2026 Pre-Budget Survey Report - Zambia

September 2025

Foreword

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This year, KPMG surveyed stakeholders from a wide range of businesses to gather insights on the impact of government policies on their performance. These insights also serve as evidence-based input to help shape the formulation of the national budget. In partnership with the United Nations Development Programme (UNDP) in Zambia, we obtained responses from a diverse array of businesses, with representation from the Services sector (32%), Agriculture (19%), Mining (8%), and Manufacturing (6%).

This report comes at a time when Zambian businesses and individuals are eagerly anticipating the direction of government policy in the 2026 National Budget to foster inclusive and sustainable growth. Results from the survey revealed that **inflation, Kwacha fluctuations, and high interest rates have had the most significant negative impacts on business performance**. These effects have been amplified by challenges such as high utility costs, climate-related events, difficulties in retaining skilled labour, and limited access to capital.

Persistent inflationary pressures, mounting debt service obligations, and exchange rate volatility continue to constrain business stability and erode investor confidence in Zambia. These challenging macroeconomic conditions have a significant impact on our economy, creating pressures for businesses and consumers alike. Despite these hurdles, the Government of Zambia has been implementing key policy measures to restore stability. By March 2025, the Government had successfully embarked on restructuring its external debt, with over 92% of this debt restructured.

The results of these government actions are beginning to show, with the debt restructuring agreement having a generally positive impact on business confidence. A combined 77% of survey respondents reported high or moderate satisfaction with the agreement. Nonetheless, significant headwinds remain. Key concerns identified by stakeholders include a **lack of transparency in the use of the freed-up fiscal space (39%)**, insufficient support for public health and education (27%), and inadequate financing for climate adaptation projects (18%). These findings highlight that a stable economic recovery will require sustained and targeted effort.

Respondents, therefore, advocate for fiscal policies focused on **tax incentives to promote job creation for youth and women (27%)**, ring-fencing revenues for health and education (21%), and implementing green taxes (20%). Additionally, respondents prioritize improving the efficiency of state-owned enterprises, supporting MSMEs, and investing in social protection, manufacturing, and infrastructure.

Respondents understand the significance of Environmental, Social, and Governance (ESG) considerations, with **a large majority (85%) supporting the inclusion of ESG criteria in government expenditure and investment decisions**. The survey also highlights a clear demand for dedicated climate financing funds, with 57% of respondents viewing them as "extremely important" for supporting climate-friendly projects. These insights illuminate the evolving landscape of sustainability within Zambia's economic framework and a growing demand for responsible governance.

Overall, the findings highlight that the 2026 budget should prioritize policies that **balance fiscal consolidation with inclusive development**. This can be achieved by strengthening local businesses, investing in health and education, promoting climate resilience, and implementing targeted measures to reduce inequality and empower women and persons with disabilities. We hope the insights from the survey will help the Government in their deliberations and provide valuable contributions in the lead-up to the 2026 Budget.

UNDP contribution

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Zambia's recent reclassification as a low-income country highlights the many economic challenges facing the country. Earlier progress in poverty reduction and human development are overshadowed by high levels of multidimensional poverty and income disparities. These challenges have been exacerbated by the lingering impact of the COVID-19 pandemic, recent droughts, and global commodity price fluctuations. As of August 2025, inflation stood at 12.6% (y-o-y) beyond 6-8% target of the eight National Development Plan 8NDP, driven by rising food costs and to some extent the Kwacha depreciation, while the external debt burden reached US$23.1 billion, straining fiscal resources for public investments and increasing cost of living for households. According to the 2022 Living Conditions Monitoring Survey (LCMS), 60% of the Zambian population live below the national poverty line. The rate was significantly higher in rural areas (78.8%) compared to urban areas (31.9%), and 48% of the population was considered extremely poor. In terms of human development, Zambia is classified as medium human development country with Human Development Index of 0.595 and is ranked 154 out of 195 countries and territories for which the index has been computed.

The 2026 National Budget presents a vital opportunity to implement policy reforms that address these economic imbalances and advance both immediate and long-term national development objectives. The budget making process requires active engagement with public and private stakeholders to ensure policies are responsive and inclusive. Towards this end, UNDP is pleased to pioneer this pre-budget survey in collaboration with KPMG, a new partnership that departs from our traditional focus on post-budget analyses. This proactive initiative provides a platform for the private sector to influence the budget formulation process, delivering rigorous, evidence-based analyses and policy recommendations to the Government of Zambia, particularly the Ministry of Finance and National Planning.

This collaboration advances the Sustainable Development Goals (SDGs) by promoting inclusive markets and entrepreneurship, reshaping the economy to deliver equitable and sustainable outcomes. In Zambia, MSMEs play a crucial role in employment creation and production yet they are often excluded from policy dialogues.

This survey amplifies their voices, perspectives, assessing corporate expectations for the 2026 budget and their contributions to SDG implementation. Zambia's reaffirmed commitment to the SDGs, highlighted at recent global fora, positions the nation on a path to prosperity despite the lingering economic challenges. Despite the aforementioned challenges, real GDP growth in the first quarter of 2025 reflects resilience supported by a stronger Kwacha and sectoral recovery, though structural weaknesses such as reliance of copper exports and vulnerability to climate shocks remain. The 8NDP has prioritized interconnected targets of transparent governance, decent work with fair pay, equitable education, sanitation access, energy efficiency - aligning with sectoral priorities of No Poverty, Good Health and Well-being, and Decent Work and Economic Growth.

The 2026 Pre-budget survey reveals that inflation and exchange rate volatility have undermined revenue and profitability. This has been execrated by high utility costs, climate-related disruptions, and challenges in retaining skilled labour, among others. Taxation burdens are a significant concern, with many businesses experiencing adverse impacts and limited awareness of disability-inclusive incentives. Stakeholders recommend targeted actions, including employment incentives, increased investment in health and education, environmentally conscious fiscal policies, enhancements in state-owned enterprise performance, improved tax administration trust, and strengthened support for energy and MSMEs.

UNDP is committed to sustaining this partnership with government and private sectors to implement a comprehensive SDG framework through the national budget. Using this survey, we will provide evidence on budget impacts on businesses, champion MSME interests, and explore synergies between Environmental, Social, and Governance (ESG) principles and SDGs to drive sustainable growth.

We look forward to deepening our collaboration with KPMG to evaluate the 2026 budget outcomes and shape future national budgets with private sector insights.

Introduction

This report presents the key findings of the 2026 Pre-Budget Survey, a collaborative effort between KPMG Zambia and the United Nations Development Programme (UNDP) - Zambia on budget analysis. The survey, which gathered insights from a wide range of stakeholders, provides an evidence-based perspective on critical issues affecting Zambia's economy and socio-development landscape. The findings highlight stakeholder priorities and expectations across key areas of the economy. The data and information are intended to provide valuable insights for the Government of Zambia, particularly the Ministry of Finance and National Planning, as they prepare the 2026 National Budget and, thereafter, inform national dialogue and debate on the 2026 budget.

