

I. COUNTRY REFORM PROGRESS

The Global Public Finance Partnership (GPFP) project has supported advancing Zambia's fiscal reforms, achieving key outcomes in the areas of tax policy, revenue administration and public financial management (PFM). IMF fiscal capacity development (CD) priorities align well with the strategic objectives of Zambia's Integrated Public Financial Management Reform Strategy 2024-27 (IPFM-RS) and important structural reforms and benchmarks established by the IMF's Extended Credit Facility (ECF) lending program, which provide the groundwork for integrated CD delivery across all fiscal workstreams.

Zambia has a strong development partners' presence and support in these fields (major partners being the World Bank, European Union, and German Agency for International Cooperation). The authorities have been actively engaged with the partners to ensure the effective coordination of their support, including through inviting the partners to identify and support the specific workstreams of the Integrated Public Financial Management Reform Strategy 2024-27.

On the revenue side, the IMF's Fiscal Affairs Department's (FAD) review and feedback of the tax expenditure report published in December 2024 covering most income tax, excise tax, and customs measures helped the authorities to improve transparency on the use of tax incentives in Zambia. In April 2025, FAD undertook a comprehensive diagnostic of the tax system. The recommendations aim to improve the fairness and efficiency of the tax system by making it more principles based. In summer 2025, Zambia implemented a corporate minimum alternative tax consistent with the diagnostic recommendations. Looking ahead, additional GPFP-funded support will be provided to Zambia on revenue forecasting. The Zambia Revenue Authority (ZRA) has made positive strides in implementing key recommendations from recent FAD missions, such as establishing the Risk Management Unit (RMU), the compliance risk management (CRM) Steering Committee, and the CRM Implementation Committee. The establishment and operationalization of both the Risk Committee and the Risk Unit are significant achievements. While the compliance improvement plan (CIP) for corporate income tax (CIT) filing is not yet fully implemented, several functional areas are actively making progress. The e-invoicing system is mandatory for all value added tax (VAT) taxpayers; however, there is no specific obligation for government bodies. The VAT control model, including refunds, has been incorporated into the CRM framework, and more than 85 percent of VAT taxpayers are using the system.

On the spending side, to support the authorities' commitment to strengthen the fiscal framework, FAD provided advice how to operationalize the rules based fiscal framework, by introducing an operational fiscal rule targeting the non-resource primary balance, in addition to the debt rule capping the debt at 65 percent of GDP. The necessary improvements in macro-fiscal forecasting, fiscal risk management, and fiscal rules monitoring and reporting have also been highlighted to support the implementation of a rules-based framework. The authorities are making strong efforts to strengthen and sustain the technical and analytical capacity of the macro-fiscal team while carefully deliberating potential fiscal rules and stabilization mechanisms.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: In April 2025, at the request of the authorities, FAD ran a two-week mission to provide a diagnostic of the tax system. The recommendations if implemented will improve the fairness and efficiency of the tax system by making it more principles-based. Following further consultations between the

authorities and FAD, Zambia implemented a corporate minimum alternative tax in summer 2025 consistent with the diagnostic recommendations.

Previous Progress: In response to a request from the authorities about revenue forecasting, they were given information in 2024 about FAD's online course on revenue forecasting. The authorities published a tax expenditure report in December 2024 that covers most income tax, excise tax, and customs measures. They requested FAD review of the publication, which was provided in February 2025. This will help to improve transparency on the use of tax incentives in Zambia.

Next Steps: The authorities in October 2025 requested additional training on revenue forecasting. This training will likely not be feasible until FY27. Existing funding in the GPFP project is likely insufficient for this activity. The authorities are also interested in developing a medium-term revenue strategy (MTRS) and in improving the coverage of the country's supply-use tables to provide the data needed for VAT modelling (including for tax expenditures). The MTRS will help Zambia in having a coherent and comprehensive plan to improve revenue mobilization; it is not yet clear whether the authorities will seek IMF help with the MTRS. Their interest in improving the supply-use tables has been forwarded to the IMF's Statistics Department.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: The ZRA has made solid progress in implementing its CRM framework. The establishment and operationalization of both the Risk Committee and the RMU are significant achievements. While the CIP for CIT filing is not yet fully implemented, several functional areas are actively making progress. The e-invoicing system is mandatory for all VAT taxpayers; however, there is no specific obligation for government bodies. The VAT control model, including refunds, has been incorporated into the CRM framework, and more than 85 percent of VAT taxpayers are using the system.

Previous Progress: The implementation of key recommendations from previous FAD missions was crucial in establishing the RMU, the CRM Steering Committee, and the CRM Implementation Committee, which held its first meeting in November 2024.

Next Steps: Upcoming CD activities will help sustain momentum in CRM implementation, strengthen VAT refund controls, and expand the use of e-invoicing. These include a study tour to the Australian Taxation Office, aimed at identifying high-impact opportunities to accelerate ZRA's CRM journey, as well as targeted support for leveraging e-invoicing data to enhance VAT refund oversight.

