



PwC Zambia

Donor Landscape Survey Report

First Edition

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Foreword



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Welcome to the inaugural PwC Zambia Donor Landscape Survey. The survey provides a comprehensive analysis of Zambia's current donor landscape, identifying key trends, funding sources and the challenges that stakeholders must navigate to maximise the impact of programmes.

As global development continues to evolve, the importance of understanding the donor landscape has never been more critical for ensuring sustainable growth and impactful social change. By identifying opportunities and risks in this sector, we aim to equip decision-makers with the knowledge needed to make informed choices, promote effective partnerships and improve development outcomes.

With our expertise in delivering insights and driving change, PwC is proud to contribute to this important discussion. We hope that the findings of this survey will provide a useful foundation for all involved in Zambia's development and pave the way for more strategic and impactful engagement with donors.

I would like to extend my heartfelt gratitude to all the cooperating partners, implementing partners and donors for their contributions and the valuable time they dedicated to the survey and this report. Additionally, I thank the staff at PwC Zambia for their efforts in preparing this report.

We look forward to your feedback.



1. Executive summary

1.1 Introduction

The PwC Zambia Donor Landscape Survey presents the findings of a survey conducted among a select group of donors and implementing partners in Zambia. The report provides analysis of the funding landscape and thematic areas of cooperating partners. It also looks at the structure of Zambia's budget funding with a focus on donor aid, future perspectives on donor contributions, and the overall impact on Zambia's macro and micro-environment. By analysing the survey findings and information collected, the report assesses the past, present and the outlook for all the stakeholders involved in development in Zambia.

The report also highlights tax considerations for non-governmental organisations (NGOs).

1.2 Methodology and data collection

To gather insights, we developed and distributed two questionnaires: one for implementing partners and another for donors operating in Zambia. The period covered 2019 to 2022. These questionnaires were designed to capture the unique perspectives and experiences of each group.

- **Donor questionnaire:** this questionnaire aimed to identify the thematic areas supported by donors and gather insights into donors' perspectives on what areas of focus will continue to be relevant in the future. By understanding the donors' focus areas, we sought to map out donors' current engagement strategies and any prospective shifts in their funding priorities in Zambia.
- **Implementing partner questionnaire:** this questionnaire focused on gathering insights on the funding landscape for implementing partners. It sought to understand the thematic areas in which implementing partners receive support and emerging trends. By inquiring about the sectors supported by funders, the number of donors relied upon and the impact of funding fluctuations, the questionnaire aimed to understand the complexities and challenges that arise for implementing partners.

This dual approach ensures the report incorporates a holistic understanding of both the supply (donor support) and demand (implementing partner) aspects of development initiatives. We reached out to eight donors, of which three responded. Additionally, we contacted 35 implementing partners, 11 of which responded, resulting in response rates of 38% and 31% respectively. While these percentages seem low, this is the first donor survey we have conducted and we anticipate improved response rates in future surveys.

To enhance the efficacy of the survey, we analysed the results within the context of existing data from significant major donors and cooperating partners operating in the country over a 5-year period from 2020 to 2024 to update our analysis with the most current information. We also incorporated information from the Zambian national budgets and other sources to provide a clearer picture of the role donors and implementing partners play in Zambia. By integrating this data, we have produced a nuanced analysis of the ecosystem in which implementing partners and donors operate, using historical information to identify trends and evaluate the impact of industry changes.



1.3 Survey results

The survey findings reveal that 67% of donors engage with between zero and 20 implementing partners. Meanwhile, 67% of implementing partners reported relying on fewer than five donors for funding.

Health, agriculture, energy and climate change are the primary areas in which donors are funding programmes, with each of these areas accounting for 14% of donor responses. Among implementing partners, 20% reported receiving funding in health, while 12% said they received funding in education and another 12% said in nutrition. This misalignment between donor priorities and partner activities could be due to the limited number of responses.

The survey also showed that 60% of donors believe that agriculture, energy and climate change will remain relevant to their funding priorities going forwards, while 57% of implementing partners gave the same response. Most notably, donors are increasingly prioritising climate change as a critical thematic area, focusing on both financing mitigation efforts to reduce emissions and developing adaptation strategies to cope with its effects. In the same vein, 22% of implementing partners said they had observed the largest increase in funding to climate change related programmes. Meanwhile, 25% of implementing partners reported a significant decrease in funding for health programmes between 2019 and 2022. This downward trajectory is likely to pick up again given the recent funding freeze by the Trump administration and other funders following suit.

The majority of implementing partners (76%) reported receiving between 75% and 100% of their donor pledges or budgets for their projects during the past financial year. Just 8.1% received more than 100%. However, when asked about the utilisation of funds over the same period, 33.3% of implementing partners reported having only 0% to 5% of their budget unutilised, suggesting high absorption in these cases. A further 33.3% of implementing partners said more than 50% of their approved budget remained unutilised, signalling serious implementation gaps. The remaining 33.3% indicated that the question was not applicable to their business model.

Among the donors that responded, 75% reported that their implementing partners have adapted well to changes in funding. The biggest impact of changes in funding to implementing partners was loss of employment (30%). They also adapted their strategy and focus areas (25%). Given the recent 90-day pause in USAID funding and other funders following suit, it is crucial for implementing partners to adopt strategies to mitigate the impact on global development efforts in the medium to long term.

Finally, 92% of the implementing partners surveyed said they adopted strategic responses to the country's economic situation. These responses include realignment with government strategy and measures to address the drought.

A detailed analysis of the above findings can be found in Section 2.

In order to contextualise the survey findings, we obtained data on some of the significant cooperating partners and looked at the thematic areas they supported. On the next page are some of our key observations:

Table 1: Cooperating partners and thematic areas they support

No	Sector	Cooperating partner	Description
1	Health	United States 2024 - health – US\$300 million	HIV prevention, treatment, care and support, and health systems strengthening in support of Zambia's national HIV response.
		Global Fund - over a three-year cycle (2023 to 2025) – US\$350 million	Assisting in the fight against HIV/TB and Malaria.
2	Energy sector	World Bank - Zambia–Tanzania Interconnector Project – US\$270 million	Aims to improve energy access for millions of people, thereby supporting economic activities and improving quality of life.
3	Education	World bank - Zambia Education Enhancement Project, launched in 2017 – US\$60 million	Aims to improve the quality of teaching and learning in mathematics and science in targeted primary and secondary schools, and to increase equitable access to secondary education.
4	Education	European Union - Zambia's National Development Plan and Free Education Initiative in 2024 - €100 million	Aims to improve the quality of primary and secondary education, reduce girls' dropout rates, increase accessibility for learners with disabilities, and boost early childhood education and development in the Luapula and North-Western Provinces
5	Education and healthcare, and support for overall national development.	European Union – Budget Support Programme - first payment of €20 million out of a €60 million given in 2024	The Budget Support Programme aims to help Zambia by transferring development cooperation funding directly to the National Treasury.
6	Food security	European Union - €22 million	Aims to increase resilience and strengthen food security in the country.
7	Water and energy infrastructure	European Union - Nexus Energy - Water for Zambia project 2025-2027 - €153 million	Aims to improve water and energy infrastructure, which is crucial for Zambia's sustainable development.
8	Climate change	1. SIDA - Zambia Mining and Environmental Remediation and Improvement Project 2. European union - climate resilience projects 3. United states - Energy projects	1. Aimed to address environmental health risks and supported sustainable mining practices, reflecting a commitment to balancing economic growth with environmental preservation 2. Aimed at sustainable agriculture and forest conservation 3. Aims to establish renewable energy projects and climate adaptation programmes in vulnerable regions. Various projects with various causes

No	Sector	Cooperating partner	Description
9	18 national projects and 5 regional projects	World Bank - committed as of 2024 - US\$3.1 billion	Various projects with various causes
10	Health, education, agriculture, environmental conservation, governance and infrastructure.	European Union - between 2021-2024 - €359 million	Various projects with various causes

In the past five years, cooperating partners have concentrated on sectors that match those highlighted by donors and implementing partners in the survey findings. Health, agriculture, energy and climate change were the sectors mostly funded by donors. Furthermore, both donors and implementing partners indicated that agriculture, energy and climate change will continue to be relevant to their future funding priorities. This is consistent with the findings from cooperating partners, where funding was observed in most of these areas.

While efforts by donors and implementing partners have addressed major environmental health risks and promoted sustainable practices, the persistent funding gaps suggest that further investment is necessary to fully achieve the goals set by both cooperating partners and donors. To maximise the impact of their contributions, it is crucial to strengthen policy enforcement and integrate climate considerations into national development planning, ensuring a cohesive and comprehensive approach to sustainable development.

1.4 Donor aid in Zambia's annual budget funding structure

Zambia's financial statements audited by the auditor general reported foreign aid at 2% of national revenue in 2022, rising to 5% in 2023. However, these figures exclude aid channelled through non-state implementers. When accounted for, sectors like health emerge as major beneficiaries, with key contributors to these sectors being the US government, the Global Fund and Swedish International Development Agency (SIDA). Our analysis shows that over the period 2020 to 2024, though the national budget has increased over the years and so major donors' contributions as a percentage of the total budget have been reducing, the proportion remains high, creating a need for innovative domestic resource financing by the Zambian government.



Conclusion

The survey results highlight that donor and implementing partners' contributions remain a cornerstone of Zambia's development, with cooperating partners playing a pivotal role across critical sectors such as health, education, economic development, energy, governance and climate resilience. The findings show a continued commitment from key donors and implementing partners, including the US government, the Global Fund, the World Bank and the European Union (EU), with targeted investments addressing systemic challenges and supporting national priorities. However, shifts in donor priorities, Trump administration driven disruptions and potential funding reductions pose a risk to long-term sustainability of development efforts that are reliant on donor and implementing partners.

From a government perspective, Zambia is making strides in improving fiscal management and domestic revenue mobilisation and reducing its reliance on external aid. Policies focused on economic diversification, public-private partnerships and institutional strengthening are crucial to sustaining development gains. Nevertheless, challenges such as debt management, governance reforms and climate resilience require sustained efforts and collaboration between the government, donors and the private sector.

The landscape of donor funding is likely to evolve going forwards, with a stronger emphasis on self-sufficiency, efficiency and innovative financing mechanisms. Strengthening local institutions, enhancing accountability and fostering sustainable economic growth will be key to ensuring that Zambia can navigate potential funding shifts while continuing to advance its development agenda.





2. Survey results

2.1 The donor funding landscape

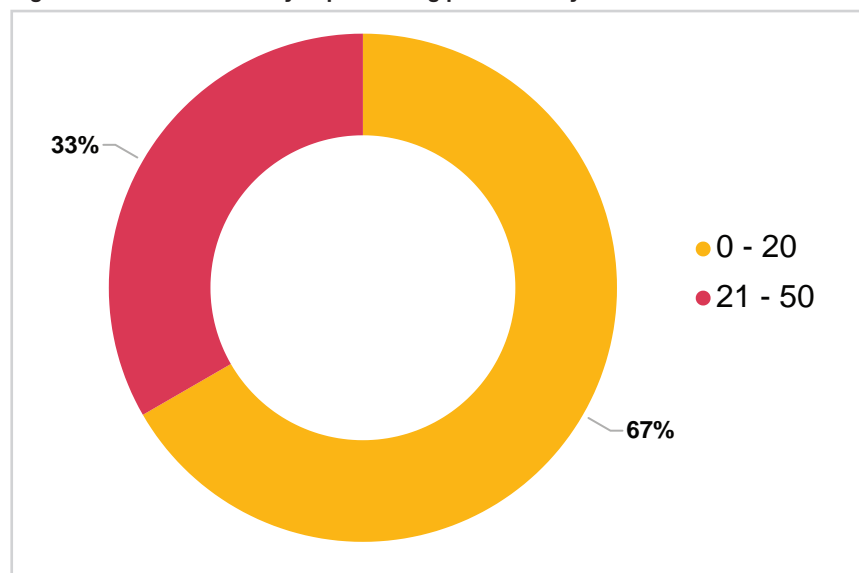
Policies and thematic areas established by donors and cooperating partners are essential as they provide a structured framework for collaboration. This framework ensures that resources are allocated effectively, ethically and transparently. By prioritising key development areas and aligning with strategic goals, these policies promote sustainability and help maximise the impact of donor contributions. They also facilitate the development of strong, long-lasting partnerships.

In this section, we discuss this in more detail and provide further analysis to better understand the results.

2.2 Number of stakeholders supported (donors and implementing partners)

The survey findings reveal that 67% of donors engage with between zero and 20 implementing partners. On the other hand, 67% of implementing partners rely on fewer than five donors. Though the ranges are not similar, the message aligns in that both donors and implementing partners work with few parties.

Figure 1: Donors: how many implementing partners do you have?



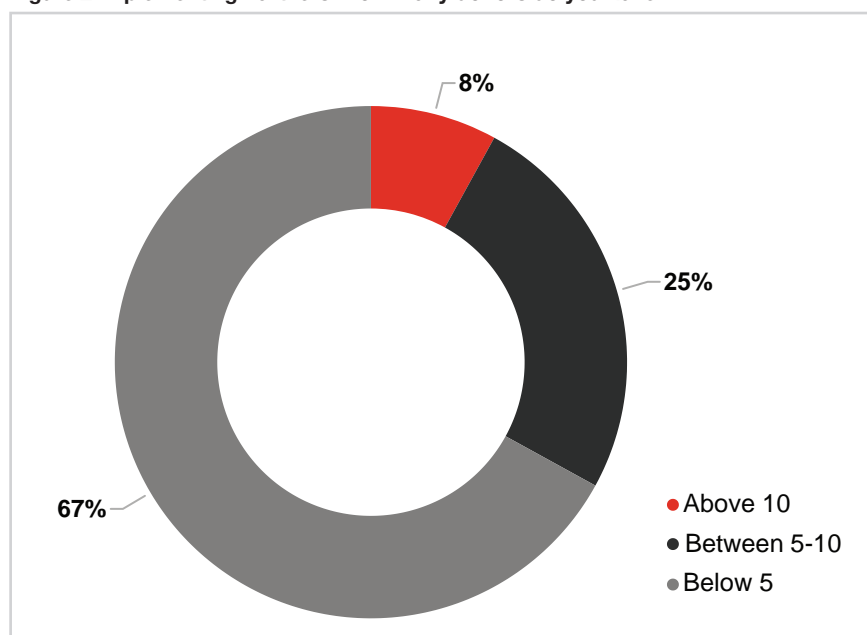
Source: PwC Analysis



The survey results suggest that many donors prefer to work with a limited number of implementing partners, potentially to maintain manageable oversight, ensure quality control and streamline coordination efforts. The smaller pool of partners may also reflect strategic partnerships focused on trusted organisations with proven capacity and experience.

