

Integrating a medium-term revenue strategy into Zambia's 9th National Development Plan

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<https://doi.org/10.51867/ajernet.7.1.104>

ABSTRACT

Since independence, Zambia has utilized National Development Plans (NDPs) to guide its socio-economic trajectory. However, a recurring “implementation gap” has frequently rendered these plans aspirational rather than achievable. Anchored in new institutional economics, specifically based on Besley and Persson’s theory of fiscal capacity and Douglass North’s concept of path dependence, this study posits that this historical underperformance is not merely the result of external macroeconomic shocks but a profound structural flaw: the decoupling of development ambition from sovereign extractive capacity. This study employs a convergent parallel mixed-methods research design. The target population is the whole population of Zambia based on economic data utilized. Through a longitudinal analysis of revenue strategies across NDPs (1 through 8), this research identifies a cyclical pattern of fiscal vulnerability driven by a rentier-state reliance on volatile mineral rents and external debt. This trajectory starts from the “fiscal illusion” of the copper-dependent early years to the “financing fallacy” of the Eurobond era, sustained by a critical institutional asymmetry: the presence of a legally binding Medium-Term Expenditure Framework (MTEF) without a corresponding Medium-Term Revenue Strategy (MTRS). Consequently, recent plans remain fiscally exposed to an entrenched “expenditure bias.” To break this persistent cycle as Zambia approaches the 9th National Development Plan (9NDP), this paper argues for a paradigm shift toward a “revenue-first” planning architecture anchored in a robust domestic resource mobilization (DRM) strategy. The study recommends a legislative synchronization of the NDP with a binding MTRS to serve as an “institutional lock” against unfunded mandates. Furthermore, it advocates transitioning from generalized funding assumptions to the sector-wide integration of pre-secured revenue streams, such as formal Public-Private Partnerships (PPPs) and carbon credits, while prioritizing the formalization of the informal sector and treating governance as a quantifiable fiscal instrument to ensure sustainable, sovereign economic growth.

Keywords: Domestic Resource Mobilization (DRM), Institutional Fiscal Sustainability, Medium-Term Revenue Strategy (MTRS), National Development Plan, Zambia

I. INTRODUCTION

The transition from the Millennium Development Goals (MDGs) to the Sustainable Development Goals (SDGs) signified a paradigm shift in developmental methods. It demanded a change from sectoral silos toward integrated frameworks where policy is unavoidably tied to financing (United Nations., 2023). Even though National Development Plans (NDPs) are still the standard blueprint for socio-economic transformation, International financial institutions such as the IMF and the World Bank have increasingly indicated that a plan lacking a specific financing strategy is merely a “statement of intent” rather than a practical roadmap. In many developing economies, including Zambia, the inability to progress from “planning” to “implementing” is seldom due to a deficiency of vision, instead, it stems from the systemic neglect of Domestic Resource Mobilisation (DRM) to fund the plans.

Since gaining independence, Zambia has had the same goal as the rest of the world: to use successive NDPs to shape its economy. Harrison (2023) articulates that NDPs are the main way for a state to explain its socio-economic goals over a period of years. NDPs represent the primary instrument for articulating a state's socio-economic trajectory over a period of years (Harrison, 2023). However, a persistent “implementation gap” in Zambia, has disrupted the connection between policy intentions and actual developmental results. People often blame outside events, like the changing prices of copper around the world, for these failures. However, this study argues that the real problem is internal: there is no integrated DRM framework in the planning cycle, and the government relies on revenue streams that are not in the control of Zambia, but, controlled by others and change all the time. Due to the absence of an integrated

DRM framework within the national planning cycle, this fiscal bottleneck has resulted in the failure to achieve NDP targets. Zambia's economic development is affected by outside stimuli due to its dependence on fluctuating commodity prices and revenue streams controlled by foreign entities.

Despite the methodological advancements in Zambia's planning frameworks and the multiple revisions of NDPs aimed at charting socio-economic transformation, a persistent "implementation gap" continues to threaten the country's development. Notable modification to the plans over time has been the inclusion of the Sustainable Development Goals (SDGs) in the 7th and 8th NDPs. However, the fundamental mechanism to finance the NDPs remains a challenge. This has persisted through the historical inability to convert ambitious policy into economic reality which stems from a profound institutional split of expenditure planning and DRM for NDPs. At the moment, Zambia bases its multi-year spending projections on a legally enforceable Medium-Term Expenditure Framework (MTEF). However, a matching institutionalised Medium-Term Revenue Strategy (MTRS) is conspicuously lacking (Curristine, et al., 2024) (World Bank, 2023). As a result, the annual national budget finances national development in a piecemeal manner, resulting in a budgetary mismatch. In the absence of secured domestic resources for a longer period, the resulting fiscal deficit is routinely bridged through aspirational debt and a heavy reliance on externally controlled, highly volatile commodity markets, such as global copper prices. The absence of MTRS implies risks to sustainability because there is no guarantee that short-term reforms will continue to be followed up in the medium term when they are based on an annual budget strategy (Curristine, et al., 2024) (World Bank, 2023).

As Zambia prepares for the formulation and execution of the 9th National Development Plan (9NDP), this structural fiscal bottleneck poses a critical threat to development. Without a comprehensive framework that elevates revenue generation from a reactive administrative function to a proactive, multi-year macroeconomic pillar, critical governance and economic targets will remain unfunded. Therefore, to address this, the fundamental problem this study addresses is the systemic failure of Zambia's planning cycle to mandate an integrated DRM strategy, which renders long-term socio-economic policies fiscally unsustainable. From this, the primary objective of this study is to critically evaluate the systemic disconnect between Zambia's National Development Plans and its DRM capacity, and to establish the necessity of institutionalizing an MTRS for the sustainable execution of the 9NDP and plans that follow it. In undertaking this objective, this paper seeks to design a revenue-aimed model that ensures the 9NDP is fully financed through predictable, sector-wide agreed upon, domestic resources. Specifically, the paper examines the consequences of decoupling MTRS from the expenditure framework type of planning where only the MTEF is considered formally in formulation of the NDP.

1.1 Statement of the Problem

Despite successive iterations of National Development Plans (NDPs) aimed at driving socio-economic transformation, Zambia continues to suffer from a persistent "implementation gap" that prevents the realization of its policy objectives. While this failure is frequently attributed to external macroeconomic shocks, such as global copper price volatility, the fundamental problem is an internal, systemic misalignment within the national planning cycle: the structural decoupling of long-term expenditure planning from DRM. Specifically, while Zambia anchors its multi-year spending projections on a legally enforceable Medium-Term Expenditure Framework (MTEF), it evidently lacks an institutionalized Medium-Term Revenue Strategy (MTRS) for revenue related items. This asymmetric fiscal framework forces development financing into a reactive, year-to-year revenue budget process, bridging structural deficits through aspirational debt and an over-reliance on externally controlled commodity markets, such as copper prices. Consequently, without a formalized MTRS to integrate predictable DRM into the planning cycle, ambitious plans like the upcoming 9th National Development Plan (9NDP) are rendered fiscally unsustainable "statements of intent" rather than actionable, funded roadmaps to economic prosperity.