Respondents' characteristics

The survey captured insights from a wide array of respondents, providing a diverse representation of businesses and demographics across Zambia. In terms of gender composition, the majority of respondents were male (72%), while female participation stood at 28%, highlighting either a gender imbalance in business leadership or survey outreach or both.

Regarding sectoral distribution, the largest group (36%) identified with "Other" sectors, suggesting the presence of a wide range of niche or unclassified industries. This was followed by 32% representing the Services sector, which includes Financial Services, Government Healthcare, Infrastructure, Consumer Industrial Markets, and TMT (Telecommunication, Media, and Technology). Agriculture accounted for 19% of respondents, while Mining and Manufacturing represented 8% and 6%, respectively.

Geographically, most businesses surveyed (87%) are located in Lusaka Province, with minimal representation from the Copperbelt (6%), North-Western (4%), and Southern (4%) provinces, underscoring Lusaka's dominance as the country's business hub. In terms of enterprise size, 55% of respondents worked in large enterprises with over 100 employees, 23% were in medium-sized enterprises employing between 31 and 100 people, and 21% were in small-medium enterprises with 6 to 30 employees. This distribution indicates a healthy mix of business scales among the respondents.

Macroeconomic Snapshot

Although Zambia's macroeconomic indicators are mixed, data suggests that economic activity has remained resilient following the post-pandemic surge in 2022 and severe drought of 2024. The country reported a rising inflation rate in 2024 mainly driven by droughts that affected food supply and the exchange rate pass-through effects. The annual inflation that stood at 15.1% in July 2024 declined to 13% in July 2025 due to the appreciation of Kwacha, improved supply of food items and tightening of the monetary policy by the central bank as evidenced by the rise in the monetary policy rate by 50 percentage bases from 14% in December 2024 to 14.5% during the second half of 2025. The improvement in the macroeconomic environment is expected to be strengthened and ease the cost of doing business that remains elevated by higher inflation and lending rates which adversely affect firms and consumer expenditure.

The fiscal deficit has largely been contained with government surpassing its targets in 2023 through to the second quarter of 2025. This downward trend is expected to hold over the medium-term as government's fiscal consolidation gains are safeguarded through expenditure rationalization and enhanced domestic revenue mobilization. While commentators point to potential slippage that occurs over the election cycles, these efforts are likely to hold with the IMF programme that has remained in place and the progress that has been made in restructuring the external debt.

Table 1 Macroeconomic Indicators

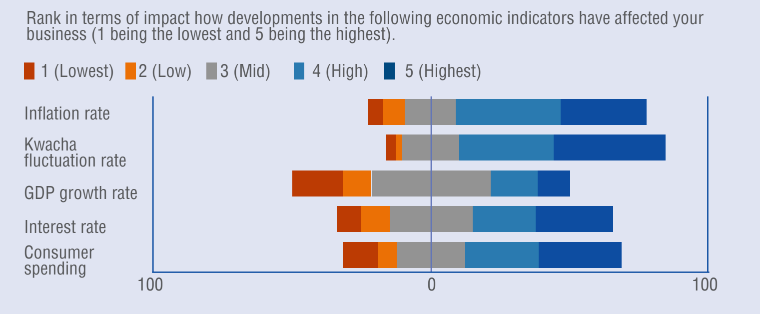
	2022		2023		2024		2025	
	Target	Outturn	Target	Outturn	Target	Outturn	Target	Mid 2025
Inflation rate (average) %	6 - 8%	11.1	6 - 8%	10.9	6 - 8%	15	6-8%	13
GDP growth rate %	3.5	5.2	4	5.4	4.8	4	6.6	4.5
Import Cover (Months)	3	3.8	3	3.7	3	4.6	3	4.6
Fiscal Deficits (%GDP)	-6.7	-7.8	-7.7	-5.5	-4.8	-3.3	-3.1	-1.2
Policy Rate (End period) %	-	9	-	11	-	14	-	14.5
Exchange rate (Average)	-	16.9	-	20.2	-	26.2	-	24.2
External debt (% GDP)	-	48.6	-	52.9	-	58.6	-	-

The country's real GDP growth rate has remained resilient to the lag effects of Covid-19 and the effects of the 2024 drought that had adverse effects across industries due the energy crisis and reduced agricultural output. The country is expected to attain its 2025 projected economic growth rate of 6.6% in 2025 underpinned by increased investment in the copper mines, recovery in the agriculture sector, elevated demand for copper in the global markets and increased competition in the petroleum subsector could have a positive effect on domestic oil prices.

Survey Finds Business Sensitivity to Macroeconomic Conditions

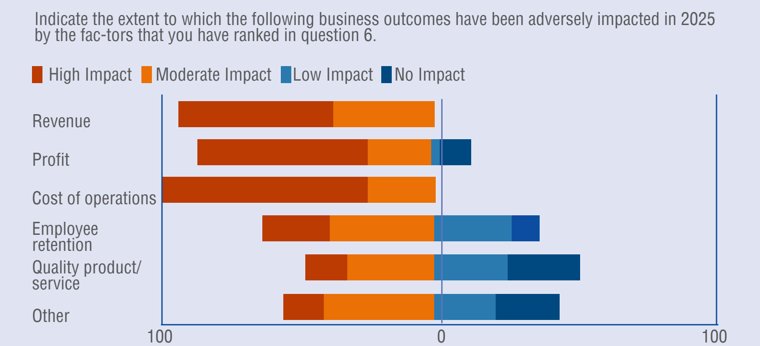
Macro-level factors affecting businesses

Figure 1: Macro-economic indicators



Respondents provided detailed feedback on how macroeconomic conditions and other factors have influenced their business performance in 2025. They highlighted inflation, Kwacha fluctuations, and high interest rates as the most significant pressures, with consumer spending and GDP growth having a more moderate effect.

Figure 2: Business outcomes adversly impacted by macro-economic conditions above



The macroeconomic conditions negatively impacted revenue, profitability, and operational costs, while also straining employee retention and the quality of products and services. Key operational challenges included high utility costs (30%), climate-related events (19%), skilled labour retention (17%), and limited access to capital and raw materials. Profitability trends in 2024 reflected these difficulties, with 31% of businesses reporting profit declines of up to 15% and 37% experiencing losses between 16%–30%, compared to only 6% that recorded gains between 16%–30%. These findings reflect the broader economic context in Zambia, where persistent inflationary pressures, mounting debt service obligations, and exchange rate volatility continue to constrain business stability and erode investor confidence.