However, the presence of donors with a larger number of implementing partners (21–50) indicates that some funding agencies are expanding their reach and diversifying their implementation channels. This approach may be aimed at increasing programme coverage or engaging more local and grassroots organisations to enhance sustainability and community ownership.

Figure 2: Implementing Partners: How many donors do you have?



Source: PwC Analysis



From an implementing partner perspective, this reliance allows implementing partners to cultivate strong, focused relationships with these donors, leading to better goal alignment and understanding. This can result in more stable funding as these donors may be more inclined to provide long-term support. Additionally, implementing partners can concentrate on areas that match their donors' priorities, potentially enhancing the effectiveness and impact of their programmes. However, depending on fewer than five donors also makes implementing partners susceptible to financial instability if any of the donors withdraw or reduce their support. This dependence restricts their ability to diversify their programmes and adapt to evolving needs. Moreover, shifts in donor priorities can compel implementing partners to frequently adjust their strategies and focus areas, which can disrupt ongoing projects and diminish overall effectiveness.

To mitigate this risk, implementing partners should diversify funding sources by engaging new donors, forming collaborative proposals and building financial reserves. Strengthening financial management through regular risk assessments and communication with donors is essential. Additionally, enhancing adaptability and investing in staff training will build resilience and ensure operational sustainability. By optimising resource use and maintaining strong donor relationships, implementing partners can navigate the evolving funding landscape more effectively.

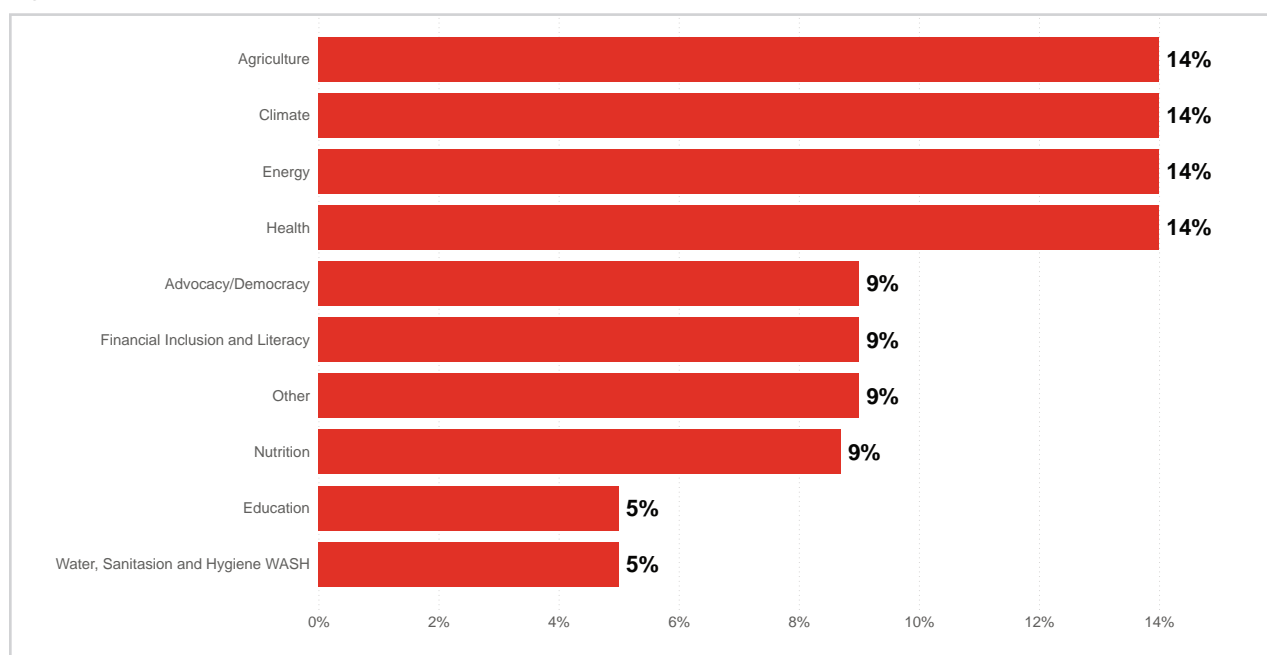
The findings highlight the need for implementing partners to strengthen their visibility, capacity and alignment with donor priorities to build or maintain strategic partnerships.



2.3 Sectors supported

Health, agriculture, energy and climate related programmes are the primary sectors donors were funding during the period under review, each accounting for 14% of the donor responses. Meanwhile, 20% of implementing partners reported receiving funding in health, while 12% each received funding in education and nutrition.

Figure 3: Donors: What sectors do you support?



Source:PwC Analysis



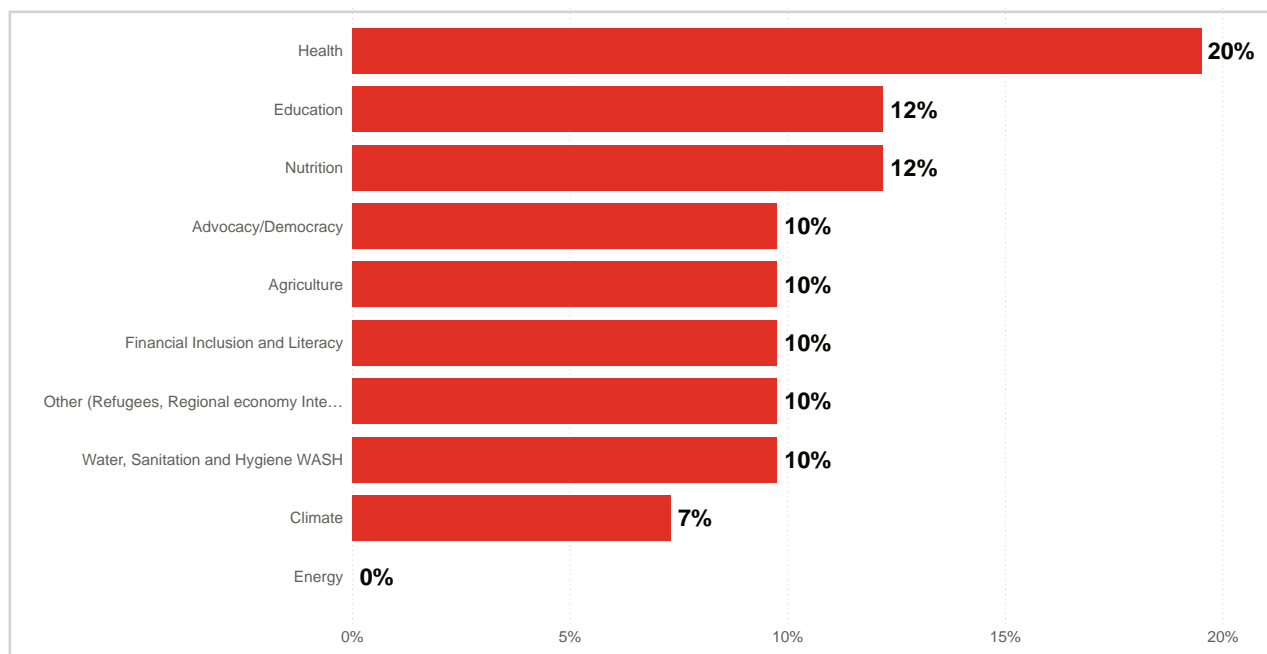
From a donor perspective, this balanced allocation suggests a strategic focus on these critical sectors, reflecting their importance in addressing Zambia's socio-economic challenges.

The next four largest funding categories, each receiving 9%, were advocacy/democracy, nutrition, financial inclusion and literacy. Additionally, other areas such as anti-corruption, social protection and gender equality also received significant attention. This distribution highlights the donors' commitment to promoting good governance, improving nutrition, enhancing financial inclusion and advancing literacy, alongside addressing social protection and gender equality issues.

The sectors with the lowest allocation of funding were water, sanitation and hygiene, and education. These results indicate that additional support may be needed in these sectors. Within the education sector, government, through the Ministry of Education, has implemented various education programmes that aim to improve equitable access to quality education. Publicly available information shows that in 2023, the World Bank had ongoing projects in Eastern and Southern Africa amounting to US\$6.33 billion in this sector.

These results offer valuable insights for implementing partners, enabling them to focus their strategy on critical sectors where donor funding is concentrated. Implementing partners can leverage this information to tailor their programmes and initiatives to align with donor priorities, thereby enhancing their chances of securing funding and making a significant impact.

Figure 4: Implementing partners: What sectors funders support you in?



Source: PwC Analysis

As illustrated above, the health sector received the highest proportion of support according to the survey results. This is consistent with our expectations given that the largest donors that are operational in Zambia have health as a key area of focus. For example, over the five-year period 2019 to 2024, two-thirds of the total funding from the US government was directed towards the health sector.

The sectors with the second highest proportion of funding were nutrition and education. This is an interesting finding as it contrasts sharply with our findings under donors, where education had the lowest percentage of funding among funded sectors. This discrepancy may be because donor survey responses were slightly lower than those of implementing partners. Consequently, the survey may not have captured all the donors contributing to the education sector.

Other sectors with notable findings were the climate and energy sectors, which received the lowest percentage of funding, according to the survey responses. However, although climate change had a low percentage of funding, we are aware that as a sector that has been steadily increasing in relevance in recent years. In particular, donors like the World Bank and United Nations Development Programme collaborate closely with various co-operating partners to aid efforts in the fight against climate change.

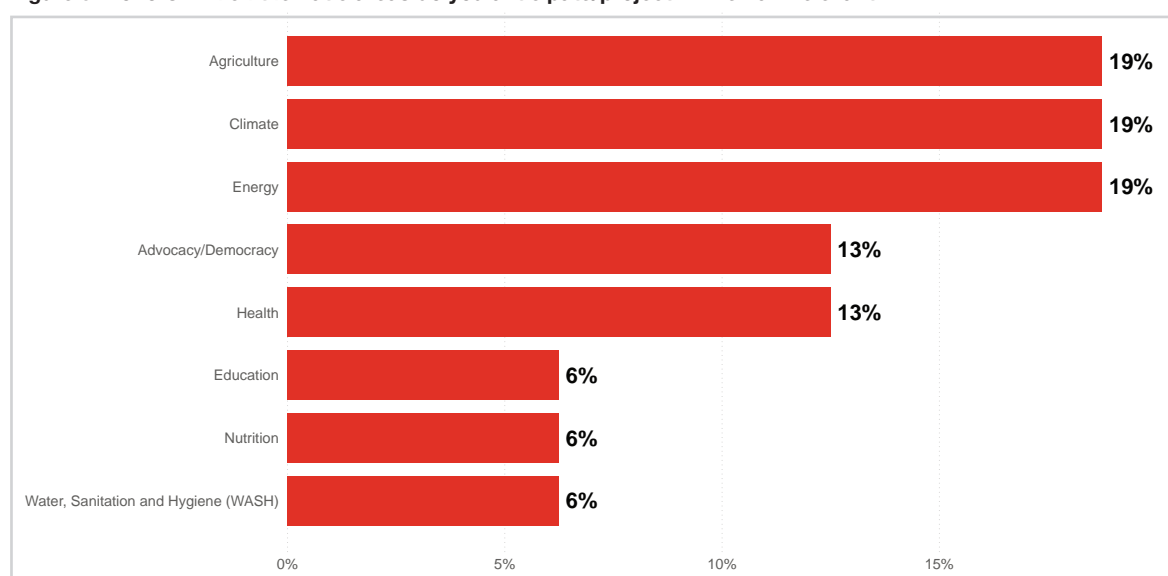
The insufficient funding reported by implementing partners in the energy sector may stem from the oligopolistic nature of the industry in Zambia, which is dominated by a small number of large players. Given this, donors tend to partner directly with the government when it comes to implementing energy related projects. An example of this is the US\$292 million World Bank-backed Zambia-Tanzania Interconnector Project, which launched in January 2025. The project seeks to improve Zambia's access to more sustainable and affordable energy to power its economy and boost job creation.

There is room for more donors to contribute to this thematic area, however, especially given the ongoing energy crisis Zambia is facing.

2.4 Thematic areas that will remain relevant

The survey found that 60% of donors believe that agriculture, energy and climate change will remain relevant to their funding priorities going forwards, while 57% of implementing partners gave the same response.

Figure 5: Donors: Which thematic areas do you anticipate/project will remain relevant?



Source: PwC Analysis

Climate change continues to have a significant socio-economic impact worldwide. Donors are increasingly prioritising climate change as a critical thematic area, focusing on financing mitigation efforts to reduce emissions and developing adaptation strategies to cope with its effects. Given the urgency of this issue, it is anticipated that funding for climate change-related projects will continue to rise in the coming years.



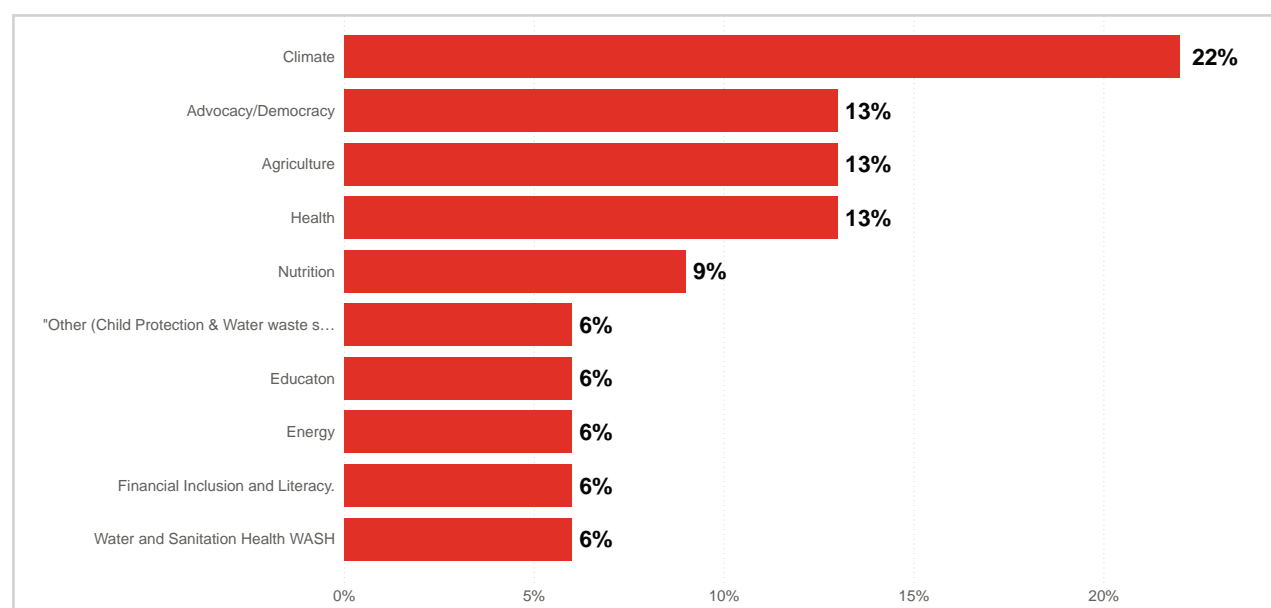
A significant development occurred in January 2025 when the Trump administration enacted an executive order to pause funding to USAID (United States Agency for International Development) for 90 days. This decision marks a major shift in US support for global health and international development programmes and will have a big impact on global development efforts. While USAID is not closed, the agency is currently undergoing a comprehensive review led by the Department of Government Efficiency, with a stated goal to realign USAID operations with national interests and minimise inefficiencies. However, some key programmes, such as the President's Emergency Plan for AIDS Relief (PEPFAR), have received waivers and continue to function despite the broader freeze. The outcome of the review process remains unknown. Decisions on which programmes will be reinstated, restructured or permanently discontinued are pending, creating uncertainty for donor partners and recipient nations alike.