It is from this that our study aims at bridging this gap. Therefore, to resolve this problem, the overall objective of this study is to design a sustainable DRM framework for Zambia's future National Development Plans by assessing the historical performance and institutional gaps of revenue mobilization in previous planning cycles. From this the following are the specific research objectives.

1.2 Research Objectives

- i. To evaluate the efficacy of DRM mechanisms in previous NDPs (1st to 8th NDP).
- ii. To identify institutional gaps impeding fiscal autonomy in regards to financing NDPs.
- iii. To propose a DRM framework for future development plans.

1.3 Research Questions

- i. To what extent did the historical decoupling of revenue planning from expenditure planning contribute to the "implementation gap" in Zambia's previous NDPs?
- ii. What are the institutional effects of having an Expenditure framework (MTEF) without the revenue framework (MTRS) in Development planning?
- iii. How can the 9NDP be designed to ensure sustainable and predictable domestic financing?



II. LITERATURE REVIEW

There is a lot of literature that relates to Zambia’s development plans. Some address the political environment, the planning structures, or societal acceptability (Zulu, et al., 2023) (Harrison, 2023) (Chigudu, 2021). This literature is addressed in the following sections.

2.1 Theoretical Review

2.1.1 New Institutional Economics and Path Dependence

This study is rooted in New Institutional Economics (NIE), which posits that a state’s underlying institutions, the “rules of the game,” determine its capacity to finance development. This is in contrast with the neoclassical models that treat government revenue as an exogenous variable (North, 1990). Within this framework, our study employs North (1990) concept of Path Dependence to elucidate Zambia's macroeconomic planning failures.

Historically, Zambia’s reliance on copper rents and external debt from the 1st to the 6th NDPs which created a “rentier” lock-in effect. This is because accessing external rents was politically cheaper than taxing citizens, this institutional legacy disincentivized the development of a robust domestic tax administration (North, 1994). Consequently, the recurring “implementation gap” in previous plans is not merely an administrative failure, but a structural inability to break this dependence path without a deliberate institutional shock to the system, specifically, a binding Medium-Term Revenue Strategy (MTRS) (Lips & Lesage, 2021).

2.1.2 Theory of Fiscal and Legal Capacity

To operationalize the NIE framework, the study adopts Besley and Persson (2009) Theory of Fiscal and Legal Capacity. This theory argues that development requires two co-determined forms of state capital:- the fiscal capacity (institutional infrastructure to raise tax revenue) and legal capacity (the ability to enforce contracts and protect private property rights). A state cannot build high fiscal capacity without the credibility derived from strong legal institutions (Acemoglu, et al., 2005; Besley & Persson, 2009; Bah, 2024; Nikiema & Zore, 2025). Simultaneous investment in both the Fiscal and Legal Capacity creates a positive feedback loop where increased legal capacity promotes economic formalization, expanding the tax base to fund the rule of law and reduce corruption.

In Zambia, development progress has been hindered historically by extractive institutional arrangements and a reliance on external rents over taxation. This is a dynamic arrangement that previously catalyzed the fall of the Kaunda government (Geselbracht, 1986; Acemoglu & Robinson, 2012; Tagem & Morrissey, 2023; Zulu, et al., 2023). Thus, the 9NDP must treat DRM as a foundational state-building project that simultaneously builds fiscal legitimacy and legal enforcement, rather than treating it as a mere accounting exercise (Lips & Lesage, 2021).

2.1.3 Credible Commitment

The relationship between the MTEF and the proposed MTRS is best analysed through the concept of Credible Commitment. Credible Commitment is government’s ability to convince citizens that policies are irreversible and that promised developments will materialize (Campos & Esfahani, 2000; Plosser, 2007; Besley & Persson, 2009). The political side of government often inflates MTEF expenditures to win support while under-investing in revenue collection instruments to avoid a political backlash from higher taxes. Without a binding revenue strategy, however, the promises to fund the NDP lack credibility. An MTRS on the other hand, acts as an “institutional lock,” forcing the government to align spending ambitions with its extractive realities and reducing the transaction costs of fiscal volatility thereby providing the credibility needed (Zulu, et al., 2023). Recognizing that sporadic tax changes fail to secure long-term finance, the Platform for Collaboration on Tax (PCT) formally introduced the MTRS framework in 2016 to establish this credible commitment for revenue purposes (Campos & Esfahani, 2000).

Table 1

Theoretical Application in the Study

Theoretical Application		
NIE Concept	Variable in Study	Analytical Application
Path Dependence	Historical NDP Failure (1 - 8)	Explains why Zambia consistently reverts to debt/aid dependence despite policy intentions to diversify.
Fiscal Capacity	Domestic Resource Mobilization (DRM)	Re-frames DRM from “collecting cash” to “building institutional infrastructure” essential for sovereignty.
Legal Capacity	Rule of Law / Corruption	Posits that revenue mobilization is impossible without fixing the governance leaks (corruption) that undermine taxpayer morale.
Credible Commitment	MTEF vs. MTRS Alignment	Justifies a need for a legislative link between the plan with MTEF and resource strategy (MTRS) to prevent political deviation.

© 2025 Source: Authors’ Generation of New Institutional Economics Concepts and Variables in the Study

2.2 Empirical Literature Review

MTRS was introduced in 2016 to optimize DRM in developing countries (Mullins, 2020). A successful MTRS relies on four core components: medium-term revenue targets, a reform roadmap, sustained government commitment, and coordinated implementation. These make implementation of MTRS possible. MTRS will then help a country with guiding its revenue reforms (World Bank, 2023).

Global adoption of the MTRS varies significantly. Papua New Guinea launched its MTRS in 2017 to achieve a 14% tax-to-GDP ratio, but initial progress stalled as political commitment waned (Mullins, 2020). In contrast, Uganda publicly released a comparable Domestic Revenue Mobilisation Strategy (DRMS) in February 2020, targeting a 16–18% tax-to-GDP ratio over five years (Mullins, 2020). Indonesia has drafted strategies but is yet to formally adopt.

South Africa doesn't have a formal IMF-supported MTRS. Instead, it uses a Medium-Term Budget Policy Statement (MTBPS) to manage its revenue. Private-sector programs, such as the Resource Mobilisation Fund, are used to deal with serious logistical and energy grid operational problems. Kenya has an MTRS (2024/25 - 2026/27) that aims to reach a 25% tax-to-GDP ratio by 2030 (Benard, et al., 2024; The National Treasury and Economic Planning, 2024). Kenya has worked to digitise its tax collection through the Electronic Tax Register (2005), TIMS (2022), eTIMS (2023), and the impending 2025 eRITS (Benard et al., 2024). With regards to Zambia, literature highlights several critical motivations for integrating an MTRS within National Development Plans (NDPs). These include but are not limited to:

Institutional Quality and Policy Stability: Zambia's mining taxation system undertook ten tax changes in sixteen years reflecting a systemic volatility and asymmetrical information (Unceta, 2021). Implementing an MTRS replaces reactive policies with a stable, multi-year fiscal framework to support government financing. This will align well with Zulu (2016), proposition that formal institutions act as constraints to economic interaction. With an established MTRS, it will ultimately strengthen investor confidence in predictability in tax regimes. This greatly benefits the country, the economy and the individual tax payers.