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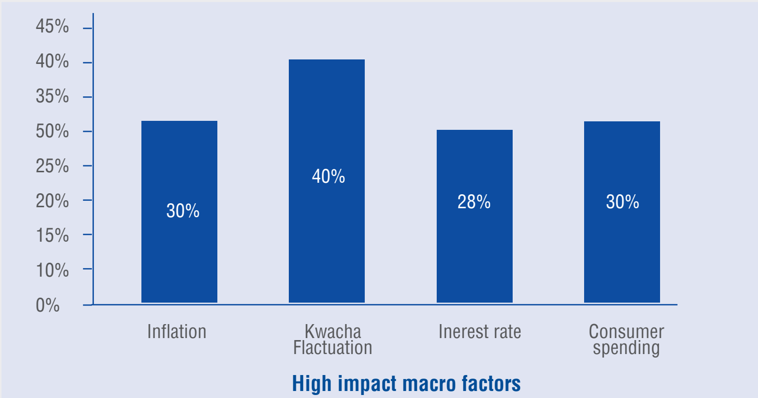
While Zambia has made significant progress in stabilizing its economy, some of the key macroeconomic indicators such as inflation rate, exchange rate and interest rate remain elevated to the detriment of the firms and consumers. During the survey, the respondents were asked to rank how the movements in these core indicators have adversely affected their businesses.

The majority of respondents, 40%, indicated the exchange rate as the economic variable that has the most significant impact on the operations. Another 34% of respondents identified the effect of the exchange rate as having a high impact on their businesses in 2024.

Figure 3: High impact macro factors



An equal share of 30% of the respondents suggested that both inflation and consumer spending have the most significant impact on their businesses. However, a larger share (68%) of found inflation to be significant to the most significant factor in their business compared to 57% for consumer spending.

Only 28% of the businesses identified the interest rate as having the highest impact on their businesses.

Figure 4: High and highest impact factors

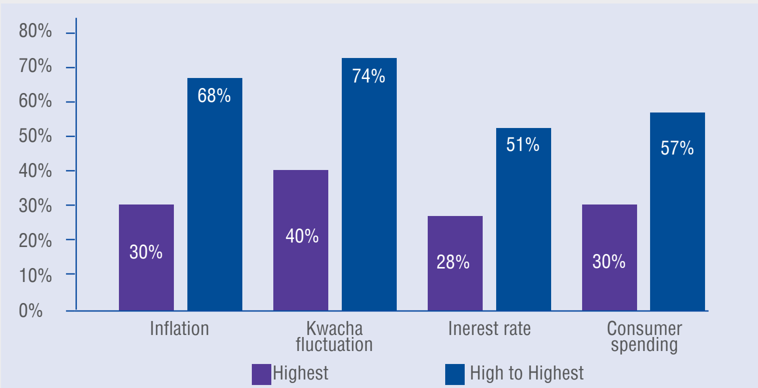


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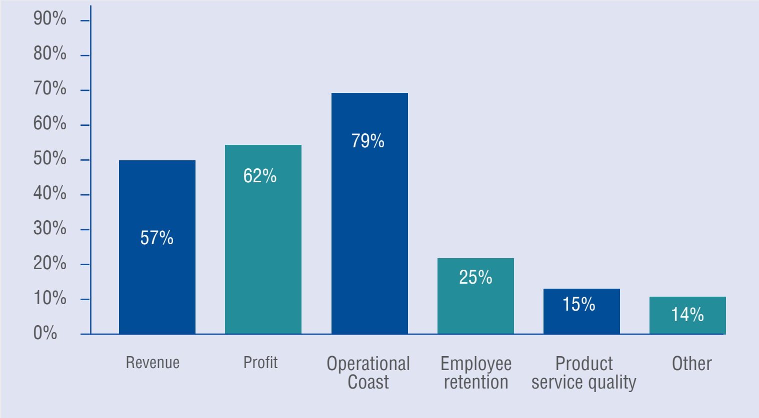
Figure 3 shows that the majority respondents (57% to 79%) indicate that the volatility in the most significant macro indicators adversely affected, operational costs, profits and revenues.

Specifically, 79% agree that macro indicators negatively affected their operational costs.

Figure 5: Most affected



Another 62% agree recorded reduced profits due to instability in the macro indicators while 57% indicate that changes in the macroeconomics indicators affected their revenue. The majority of the firms experienced decreases in their profits as follows - 12% experienced decrease of over 31% in their profits, 37% registered between 16% and 30% decreases in profits while 31% had decreases of between 1% and 15%.

Only 20% registered increases in profits with 12% reporting less than 15% increase in profits. 25% reported a high negative impact on employee retention.

A few respondents (15%) report that developments in the macroeconomic indicators affected their product quality.

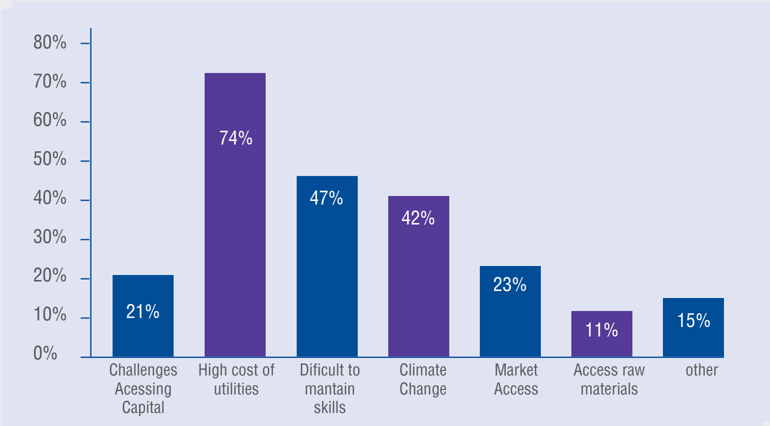
Table 2: Areas affected by macroeconomic developments

	Revenue	Profit	Oper Costs	employee retention	product/ Service Quality	Other
High Impact	57	62	79	25	15	14
Moderate	36	25	21	38	32	41
Low	6	2	0	28	26	22
No Impact	2	11	0	9	26	22
	100	100	100	100	100	100

Economic Challenges Impacting Businesses

In addition to the adverse effects of developments in the macroeconomic factors, businesses also reported facing several challenges that affect their operations. The main identified operational challenges included high utility bills (74%), climate-related events (42%), skilled labor retention (47%), and limited access to capital and raw materials.