2.5 Funding landscape

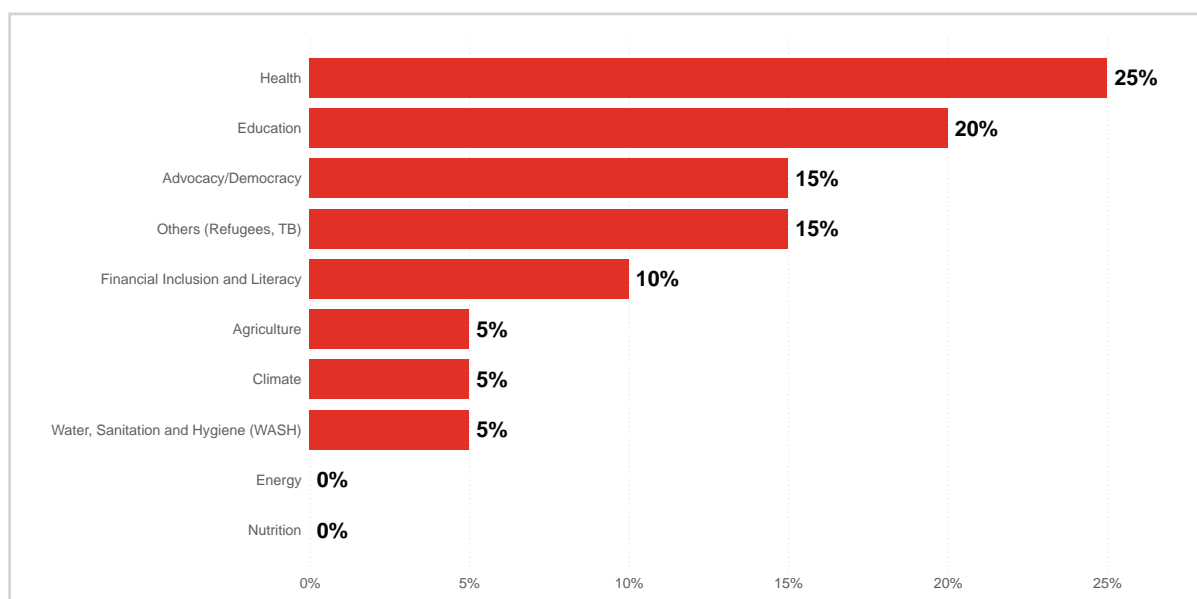
With climate change a priority area going forwards, 22% of implementing partners noted the largest increase in funding in this area. At the same time, 25% of implementing partners reported a significant decrease in funding for the health sector between 2019 and 2022. This downward trajectory is likely to continue given the recent funding freeze by the Trump administration and other funders following suit such as the Netherlands, the UK government and Sida.

Figure 6: Implementing partners: What are other areas that you have seen an increase in funding?



Source: PwC Analysis

Figure 7: Implementing partners: Which areas have seen a decrease in funding between 2019 to 2022?



Source: PwC Analysis

After health, education and advocacy/democracy were the next most affected areas in terms of funding falls, with 20% and 15% of respondents respectively noting that the most significant decreases in funding were in these areas. Factors contributing to this shift in funding include external influences such as the Covid-19 pandemic, geopolitical conflicts like the Ukraine/Russia war and escalating global climate issues. These factors changed the priorities of donors and shifted them away from areas such as health which typically receive high funding.

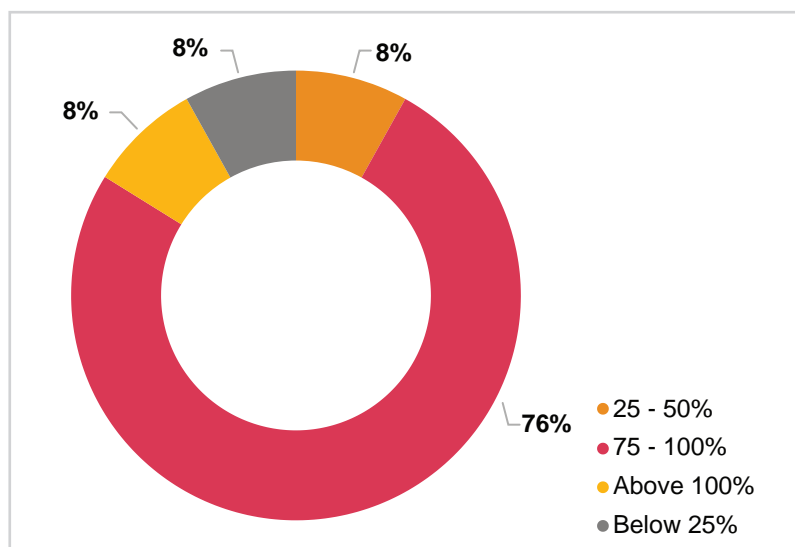
Changes in international aid policies are often influenced by shifts between Republican and Democrat US government administrations. During the Trump administration from 2017 to 2021, there were repeated proposals for significant cuts to foreign aid budgets, reflecting a shift toward a more isolationist “America First” policy. However, the Biden administration from 2021 to 2024 reversed many of these proposed budget cuts and advocated for increased foreign aid allocations to address global health, climate change and humanitarian crises.

The survey highlights how sensitive donor funding is to external shocks and underscores the need for implementing partners to protect themselves against such shocks. Although implementing partners have little control over the level of donor contributions to specific causes, they, along with other cooperating partners, should continue to advocate for their causes. This effort will help ensure that even during challenging times, donors remain aware of the urgent needs they are helping to address.

2.6 Percentage of funding unutilised from the budget cycle

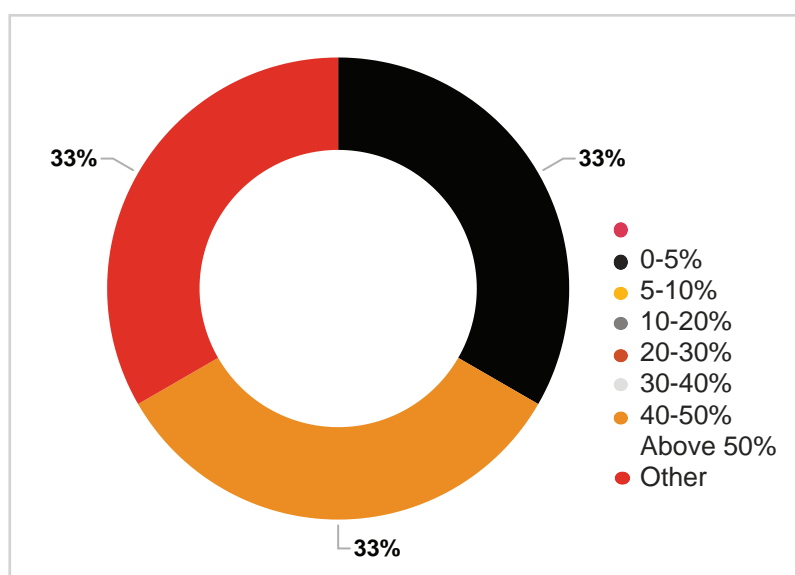
The majority of implementing partners (75.8%) reported receiving between 75% and 100% of their donor pledges or budgets for the projects they executed during the past financial year. A further 8.1% received more than 100%. When asked about the utilisation of funds over the same period, 33.3% of respondents reported having only 0% to 5% of their budget unutilised, suggesting relatively high absorption. A further 33.3% of respondents indicated that more than 50% of their approved budget remained unutilised, signalling serious implementation gaps. The remaining 33.3% reported that the question was not applicable to their business model because they provide grants to implementing partners and do not monitor budget performance.

Figure 8: Implementing Partners : What percentage of the donors pledge/budget was received during the last financial year?

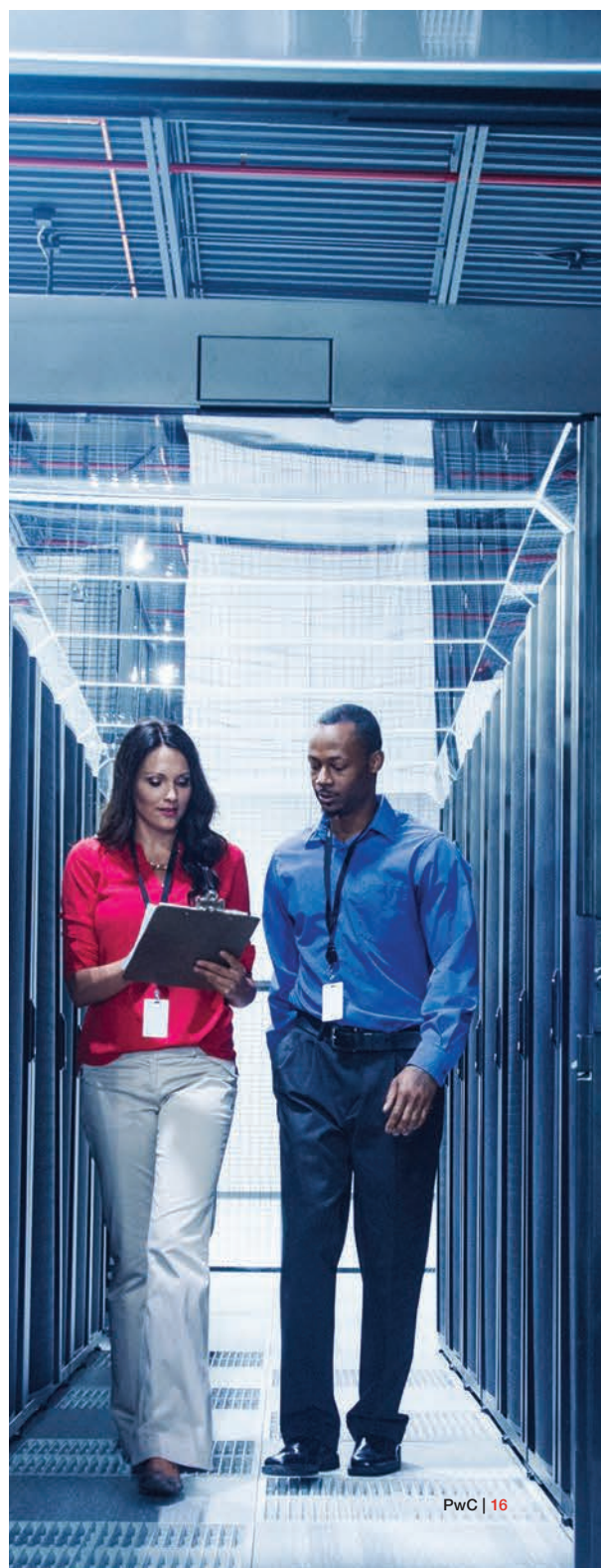


Source: PwC Analysis

Figure 9: Over the period 2019-2022 what percentage of funding was unutilised from the budget cycle?



Source: PwC Analysis



Low utilisation of donor funds could be attributed to several factors. Firstly, donors may have in place extensive procedures that are required before implementing partners can distribute funds. Although these procedures may be well-intentioned, they risk creating excessive red tape, potentially hindering implementing partners from achieving their objectives. However, such procedures may exist because local institutions do not have robust systems for detecting potential misappropriation of funds.

Another factor that could limit implementing partners' expenditure is capacity constraints. Implementing partners may lack access to adequately trained human resources, which is essential for the successful implementation of their key projects. Additionally, some projects may require complex implementation arrangements that make the utilisation of provided funds difficult.

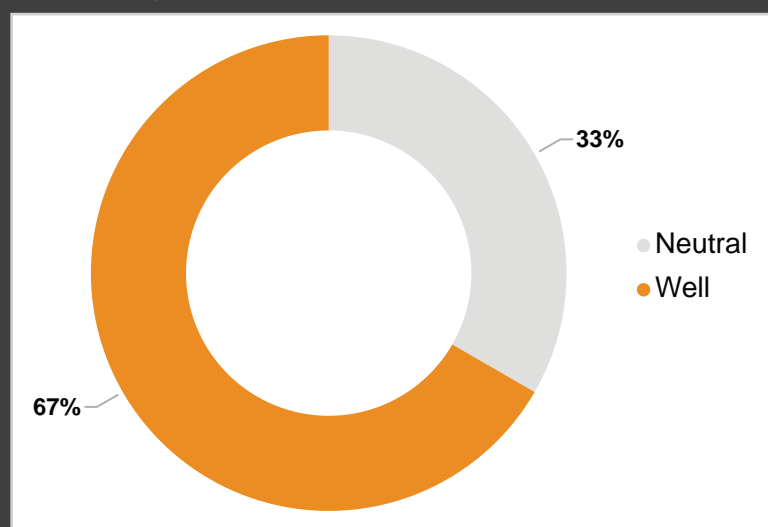
Whatever the cause, underutilisation of donor funds could signal an inefficiency in implementing partners' systems that should be addressed.



2.7 Adaptation to changes in donor funding

Three quarters, or 75%, of donors reported that their implementing partners have adapted well to changes in funding. Meanwhile, 30% of implementing partners said the biggest impact to changes in funding was unemployment. A quarter, or 25%, of implementing partners said they had adapted their strategy and focus areas due to funding volatility.

Figure 10: Donors: How have your implementors adapted to the changes in your funding landscape over time?