Tackling Administrative Failures: Zambia's revenue collection has a profound "implementation gap." This is evidenced by an average 845-day wait time for statutory VAT refunds (Mulenga & Haabazoka, 2024). Further, there is a 49.4 billion Kwacha backlog that acts as a forced, interest-free loan from the private sector to government. This stifles the manufacturing sector and businesses in their operations and investments. On the other hand, MTRS framework would integrate administrative targets to synchronize collections with refund obligations, ensuring that credible tax commitments are made (Campos & Esfahani, 2000) and preventing the "ex-ante exaggerations" caused by discrete measures like VAT withholding (Adu-Ababio et al., 2023).

Property Rights and Revenue Deadweight: A lack of formalized property rights for holders within Zambia's land tenure system limits the government's ability to issue title deeds. This results in significant "revenue deadweight" (Zulu, 2016; Yoo, 2011). Since historical DRM initiatives focused too narrowly on extractives, an MTRS would offer a strategic incentive to pursue land reforms in Zambia. With formalization, the country would fulfil the 9NDP's dual objectives of fiscal expansion and institutional improvement to bring about economic growth.

Fiscal Sovereignty: Reliance on official development assistance (ODA) and other external borrowing sources frequently leads to debt distress when strong domestic institutions are absent (Seck, 2020). By establishing binding tax-to-GDP targets for revenue collection in the plan or revenue strategy, an MTRS tackles the opportunity costs as it elevates revenue collection to a primary pillar of macroeconomic policy. This ensures that the 9NDP will be funded by sustainable, DRM rather than volatile external debt. MTRS moves the revenue function from a secondary administrative task to a primary pillar of macroeconomic policy.

The failure of NDPs to bring about noticeable development in Zambia from literature has traditionally been attributed to exogenous factors, such as global debt cycles and copper price volatility. By basing its analysis on New Institutional Economics (NIE), specifically Besley and Persson's theory of Fiscal Capacity (Besley & Persson, 2009), our study diverges from the prevailing consensus, contending that the "implementation gap" is a fundamental endogenous institutional quality flaw not externally induced. This research, therefore, contributes to the discourse by identifying the absence of a legislated MTRS as the primary cause of planning failure by isolating the asymmetry between binding expenditure frameworks (MTEF) and ad-hoc revenue strategies in formulating NDPs.

III. METHODOLOGY

This study utilises Systematic Literature Review to analyse secondary research (desk study). This study relies entirely on existing secondary data sources from National Development Plans and supporting documents. This data is then analysed. In so doing, a combination of Comparative Analysis and Thematic Synthesis are used to dissect and analyse the data.

The article is structured to allow for comparison across different levels of analysis. It examines the same phenomenon (DRM and NDPs) through three distinct lenses: firstly, macro (or global), to establish theoretical foundations and broad patterns; meso (Africa as close region), to understand regional challenges and trends (like financial development constraints for NDPs), and finally, micro (Zambia). To apply the findings to a specific national

context. This layered approach allows the researcher to identify “common themes” (as mentioned in the conclusion) and “regional heterogeneity.”

3.1 Research Design

This study employs a convergent parallel mixed-methods research design. After identifying, selecting and preparing the datasets, independent analysis was done using Parallel Tracks: perform statistical analysis on the secondary quantitative data while at the same time perform qualitative analysis using thematic analysis on the secondary qualitative data.

3.2 Study Area

Our study area is Zambia, using the macro perspective of the economic and institutional variables.

3.3 Target Population

The target population is the whole population of Zambia based on economic data utilized. There is also a focus on manufacturers based on secondary data from the Zambia Association of Manufacturers, Auditor General reports and their interactions with revenue institutions.

3.4 Sampling Procedure and Sample Size

This was a secondary data research with no primary data collection that would require a sampling procedure.

3.5 Data Collection Instruments and Procedure

This study utilizes secondary data obtained from desktop review. The data comes from National Development Plans and related documents from Government databases and libraries.

3.6 Data Analysis

To systematically address the research objectives, this study employs a convergent parallel mixed-methods data analysis approach. This method allows for the simultaneous, yet independent, collection and analysis of both quantitative fiscal data and qualitative institutional data. These two sets of results are then merged which are subsequently integrated to provide a comprehensive understanding of Zambia's DRM deficits in financing National Development Plans.

To address the first research objective which is evaluating the efficacy of DRM mechanisms across Zambia's 1st to 8th NDPs, the study utilizes descriptive and trend analysis. From this data, a variance analysis was conducted to quantify the exact “implementation gap” (the deficit between planned expenditure and actual domestic revenue) for each NDP cycle. The analysis was done in RStudio statistical software. This quantitative mapping will empirically demonstrate the “rentier path dependence” hypothesized in the theoretical framework, establishing the financial consequences of decoupling revenue planning from expenditure.

3.7 Ethical Consideration

Considering that the study does not involve direct human interactions through primary surveys, or interviews, but relies exclusively on secondary, publicly available data, ethical considerations were still taken into account. Therefore, in accordance with institutional requirements, formal ethical clearance was sought and granted by the University of Zambia Directorate of Research and Graduate Studies prior to the commencement of the study. The approval for the study was given under: IORG No. 0005376, HSSREC IRB No. 00006464, REF NO. HSSREC-2024-JAN-074

IV. FINDINGS & DISCUSSION

4.1 Findings

To complement the literature review, a deliberate step was taken to look at the NDPs themselves in order to analyse the inherent revenue sources that are embedded in the NDPs. From this, it would be easier to look at the included revenue streams and assess if there is a way to improve these and enable the financing of the NDPs. This found economic volatility when NDPs are looked based on the DRM in the periods of planning.

The economic trajectory of Zambia from 1964 to 2023 is characterized by extreme volatility, which is indicative of the country's historical reliance on copper and its evolving policy frameworks. The years after independence (1964 to 1970) had a strong growth that peaked at 16.7 percent in 1965. The First National Development Plan (1NDP) raised enough revenue for infrastructural projects that helped the economy to grow. However, this was quickly followed by a long period of economic stagnation and decline from 1974 to 1999. This was caused by the 1973 copper price slump and worsened by the debt crisis. Notably, the economy contracted by 8.6 percent in 1994 during the chaotic transition to a liberalized market (Geselbracht, 1986). The reintroduction of planning (5NDP, 6NDP) and debt relief initiatives

catalysed a “golden decade” with growth rates frequently exceeding 7 percent, the only time a sustained recovery materialized in the new millennium (2000 to 2014). The economy encountered new challenges from 2015 to 2023, with a dip to -2.8 percent in 2020. This was as a result of the Covid-19 pandemic. It has since stabilized at approximately 5 percent under the current fiscal restructuring of the 8NDP.

