriculture, 5(1), 817--825. https://doi.org/doi:10.1515/opag-2020-0079

On formalisation, streamlining multiple regulatory requirements in the tourism and manufacturing sectors will reduce compliance costs and improve compliance and the formalisation of MSMEs. According to the World Bank's 2019 report on the informal sector, a large share of firms (~34.7%) do not register their businesses because of the time, fees and paperwork required[14]. Therefore, reducing licences and digitising processes could encourage formalisation where the benefits outweigh compliance costs and increase local participation. Further, establishing the Gold Trading Agency will facilitate the formalisation of artisanal miners and their access to the gold market. However, this intervention must be carefully implemented as it has potential to distort market prices, stifle innovation, and dis-incentivise the flow of FDI. Finally, the proposal to reduce the royalty for artisanal and small-scale miners from 6% to 3% – if they sell to approved aggregators – is welcome as it will encourage artisanal miners to work through formal channels.

1.6 Beyond the Boom: Building on Momentum for Tourism Expansion



The Government aims to transform tourism into a multibillion-dollar industry by increasing annual international tourist arrivals from 2.5 million in 2026 to 5 million by 2031 under the Grow Zambia Agenda. Over the years, the sector's performance has shown an upward trend, with international arrivals rising from 2.2 million in 2024 to 2.3 million in 2025, while the target for 2027 is set at 3 million international arrivals. Building on this trajectory, the Budget aims for 3 million international and 1.5 million domestic tourist arrivals in 2027, while promoting longer visitor stays to increase tourism receipts.

However, the overall nominal allocation for tourism has declined by 11.7%, from K1.54 billion in 2026 to K1.36 billion in 2027. The allocation for Tourism Development and Promotion has fallen by 23.2%, from K865 million in 2026 to K663.9 million in 2027. Although the difference as a share of the total budget is marginal, with the allocation to tourism dropping by 0.2 percentage points from 2026 to 2027, this reduction occurs amidst ongoing challenges such as infrastructure gaps, destination marketing needs, and limited diversification of tourism offerings.

Going forward, policy efforts should focus on simplifying licensing, partnering with the private sector to move beyond isolated destinations by packaging visits to multiple tourism sites, and building and upgrading connectivity infrastructure such as entry points, access roads, and regional airports.

[14]World Bank. (2019). World development report 2019: The changing nature of work. World Bank. https://doi.org/10.1596/978-1-4648-1328-3b



These efforts build on existing initiatives, including expanding visa exemptions to 165 countries and the “Zambia Moves You” campaign by the Ministry of Tourism, which promotes Zambia as a premier tourism destination while encouraging domestic tourism. This demonstrates a commitment to sustaining momentum in the sector (Ministry of Tourism, 2026).

On a positive note, the 2027 Budget commits to advancing Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism alongside nature-based tourism, an essential step toward diversifying Zambia’s tourism offerings and enhancing existing infrastructure. Furthermore, the Budget provides support to address variations in hotel standards, professionalism, and service-quality gaps, along with plans to classify and grade 70 accommodation establishments—a 29.6% increase from the 54 set in 2026. The nominal increase in tourism marketing expenditure by 130% from K50 million in 2026 to K115 million in 2027, as well as the expansion of tourism exhibitions from 11 to 15, also presents opportunities to strengthen Zambia's international MICE positioning, which is commendable. However, challenges such as the cost and efficiency of licensing processes, limited conference facilities, high hotel service charges, ICT readiness, and air transport connectivity continue to constrain the tourism sector's competitiveness. Additionally, the absence of a comprehensive national MICE tourism strategy remains a major concern, as it is critical for providing strategic direction, enhancing compliance with hotel management standards, and strengthening the sector's overall competitiveness.

Therefore, to realise its tourism potential, Zambia should develop a coordinated MICE strategy with clearly defined institutional responsibilities, implementation timelines, and measurable targets. This strategy should incorporate streamlined licensing processes to improve efficiency and reduce business costs while promoting Public-Private Partnerships (PPPs) to mobilise investment in upgrading and expanding MICE infrastructure. Complementing these efforts, the proposed suspension of customs duty on safari vehicles, hospitality equipment, and communications infrastructure used in tourism operations is a commendable measure. This timely initiative will help lower the high capital requirements faced by private investors. By translating these budget commitments into tangible outcomes, Zambia can harness its tourism potential, strengthen its competitiveness, and drive more inclusive and sustainable growth.