Source: PwC Analysis

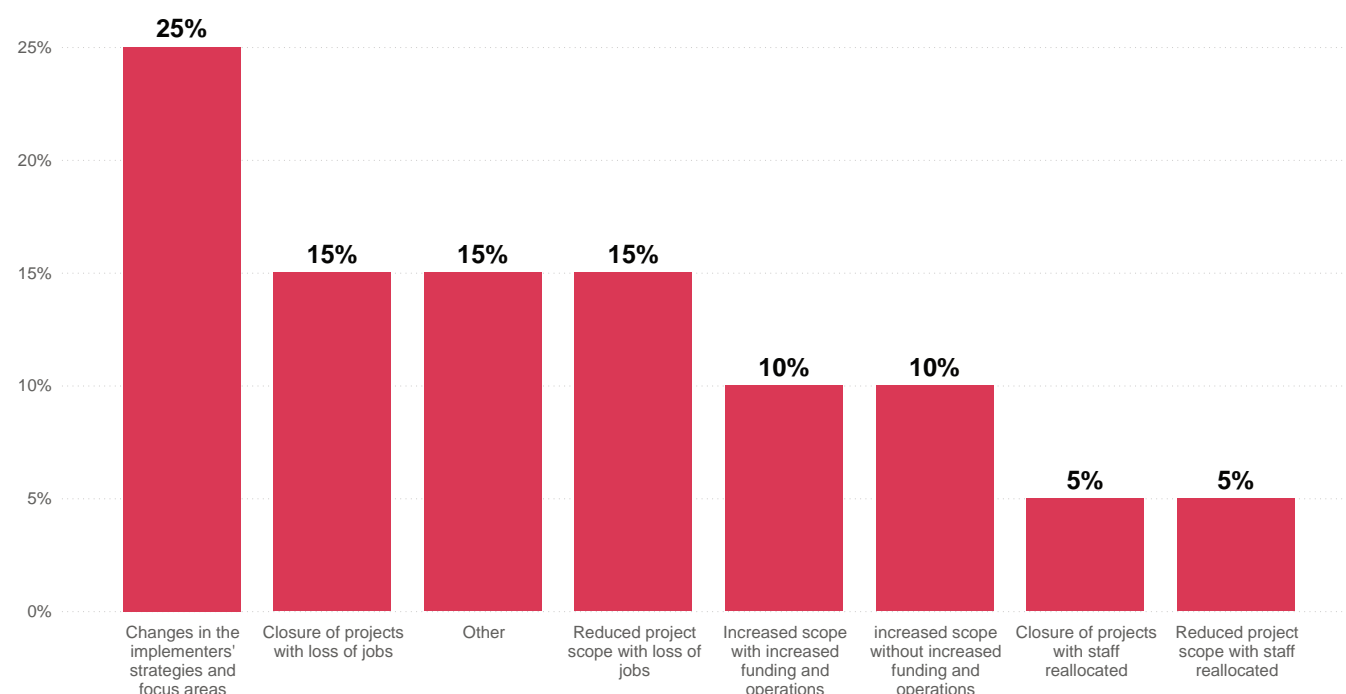


The survey findings suggest a positive level of resilience and flexibility among implementing partners despite the evolving funding landscape. Most implementing partners appear to have demonstrated a capacity to adapt by revising programme strategies, realigning budgets, or strengthening internal efficiencies to maintain service delivery and programme outcomes.

However, the presence of neutral responses may reflect areas where adaptation has been slower or less effective, possibly due to internal capacity constraints, communication gaps or challenges in adjusting to donor priorities.

Overall, the results emphasise that while implementers are mostly managing the transition well, ongoing support, clearer guidance and capacity-building investments may further enhance implementers' ability to respond effectively to future funding shifts. Given the recent 90-day pause in USAID funding and other funders following suit, it is crucial for implementing partners to adopt strategies to mitigate the impact on global development efforts in the medium to long term.

Figure 11: Effect of changes in funding on the operations of the entity.¹



Source: PwC Analysis

Unemployment was the most prominent effect of funding volatility on implementing partners, either due to project closures or reductions in project scope. Almost a third, 30%, of the survey respondents said this had been a byproduct of funding volatility. According to the 2023 Labour Force Survey Report, 0.5% of the labour force is employed by NGOs and international organisations. This may not be a significant proportion of Zambia's labour force, but it has a big impact on the individuals involved and their immediate communities.

Changes to implementers' strategies and focus areas is another impact of funding volatility, reported by 25% of respondents. This effect underscores the adaptability of implementing partners and their ability to re-strategise in response to changing circumstances.

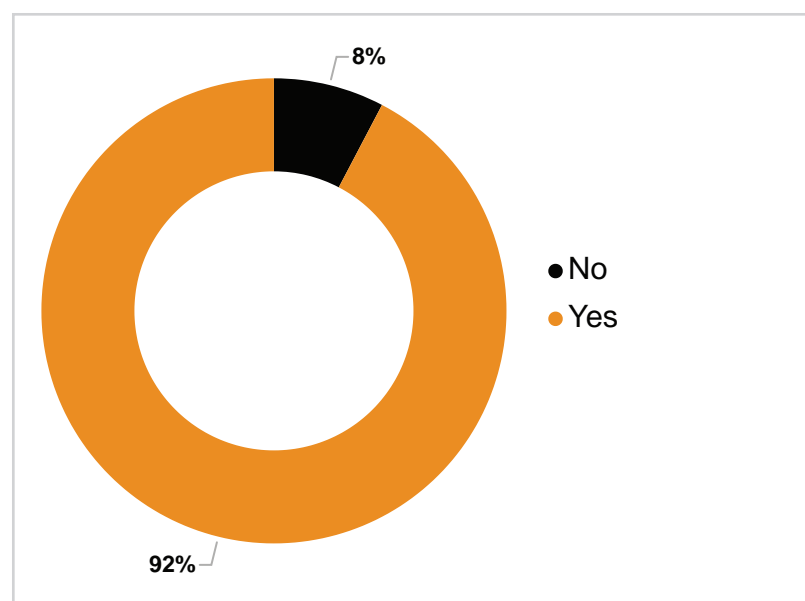
Given the recent 90-day pause in USAID funding, it is crucial for implementing partners adopt strategies to mitigate the impact on global development efforts in the medium to long term. Diversifying that includes diversifying funding sources, which is essential to avoid reliance on a single funding stream. Strengthening partnerships beyond US channels and enhancing international cooperation will help fill the gaps left by the funding freeze. Monitoring developments closely and implementing cost-saving measures can ensure that key personnel and critical functions are maintained during this period of uncertainty. Additionally, documenting financial decisions will be important for future reimbursements and accountability.

From a broader perspective, philanthropists should respond quickly to emerging needs by providing grants to address urgent healthcare requirements or supporting critical infrastructure projects.

2.8 Effect of local socio-economic factors on strategies

Of the implementing partners surveyed, 92% said they had adapted their strategy in response to Zambia's economic situation. This includes realigning projects with government strategy and responses to the drought. Only 8% said they had not changed their strategy in line with the country's economic fortunes.

Figure 12: Implementing Partners: Have you adopted your strategy in response to Zambia's prevailing economic and social challenges?



Source: PwC Analysis



The strategic responses highlighted by the implementing partners were classified into two categories: responses to the drought and realignment with government strategy.

i. Responses to the drought

The severe drought during the 2023-2024 agricultural season affected agricultural productivity, power generation and the overall economy. The drought had multiple effects, including increasing the cost of living as businesses had to find and fund alternative sources of power. In response to the prevailing socio-economic conditions, 16.7% of respondents said they adjusted their employee remuneration to cushion the impact.

Another 16.7% of respondents realigned their strategies to address climate-related challenges, such as supporting climate-resilient agriculture to mitigate the negative impact of the drought. Implementing partners also sought additional donors to support a switch to green energy through the purchase of solar systems.

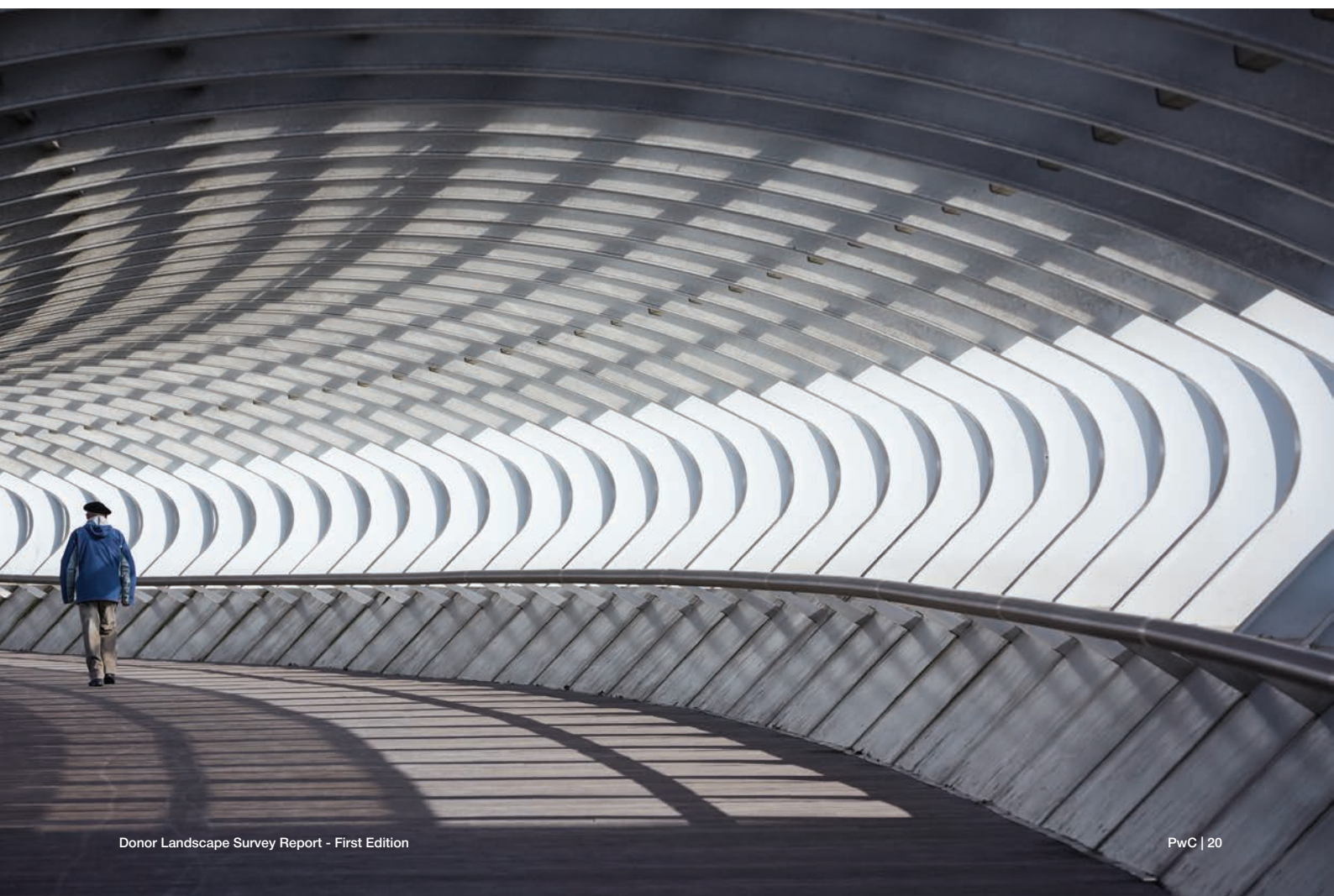
Additionally, 8.3% of the surveyed population highlighted a shift to budgets denominated in US dollars, euros or pounds due to inflationary pressures on the local currency.

ii. Realignment with government strategy

The government made several notable changes to policy in response to the drought. Implementing partners adapted to this in the following ways:

- **Community Development Fund (CDF):** some implementing partners reacted to the significant increase in the country's CDF by supporting interventions that build community capacity to participate in the implementation of CDF projects.
- **National Health Strategic Plan for Zambia 2022–2026:** some of the implementing partners surveyed said they had realigned their strategies with the approved National Health Strategic Plan. The plan focuses on strengthening prevention, primary health-care promotion, public health security and nutrition. The plan aims to achieve this by increasing access to health services through infrastructure development and ensuring timely, adequate and equitable availability of essential medicines and medical supplies. The plan also aims to improve the availability of human health resources, scale up healthcare financing, and strengthen leadership, governance and other supporting systems.
- **The National Policy on Human Trafficking and Smuggling of Immigrants Implementation Plan 2022:** Other implementing partners said they had chosen to direct increased support towards addressing the government's human trafficking concerns as well as enhancing child participation and protection activities. The government plan aims to combat human trafficking and migrant smuggling through prevention, the protection of victims, prosecution of offenders and strengthening of partnerships¹.

¹ The national policy on human trafficking and smuggling of immigrants implementation plan 2022





3. Cooperating partners' focus areas over the past five years

Zambia has benefited from substantial financial and technical support from key cooperating partners over the last five years, including the US government, the Global Fund, the EU and the World Bank. These partners have played a pivotal role in shaping the country's development landscape, directing resources towards critical sectors such as health, education, economic development, energy, governance and climate resilience.

Funding trends from these partners indicate sustained commitments in priority areas, with periodic shifts in focus influenced by evolving global priorities, regional economic conditions and domestic policy changes. Historically, investments have heavily targeted health and governance, but in recent years there has been a notable expansion into infrastructure, renewable energy and economic diversification. Going forward, funding is expected to align with Zambia's long-term development strategies, particularly in strengthening institutional capacity and fostering self-sufficiency.

This section of the report provides an in-depth analysis of each partner's contributions, outlining their strategic priorities, thematic areas and financial commitments.

A. The US government

The US government is the world's largest single donor of aid, providing approximately US\$72 billion in assistance in 2023. Additionally, it was responsible for over 40% of all humanitarian aid reported by the United Nations in 2024 (UN news, 2025/01). The US government's foreign assistance is driven by three main themes: national security, commercial interests and humanitarian concerns (Congressional Research Service, 2022). US foreign aid is delivered via five strategic objectives, each encompassing various programme elements or sectors. In providing foreign aid, the US government collaborates with partners like the World Bank, the World Food Programme, Enterprise – United States Redacted, and the Global Fund to Fight AIDS, Tuberculosis and Malaria.

The US government channels its funds to Zambia through various key players, including US government agencies, Zambian government institutions, international and local implementing partners, and US diplomatic and oversight bodies. These stakeholders play a crucial role in ensuring effective collaboration and the proper allocation of resources to achieve their established goals. Major implementing partners of the US government in Zambia include the World Bank, the US Department of State, Enterprise – United States Redacted, JSI Research & Training Institute, the Centre for Infectious Diseases and Research, the Zambian government, the USAID, Pact World, Right to Care Zambia, Development Alternatives and Jhpiego Corporation (foreignassistance.gov. 2025).