Figure 6: Operational Challenges

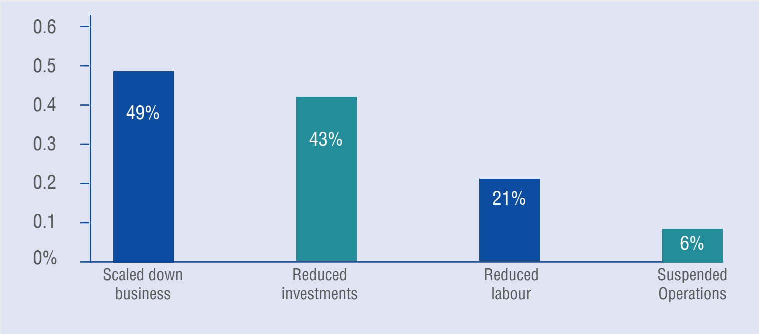


Response to Operational challenges

The respondents were also asked to indicate their responses to the economic challenges that affected their business operations.

About 49% to 43% of the businesses respond by either scaling down their business operations or reducing investments in their companies. .

Figure 7: Response to operational challenges



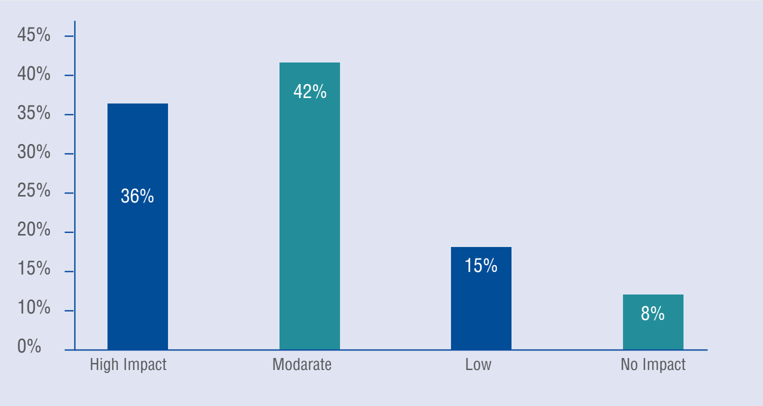
A relatively large share of 21% of the businesses reduced labor engaged for their operations.

Tax Environment

Government has in the last three years made changes to the tax administration system aimed at rationalizing the tax rates to increase resource mobilization while supporting firm growth. The respondents were asked to rate the impact of the tax collected by government on the operations of their businesses.

Figure 8 shows that the majority (42%) of the respondents found the collected taxes to have a moderate impact on their business operations while over a third of the 36% of the surveyed firms found the tax collected to have a significant adverse impact on their businesses underscoring taxation as a major operational constraint.

Figure 8: Impact of taxes collected



Moreover 94% of businesses indicated they had not benefited from tax rebates for employing people with disabilities or making accessibility adjustments, suggesting limited awareness or weak implementation of inclusive fiscal incentives. This aligns with ongoing debates in Zambia around the high cost of doing business, where the tax burden remains a consistent challenge, and calls for more targeted, inclusive, and business-friendly fiscal policies amid the Government's efforts to broaden its tax base while addressing debt and fiscal deficits.

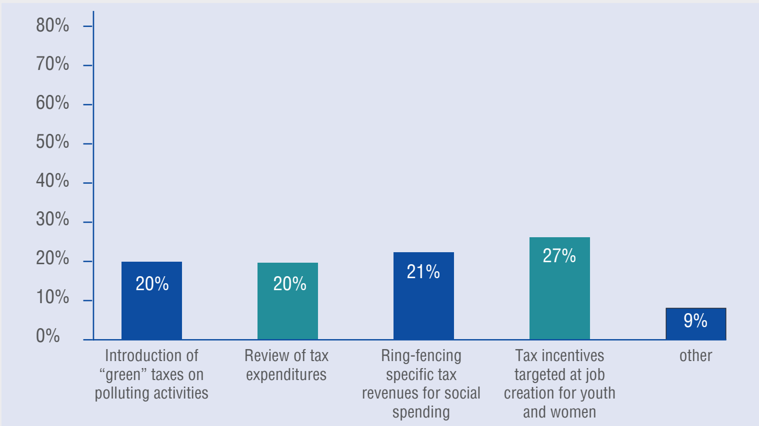
Government programmes and fiscal measures: Tax Reforms in 2026 Budget

The respondents were asked to identify the fiscal policies requiring government review in the 2026 budget. The responses are presented in figure 9.

About 53% and 70% of the respondents, respectively, identify the need to give serious consideration to ring-fence specific tax revenues for social spending and giving special incentives to businesses aimed at creating jobs for the youths and women.

Another 43% to 45% of the respondents indicate the need to review tax expenditures and introduction of green taxes on polluting activities.

Figure 9: Taxes to be reviewed in 2026 budget



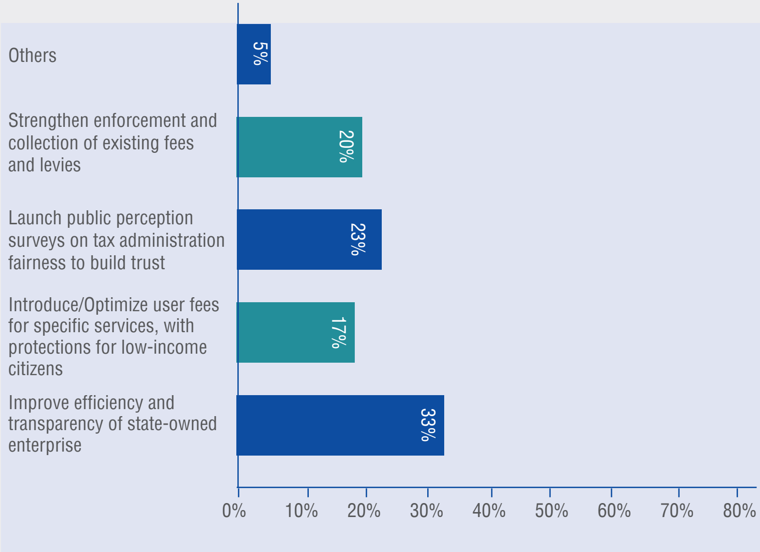
Non-tax or efficiency measures to improve resource mobilization

Further, the survey sought to establish the non-tax revenue or efficiency measures that respondents thought government could prioritize to improve domestic resource mobilization.

The majority (70%) of respondents implored government to improve efficiency and transparency of state-owned enterprises.

The other respondents indicate the need to launch public perceptions surveys on tax administration fairness to build trust (23%), introducing user fees for specific services while protecting the poor (21%) and strengthening enforcement and collection of existing fees and levies.