SM II: Spending Module II – Managing Public Finances

Key Progress in FY26: The Ministry of Finance and National Planning (MoFNP) is committed to strengthening the fiscal framework by institutionalizing the rules-based fiscal framework, while also considering a significant increase in copper production anticipated in the next years. FAD CD mission recommended to introduce an operational fiscal rule targeting the non-resource primary balance, in addition to the debt rule capping the debt at 65 percent of GDP to be achieved by 2027. Among several SWF design options currently being considered by the authorities, the IMF recommends creating a stabilization fund to complement the proposed fiscal rule. The improvements in macro-fiscal forecasting, fiscal risk management and fiscal rules monitoring and reporting have been emphasized

Previous Progress: To support the authorities' desire for access to the IMF's Resilience and Sustainability Facility (RSF), FAD conducted a public investment management assessment (PIMA) / Climate PIMA (C-PIMA) in November 2024. Zambia is classed as vulnerable to climate change, with a significant impact

expected on agriculture and energy infrastructure. Infrastructure investment will be key to both climate change adaptation and mitigation strategies and should be delivered as efficiently as possible given Zambia's resource constraints. The PIMA/C-PIMA recommendations inform reform initiatives aiming at strengthening the efficiency and climate resilience of public investment in Zambia.

Next Steps: The IMF will further support Zambia to enhance the capacity of the MoFNP in assessing fiscal impact of macroeconomic shocks and climate events, and public-private partnerships, and managing risks arising from them.

III. LOGICAL FRAMEWORK

Country – Zambia		
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating – 3
Outcome	Rating	Narrative
Improved transparency and outreach	3 Largely Achieved	Authorities requested assistance with supply and use tables so that they can provide data for VAT modelling.
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	2 Partially Achieved	Authorities requested training on revenue forecasting. Such training will improve the budgeting process in Zambia and allow decisions on possible tax measures to be better informed by estimates of revenue impacts. The training is anticipated for FY27.
RM II: Objective – Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	The e-invoicing system is mandatory for all VAT taxpayers; however, there is no specific obligation for government bodies. The VAT control model, including refunds, has been incorporated into the CRM framework, and more than 85 percent of VAT taxpayers are using the system.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 3
Outcome	Rating	Narrative
Corporate priorities are better managed through effective risk management	3 Largely Achieved	The ZRA has made solid progress in implementing its CRM framework. The establishment and operationalization of both the Risk Committee and the RMU are significant achievements. While the CIP for CIT

		filing is not yet fully implemented, several functional areas are actively making progress.
SM II: Objective – Build Sustainable Fiscal Institutions – SFI		Rating - 3
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	2 Partially Achieved	Alongside PIMA, C-PIMA was conducted during November 6-19, 2024. The assessment identified opportunities to ensure climate considerations are appropriately incorporated in public investment practices.
Strengthened capacity to plan, implement and sustain infrastructure governance	3 Largely Achieved	PIMA update and C-PIMA was delivered during November 6-19, 2024. These assessments identified opportunities to improve the efficiency of public investment in Zambia.
SM II: Objective – Strengthen Macroeconomic Frameworks – SMF		Rating - 2
Outcome	Rating	Narrative
Strengthened medium-term fiscal frameworks	2 Partially Achieved	Opportunities to improve the medium-term fiscal framework identified. These include the adoption of the operational fiscal rule to support the debt limit, and the consideration of the introduction of the Stabilization Sovereign Wealth Fund in light of the significant increase of mining resource revenue.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I, RM II: Deterioration of fiscal situation may impact availability of resources to finance reforms	Medium	Careful alignment of reforms with the main priorities of the government. Reforms at ZRA and MoFNP are underpinned by comprehensive strategic plans, and the project results from the respective governments' strategic decision to reduce non-compliance and modernize its risk management capabilities.
SM II: Volatility in commodity markets, trade policy and donor funding, and climate events and spillovers from crises in other countries could have domestic impacts that may impact CD delivery	High	Flexible CD delivery.
Political Support		
RM I: N/A	N/A	N/A
SM II: In light on upcoming elections in August 2026, the risks of slipping on	High	Coordinate closely with the IMF's African Department to leverage the Extended Credit Facility program in ensuring the political

Description	Rating	Mitigation Measures
spending and PFM reforms commitment is heightened.		support to fiscal and PFM reforms. Work with the development partners on the ground to closely monitor the implementation of the reforms
Management and Technical Staff Support and Commitment		
RM I, RM II: Continuous rotation of managers and staff undermine the absorptive capacity and provoke permanent discontinuity.	Low	Encourage authorities to implement administrative reforms that contribute to a more stable staff. Continual/regular high-level engagement and monitoring.
SM II: Upcoming election may impact the level of commitment by staff and their supervisors to undertake desired tasks and decisions and follow-through with recommended actions provided by CD	Medium	Coordinate with the IMF's African Department country team.
Resource Adequacy		
RM I, RM II: Resources are misused, not properly accounted for, do not achieve value for money.	Low	Project resources will be employed in accordance with the Fund's policies and procedures, including in particular its Travel Policy.
SM II: 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 allocating resources in priority areas that require immediate attention and invest in training programs to enhance the skills of existing personnel.
Other Risks		
RM I, RM II: Multiple donors are providing technical assistance on CRM topics; and gaps, or overlaps may arise as a result.	Low	Take an active role in engaging with other donors to ensure support is well coordinated, especially with German Agency for International Cooperation because they have a strong physical presence in the country.

V. PROJECT MANAGERS: CONTACT INFORMATION

Project Manager	Module Project Manager	E-mail
Nino Tchelishvili	Kevin Shoom (Tax Policy)	KShoom@imf.org
	Enrique Rojas (Revenue Administration)	ERojas@imf.org
	Nino Tchelishvili (Managing Public Finances)	NTchelishvili@imf.org