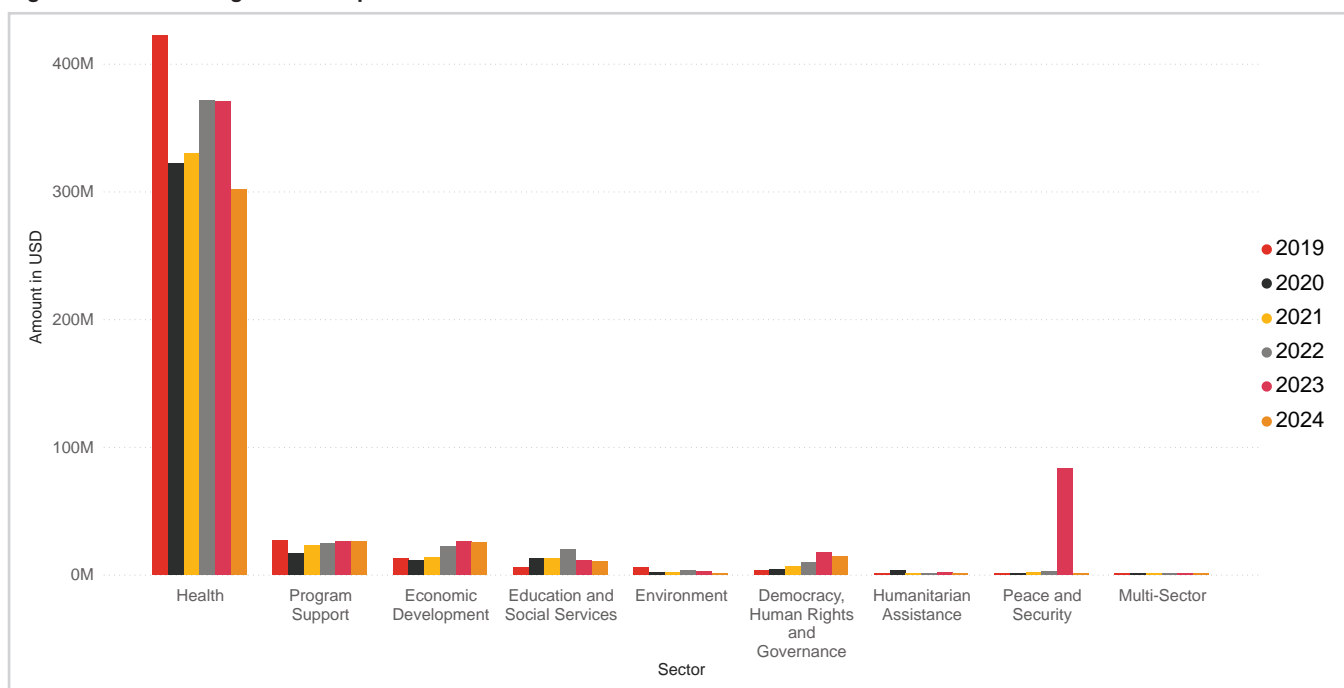
The US government agencies involved in Zambia include USAID, the US President's Malaria Initiative, PEPFAR, the Millennium Challenge Corporation, the US Centres for Disease Control and Prevention, the US Department of State, the US Trade and Development Agency and the National Institutes of Health. Their roles are broken down as follows:

- USAID is responsible for administering foreign aid in Zambia, which includes the funding of PEPFAR (HIV/AIDS).
- The President's Malaria Initiative aims to significantly reduce malaria deaths and cases in countries that account for nearly 90% of the world's malaria burden.
- PEPFAR focuses on the prevention, treatment and care of HIV/AIDS.
- The Millenium Challenge Corporation concentrates on infrastructure projects that promote economic growth.
- The National Institutes of Health focuses on biomedical and public health research operating under the US Department of Health and Human Services. In Zambia, the National Institutes of Health helps with conducting research on diseases such as HIV/AIDS, malaria and tuberculosis.

US government funding trends to Zambia

The US government's assistance to Zambia totals approximately US\$500 million annually. The figure below illustrates US government funding to Zambia from 2019 to 2024. The figure shows that two-thirds of US government funding is allocated to the health sector, while the remaining one-third is distributed to areas including economic development, education and social services, the environment, programme support, democracy, human rights and governance, humanitarian assistance, and the peace and security sectors.

Figure 13: USG funding to Zambia per sector



Source: foreignassistance.gov. 2025

Donor Landscape Survey Report - First Edition

A detailed analysis of the makeup of funding to the health sector shows a decrease from 2019 to 2020 followed by a gradual increase between 2020 and 2022. Funding plateaued in 2023 before falling again in 2024. In 2021, funding to Zambia increased following the 2021 presidential elections, with USAID providing an additional US\$11.3 million to help strengthen democracy and governance.

The increase in funding to the health sector from 2020 to 2022 has been impacted by increased funding in economic development projects and support towards governance and democratic institutions, which may account for the fall in funding between 2023 and 2024. In 2022, the US government launched an investment of over US\$44 million through two new commitments. These include the USAID Trade Boost, a four-year initiative to help increase domestic, regional and international trade and investment, and the USAID Business Enabling Project, a five-year programme that aims to bring together government, industry and civil society organisations to identify impediments and devise policy and process remedies to empower businesses to thrive (zm.usembassy.gov.2022). In 2023, through PEPFAR, the US government committed a total of US\$390.5 million towards for HIV prevention, treatment, care and support, and health systems strengthening in support of Zambia's national HIV response.

Implications of the US withdrawal from the World Health Organisation and the USAID funding pause for developing countries

The Trump administration's decision to withdraw the US from the World Health Organisation carries far reaching consequences for developing countries. The move has disrupted funding for essential health initiatives, including disease control, vaccination programmes and public health infrastructure, placing millions at heightened risk and weakening local health systems' capacity to respond to crises.

Temporary pause on USAID funding

In January 2025, a new executive order enacted a 90-day pause on funding for USAID. This policy shift has profound implications for global health and development initiatives, especially in countries including Zambia that are heavily reliant on US assistance.

Key impacts

- The funding freeze has stalled critical programmes in maternal and child health, infectious disease prevention, nutrition and food security.
- Countries depending on US aid now face uncertainty in sustaining development progress, with long-term outcomes at risk

Implications for implementing partners:

The current pause in US funding highlights the urgent need for diversified funding strategies and stronger international cooperation. As traditional funding sources face uncertainty, implementing partners play a critical role in sustaining momentum in global development efforts.

Recommendations for Implementing partners:

- Monitor developments in US foreign assistance policy closely.
- Strengthen collaborations with multilateral organisations and regional development institutions.
- Explore alternative funding channels and pooled financing mechanisms to safeguard programme continuity.
- Support flexible and resilient funding models that can adapt to geopolitical shifts.

This moment underscores the fragility of global development funding that is dependent on a single donor. Active engagement, innovation in financing strategies and cross-sector partnerships will be essential to maintaining progress and protecting vulnerable communities.



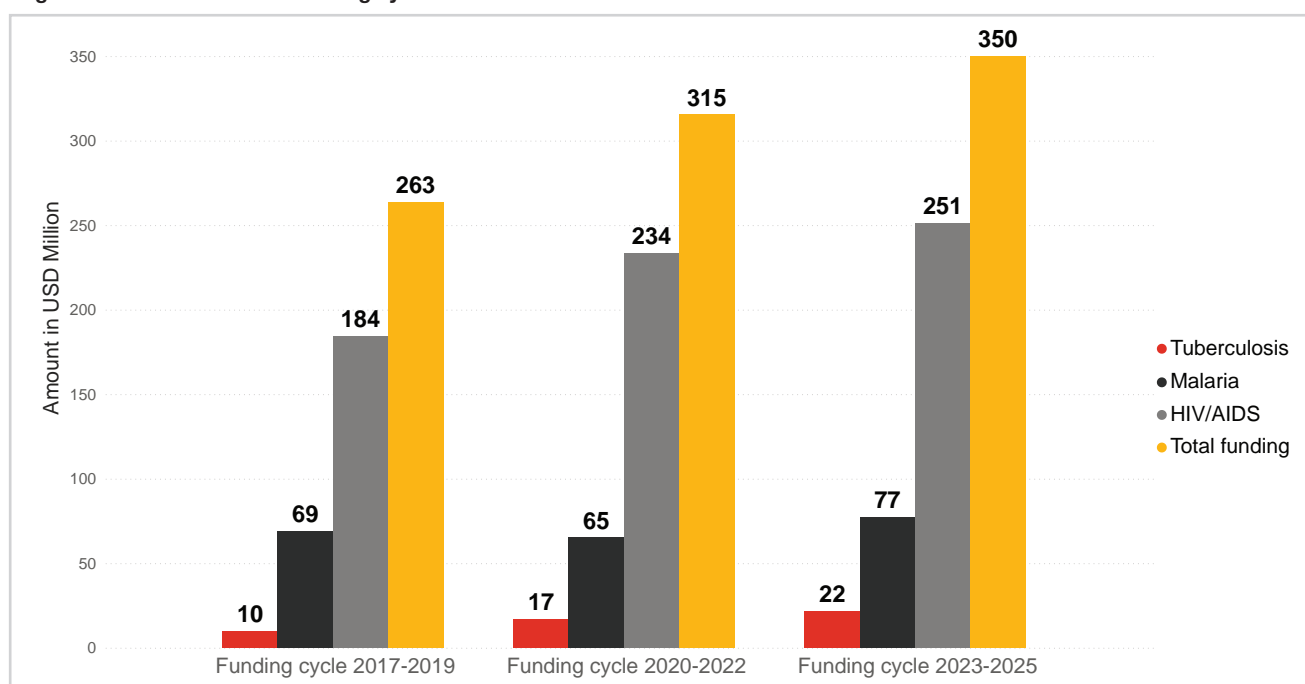
B. The Global Fund

The Global Fund is one of Zambia's major donors and a key player in the health sector. The fund is a global partnership dedicated to combating HIV, tuberculosis and malaria. Each year, the fund invests over US\$5 billion² globally to tackle these infectious diseases and enhance health systems and pandemic preparedness in over 100 of the most affected countries. The Global Fund are the largest multilateral funder of global health grants in low and middle-income countries and has disbursed over \$65 billion since 2002.

Funding trends

Zambia is both a donor to the Global Fund and an implementer of Global Fund-supported programmes. Zambia has contributed US\$775,000 to the fund to date and pledged US\$8.5 million³ in total so far. Between 2017 and 2025, the Global Fund, the Ministry of Health and the Churches Health Association of Zambia have signed grants that run over three different funding cycles.

'Figure 14: The Global Fund funding cycles



Source: Global fund

The Global Fund has been a crucial partner in Zambia's efforts to combat AIDS, tuberculosis and malaria. Zambia has one of the highest malaria incidences globally, a growing number of multidrug-resistant tuberculosis cases and an estimated 1.5 million people living with HIV.

Between 2017 and 2019, the Global Fund allocated US\$263.36 million to Zambia. Of this, US\$184.4 million was allocated to HIV/AIDS, representing 70% of the total funding, another US\$69 million was allocated to malaria (26.2% of total funding) and the remaining 3.8%, or US\$10 million, was allocated to tuberculosis. In the 2020-2022 funding cycle, the Global Fund allocated US\$315.38 million to Zambia. Of this, US\$233.5 million was allocated to HIV/AIDS, representing 74% of the total funding, another US\$65.13 million was allocated to malaria (21% of total funding) and the remaining 5% (US\$16.75 million) was allocated to tuberculosis. During the 2023-2025 funding cycle, Zambia was allocated a total of US\$349.77 million from the Global Fund. Of this amount, 71.8%, or US\$251 million was dedicated to combating HIV/AIDS. Malaria received 22.1% or US\$77.24 million of the total funds, while 6.1% or US\$21.5 million was allocated to tuberculosis. These funds are aimed at addressing critical health challenges and strengthening Zambia's health systems.

² <https://www.theglobalfund.org/en/about-the-global-fund/>

³ Zambia - Government and Public Donors - The Global Fund to Fight AIDS, Tuberculosis and Malaria

There has been a steady increase in funding over the last three grant cycles, with grants increasing to US\$350 million for the 2023 to 2025 cycle (See graph above). The overall trend shows a consistent increase in funding across all categories, with HIV/AIDS receiving the largest share, reflecting its priority in Zambia's health sector. Malaria and tuberculosis also saw increases in funding, with tuberculosis experiencing the most significant growth in both funding amount and percentage allocation.

Overall, the Global Fund's contributions have been vital in addressing Zambia's health challenges, but continuous improvements in programme implementation and financial management are necessary to sustain and build on these gains.



C. The World Bank

The World Bank stands as one of the largest providers of development financing to Zambia. Since 2021, the World Bank, through the International Development Association, has committed over US\$2.1 billion to Zambia⁴. These funds support projects aimed at private sector development, job creation and inclusive service delivery in both the private and public sectors. Starting July 2023, all financing is provided as grants to aid Zambia's debt distress recovery, resulting in a reported cumulative net positive flow of US\$1.2 billion since 2021. These efforts are guided by a Country Partnership Framework (CPF) that aligns with Zambia's developmental goals and focuses on:

- Structural challenges (macroeconomic and social issues).
- Pro-poor growth with an emphasis on rural areas.
- Transforming Zambia into a middle-income country by 2030⁵.

The CPF aligns with the Zambian government's development plans and underscores the World Bank's commitment to collaborating with the government in their pursuit of inclusive growth that benefits all Zambians. This includes lifting poor citizens out of poverty and creating jobs to transform Zambia into a prosperous middle-income country by 2030. Below is a brief overview of the CPF programs from 2019 to 2029 highlighting the progress made so far.