Figure 10: Non-tax revenue and efficiency measures

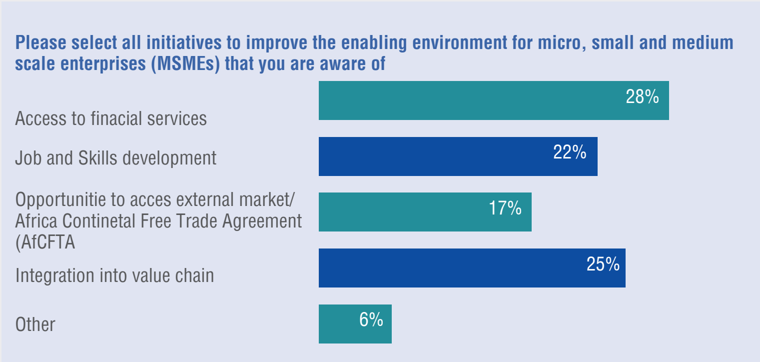


Creating an enabling environment for MSMEs

Government has put in place several programmes to promote the growth of MSMEs through various ministries and statutory bodies. The survey sought to establish awareness of MSMEs on several initiatives that government has put in place to promote their growth.

The respondents revealed their awareness of government initiatives with regard to access to finance, participation in value chains, jobs and skills development as well as access to external markets.

Figure 11: Awareness of initiatives.



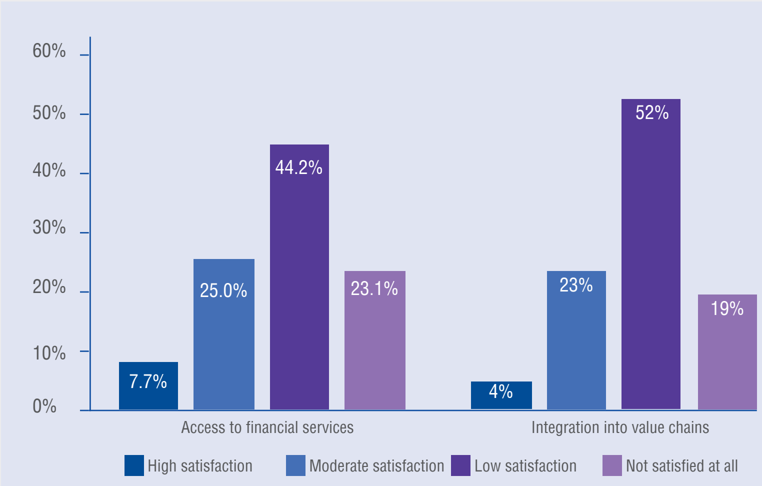
Overall, the display suggests that most businesses are not familiar with government initiatives to create an enabling environment for MSMEs. The largest share of the respondents (28%) was familiar with financial opportunities for MSMEs.

25% indicated familiarity with government initiatives to incorporate them into value chains while 22%were familiar with Jobs and skills development initiatives, and 17% were familiar with opportunities to access external markets.

Respondents were further asked to indicate their level of satisfaction with government initiatives of financial support and integration into values chains by MSMEs.

The results show that there is either low or no satisfaction at all with these government programmes. For example, most of the respondents (67%) indicated that they were either not satisfied at all or had low level of satisfaction with the government financial initiatives while 71% of the respondents were had low or satisfaction with the government's integration into value chains.

Figure 12: Level of satisfaction with government initiatives-access to finance & integration into value chains



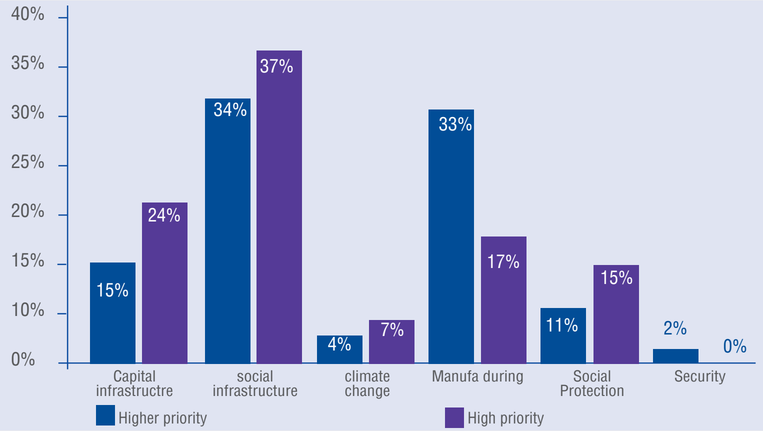
Only 25% of the respondents were moderately satisfied with the initiatives by government. This suggests that government should review these initiatives to make them effective.

Priority areas for the 2026 budgetary allocation

The surveyed respondents were asked to rank their priority investment areas such as social infrastructure, capital infrastructure, social protection, manufacturing, and climate change mitigation and adaptation measures in the 2026 budget. Figure 13 indicates the ranking of the various priorities in terms of the highest and high priority as selected by the respondents

The majority of the respondents preferred investments to be directed into social infrastructure (37%) followed by manufacturing (33%) to improve productivity in the country.

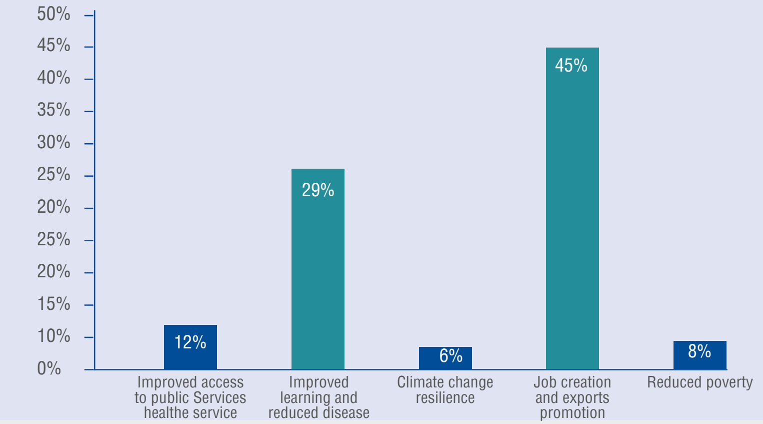
Figure 13: Priorities for 2026 budget



A smaller share, 15%, preferred that more budgetary resources should be allocated to infrastructure development in the country. Despite the increasing threat of climate change related shocks, stakeholders do not consider climate change investments to be a priority.

The majority (45%) of the respondents justified their prioritized allocation as a means of creating jobs and promoting exports.

Figure 14: The primary expected outcome from priorities above



The next largest share, 29%, chose their priorities as a means of improving the learning outcomes and reducing disease in the country.

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Debt restructuring

Against the backdrop of Zambia's default on external debt obligations, the country in 2024 successfully restructured US$ 6.3 billion of external debt owed to official creditors and US$3.8 billion owed to Bondholders accounting for about 73% of the total debt. This increased to 92% in March 2025.As a result of the milestone, the country's Sovereign Risk Debt Sustainability Framework (SRDSF) indicates that the country is at a moderate risk of sovereign stress, and debt is assessed to be sustainable although it still poses many risks to the economy. This progress on external debt restructuring was expected to enhance relatively stable macroeconomic conditions.