1.7 From Production to Markets: Why Efficient Transport and Logistics Services Matter

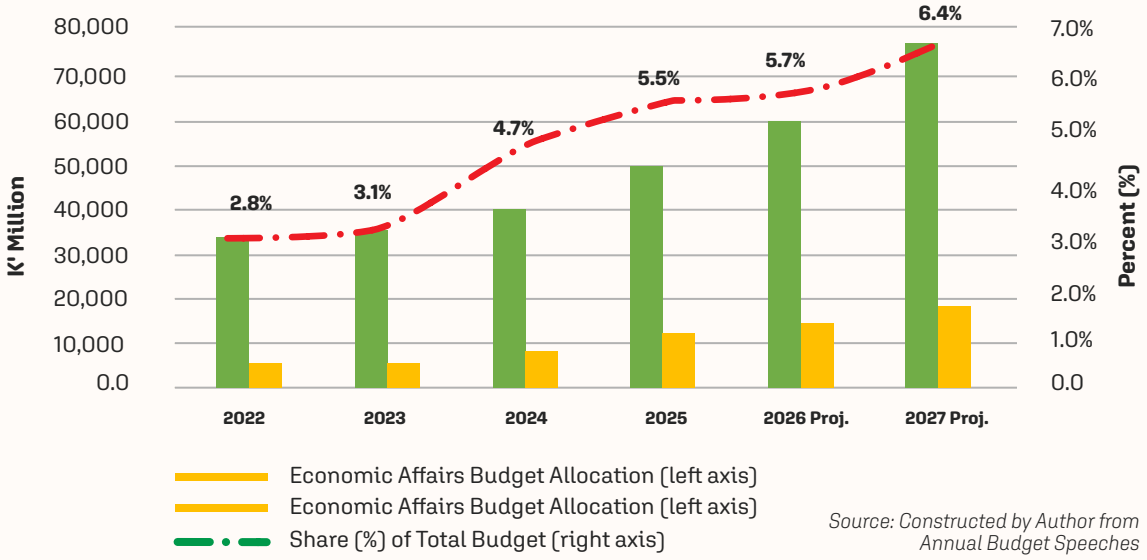


Transport is a key enabler of economic growth. It promotes regional connectivity and trade, connects production centres and markets, and facilitates access to jobs and social services. Grow Zambia sets ambitious annual targets by 2031, such as producing 10 million metric tonnes (MT) of maize, 3 million MT of copper, and 3 million MT of soya beans; achieving these will require efficient and affordable transport and logistics services to access both domestic and regional markets. The 2027 Budget highlights notable progress towards strengthening transport multimodal connectivity and trade facilitation, specifically, the ongoing rehabilitation of TAZARA, the proposed development of a dry port at Kapiri Mposhi, and the planned revitalisation of Zambia Railways – supported by an initial €60 million funding by the European Union – all of which are commendable. Notably, these initiatives position Zambia to shift bulk freight from road to rail.

The Budget also proposes repealing and replacing the Railways Act, Cap. 453 of 1984, to introduce the open access framework and separate infrastructure management from freight and passenger service provision, another highly commendable measure. Attracting private operators and generating necessary revenue for sustainable network maintenance and rehabilitation will improve the overall sustainability of the railways sector. However, the success of this model will depend on several factors, including transparent access charges, effective regulation, and adequate reinvestment in railway infrastructure, among others.

Further, the 2027 Budget sets a critical and strategic shift in the way Governments perceives transit routes as economic corridors that generate and spur local production, develop value chains, and strengthen industry linkages. For the Lobito Corridor, recent commitments by the African Development Bank (US$ 461 million), the United States' Development Finance Corporation loan of up to US$ 553 million, and the European Investment Bank's €15 million contribution re-energise its development momentum (Lobito Corridor, 2026). The strategy in the Budget to prioritise completing roads, railways and border facilities to enhance trade with Angola, DRC and beyond is commendable, as it positions Zambia to capture the early benefits of the Lobito economic corridor. Notably, investments in logistics, agro-processing, manufacturing and other value-adding activities along the route will be essential to truly harness the economic value of transport corridors.

Figure 4: Road Infrastructure Allocation as Share (%) of Total Budget



Source: Constructed by Author from Annual Budget Speeches

Besides railways, road infrastructure development remains a priority for Zambia, with a nominal increase in budget allocation of 25% from K14.5 billion in 2026 to K18.1 billion in 2027. However, as a share of total budget, the allocation to road infrastructure has only marginally increased by 0.7 percentage points from 5.7% in 2026 to 6.4% in 2027 (see Figure 4). The Budget targets the construction, upgrading and rehabilitation of approximately 787 kilometres of roads on key economic routes, including Kazungula–Sesheke, Kisasa–Mwinilunga and Chipata–Lundazi.