⁴ <https://www.worldbank.org/en/news/statement/2024/03/26/world-bank-group-statement-on-debt-restructuring-agreement-for-afe-zambia#:~:text=The%20World%20Bank%20is%20the,and%20sustainable%20and%20resilient%20development.>

⁵ <https://www.worldbank.org/en/news/statement/2024/03/26/world-bank-group-statement-on-debt-restructuring-agreement-for-afe-zambia#:~:text=Starting%20July%202023%2C%20all%20new,have%20reached%20USD%201.2%20billion.%E2%80%9D>

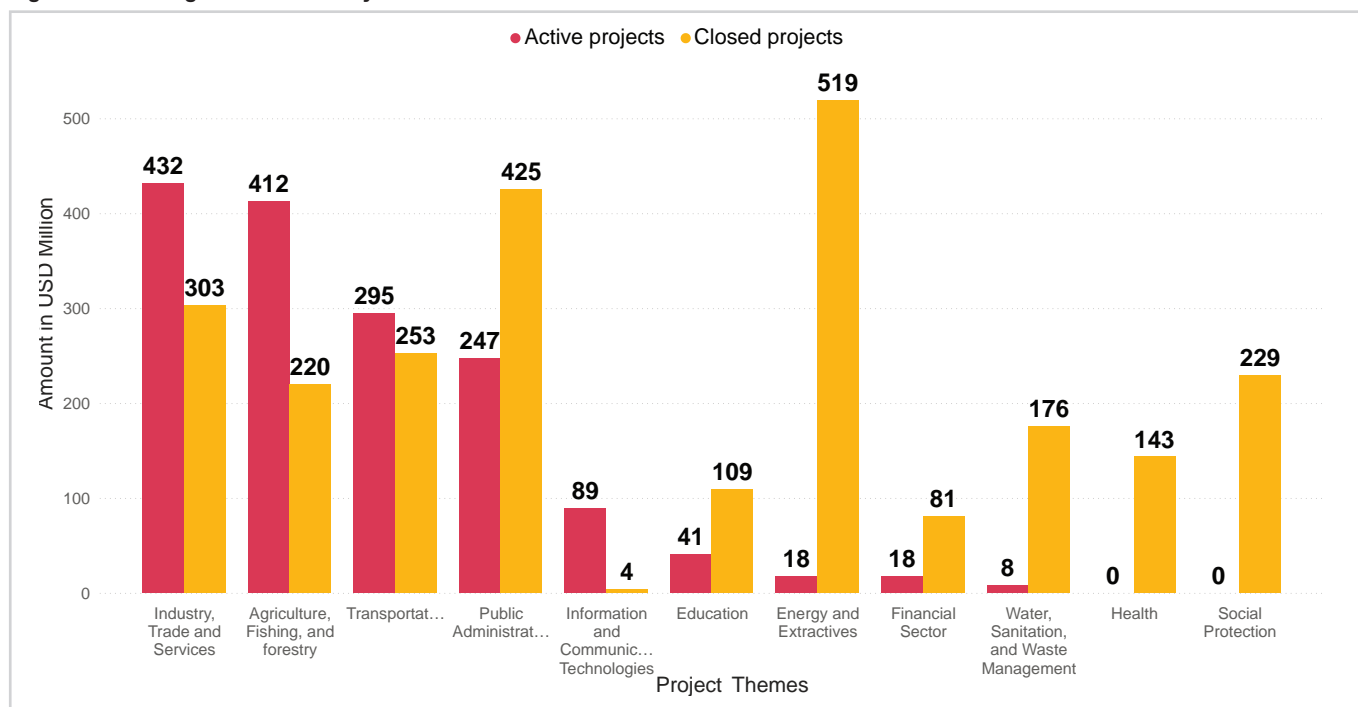


CPF FY19 - FY24

The programme had two primary focus areas: enhancing the resilience of rural households to climate change and other shocks and improving job prospects for under-employed groups.

As of September 2024, the current World Bank portfolio in Zambia comprises of 18 national projects and five regional projects, with a total commitment of US\$3.1 billion. This includes 17 national projects supported by the World Bank's International Development Association (US\$2.4 billion) as well as six regional and two small trust-funded projects, also funded through the International Development Association. The International Finance Corporation's financing portfolio stands at US\$150 million over 12 projects. The Multilateral Investment Guarantee Agency has a commitment of US\$139 million over five projects⁶. The portfolio covers the following sectors: agriculture, education, energy, environment, finance and the private sector, governance, health, macroeconomics, social protection, transport and water. While implementation was slow in the past, partly due to challenges such as Covid-19 and the transition to a new administration, the portfolio has performed well over the past three years⁷. We present a summary of funding allocated to several themes below:

Figure 15: Funding trends over the years



⁸ Source: <https://maps.worldbank.org/projects/wb/country/ZM/Zambia?status=active>

⁶ <https://www.worldbank.org/en/country/zambia/overview#2>

⁷ <https://documents1.worldbank.org/curated/en/099091624151519669/pdf/BOSIB1d4ac5c7f00918f9217eab1347c249.pdf>

⁸ <https://maps.worldbank.org/projects/wb/country/ZM/Zambia?status=active>

CPF FY25–FY29

The CPF for the period 2025 to 2029 lays out the priorities for the World Bank’s support to Zambia during what will be a critical time of recovery from recent economic shocks. It refocuses on inclusive and more resilient growth and job creation. The FY25–FY29 CPF maintains the strategic directions of the previous FY19–FY24 CPF, but with a sharpened focus on specific areas including:

- Private sector-led growth.
- Human capital development.
- Climate resilience in response to evolving development challenges.

Strategic priorities for FY25–FY29

The CPF outlines a strategic focus on the following high-level outcomes:

- More and better jobs
- Improving human capital
- Enhancing climate resilience

These priorities aim to build a robust foundation for Zambia’s recovery. They are interconnected and build upon the lessons learned from the FY19–FY24 CPF, regional priorities and Zambia’s own Eighth National Development Plan.

Alignment with national priorities

The CPF aligns with Zambia’s Vision 2030 (focused on transforming Zambia into a prosperous and equitable nation by 2030) and the Eight National Development Plan (2022–2026), emphasising sustainable and inclusive growth. By aligning with national priorities, the CPF ensures that its goals contribute directly to Zambia’s long-term vision.

Risks to the CPF programme

The Zambian CPF programme is assessed using the World Bank’s Systematic Operations Risk-Rating Tool. This tool evaluates eight risk categories associated with the programme, rating them as low, medium, substantial or high risk. Out of the eight risks, two have been assigned a substantial risk rating (refer to Table 2).

Risks related to institutional capacity are rated substantial because of the considerable risk in the management of the World Bank-financed programmes and projects due to the capacity constraints in some line ministries and at local government level.

Environmental and social risks are rated substantial because of the growth in lending, the scale of the projects, the complexity of engagements, and the possibility of more project-induced environmental and social risks and impacts⁹.

Despite these substantial risks, the overall risk to the CPF programme is deemed moderate given the successful implementation of the previous CPF programme.

Table 2¹⁰

Risk	Category	Rating (L, M, S, H)
1	Political and Governance	M
2	Macroeconomic	M
3	Sector Strategies and Policies	M
4	Technical Design of Project or Program	M
5	Institutional Capacity for Implementation and Sustainability	S
6	Fiduciary	M
7	Environmental and Social	S
8	Stakeholders	M
	OVERALL	M



⁹ https://www.worldbank.org/content/dam/Worldbank/document/SORT_Guidance_Note_11_7_14.pdf

¹⁰ <https://documents1.worldbank.org/curated/en/099091624151519669/pdf/BOSIB-d4ac5c7f-5f02-4009-8f92-7eab1347c249.pdf>

D. EU

The EU and Zambia have a long-standing and multifaceted relationship that spans political, economic and developmental cooperation. This partnership is conducted within the framework of the Cotonou Agreement,¹¹ which was signed in 2000 between the African, Caribbean, and Pacific Group of States and the EU. The EU has been actively involved in supporting Zambia's development goals, focusing on areas such as good governance, human development and economic diversification. The EU's engagement with Zambia includes regular political dialogue, development aid and trade relations. The EU has allocated significant financial resources to support Zambia's health, education and infrastructure sectors, aiming to promote sustainable and inclusive growth¹². Additionally, the EU and Zambia collaborate on regional and multilateral issues, with Zambia being a key ally in promoting democracy and stability in the region.

Funding trends

The EU provides general budget support to Zambia to promote macroeconomic stability, the national development plan and reforms in public finance management. The EU provided K10.6 billion (€359 million) in support to Zambia between 2021 and 2024¹³ in six priority sectors including health, education, agriculture, environmental conservation, governance and infrastructure.

The EU has resumed its budget support for Zambia, with the first payment of €20 million out of a €60 million (K1.8 billion) programme for 2024 to 2026 being transferred to the National Treasury in October 2024.

This budget support is a form of development assistance through which the EU helps Zambia by transferring development cooperation funding directly to the National Treasury. The grant becomes part of Zambia's national budget and is not repaid to the EU. The Budget Support Programme aims to help Zambia improve critical public services like education and healthcare and to support the country's overall development.

Additionally, the EU has secured €153 million for the Nexus Energy-Water for Zambia project, which will be implemented from 2025 to 2027. This project aims to improve water and energy infrastructure, crucial for Zambia's sustainable development.



Impact of US funding cuts and EU pullout

The EU has stated that it cannot fully compensate for the shortfall caused by the US aid freeze.

Further, the withdrawal of funding by some EU countries has had a notable impact on EU support to Zambia. For instance, Switzerland has decided to end its bilateral development programmes with Zambia by the end of 2028 as part of broader cuts to its international cooperation budget. This decision is driven by Switzerland's need to reallocate resources due to global priorities, such as the ongoing conflict in Ukraine¹⁴.

The reduction in funding from countries like Switzerland means that Zambia may face challenges in maintaining the same level of development assistance it previously received. This could affect various sectors, including healthcare, education and infrastructure projects that rely on international aid. The Zambian government may need to seek alternative funding sources or increase its domestic resource mobilisation efforts to fill the gap left by these withdrawals.

Despite these challenges, the EU continues to support Zambia through its Budget Support Programme and other initiatives aimed at promoting sustainable development and economic stability. The EU's commitment to Zambia remains strong, focusing on key areas such as governance, human development and economic diversification.

PwC analysis

Donor contributions have significantly influenced various sectors in Zambia, shaping the nation's development trajectory. Analysing these contributions thematically helps understand the impact of donor contributions across different areas. It also provides insights into the current state of and prospects for funding.

¹¹ Consolidated text of the Cotonou Agreement | EEAS

¹² Zambia - European Commission

¹³ mip-2021-zambia-amendment-june-2023_en.pdf

¹⁴ HYPERLINK "<https://www.swissinfo.ch/eng/foreign-affairs/programs-for-albania-bangladesh-and-zambia-to-be-discontinued/88798306>" Switzerland cuts foreign aid to Albania, Bangladesh and Zambia - SWI swissinfo.ch

Health sector

Zambia's health sector faces persistent challenges from infectious diseases and health system weaknesses. However, there is a positive outlook with renewed donor commitments and innovative funding models. The contributions from the Global Fund and US government have been instrumental in combating HIV/AIDS, tuberculosis and malaria. Additionally, cooperating partners including the US, Germany, the World Bank, Japan, vaccines group Gavi, the EU and UN agencies have collectively committed approximately US\$1.3 billion to Zambia's health sector for the 2023-2025 period, with around US\$630 million allocated for 2023¹⁵.

These investments have been channeled into improved procurement through the Ministry of Health. Supply chain management of essential commodities is handled by the Ministry of Health and ZAMMSA respectively. Investments in health infrastructure have modernized facilities and upgraded medical equipment. Local health centers have been upgraded to level 1 hospitals. The Solar for Health agenda has been promoted. Comprehensive health system strengthening programs enhance service delivery and workforce capacity. There have been additional commitments such as funding for increased health workers and mass community-based volunteer recruitment.



Education

The focus of the education sector in Zambia is to overcome disparities in access and quality, with donor funding increasingly targeted at modernising facilities and curricula, while promoting gender equality. The World Bank has been instrumental in enhancing Zambia's education sector. The Zambia Education Enhancement Project, launched in 2017 with a US\$60 million investment, aims to improve the quality of teaching and learning in mathematics and science in targeted primary and secondary schools, and to increase equitable access to secondary education. The project provides teacher training, textbooks and learning materials, benefiting approximately 1.2 million children¹⁶.

In parallel, the EU has supported education with a focus on inclusivity and quality. In April 2024, the EU signed an agreement to provide €110 million in grant funding to support Zambia's National Development Plan and free education initiative. These funds aim to improve the quality of primary and secondary education, reduce girls' dropout rates, increase accessibility for learners with disabilities, and boost early childhood education and development in the Luapula and North-Western Provinces¹⁷.

While the support from the World Bank and the EU in Zambia's education sector has been substantial, particularly in improving access and quality of education, funding gaps remain that could hinder long-term sustainability. The emphasis on infrastructure, teacher training and inclusivity is commendable, but challenges remain in ensuring the effective utilisation of funds and maintaining improvements beyond donor project cycles. Additional investment in digital learning tools and tertiary education is necessary to equip Zambia's workforce for future economic demands.

Economic development

Facing challenges from global market volatility and local structural constraints, Zambia's economic development agenda remains focused on diversification and infrastructural modernisation, with promising donor-backed investments in the horizon. The World Bank has been a key partner in Zambia's economic development, focusing on sectors such as infrastructure, agriculture and mining. By promoting sustainable agricultural practices and supporting infrastructure projects, the World Bank has contributed to economic diversification and growth. Notably, the World Bank's portfolio in Zambia includes 24 projects with a total commitment of approximately US\$2.74 billion, addressing various aspects of economic development¹⁸.



¹⁵ https://www.theglobalfund.org/en/updates/2024/2024-03-22-zambia-global-fund-new-grants-fight-aids-tb-malaria-strengthen-health-systems/?utm_source=chatgpt.com

¹⁶ https://www.worldbank.org/en/news/press-release/2017/08/31/zambia-new-world-bank-financing-to-improve-quality-education-for-12-million-children?utm_source=chatgpt.com

¹⁷ https://international-partnerships.ec.europa.eu/news-and-events/news/eu-and-zambia-strengthen-cooperation-education-and-research-2024-04-11_en?utm_source=chatgpt.com

¹⁸ https://thedocs.worldbank.org/en/doc/15220ffb009d28d21c67618b79732b22-0010012024/original/ZAMBIA-PROJECT-PROFILES-2024.pdf?utm_source=chatgpt.com

Further, both the EU and US government have contributed to economic reforms and infrastructural projects. The EU has provided technical and financial support for projects aimed at improving trade logistics and modernising transport networks, while US government initiatives have supported reforms in the financial sector that enhance economic stability and growth prospects.

In our perspective, Zambia's economic development efforts are supported by strong donor commitments, particularly in infrastructure, agriculture and financial sector reforms. However, continued reliance on external funding, especially with a sector such as this, presents risks. In the face of shifting global economic priorities, it is important that Zambia adopts a 'Zambia first' ideology and takes control of its own economic development.

As diversification efforts gain momentum, it is imperative to further invest in private sector growth, industrialisation, local value addition and entrepreneurship. These investments are crucial for achieving long-term economic resilience. Strengthening policy frameworks to attract sustainable foreign direct investment, empowering local investors and fostering public-private partnerships will be key strategies in reducing dependency on donor support within this sector.



Energy

The energy sector in Zambia is at a crossroads and there is an urgent need to modernise infrastructure, expand access amid growing demand and to shift from the country's dependence on hydro energy. The World Bank has been instrumental in enhancing Zambia's energy infrastructure. Projects like the US\$270 million Zambia-Tanzania Interconnector Project aim to improve energy access for millions, thereby supporting economic activities and improving quality of life¹⁹

Additionally, the EU has contributed to energy sector reform by supporting renewable energy projects and grid modernisation efforts that complement existing energy investments. Meanwhile, US government, UNICEF, Gavi and Global Fund support through bilateral partnerships has recently shifted some of its focus on energy efficiency and off-grid solutions, particularly in rural areas where access remains limited. In particular, the Solar for Health project that is currently ongoing is being implemented by a multi-stakeholder approach, including the Ministry of Health, the Ministry of Energy, the Rural Electrification Authority and international partners like UNDP, UNICEF, the Global Fund and Gavi.