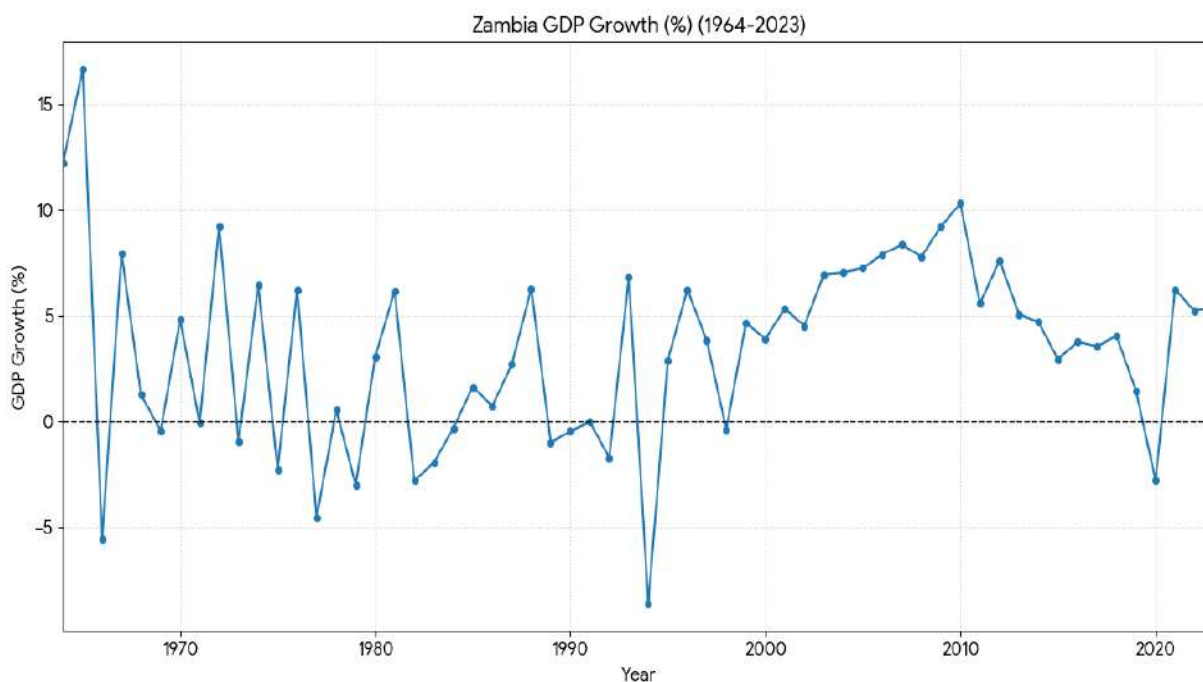


Figure 1
Zambia GDP Growth for the Study Period

© 2025 Source: Authors’ Generation from World Development Indicator: Zambia’s GDP Growth Rate for the Study Period

We now address the NDPs and the depth of the domestic resources secured for the implementation of these plans. From this therefore, a longitudinal analysis of Zambia’s NDPs reveals a cyclical pattern of fiscal vulnerability, characterized by a reliance on exogenous funding sources rather than structural tax reform. A reform that addresses both the policy and administration.

The Copper-State Era (1st & 2nd NDPs: 1966 -1976): The early planning era was defined by what may be called a “fiscal illusion.” Although the government acknowledged issues related to the financing of the plan, some unconfirmed resources meant the plan was to develop resources as it goes. In the plan itself, the words used are: “ministries’ maximum programmes were reduced in discussion to conform firstly to policies laid down by Government, and secondly to be feasible in relation to estimated resources available for the economy over the four-year period” (Zambia. Office of National Development and Planning, 1966). The 1st and 2nd NDPs were prepared on high copper prices, treating windfall taxes as structural revenue with no major alternative revenue source. In this case, therefore, DRM was passive in the first two NDPs; the state did not seek to broaden the tax base but rather captured rents from a single sector of mining (Ndulo & Sakala, 1987) (Kaunda, 1968). When commodity prices collapsed in the mid-1970s, the financing model disintegrated, revealing that no resilient domestic revenue structures had been built to sustain the plans (Ndulo & Sakala, 1987). There were no alternatives to finance the development plan and chances of a success with low copper prices were very slim.

Table 2*Phase I: State-Led Resource Extraction (1NDP – 3NDP)*

<i>Characterized by a reliance on copper windfalls and state ownership.</i>		
Plan	Revenue Strategy	Context
1NDP	Passive Mineral Extraction	
(1966–1970)	The strategy was simple: tax the booming copper sector to fund infrastructure. Revenue was treated as an infinite resource derived from export taxes and mineral royalties.	<i>Success:</i> Funded major infrastructure (schools, hospitals, roads). <i>Failure:</i> There was no mechanism to capture revenue from non-mineral related sectors.
2NDP	State Participation (Nationalization)	
(1972–1976)	Following the Mulungushi Reforms (1968), the strategy shifted to dividend extraction. By nationalizing mines (ZCCM) and industries (INDECO), the state planned to fund development through corporate profits rather than just tax.	<i>Failure:</i> Copper prices crashed in 1973/74. State-owned enterprises became loss-making liabilities rather than revenue generators.
3NDP	Deficit Financing (Borrowing)	
(1979–1983)	The strategy was modified to rely on external borrowing to sustain consumption and capital projects in response to the collapse of mineral revenues. The plan implicitly depended on “future recovery” to satisfy current obligations.	<i>Result:</i> Resulted in severe debt crisis of the 1980s.

© 2025 Source: Authors’ Generation from Zambia’s 1NDP to 3NDP Revenue Strategy and the NDP Context

The Era of Plan Abandonment (3rd & 4th NDPs: 1979 - 1993): The 1979 to 1993 was a period that came after change from one party state to multi-party democracy. Between 1979 and 1990, Zambia was a de jure one-party state under President Kenneth Kaunda and the United National Independence Party (UNIP). This period, part of a “one-party participatory democracy” (1972–1990) and from 1991 was multi-party democracy. It follows economic crises that saw Zambian youths’ riot against economic hardships that people faced in the one-party state (Archives, L.A. Times, 1986). After the one-party state, it was a period characterized by crisis management and Structural Adjustment Programs (SAPs) (Simutanyi, 1996). Planning was effectively suspended in favour of short-term stabilization due to the change from a planned economy under the one-party state to multi-party democracy. The Fourth National Development Plan of Zambia (4NDP) came in 1989 but later abandoned in 1991 due to the change to an open market system that followed the election of the Movement for Multi-Party Democracy (MMD) and the removal out of power of the United National Independence Party (UNIP). The abandoning was undertaken with the belief that liberalized economy does not need planning as the market forces would dictate the path to development (Phiri, 2022).