While these investments are critical to improving connectivity, Zambia's limited fiscal space calls for prioritising economically viable projects with superior cost-benefit ratios. For such projects, public-private partnerships (PPPs) should be the first investment option. Further, given the expected increase in volumes of trade and exports into regional and international markets for various products like copper, maize, soya beans, sugar and beef, in the medium term, the capacity and efficiency of Zambia's border facilities to ensure timely processing and clearance of cargo and passengers is critical to avoid creating choke points. Therefore, the commitment to modernise various border posts, including the use of a single window digital platform, customs-to-customs data exchange, and AI-enabled scanners and smart gates, is highly welcome.

Finally, in the aviation subsector, the 2027 Budget continues to advance the development and upgrading of provincial airports and aerodromes. This is important for strengthening regional connectivity, tourism, and export competitiveness. It will reduce transit time and improve time-sensitive freight handling. Government should ensure these initiatives are built to requirements informed by robust demand assessments and meet commercial viability to ensure public financial management prudence. Lastly, across all transport modes, greater emphasis on climate-resilient design and maintenance will also be essential to safeguard investments against frequent and devastating climate-related events.



1.8 Minding Digitalisation Pitfalls in the Age of Artificial Intelligence

The Information and Communications Technology (ICT) sector is central to driving productivity, innovation and access to essential services. In 2025, ICT contributed about 0.8% to Zambia's GDP, with mobile subscriptions rising 13.1% to 26.2 million from 23.2 million in 2024, alongside higher internet subscriptions and data usage.

The 2027 Budget continues to prioritise expansion of digital public infrastructure, including fibre-optic networks and communication towers, highlighting notable progress between 2021 and 2026. During this period, fibre-optic networks increased by 180% from 15,000 km to 42,000 km. Equally, active internet subscriptions increased by 47.6% from 10.5 million to 15.5 million.

While this achievement is remarkable, improved internet coverage must translate into affordable and reliable connectivity, and greater digital inclusion for all. Given Government's fiscal limitations, increased private sector participation supported by an enabling regulatory environment is vital. However, measures to improve digital literacy, innovation and local entrepreneurship to integrate into essential social services like education and healthcare in order to improve access to services for all, among MSMEs, will require deliberate support.

A key highlight of the 2027 Budget is the proposed roll-out of the Integrated National Digital Identity System, which aims to provide digital IDs and records to citizens, including birth and death certificates and electronic National Registration IDs, among others. To facilitate equitable roll-out, Government must deliberately target underserved rural areas.

Regarding general government services, the dismal performance (36%) of the Government Service Bus, which only managed to onboard 574 out of the targeted 1,578 services, calls for better coordination among responsible agencies.
Finally, with the age of artificial intelligence (AI) fully upon us, the need to ensure data protection and enhance cybersecurity cannot be overstated, especially as Government aims to digitalise most public services, increasing the risk of cybercrimes, including online hacking.



02

Environmental Sustainability: Preparing for Shelter before the Storm

Environmental sustainability and climate resilience remain central to Zambia's development aspirations, particularly given the country's dependence on natural resources and the increasing exposure of its productive sectors to climate-related shocks. The heightened exposure reinforces the need for stronger public investment in environmental protection and climate resilience.

Although the Government has made progress in strengthening the policy, legislative and institutional framework for green growth, environmental protection allocation continues to account for a relatively small share of the National Budget. Notably, the financing requirements of the National Adaptation Plan (NAP) and other climate frameworks substantially exceed their appropriations. Remarkably, financing adequacy remains a central concern in Zambia's pursuit of sustainable development and the achievement of the targets outlined in the Grow Zambia Agenda.

The 2027 Budget allocates K2.29 billion to the Environmental Protection Function, representing 0.8% of the total budget. Although this represents an improvement from 0.6% in 2026, the allocation remains below 1% of total expenditure, raising concerns about the adequacy of the Government's efforts to prepare for and address environmental and climate-related vulnerabilities. The Government's commitments to strengthen regulatory enforcement, acquire modern environmental monitoring equipment, and operationalise the Zambia Environmental Management Agency (ZEMA) laboratory are commendable. However, the Pollution Control sub-programme's allocation declines by 10.3% in nominal terms, from K149.1 million in 2026 to K133.8 million in 2027. Given the need to strengthen environmental monitoring and enforcement as mining and industrial activities expand under Grow Zambia, the reduction raises questions about the resources available to support these activities.