Democracy and governance

Amid ongoing efforts to strengthen public institutions, Zambia is working to enhance transparency and citizen engagement, with donor projects aimed at consolidating democratic gains. Donors have actively supported initiatives to strengthen democracy and governance in Zambia. For instance, the United Nations Development Programme established the Democracy Strengthening in Zambia project, a multi-donor initiative aligned with national priorities to promote transparency, accountability and citizen participation. Additionally, organisations like ActionAid have partnered with local civil society organisations to enhance good governance and human rights awareness.

Both the EU and US government have contributed to these efforts. The EU has provided grant funding for civil society capacity building and electoral support programmes, while US government initiatives have included technical assistance and training programmes to enhance institutional efficiency and public service delivery.

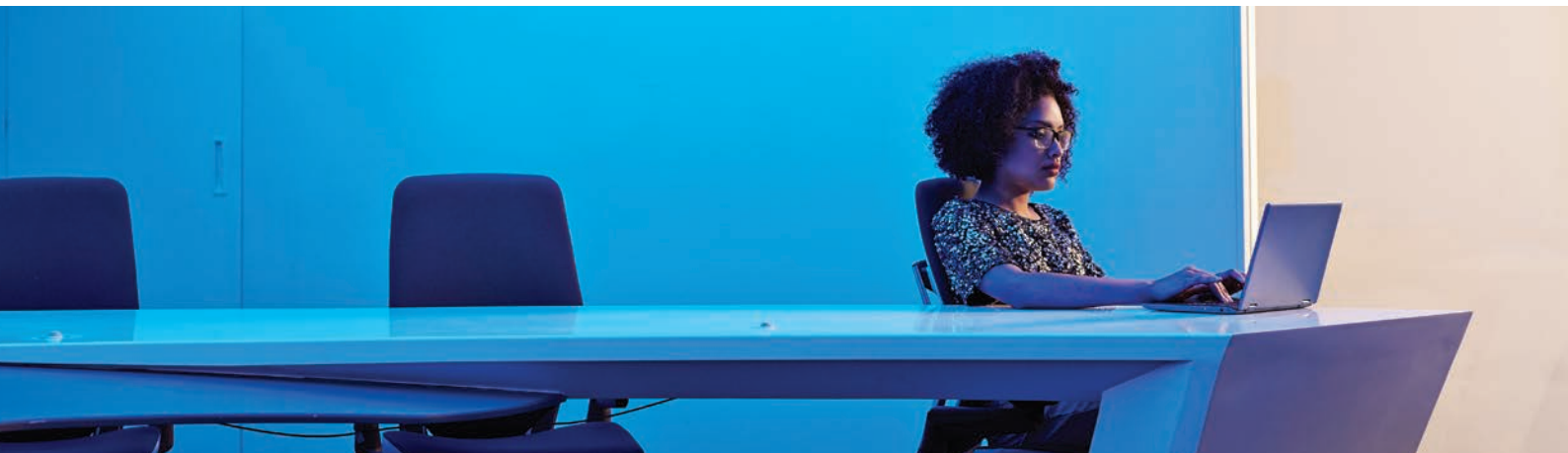
Partner support has been instrumental in strengthening democracy and governance in Zambia through initiatives like the Democracy Strengthening in Zambia project. However, challenges persist, including economic difficulties driven by rising commodity prices and increasing political tensions, which could impact human rights and democratic processes as the 2026 general elections approach. Continued funding and oversight will be crucial in the lead-up to the elections. Ensuring electoral credibility, transparency and inclusivity will be key to maintaining democratic stability. Therefore, while the sector receives substantial support, it is essential to address these risks to ensure the effectiveness of donor interventions and the consolidation of democratic gains.

¹⁹ https://www.worldbank.org/en/news/press-release/2025/01/20/zambia-afe-to-benefit-from-expanded-access-to-affordable-energy-thanks-to-increased-power-transmission-with-tanzania?utm_source=chatgpt.com

Human rights

In a climate of evolving political and social dynamics, donor efforts in the human rights arena are crucial in fostering accountability and protecting citizens' freedoms. International donors have supported civil society organisations in promoting and protecting human rights in Zambia. These efforts include education and awareness campaigns, monitoring and reporting human rights violations, and advocating for policy reforms to ensure the protection of citizens' rights.

US government and EU contributions have been pivotal here as well. US government funding has supported programmes for legal aid and rights education, while the EU has financed initiatives that empower local communities and advocate for policy reforms to protect vulnerable groups.



Climate and environment

Facing the dual challenges of environmental degradation and climate change, Zambia's climate and environment sector is witnessing increased support for sustainable practices, with donors stepping in to balance economic growth with environmental stewardship. Environmental sustainability has been a focus for donors like the Swedish International Development Cooperation Agency (SIDA). Through programmes such as the Zambia Mining and Environmental Remediation and Improvement Project, donors have addressed environmental health risks and supported sustainable mining practices, reflecting a commitment to balancing economic growth with environmental preservation.

Additionally, both the EU and US government have backed climate resilience projects. The EU has financed initiatives aimed at sustainable agriculture and forest conservation, while US government contributions have supported renewable energy projects and climate adaptation programmes in vulnerable regions.

As is evident from the efforts outlined above, key interventions reflect a growing commitment to sustainable resource management. However, funding gaps persist, particularly in areas of renewable energy expansion and climate adaptation for rural communities. With climate change posing a long-term threat to food security and livelihoods, further investment in sustainable agriculture, reforestation and disaster resilience is essential. Strengthening policy enforcement and integrating climate considerations into national development planning will be critical for maximising donor impact in Zambia.

Conclusion

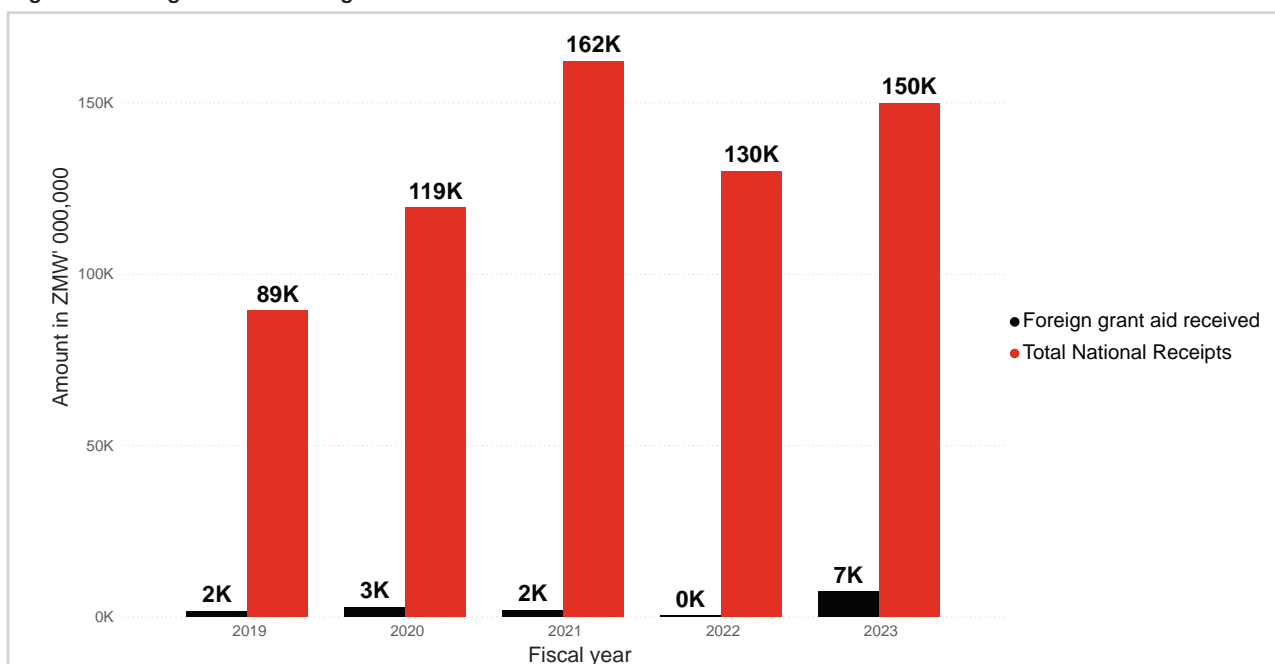
Our analysis shows that over the past five years the selected cooperating partners have concentrated on sectors that are consistent with the survey findings. Health, agriculture, energy and climate change were the sectors mostly funded by donors. Furthermore, it is clear that agriculture, energy and climate change will continue to be relevant to future funding priorities, having obtained the same findings.

While efforts by donors and implementing partners have addressed major environmental health risks and promoted sustainable practices, the persistent funding gaps suggest that further investment is necessary to fully achieve the goals set by both Implementing partners and donors. To maximise the impact of their contributions, it is crucial to strengthen policy enforcement and integrate climate considerations into national development planning, ensuring a cohesive and comprehensive approach to sustainable development.

4. Impact of donor aid on Zambian annual budget funding structure over five years up to 2024

Zambia's financial reports, audited by the Auditor General, show foreign aid contributions consistently at 2% of national revenue from 2019, rising to 5% in 2023. This contrasts with donor-reported funding due to government only recording cash receipts. Aid managed by non-state implementers or provided in non-cash forms remains untracked through government budgets.

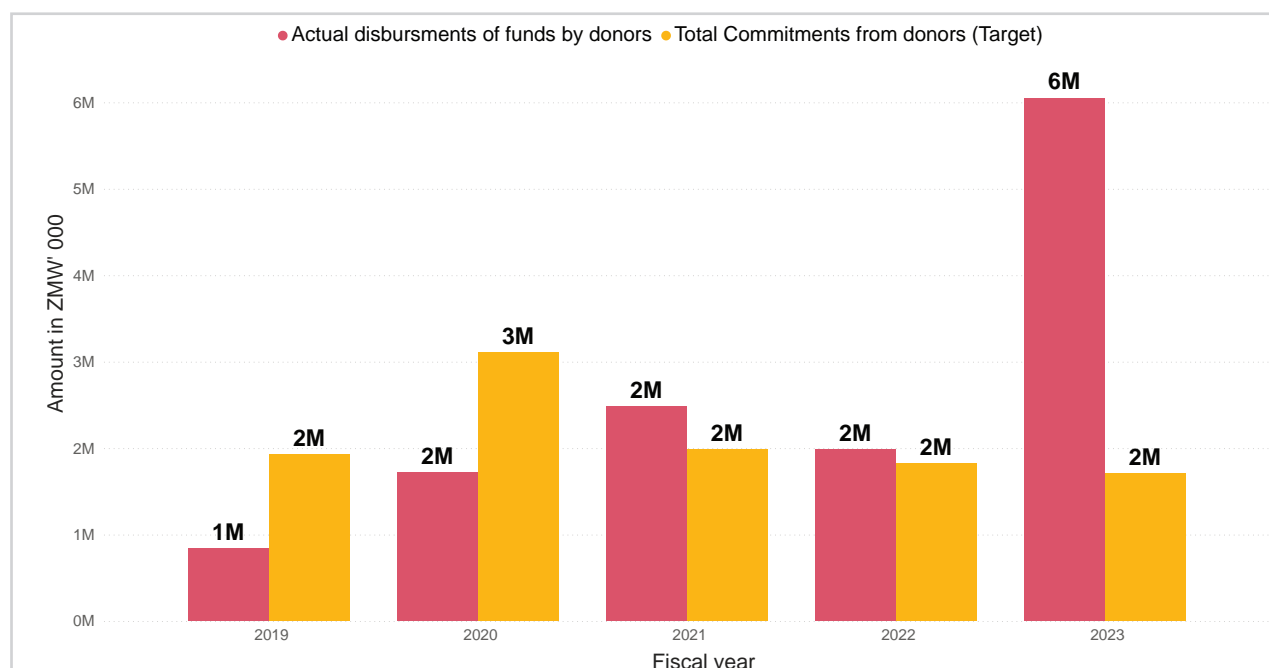
Figure 16: Foreign aid received against National Revenue



Source: Ministry of Finance Zambia Annual Report 2019 - 2023

In Figure 17 below, we note that from 2021 onwards, donor funding showed a positive trend as disbursements aligned with pledges from cooperating partners. In 2023, Zambia saw a 255% funding increase, exceeding the K1.7 billion budget. This growth was driven by remittances to the social sector through the Ministry of Community Development and the Ministry of Finance, fuelled by health initiatives, macroeconomic reforms, water and sanitation projects, and debt restructuring agreements

Figure 17: Zambia annual donor aid funding structure

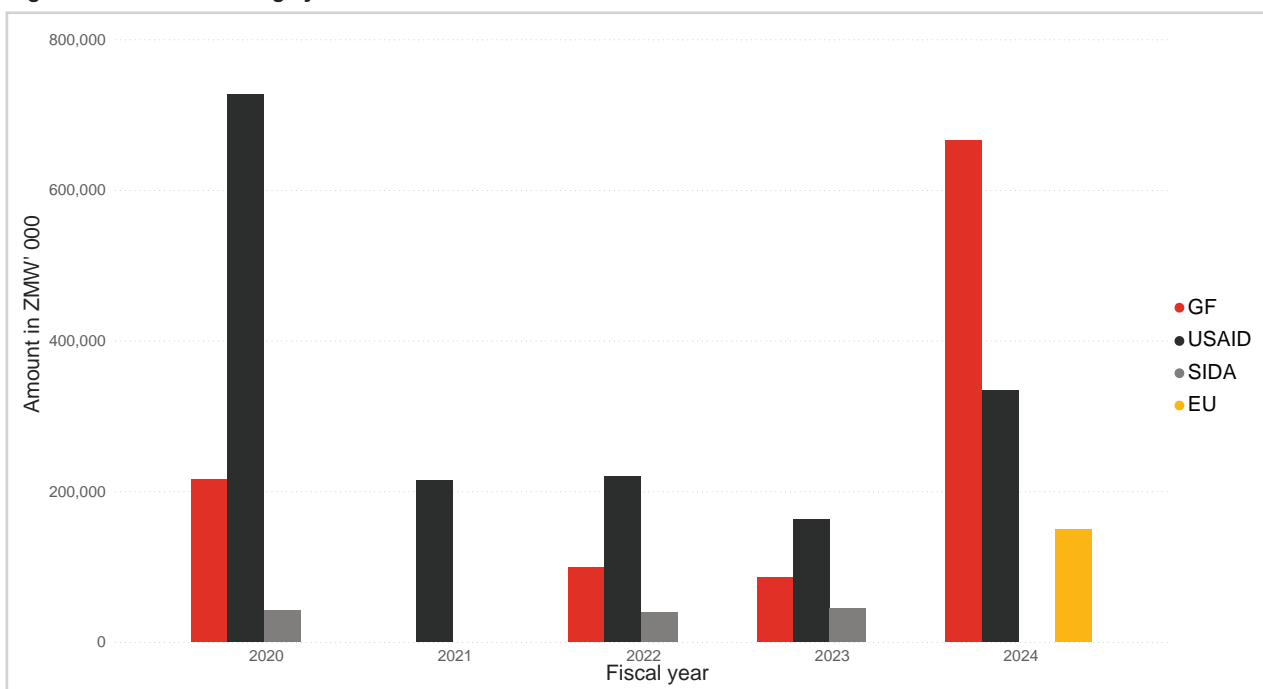


Source: Ministry of Finance Zambia Annual Report 2019-2023

Analysis of funding by major sector as presented in the Zambian national budgets

During the 2020–2024 period, four key donors contributed significantly to Zambia's national budgets: the US (via USAID), the Global Fund, SIDA and the EU (Zambia National Budgets, 2021 to 2024). It is important to note that the government only captures aid directly contracted through government ministries and entities. It excludes donor support channelled through non state implementers such as NGOs. This explains why there is a difference between Figure 23 - Zambia: funding by donor and Figure 24 - health sector budget vs foreign aid.

