



**Amendment to
Project Proposal for
ZAMBIA**

June 2025

Component: Spending

Module: SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: Zambia

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY26-27

PROJECT MANAGERS: Nino Tchelishvili (Public Financial Management, FADM1, Lead)
Kevin Shoom (Tax Policy, FADT2)
Enrique Rojas (Revenue Administration, FADR2)

ESTIMATED BUDGET \$235,400

BUDGET FOR ENDORSEMENT: \$235,400

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for modules RM-I: Tax Policy, RM-II: Revenue Administration, SM-II: Managing Public Finances	January 2024
AMENDMENT 1	Extension of SM-II: Managing Public Finances module	June 2025

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ACRONYMS

CD	Capacity development
FAD	IMF's Fiscal Affairs Department
IPFM-RS	Integrated Public Financial Management Reform Strategy 2024-27
PFM	Public financial management
PIM	Public investment management
STX	Short-term expert

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

Zambia is making good progress in implementing economic reforms, with IMF's program and capacity development (CD) support, although the outlook remains challenging. In public financial management (PFM), current priorities include strengthening the fiscal framework and natural resource management, and embedding past advice on fiscal risk management, cash management, Treasury Single Account, and fiscal decentralization. The authorities intend to improve the assessment of the fiscal impact of macroeconomic and climate shocks, advance green PFM and strengthen the climate resilience of public infrastructure. The expansion covers FY26 and FY27 and will build on the recent public investment management assessment (PIMA) and Climate-PIMA conducted in November 2024 with support from the Global Public Finance Partnership (GPFP) program.

Description of Modules

The IMF's Fiscal Affairs Department (FAD) will provide CD under the Spending Module PFM component to support the authorities to strengthen the fiscal framework and resource management, including the potential benefits and costs of the authorities' plan to establish a Sovereign Wealth Fund, and to enhance the public investment management (PIM) practices and the climate resilience of public infrastructure.¹

The estimated budget for this project is \$235,400 covered within the total budget endorsement requested for Zambia of \$2,051,654 through FY27.

II. BACKGROUND

Macro-fiscal situation

Despite the progress, Zambia continues to face high levels of poverty and inequality. The economy is vulnerable to external shocks, including fluctuations in copper prices and climate shocks. The growth for 2024 is estimated at 4 percent, demonstrating resilience despite the previous year's severe drought. Inflation has accelerated, primarily due to rising food prices and the depreciation of the kwacha, averaging 12 percent from 2022 to 2024. Fiscal consolidation efforts in 2024 have been sharper than anticipated, influenced by tight domestic financing conditions. Efforts towards restructuring external debt

¹ Additional resources will be requested to support these and new areas as the project progresses.

are ongoing, with agreements reached covering 94 percent of the external debt within the restructuring perimeter. Revenue mobilization will be key to fiscal sustainability.

Country engagement and alignment to reform priorities

A strong PFM system is a key priority for Zambia. The guiding principles enshrined in the Constitution include transparency and accountability, and the promotion of equity in the development of the country. The vision of the Government of Zambia is to have well-functioning integrated PFM that ensures efficient, effective, and sustainable service delivery towards meeting the developmental goals. The Integrated Public Financial Management Reform Strategy 2024-27 (IPFM-RS) serves as a key guiding document to address the main challenges in the existing system and gear fiscal policy to maximize the potential for inclusive growth and macroeconomic stability. The IPFM-RS sets out the government's strategic objectives: enhance planning and budgeting to achieve effective allocation and utilization of resources; strengthen expenditure management; strengthen governance and oversight, and promote transparency and accountability; achieve digital transformation to support efficient and effective service delivery; and expand fiscal decentralization to ensure public participation in budget decision making at community level. The IPFM-RS also acknowledges the importance of integrating the cross-cutting issues of equity, gender, and climate in all strategic themes.

IMF PFM CD priorities align strongly with government priorities and reflect the coordinated efforts of development partners to maximize synergies and complementarity of the PFM CD by committing to support the specific IPFM-RS areas. Recent IMF PFM CD support has covered PIM including climate sensitive PIM; cash forecasting and management and Treasury Single Account; State-owned Enterprises (SOEs) fiscal risks management; fiscal decentralization and governance.

IMF priority areas / cross-cutting themes

The CD under this program will support the country's climate related initiatives in PFM, such as managing fiscal risks from climate and improve climate sensitivity of public infrastructure.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Zambia in the area of managing public finances. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM-II / Managing Public Finances	• Frameworks to build sustainable fiscal institutions and frameworks • Strengthen macro-fiscal frameworks.