However, as was highlighted in the “Forward” of the Fifth National Development Plan (5NDP), with the exact words being: “From independence in 1964, three national development plans were implemented. The Fourth National Development Plan was launched in 1989 but later abandoned in 1991 in preference for an open market system that brought momentous changes to our country. One of the important lessons learnt from the 1990s was the realization that even in a liberalized economy, development planning is necessary for guiding priority setting and resource allocation” (Phiri, 2022). National Development Plans came back. It was realized that planning was necessary for an economy regardless of being a one party or multi-party democracy which may or may not be dependent on market economy.

The dependency on market economy was erroneously taken as one that does not require planning. During this planning period, therefore, the focus shifted to expenditure cuts rather than revenue mobilization. Consequently, the institutional capacity for DRM shrunk, and the informal sector expanded outside the tax net, creating a legacy of non-compliance that persists today. Public Finance Review Report (2024) highlights that out of 21,000 active VAT-registered taxpayers, only 8,000 are compliant with the tax (World Bank, 2024). This problem persists even today. Informality was established as a result of the inability to systematically transition the economy from government control under a single party state to private control under a market economy state. This is a result of the fact that state-owned enterprises were required to pay taxes, but this did not extend to private enterprises, particularly those that are small and medium. Unfortunately, at the time, the leadership embraced street vending at the expense of formal business to an extent that a street vendors’ desk was created at the presidential home of the Head of State, the State House (Chilala, 1999). Street vendors, informality and non-payment of taxes (both state and local government) remain a challenge to this day due to this relationship. The compliance challenges that may have arisen during this period without an NDP may have been the reason why tax compliance had decreased significantly by the time the country returned to development planning.

Table 3*Phase II: The “Lost Years” & Transition (4NDP)*

<i>Characterized by a desperate attempt to find “own resources” amidst collapse.</i>		
Plan	Revenue Strategy	Context
4NDP	“Growth from Own Resources”	
(1989 - 1993)	This was the first plan to explicitly articulate a Self-Reliance Strategy . It introduced user fees for social services (cost-sharing) and attempted to widen the tax base beyond mining, which had failed.	<i>Legacy:</i> This plan’s failure and the subsequent economic collapse led to the abandonment of NDPs for over a decade (replaced by short-term PRSPs and the creation of the ZRA in 1994).

© 2025 Source: Authors’ Generation from Zambia’s 4NDP:

The Return to Planning and Debt (5th, 6th and 7th NDPs: 2006 - 2021) The Highly Indebted Poor Countries (HIPC) initiative and the subsequent access to international capital markets, which are commonly referred to as Eurobonds, coincided with the reintroduction of long-term planning. While these plans were ambitious, they suffered from a “financing fallacy.” The three plans were predicated on the assumption that infrastructure investment would automatically generate sufficient growth to facilitate debt repayment. This was further humped by the misuse of the Euro Bonds finances (ZIPAR & FDL, 2024). Significantly, no MTRS was implemented to capture the required revenue for the value generated in the economy and related infrastructure. This may have been done more successfully with an internal funding source. It may appear that the Eurobonds were not successful because they were not strategically planned to support a specific development plan. The debt servicing costs increased, while the tax-to-GDP ratio remained stagnant during this period. The borrowing of Eurobonds was the cause of this. The development initiatives that the loans were meant to fund were also displaced as a result. The plan’s success was evident in the small details.

The Stabilization Phase (8NDP: 2022 - 2026) The 8th National Development Plan (NDP) signifies a paradigm shift toward fiscal restoration. It recognizes the gravity of the debt crisis and underscores the importance of economic diversification (Nakombe & Mwanza, 2026). Nevertheless, it is still devoid of a legally mandated MTRS to manage the revenue component of the plan’s financing. While it targets DRM in general, the mechanisms remain administrative, such as “improve compliance” rather than a structural revenue stream or source needed for financing the Development Plan. In addition, the plan should include strategies for enhancing compliance and ensuring that all parties are on board with the implementation of revenue compliance. Consequently, the plan is susceptible to the same revenue shortfalls as its predecessors.

Table 4*Phase III: Modern Public Financial Management (5NDP – 8NDP)*

<i>Characterized by the reintroduction of planning, with a focus on widening the tax base and efficiency.</i>		
Plan	Revenue Strategy	Key Innovation
5NDP	Donor Harmonization & VAT	
(2006–2010)	The strategy was designed to consolidate the benefits of the Value Added Tax (VAT) while managing Aid flows (Direct Budget Support). It was intended to transition Zambia from a dependence on aid to a dependence on taxes.	PEMFA Reforms: Public Expenditure Management and Financial Accountability (PEMFA) reforms were launched to stop leakages.
6NDP	Infrastructure-Led Borrowing (Eurobonds)	
(2011–2015)	The revenue strategy reverted to sovereign borrowing (Eurobonds issued in 2012, 2014, 2015). The theory posited that borrowing for infrastructure (roads) would stimulate growth, thereby establishing a broader future tax base.	Toll Gates: This plan introduced the “user-pays” principle for road maintenance (National Road Tolling Act).
7NDP	Program-Based Budgeting (Output Based)	
(2017–2021)	Moved away from line-item budgeting to Output-Based Budgeting (OBB). The strategy was to “do more with less” by linking funding to specific development outcomes rather than administrative costs.	Digitalization: First explicit mention of using digital systems (Electronic Fiscal Devices) to capture VAT and reduce human error/theft.
8NDP	Alternative Financing & PPPs	
(2022–2026)	Recognizing the fiscal space is closed (due to debt), the 8NDP strategy is “Off-Balance Sheet” Financing. It relies on Public-Private Partnerships (PPPs) for infrastructure, meaning the private sector builds and collects revenue (tolls/fees) rather than the Treasury.	Green Bonds & Carbon Credits: The first plan to list climate finance and carbon trading as a potential sovereign revenue stream.

© 2025 Source: Authors’ Generation from Zambia’s 5NDP to 8NDP Revenue Strategy innovation

A case in point is in the plan itself which elaborates on its financing as being that: “Financing of the 8NDP will be done through traditional and non-traditional sources of finance. Traditional sources will include domestic revenue,

grants, donations and concessional loans” (Nakombe & Mwanza, 2026). The whole resource envelope lacks specifics, identified streams and amounts that would be needed to finance the Development Plan. As it can be noted that the 8NDP Implementation Plan categorizes projects into two financing tracks: those funded by the Treasury or through the annual budget and those that must be financed by the private sector. The financing of the ZMW 731.4 billion is from “a combination of sources which will include; domestic revenues, domestic and foreign borrowing, Public Private Partnerships (PPPs), and the private sector as sole financiers as well as Cooperating Partners” (Gombera, 2024). These are taken as: Track A: Traditional Sources (On-Budget) - these will include concessional loans, grants, and domestic revenues (such as taxes, fees, and fines). This sum of money will be allocated by the government to accomplish the plan. Local councils are now the primary implementers of small-scale projects, as a significant portion of this revenue is now directed directly to local levels through the expanded Constituency Development Fund (CDF).