The Forestry Development and Management Programme receives K311.8 million in 2027, representing a 7.0% nominal increase from K291.5 million in 2026. The allocation is intended to support sustainable forest management, including restoring 200,000 hectares of degraded landscapes and establishing 500,000 hectares under Community Forest Management. According to the 8NDP, Zambia has been losing an estimated 172,000 hectares of forest cover annually since 2018.

This is largely associated with the expansion of mining and agricultural activities, human settlements, and the continued reliance on biomass for energy. These activities, coupled with unsustainable resource use and poor environmental management practices, have contributed to land degradation, biodiversity loss and increased pollution of air, water and land. The concern is that continued pressure on natural resources could undermine the very sectors expected to drive economic growth, particularly agriculture, mining and energy. As Government pursues higher production targets under the Grow Zambia Agenda, greater attention is needed to how these activities are managed to ensure that increased economic activity does not come at the expense of forests, land, and water resources.Climate preparedness presents a further concern regarding expenditure prioritisation, as cooperating partners remain the dominant financing source, while private sector financing and dedicated climate funds remain comparatively modest. This despite adaptation-related financing increasing nominally by 94.9% from K6.46 billion in 2023 to K12. 59 billion in 2026. This highlights the need to diversify climate financing, especially given the National Adaptation Plan's estimated financing requirement of K705.1 billion forK705.1 billion for 2023–2035[15].

In this regard, Government has proposed strengthening the development of carbon markets through improved institutional capacity, maintenance of the national carbon registry, and verification of carbon credits. These measures are important for attracting investment into emissions-reduction projects and ensuring the credibility of carbon credits. In particular, the 2027 Budget targets a review of 20 carbon market proposals and engagement with 5 private-sector entities, compared with 4 entities engaged by June 2026. However, these targets provide limited indication of the extent to which the initiatives will translate into actual investment in mitigation projects and carbon credit transactions. Similarly, although previous green bond issuances raised US$ 150.2 million for investment in solar projects, the 2027 Budget does not specify whether further issuances are planned or quantify the expected contribution of international climate finance to climate-related programmes. Mobilising these alternative financing sources is particularly important for reducing reliance on cooperating partners and securing the substantial resources needed to strengthen climate resilience and address the economy's growing exposure to droughts, floods, and other climate-related shocks.

Finally, availability of financing is equally important when climate-related disasters occur. While the 2027 Budget provides K21.5 million towards the drought insurance premium under the African Risk Capacity scheme, operationalising the Stabilisation Fund announced in the 2025 Budget remains important. At the time, Government proposed that mineral royalty revenues collected above budget projections be channelled into the Fund to provide resources for responding to disasters associated with climate change. With copper production projected to reach 930,000 MT in 2026, against the Grow Zambia Agenda target of 3 million MT by 2031, and with competing priorities that also require financing from excess mineral revenues, prioritising the operationalisation of the Fund remains important, particularly given the potential impact of the anticipated El Niño on key sectors of the economy.

[15]Government of the Republic of Zambia, 2024. Consolidated Resource Mobilisation Strategy and Implementation Roadmap for the Zambia National Adaptation Plan (NAP) and Water Investment Programme (ZIP) & Government of the Republic of Zambia, 2023. NDC Implementation Framework for Zambia 2023–2030 & Government of the Republic of Zambia, 2024. National Green Growth Strategy 2024–2030. Lusaka: Ministry of Green Economy and Environment.

However, the 2027 Budget provides limited clarity on progress towards operationalising the Fund, including arrangements for receiving and managing these revenues. With the possibility of another severe drought approaching, will the Stabilisation Fund be operationalised in time to provide resources when they are needed, or will the Government once again have to mobilise funds after the effects of the disaster have been felt? This is an important question that deserves consideration now.

In Closing...

The 2027 Budget sets an ambitious course for Grow Zambia, but production targets alone will not deliver prosperity. The real test is whether Zambia can turn increased production of copper, crops, electricity and tourism into competitive exports, thriving businesses and decent jobs. This requires reliable energy, efficient transport, affordable finance, functioning agricultural markets and manufacturing that adds value. MSMEs must access markets, digitalisation must improve productivity, and tourism must generate local economic opportunities. Equally, climate resilience cannot remain an afterthought when drought threatens production. Government must match its ambitions with effective implementation, institutional coordination and predictable policies that attract private investment. Ultimately, Grow Zambia's success should be measured not by production targets achieved alone, but by Zambia's capacity to foster competitive value addition, expand market access, create jobs, and transform livelihoods.



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