The survey sought to understand whether the debt restructuring has bolstered confidence among business owners. The responses to the question on how they perceive the restructuring to have impacted confidence in the business community is shown in figure 15.

The survey shows that the debt restructuring has generally positively impacted business confidence, with 21% of respondents reporting high satisfaction, 56% moderate satisfaction, with only 17% reporting low satisfaction.

Figure 15: The effect of Zambia's Debt Restructuring Agreement on business confidence

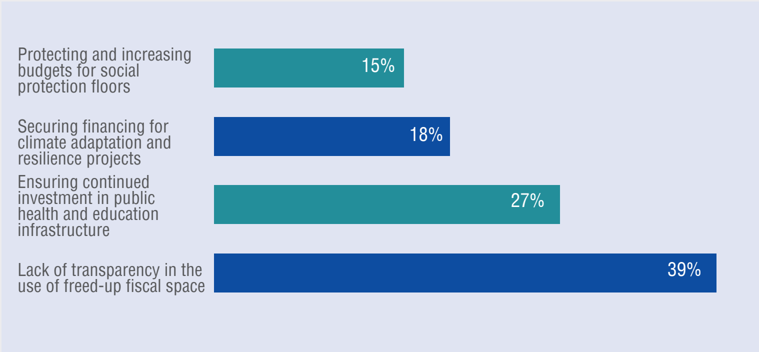
Respondents were also asked to provide their opinions on policy areas that the debt restructuring initiative failed to address.

The majority, 39%, indicated that the process lacks transparency in how the freed-up fiscal space was to be used as a primary concern.

Further, 27% noted the initiative's failure to support continued investment in public health and education infrastructure.

Another 18% highlighted insufficient financing for climate adaptation and resilience projects, while 15% pointed to the need for stronger protection and increased budgets for social protection floors.

Figure 16: Policy areas Debt Restructuring has failed to address



Impact of debt restructuring on business

The survey also sought to understand the perceived impact of the debt restructuring agreement on businesses in the country.

About 27% of respondents reported experiencing a moderate positive effect, while the restructuring significantly impacted 13% of the surveyed business.

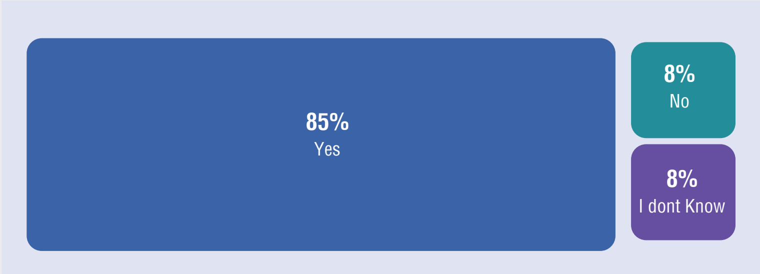
Figure 17: : Impact of Debt Restructuring

A further 23% reported a low but positive impact on business performance and had a neutral effect on 25% of the surveyed businesses.

6. Environmental, Social, and Governance considerations

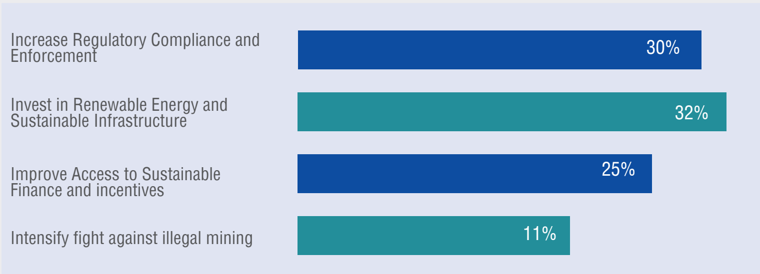
As Zambia seeks to strengthen sustainable development and responsible investment practices, respondents were asked for their views on ESG issues and the Government's role in incorporating ESG criteria in investment decisions. A large majority (85%) supported the inclusion of ESG considerations, 8% opposed, while the remaining respondents were unsure.

Figure18: Perception of whether Environmental, Social, Governance (ESG) criteria should be used to evaluate expenditure and investment decisions of government



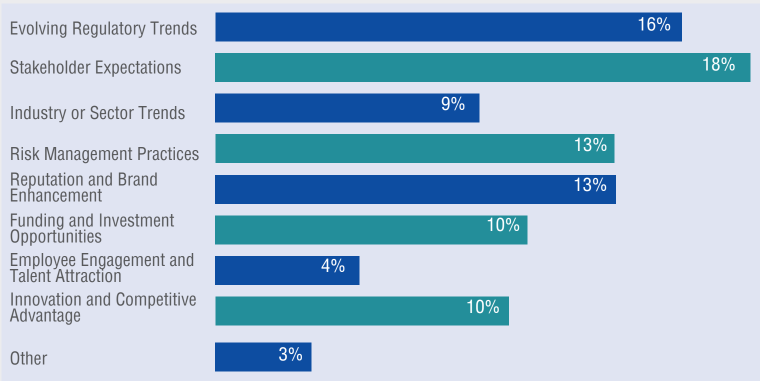
When asked about measures to improve the country's ESG ratings, 32% of respondents indicated that the Government should invest in renewable energy and sustainable infrastructure, while 30% emphasized the need to strengthen regulatory compliance and enforcement. Additionally, 25% suggested improving access to sustainable finance and incentives, whereas only 11% considered combating illegal mining as a priority.

Figure 19: How to Improve the country's ESG ratings



Regarding the drivers of ESG in business, respondents identified stakeholder expectations (18%), evolving regulatory trends (16%), risk management practices (13%), and reputation and brand enhancement (13%) as the main factors motivating businesses to adopt ESG practices.

Figure 20: Main drivers of ESG in business



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Regarding the increasing influence of ESG on business operations and decision-making processes, 53% of the respondents felt that while the increasing focus on ESG has resulted in adjustments to certain areas of business, the overall impact has been limited. 32% believed that the increasing focus has resulted in significant changes and initiatives across their operations. 15% of respondents saw no changes to their business operations or decision making.

Figure 21: ESG influence on business operations and decision-making processes

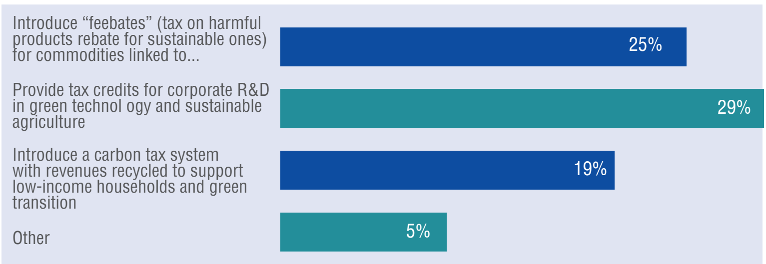
53%
We have made some adjustments to certain areas of our business, but overall impact is limited

32%
Yes, we have made significant changes and initiatives across our operations to align with ESG considerations.