Track B: Alternative Sources (Off-Budget) - This will be generated through climate finance, which encompasses green bonds and carbon credits, public-private partnerships (PPPs), and impact investment. Most of these go toward economic infrastructure, which includes highways, energy projects, and logistics. It's crucial to remember that the Implementation Plan switches from Activity-Based Budgeting (ABB), which covered sitting allowances and gasoline payments, to Output-Based Budgeting (OBB), which focuses on the results of the programmes.

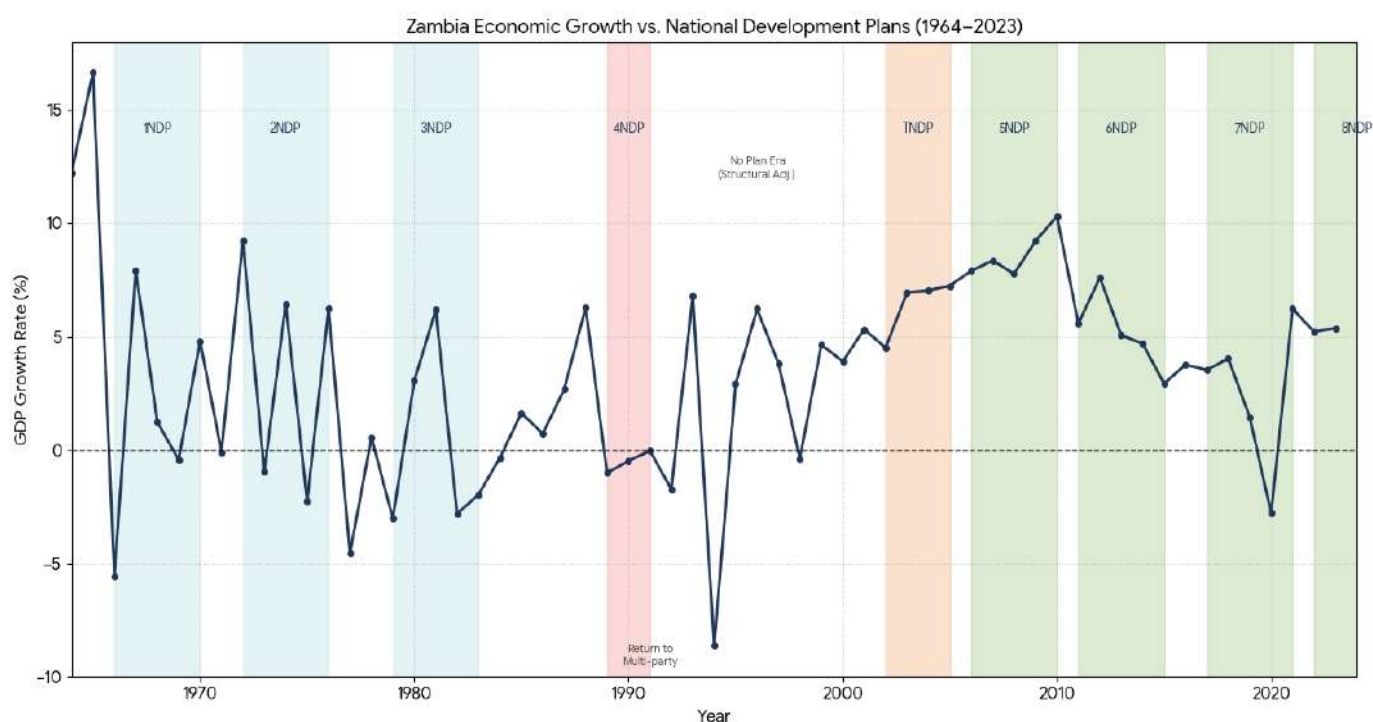


Figure 2
Economic Performance and National Development Plans

© 2025 Source: Authors’ Generation: Integration of National Development Plans and GDP Growth Rate from WDI

The government's inability to develop a systematic strategy for interacting with the private sector to get resources has left the financing plan unclear. For instance, even while there is a viewpoint on the matter, the details of using PPP for particular projects are not discussed and depend on the private sector's willingness to participate. This is not the same as a finance mechanism that already has ways to involve the private sector and bases its plan on the outcomes of those efforts. These elements are essential for development planning and the success of any development strategy. The incorporation of private sector revenue streams or sources into the design of a confirmed and agreed-upon development plan must be done in a systematic manner. This necessitates a strategy that incorporates all sectors in the plans’ development.

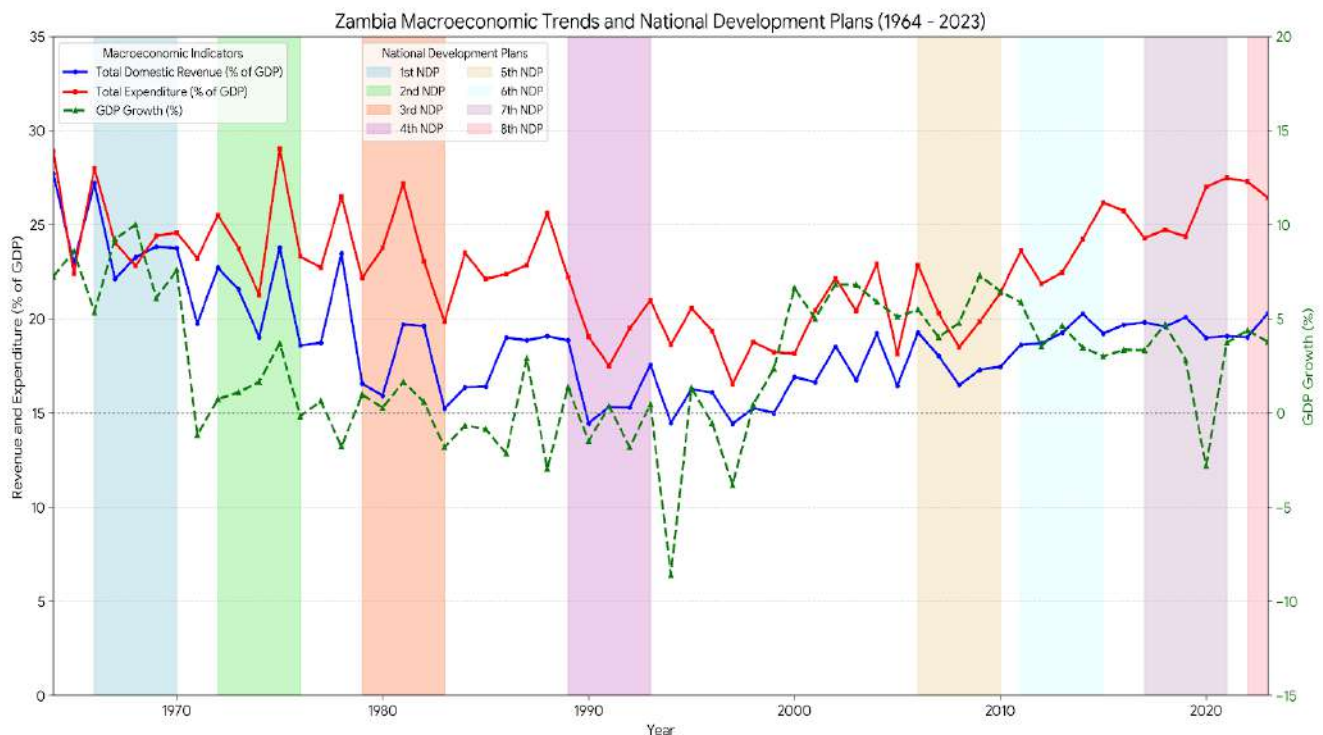


Figure 3

Economic Performance, National Development Plans, Growth, Total Expenditure and Total Domestic Revenue