A. SM II – Managing Public Finances

Scope

The spending component of this project is aligned with the government's priorities and the commitments under the IMF program. The CD activities will focus on: (1) undertaking a technical assistance mission to strengthen the fiscal framework and resource management; (2) provide CD support on enhancing assessment and management of fiscal risks from macroeconomic and climate shocks; and (3) follow-up CD support on PIM and climate sensitive public infrastructure.

Program Objectives

The program will support CD for improved fiscal framework and managing fiscal risks from various sources such as macroeconomic and climate shocks; and climate sensitive public infrastructure

Expected Results (outcomes)

The project aims to enhance the macrofiscal framework and PIM. Expected outcomes include (1) strengthened medium-term fiscal frameworks; (2) strengthened capacity to plan, implement and sustain priority area reforms such as climate; (3) strengthened capacity to plan, implement and sustain infrastructure governance.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

IMF PFM CD has proved to be effective in Zambia with notable achievements in a number of areas, such as publication of the fiscal risks statement and SOEs report, improvements in cash management institutional arrangements and preparation of annual cash flow plan, and enhancement of public investments planning aspects. The authorities are interested in further CD support on the ongoing CD areas such as PIM and fiscal risk management, but also seek the IMF strategic advice to enhance fiscal framework including from the perspective of resource management.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings.

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure short-term expert (STX) work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX)** visits to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and PFM. The project will seek to use Portuguese-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's African Department (AFR) Resident Representative	Sharing of information, insights, and recommendations	Fiscal framework and resource management, fiscal risks management, PIM	Regular update and de-brief
European Union Delegation in Zambia	Sharing of information on PFM CD areas	PFM reforms progress, Climate initiatives.	Regular
German Agency for International Cooperation, Zambia	Sharing of information on PFM CD areas	PFM reforms progress	Regular

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM II - Managing Public Finance	Volatility on commodity market, trade policy and donors funding, and climate events and spillovers from crises in other countries worsen inequality and trigger social unrest, which may impact CD delivery	Very High	Flexible CD delivery
POLITICAL SUPPORT			
SM II - Managing Public Finance	Large number of competing reform priorities may impact the political commitment to Gender and Climate related reforms	Medium	Coordinate closely with AFR and other DPs (donors troika) on the ground to ensure political commitment. Engage with senior political officials on actions to implement.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM II - Managing Public Finance	Risk to the level of commitment by the authorities' staff and their supervisors to undertake the desired tasks and decisions, and follow-through with recommended actions provided under the CD	Low	Coordinate with AFR
RESOURCE ADEQUACY			
SM II - Managing Public Finance	The adequacy of human and financial resources and/or suitable physical infrastructure (buildings and equipment) and technology within the targeted unit(s) to conduct the desired function	Medium	Continue stressing to allocate resources in priority areas that require immediate attention and investing in training programs to enhance the skills of existing personnel.
OTHER RISKS			
SM II - Managing Public Finance	N/A	N/A	N/A

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY26	FY27	FY28	FY29	Grand Total
SM II - Managing Public Finance					
HQ led CD mission	1	1	-	-	2
STX visits	1	1	-	-	2
Staff visits	-	-	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-	-	-
Total	2	2	-	-	4

Note: Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year Workplan

Timing	CD Modality	Proposed Topics of CD
SM II – Managing Public Finances		
Q1/FY26	Field-Based work - FB	Fiscal Framework
Q3/FY26	Duty station-based Work - DS	PIMA/Climate-PIMA: Follow up

VII. PROGRAM FINANCIALS

Module	FY26	FY27	TOTAL (USD)
Direct Delivery			
SM II - Managing Public Finances	\$40,000	\$180,000	\$220,000
Trust Fund Management Fee (7%)	\$2,800	\$12,600	\$15,400
TOTAL	\$42,800	\$192,600	\$235,400

Note: The estimated budget for this project is \$235,400 and endorsement is requested for the full amount through FY27. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM II – Managing Public Finances

Objective: Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF	
Outcome(s)	Indicator(s)
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	Completed diagnostic of climate-related public infrastructure governance framework (C-PIMA)
Strengthened capacity to plan, implement and sustain infrastructure governance	Completed diagnostic of public infrastructure governance framework (PIMA)
Objective: Strengthen Macro-fiscal Frameworks - SMF	
Strengthened medium-term fiscal frameworks	Improved comprehensiveness of macrofiscal forecasts