15%
No, we have not made any changes or initiatives related to ESG factors

With respect to the promotion of ESG in the country, 29% of the respondents believe that government should provide tax credits for corporate R&D in green technology and sustainable agriculture. This is followed by feebates (25%), which suggest moderate backing for market-based incentives to shift behaviors. A carbon tax with revenues recycled to support low-income households and the green transition is favored by 20% of the respondents, pointing to cautious acceptance of climate taxation when equity is considered. Linking corporate tax incentives to improvements in gender diversity ranked lower (19% of the respondents).

Figure 22: Actions to promote ESG in the country



7. Climate financing and carbon markets

The majority of respondents (57%) view dedicated funds as extremely important for effectively supporting climate-friendly projects. Another 32% consider them somewhat important, noting that while helpful, they should be complemented by other measures. Only 9% see them as unnecessary, believing existing mechanisms are sufficient.

Figure 23:Importance of dedicated funds or financial mechanisms to support carbon financing or climate financing initiatives

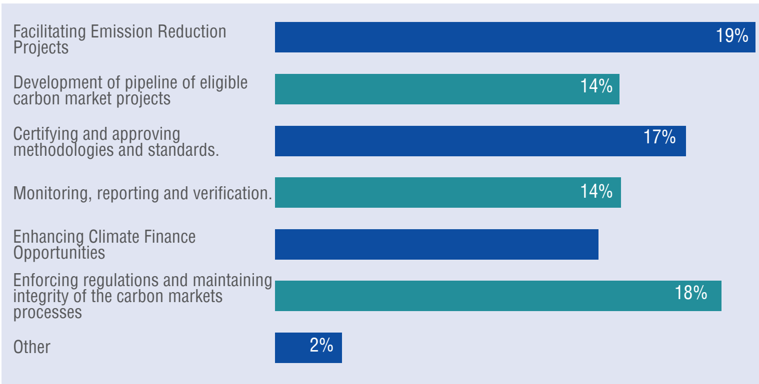
57 %
Extremely important Dedicated funds are necessary to incentivize and support climate-friendly projects effectively

32%
Somewhat important While dedicated funds can be helpful, other measures may also play a significant role

9%
important Dedicate d funds are unnecessa ry, and existing mechani sms are sufficient..

In the event that a Carbon Markets Office is established, the survey sought to gauge respondents' preferred areas of focus. The largest consider facilitating emission reduction projects (19%) as the top priority for a Carbon Markets Office, closely followed by enforcing regulations and maintaining market integrity (18%). Certifying and approving methodologies and standards (17%) was also emphasized. Developing a pipeline of eligible projects and monitoring/reporting functions (both 14%) were seen as important operational roles, while enhancing climate finance opportunities (13%) ranked slightly lower. Overall, the focus, according to the respondents, should be on ensuring impact, credibility, and strong governance in carbon market operations.

Figure 24: Priority of Carbon Markets Office if established



8. Socio-economic effects of the current tax system

With a Gini coefficient of 0.51, well above the Sub-Saharan African average of 0.44, Zambia is currently the most unequal society in the region. This section of the survey sought to gauge the public's perception on the effects of the current tax system on socio-economic development. When asked whether the current tax system aids in bridging the inequality gap in the country, 50% of the respondents believe it has no impact, 27% believe it moderately reduces the gap while 19% believe the current system increases the gap.

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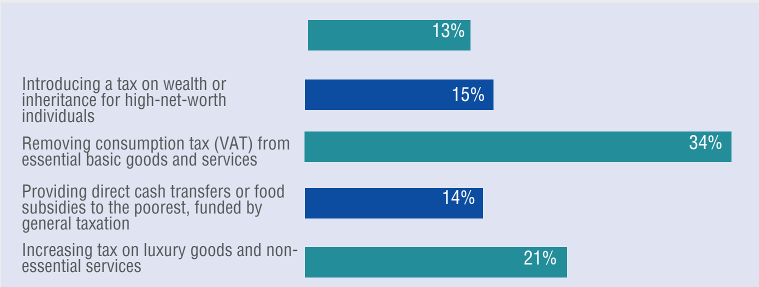
Figure 25: Impact of Zambia's current tax system in reducing the gap between the rich and the poor

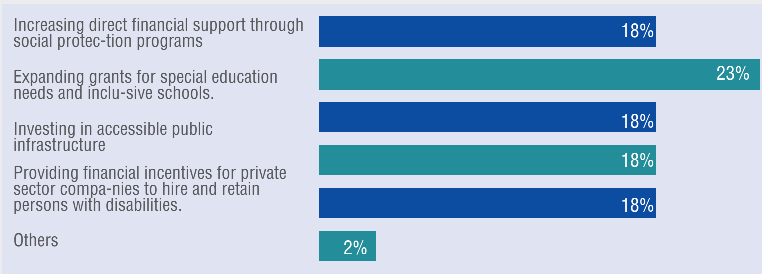
To tackle both inequality and poverty, the respondents believe VAT should be removed from essential basic goods and services (34%). Additionally, tax on luxury goods and non-essential services should be increased (21%), as well as introducing a tax on wealth or inheritance for high-net-worth individuals (15%). Cash transfers or food subsidies to the poorest, funded by general taxation (14%) and making personal income tax (PIT) system more progressive (13%) were also considered.

Figure 26: Tax reforms are most effective in tackling inequality and poverty



To enhance economic participation and social inclusion for persons with disabilities, respondents believe the top priority for increased budget allocation in the 2026 budget should be on expanding grants for special education and inclusive schools (23%), increased financial support through social protection, investments in accessible public infrastructure, private sector incentives, and strengthening disability-focused institutions, were all equally prioritized at 18%.