© 2025 Source: Authors' Generation: Integration of National Development Plans, GDP Growth, Total Expenditure and Total Domestic Revenue from WDI

The graph above shows the trends of various macro-economic variables related to the national development plans that have been undertaken. The general trend of total domestic revenue as a percentage of GDP is constantly below total expenditure as a percentage of GDP. This clearly calls for a re-look at the total domestic revenue.

4.2 Discussion

This study aimed at critically evaluating the systemic disconnect between Zambia's NDPs and its DRM capacity. A review of Zambia's macroeconomic performance against its planning frameworks between 1964 and 2023 reveals that the chronic failure to achieve socio-economic targets (the dependent variable) is fundamentally rooted in the structural absence of an institutionalized revenue strategy (the independent variable).

4.2.1 The Absence of a Formalized Revenue Strategy

The findings demonstrate a recurring pattern of fiscal vulnerability driven by what this study identifies as a "fiscal illusion." In the Copper-State Era of National Planning (1st and 2nd NDPs), expenditure planning was entirely decoupled from proactive DRM; the state relied passively on the windfall copper taxes rather than broadening the tax base. When external commodity markets collapsed, the financing models disintegrated, which proves that the plans were fiscally unanchored.

This decoupling evolved but persisted through subsequent eras. During the transition to a market economy (what this study calls the "Lost Years" and the 4th NDP), planning was abandoned under the erroneous assumption that liberalized markets negated the need for structural DRM planning. This was a time just after Kaunda's government was taken out of power. Consequently, institutional capacity shrank, entrenching widespread informality and non-compliance with tax laws. This is demonstrated by data indicating that only 8,000 of 21,000 VAT-registered taxpayers are compliant in the present time.

4.2.2 The Persistence of the Implementation Gap

Long-term planning resumed with the 5th, 6th, and 7th NDPs, but the structural deficit was still unresolved. The MTEF was not matched by a legally enforceable MTRS; therefore, the country had to resort to aspirational sovereign borrowing through the Eurobonds to seal the shortfall. The country later defaulted on this (Phiri, 2022). The results reveal that this debt was not strategically linked to making money domestically to pay back, which caused tax-to-GDP ratios to stay the same, and, in the end, debt hardship resulted in the economy because spending increased but income didn't keep up. The government had to pay off debt instead of using it on essential expenditures. This caused the debt

level to rise steeply. In 2019, debt service was the largest spending category for Zambia, accounting for more than 30% of expenditure (Chelwa & Kaulule, 2026).

The disconnect continues, even throughout the present stabilisation period of 8NDP. The 8NDP introduces innovative “Off-Budget” financing concepts such as Public-Private Partnerships (PPPs) and Green Bonds (Perry, 2021), but it still doesn't have a MTRS. The financing plan depends on a combination of traditional and non-traditional sources, without specifying particular, legally binding domestic revenue streams. Thus, the implementation of the 8NDP is significantly vulnerable to the same revenue deficiencies as its forerunners, depending on the private sector's sporadic readiness to engage rather than a structured, cohesive resource framework. This is exacerbated by the fact that institutions fail to collect revenue as highlighted by the Auditor General Office reports (2023) (2022) (2021) (2020) and (2019). These reports have also referenced the Zambia Revenue Authority (ZRA) as having uncollected revenue (Office of the Auditor General, 2023). The planning and overall financing is at risk as a result of these institutional failures.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

This study has shown that Zambia's National Development Plans have historically underperformed due to a fundamental institutional flaw, the decoupling of development aspiration from fiscal capacity, rather than just administrative fatigue or external economic shocks. The study demonstrates that Zambia's decades-long culture of “planning-for-deficit” is a legacy of rentier-state logic, under which the incentive to construct robust extraction systems was eroded by the availability of volatile mineral rents and debt, as viewed through the lens of Path Dependence.

As a result, the country has been left fiscally exposed due to an “expenditure bias,” which has rendered successive plans aspirational rather than achievable. Despite the 8NDP's policy-rich trajectory, it is unable to escape this low-capacity equilibrium as a result of the lack of a legislative anchor to ensure its funding. As Zambia prepares for the 9th National Development Plan (9NDP), this paper argues that the transition from aspiration to achievement requires a departure from this historical trajectory by implementing a “Revenue-First” planning architecture.

Zambia moves beyond simple administrative reform to a structural investment in Fiscal Capacity by directly incorporating a legislated Medium-Term Revenue Strategy (MTRS) into the 9NDP. As a result, the government shifts from a reactive strategy that entails rushing to close financial shortages to a proactive one that pre-validates development results using resources that have been obtained domestically. Ultimately, the 9NDP's success will be determined by the integrity of its financing, rather than the boldness of its projects. The institutionalization of a MTRS and the treatment of governance (Legal Capacity) as a quantifiable fiscal instrument are not optional reforms; they are the prerequisites for economic sovereignty. The 9NDP must be launched as a definitive strategy for sovereign revenue generation, in addition to serving as a blueprint for expenditure, in order to break the cycle of “implementation gaps”.

5.2 Recommendations

This study recommends the implementation of a “Revenue-First” planning framework through the introduction of an MTRS to ensure that the 9NDP bridges the gap between ambition and implementation. This will guarantee that revenue is allocated to support the plan prior to the finalization of the implementation roadmap. Legislative Synchronization of MTRS and NDP is important in actualizing meaningful economic growth. To ensure the sustainable execution of the upcoming 9NDP and beyond, the Zambia's national planning cycle must undergo a paradigm shift. DRM must be elevated from a reactive, annual administrative function through annual budgets to a proactive, multi-year macroeconomic pillar. From the empirical findings of this study, the recommendations from this are:

The primary recommendation from our study is the formal, legal integration of an MTRS into the NDP formulation process. The 9NDP must not be approved based solely on an MTEF. An MTRS will serve as an “institutional lock,” which compels the government to align spending ambitions with domestic revenue realities over a three-to-five-year horizon. This will end the historical reliance on aspirational debt and windfall commodity rents.