Figure 27: Tax-related measures most effective in supporting economic empowerment of persons with disabilities and encouraging businesses to be more inclusive



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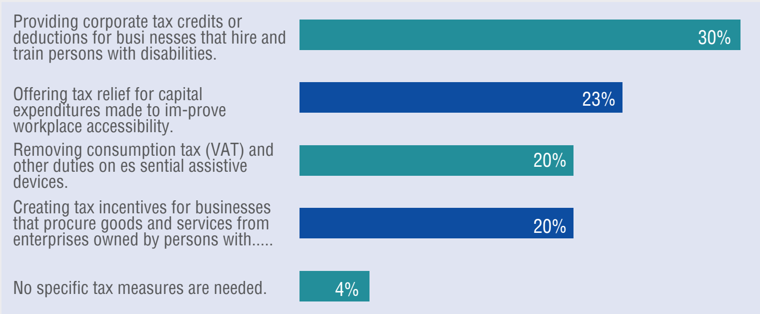
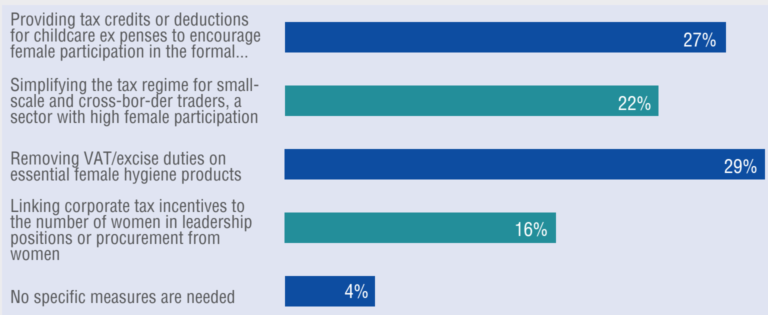
When considering tax-related measures to support the economic empowerment of persons with disabilities and encouraging inclusive businesses, respondents considered providing corporate tax credits or deductions for businesses that hire and train persons with disabilities as a key measure. Additionally, offering tax relief for capital expenditures to improve workplace accessibility (23%), removing consumption tax (VAT) on essential assistive devices (20%) and creating tax incentives for businesses to procure goods and services from enterprises owned by persons with disabilities (20%) are measures respondents believe would be effective. Only 4% of respondents felt that no specific tax measures were needed.

Figure 28: Tax-related measures most effective in supporting economic empowerment of persons with disabilities and encouraging businesses to be more inclusive



With respect to tax reform measures to promote women's economic empowerment, respondents believe that the most effective tax measure to support women's economic empowerment is to remove VAT/excise duties on essential female hygiene products (29%), followed by providing tax credits or deductions for childcare expenses to encourage female participation in the formal economy (27%). Moreover, simplifying the tax regime for small-scale and cross-border traders (22%) and linking corporate tax incentives to the number of women in leadership positions(16%) are also important policy measures. A small number of respondents (4%) believed no specific tax measures targeting women's economic empowerment were necessary.

Figure 29: Tax measures to best support women's economic empowerment in Zambia



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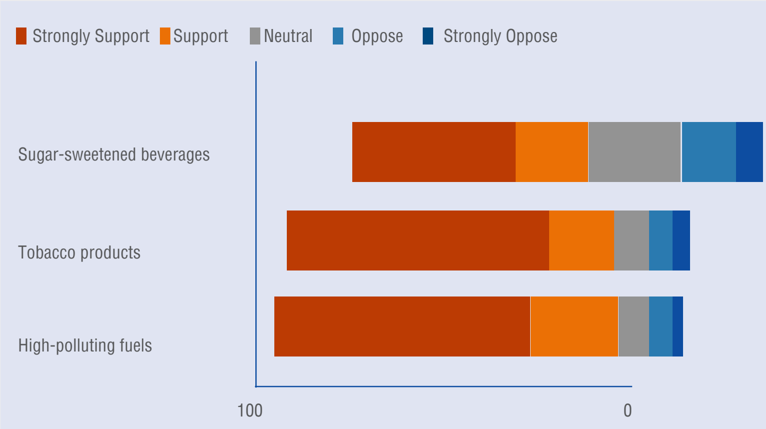
The survey indicates strong public support for using corrective taxes to discourage consumption and fund healthcare. There is overwhelming support for introduction of or an increase in taxes on tobacco products and high-polluting fuels. A majority of respondents also supported taxing sugar-sweetened beverages. These results suggest a widespread acceptance of using fiscal policy as a tool to promote public health and environmental sustainability.

Figure 30: Tax-related measures most effective in supporting economic empowerment of persons with disabilities and encouraging businesses to be more inclusive



Conclusions and recommendations

Zambia has made steady progress in improving the macroeconomic stability through fiscal consolidation, and debt restructuring. The improved environment has contributed to the appreciation of the Kwacha against the US$ as well as the downward trend in inflation that is likely to result in a much more stable economy.

The survey results indicate that currency fluctuations and inflationary pressure have continued to pose some downside risks to the business environment by adversely affecting the revenue and profitability of firms by increasing their operational costs. Its is therefore recommended that government continues to consolidate its macroeconomic gains to bolster the business environment.

Further, the business environment has continued to be adversely affected by various macroeconomic and policy factors which include the high cost of utilities, difficult to attract and maintain skilled labor and climate change induced shocks. Policy makers should intervene by undertaking the following:

- Foster the macroeconomic fundamentals like the domestic currency and prices while strengthening the fiscal consolidation to spur confidence in the economy especially after the debt crisis.

- The inadequacy of skilled labor has potential to slow productivity and economic growth that the country needs. Thus, government should in partnership with the private sector map the skills gap and make strategic investments in the requisite skills for industrial and business development. The policy interventions should balance the short-term skills requirements which may promote supporting specialized skills imports and skills training and reskilling in the medium to long term. Such training should be extended to business development services for MSMEs as well.

- The challenges relating to the cost of utilities and accessing capital point to inefficiencies in the services sectors such as energy, telecommunications and finance. Government should consolidate and accelerate the structural reforms being implemented in the energy sectors and telecommunications to improve efficiency and services availability.

- Further, respondents identify access to finance as one of the major constraints to their performance. The Government as the main stakeholder through the Ministry of SME Developments should actively create an enabling environment for SMEs by strengthening the regulatory reforms that derisk credit to this sector and consolidating the special purpose vehicles such as the CEEC and credit guarantee schemes to provide funding at affordable rates throughout the years and affordable interest rates. In addition, regulators should accelerate the creation of a single window for firm registration that could accelerate formalization and bring more firms into the tax brackets.

- Another observation is that collected taxes in Zambia are considered to have a high to moderate impact on the operations of businesses. Therefore, government has to continue rationalizing the tax structures and other non-tax user fees to improve the operational environment of the MSMEs. These should be complemented with efforts at strengthening enforcement and optimizing the collection of existing user fees while mitigating any impacts on the poor.

- The study suggests that the operations of state-owned firms is shrouded in secrecy. It is recommended that government improves the efficiency and transparency of state-owned enterprises.

The business community has high expectations of the 2026 budget.

- With regards to the 2026 budget, stakeholders wish government could prioritize social sectors that improve social infrastructure (such as hospitals and schools) to improve learning while reducing diseases, and investments in the manufacturing sector to promote job creation for youths and women.

- The findings also reflect growing recognition of the role of ESG and climate finance in driving sustainable growth. The survey shows that government efforts to include ESG in the budget are well supported by the business community. Government could leverage on the private sector and strengthen its regulatory capacity to minimize damage to the environment by industry and mining sectors.

- Overall, the survey underscores the importance of balancing fiscal consolidation with inclusive development to restore business confidence, reduce inequality, and set Zambia on a path of resilient and sustainable growth.

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