The formulation of the 9NDP must transition from generalized funding statements that have been in the past plans to specific, quantified revenue stream identification. The MTRS should systematically incorporate private sector revenue generation mechanisms that include but limited to formalized Public-Private Partnership (PPP) commitments, carbon credit frameworks were possible and any other funding mechanisms. These should be agreed-upon development plans prior to implementation, ensuring that the “Off-Budget” financing is structurally secured rather than assumed and hoping for private sector to come in.

To correct the legacy of the “lost years,” from the past NDPs, the 9NDP's revenue model must, therefore, prioritize national building through the formalization of the informal sector. This will expand the revenue stream. Administrative targets within the MTRS should explicitly link to reversing the entrenched non-compliance in VAT, thereby broadening the domestic tax base through digitization. This is required to fund expanded local financing requirements and implementation mechanisms such as the expanded Constituency Development Fund (CDF) or health financing.

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APPENDICES

Growth Rates and National Development Plan

Year	GDP Growth (%)	Plan Period	Revenue Strategy
1964	12.21	No Plan / Transition	N/A
1965	16.65	No Plan / Transition	N/A
1966	-5.57	1NDP	Passive Mineral Extraction
1967	7.92	1NDP	Passive Mineral Extraction
1968	1.25	1NDP	Passive Mineral Extraction
1969	-0.44	1NDP	Passive Mineral Extraction
1970	4.8	1NDP	Passive Mineral Extraction
1971	-0.09	No Plan / Transition	N/A
1972	9.21	2NDP	State Participation (Nationalization)
1973	-0.96	2NDP	State Participation (Nationalization)
1974	6.43	2NDP	State Participation (Nationalization)
1975	-2.27	2NDP	State Participation (Nationalization)
1976	6.22	2NDP	State Participation (Nationalization)
1977	-4.56	No Plan / Transition	N/A
1978	0.55	No Plan / Transition	N/A
1979	-3.02	3NDP	Deficit Financing
1980	3.04	3NDP	Deficit Financing
1981	6.17	3NDP	Deficit Financing
1982	-2.81	3NDP	Deficit Financing
1983	-1.97	3NDP	Deficit Financing
1984	-0.34	No Plan / Transition	N/A
1985	1.62	No Plan / Transition	N/A
1986	0.72	No Plan / Transition	N/A
1987	2.68	No Plan / Transition	N/A
1988	6.28	No Plan / Transition	N/A
1989	-1.02	4NDP	Growth from Own Resources (Abandoned)
1990	-0.48	4NDP	Growth from Own Resources (Abandoned)
1991	-0.04	4NDP	Growth from Own Resources (Abandoned)
1992	-1.73	4NDP	Growth from Own Resources (Abandoned)
1993	6.8	4NDP	Growth from Own Resources (Abandoned)
1994	-8.63	No Plan / Transition	N/A
1995	2.9	No Plan / Transition	N/A
1996	6.22	No Plan / Transition	N/A
1997	3.81	No Plan / Transition	N/A
1998	-0.39	No Plan / Transition	N/A
1999	4.65	No Plan / Transition	N/A
2000	3.9	No Plan / Transition	N/A
2001	5.32	No Plan / Transition	N/A
2002	4.51	TNDP	Poverty Reduction / Transitional
2003	6.94	TNDP	Poverty Reduction / Transitional
2004	7.03	TNDP	Poverty Reduction / Transitional
2005	7.24	TNDP	Poverty Reduction / Transitional
2006	7.9	5NDP	Donor Harmonization & VAT
2007	8.35	5NDP	Donor Harmonization & VAT
2008	7.77	5NDP	Donor Harmonization & VAT
2009	9.22	5NDP	Donor Harmonization & VAT
2010	10.3	5NDP	Donor Harmonization & VAT
2011	5.57	6NDP	Infrastructure-Led Borrowing
2012	7.6	6NDP	Infrastructure-Led Borrowing
2013	5.06	6NDP	Infrastructure-Led Borrowing
2014	4.69	6NDP	Infrastructure-Led Borrowing
2015	2.92	6NDP	Infrastructure-Led Borrowing
2016	3.76	No Plan / Transition	N/A
2017	3.53	7NDP	Output-Based Budgeting (OBB)
2018	4.03	7NDP	Output-Based Budgeting (OBB)
2019	1.44	7NDP	Output-Based Budgeting (OBB)
2020	-2.79	7NDP	Output-Based Budgeting (OBB)
2021	6.23	7NDP	Output-Based Budgeting (OBB)
2022	5.21	8NDP	Alternative Financing (PPPs)
2023	5.37	8NDP	Alternative Financing (PPPs)

Zambia Macro Economic Trends 1964 - 2023

Year	GDP Growth (%)	Total Domestic Revenue (% of GDP)	Total Expenditure (% of GDP)
1964	7.25	27.7	28.9
1965	8.59	22.94	22.4
1966	5.35	27.2	28
1967	9.25	22.12	24.03
1968	9.99	23.27	22.82
1969	6.1	23.83	24.4
1970	7.59	23.75	24.58
1971	-1.16	19.75	23.22
1972	0.74	22.71	25.51
1973	1.09	21.55	23.74
1974	1.65	19.02	21.28
1975	3.69	23.79	29.03
1976	-0.17	18.59	23.32
1977	0.64	18.73	22.71
1978	-1.79	23.46	26.49
1979	0.98	16.56	22.16
1980	0.28	15.92	23.77
1981	1.65	19.7	27.17
1982	0.59	19.61	23.05
1983	-1.82	15.23	19.85
1984	-0.67	16.36	23.5
1985	-0.86	16.4	22.12
1986	-2.15	19.01	22.38
1987	2.92	18.86	22.85
1988	-2.97	19.08	25.61
1989	1.37	18.86	22.23
1990	-1.49	14.46	19.05
1991	0.36	15.32	17.51
1992	-1.82	15.3	19.49
1993	0.46	17.55	20.97
1994	-8.6	14.48	18.62
1995	1.33	16.25	20.56
1996	-0.54	16.09	19.37
1997	-3.82	14.43	16.53
1998	0.45	15.26	18.78
1999	2.35	15	18.23
2000	6.64	16.92	18.15
2001	5.01	16.64	20.43
2002	6.83	18.53	22.15
2003	6.81	16.75	20.42
2004	5.89	19.23	22.92
2005	5.11	16.44	18.12
2006	5.49	19.27	22.85
2007	4.02	18.04	20.3
2008	4.78	16.48	18.49
2009	7.3	17.29	19.85
2010	6.46	17.45	21.37
2011	5.87	18.63	23.62
2012	3.55	18.71	21.86
2013	4.63	19.26	22.46
2014	3.48	20.27	24.23
2015	3.01	19.22	26.17
2016	3.35	19.68	25.73
2017	3.33	19.82	24.29
2018	4.71	19.58	24.73
2019	2.82	20.09	24.37
2020	-2.8	19	27
2021	3.74	19.08	27.48
2022	4.38	19.03	27.28
2023	3.79	20.29	26.44