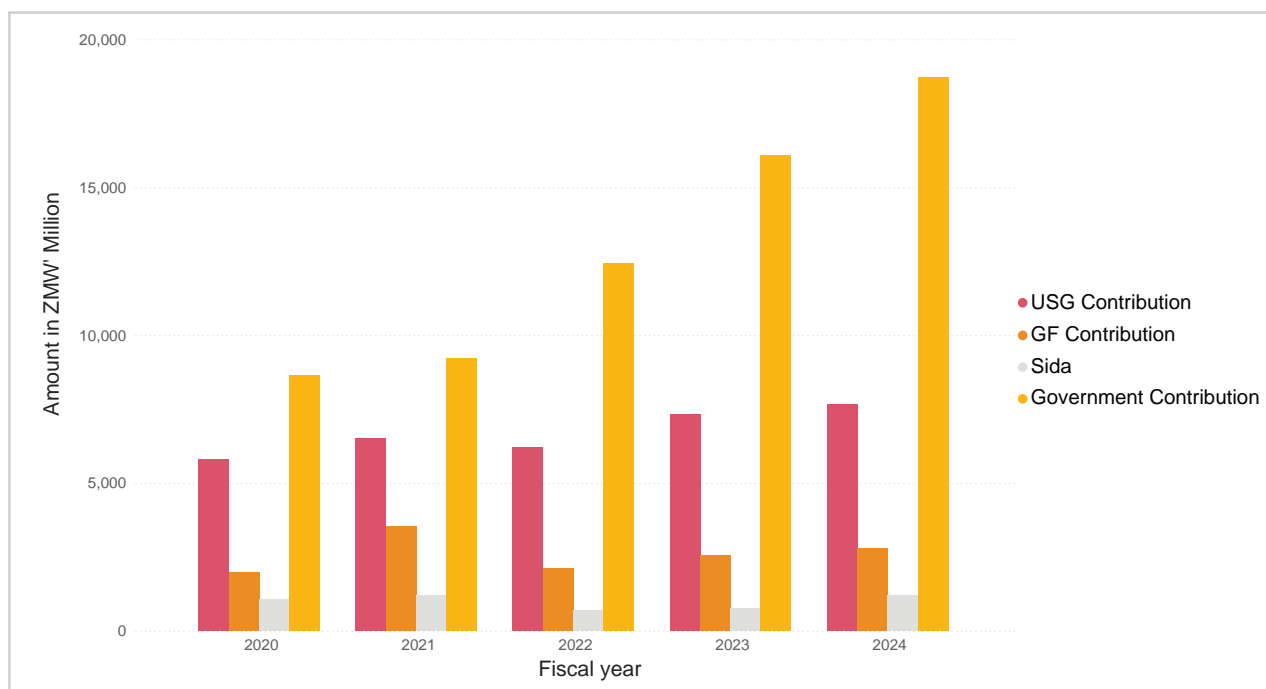
Figure 18: Zambia: Funding by donor



Source: Zambia Estimates of Revenue and Expenditure 2020 - 2024

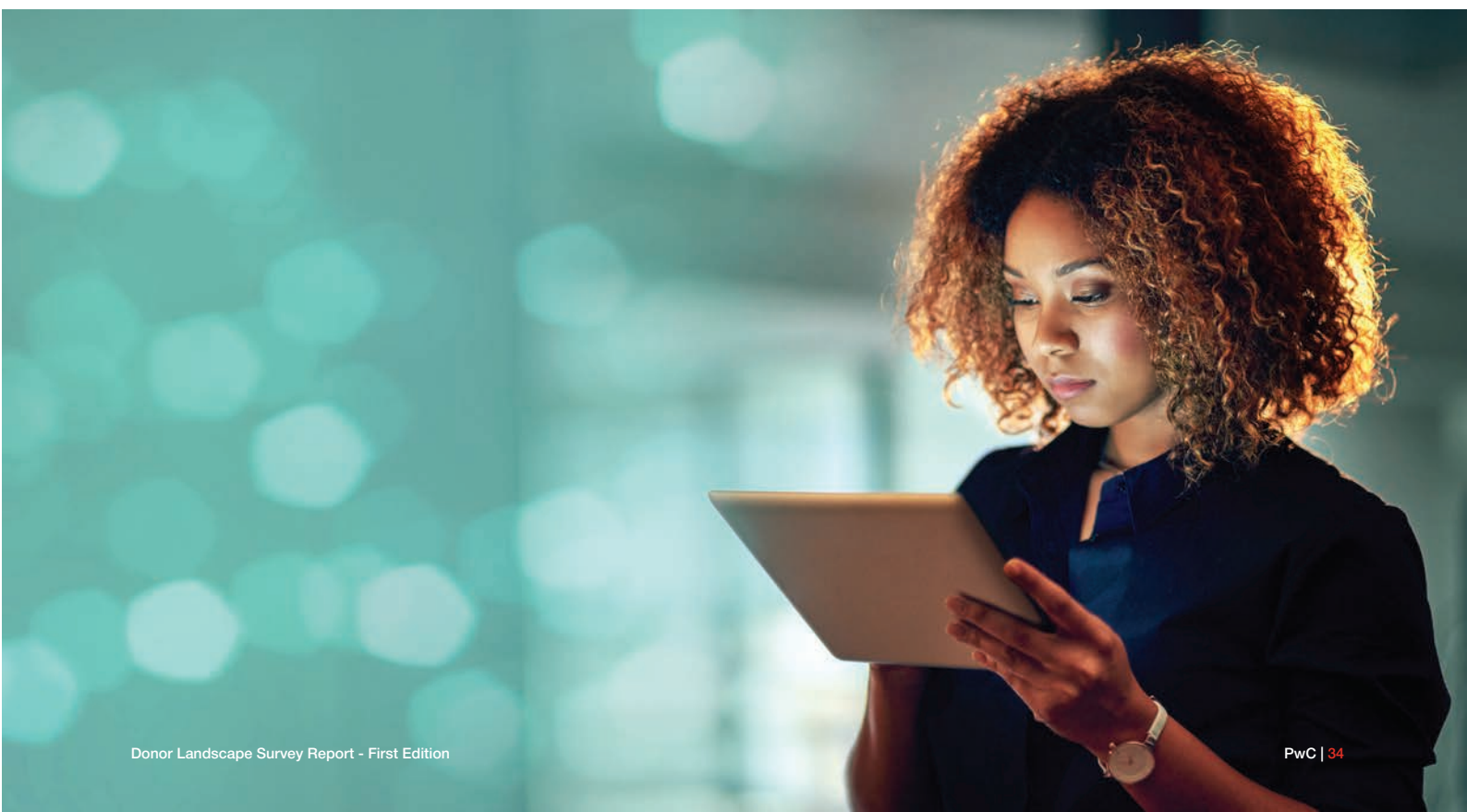
The health sector in particular has been a significant beneficiary of foreign aid. Various donors have prioritised health initiatives, contributing substantially to the country's efforts in combating diseases and improving healthcare services. Below, we take a deep dive into the health sector's funding.

Figure 19: Health sector budget contributors



Source: [foreignassistance.gov\[Zambia National Budgets\]](https://foreignassistance.gov/Zambia%20National%20Budgets) openaid.se/www.theglobalfund.org <https://data-service.theglobalfund.org/downloads>

While government's budgeted funding towards the health sector has been steadily increasing, which is commendable, and proportions against government funding by donors has been declining, the contributions from just the three donors remain significant. The need for innovative domestic financing solutions has become even more critical with what is going on globally, including the temporary freeze by the Trump administration.





5. Future outlook of donor funding in Zambia

Evolving geopolitical dynamics, including the influence of major economies like the US, and the growing importance of economic self-reliance have introduced both risks and opportunities. We present these below.

- 1. Decreased external funding:** the "America first" policy under Trump and similar nationalist sentiments in other countries have made international aid less of a priority. With the US reducing its foreign aid budget during Trump's tenure and some European countries following suit, Zambia faces the risk of diminished support from traditional donors. The global trend towards protectionism and shifting foreign policy priorities by donor nations means that the flow of concessional aid, grants and low-interest loans might or will be reduced.
- 2. Increased dependence on debt:** with international funding sources becoming more selective, Zambia might turn to international capital markets to meet its financing needs. This could increase Zambia's external debt burden, especially given the growing trend of borrowing in US dollars and the fluctuating exchange rates. The country's recent challenges in meeting debt obligations raise concerns about the sustainability of such borrowing and the potential for debt distress.
- 3. Foreign direct investment potential:** despite the risks, Zambia could still benefit from foreign direct investment, especially in key sectors such as mining, agriculture and infrastructure development. However, the attractiveness of Zambia's market could be reduced due to global economic uncertainty and the less favourable investment climate in some countries. Additionally, shifts in trade relationships, especially with China (Zambia's largest creditor and investor), could impact the availability of foreign direct investment and the terms under which it is provided.
- 4. Bilateral and multilateral funding sources:** while traditional Western donors might be less reliable, Zambia could increasingly turn to alternative sources, such as China, India and other emerging economies. These countries often provide financial support without the same political conditions imposed by Western nations. However, the dependence on these nations, especially China, comes with its own risks, especially given Zambia's high debt levels with Chinese creditors.
- 5. Impact of global economic trends:** global trends such as inflation, interest rate hikes and global recessions, triggered in part by the Covid pandemic, geopolitical tensions and rising costs in developed nations, could further strain the availability of financial resources for Zambia. The uncertain global environment, including trade disruptions, rising fuel prices and inflationary pressures, could lead to slower economic growth and diminished foreign assistance.

Despite the above risks, Zambia continues to receive positive support from various partners. Several key factors and trends shape the outlook for donor funding in Zambia including:

- 1. Economic diversification:** donors are increasingly supporting Zambia's efforts to diversify its economy beyond copper mining. This includes investments in agriculture, renewable energy and infrastructure to create a more balanced and resilient economic structure.
- 2. Climate resilience:** with the increasing impact of climate change, donor funding is focusing on projects that enhance Zambia's resilience to natural disasters. This includes investments in renewable energy projects like solar power and initiatives to mitigate drought conditions. Zambia signed an Emission Reductions Purchase Agreement with the World Bank in June 2024 that unlocks up to US\$30 million in results-based payments for carbon credits generated from climate-smart agricultural practices, forest conservation and sustainable land use in the Eastern Province.
- 3. Energy extraction:** Zambia is working to diversify its energy mix and stabilise power supply, including attracting private investments through programmes like the Scaling Solar Programme. The World Bank is supporting energy projects such as the Zambia-Tanzania Interconnector Project to improve energy access and boost economic growth
- 4. Health and education:** donors continue to prioritise health and education sectors. For example, the World Bank has committed significant funding under the ZEEP project to improve the quality of teaching and learning conditions in targeted primary and secondary schools and to increase access to secondary education focusing on girls. Meanwhile, the EU/Global Fund are funding programmes to combat HIV/AIDS, tuberculosis and malaria.
- 5. International partnerships:** Zambia is actively engaging in international partnerships to attract investments and support economic recovery. Bilateral investment treaties, like the ones with China and Japan, are expected to boost investments in key sectors. The IMF is providing financial support through the Extended Credit Facility arrangement to help restore macroeconomic stability and foster inclusive growth.
- 6. Debt restructuring:** ongoing debt restructuring efforts are crucial for Zambia's economic recovery. Donor funding is supporting these efforts to restore macroeconomic stability and create a conducive environment for growth. The African Development Bank is providing loans and financial assistance to support economic reforms and governance.





6. Conclusion

This report offers an in-depth analysis of Zambia's donor landscape, examining the impact of donor aid on various sectors and the outlook of donor funding in the country. It underscores the crucial role that donor contributions play in shaping Zambia's development trajectory, with cooperating partners instrumental in areas such as health, education, economic development, energy, governance and climate resilience.

The findings reveal a sustained commitment from major donors like the US government, the Global Fund, the World Bank, and the EU, with targeted investments aimed at addressing systemic challenges and supporting national priorities. However, changes in donor priorities, disruptions caused by the Trump administration and other donors alike, as well as potential funding cuts pose risks to the long-term sustainability of development efforts reliant on donor aid.

From the government's perspective, Zambia is making progress in improving fiscal management and increasing domestic revenue, with the goal of reducing dependence on external aid. Policies focused on economic diversification, public-private partnerships and institutional strengthening are essential for maintaining development gains. Nonetheless, challenges such as debt management, governance reforms and climate resilience require ongoing efforts and collaboration between the government, donors and the private sector.

Looking ahead, the donor funding landscape is expected to evolve, with a greater emphasis on self-sufficiency, efficiency and innovative financing mechanisms. Strengthening local institutions, enhancing accountability and fostering sustainable economic growth will be crucial for Zambia to navigate potential funding shifts while continuing to advance its development agenda.



7. Appendix

7.1 Taxation considerations for NGOs

Taxation can have a significant impact on donor funds by affecting both the amount of funds available for charitable contributions and the incentives for donors to give the funds. When taxes are levied on donations, the net amount received by the charitable organization is reduced, thereby limiting the resources available for their programs and initiatives. Additionally, tax policies that provide tax incentives can encourage more giving by reducing the effective cost of donating. Conversely, the absence of such incentives may discourage potential donors, leading to a decrease in overall contributions.

With this in mind, it is important for donors and recipients of the donations to have an appreciation of the tax treatment of the donations as well as the direction that the government is taking with respect to taxation and how the structure and implementation of tax laws play a crucial role in shaping the landscape of philanthropic funding.

We provide below tax treatment applicable to donor funds and the recipients of such donations, along with key highlights on government revenue mobilisation:

Revenue mobilisation highlights

Government has set a strategic goal to finance a significant portion of its expenditure through domestic revenue mobilisation initiatives. This approach emphasises the importance of both direct and indirect taxes in securing government funding.

This means that the Zambia Revenue Authority (ZRA) is focusing on ensuring taxpayers across all industries are fully compliant for tax purposes. Several measures have been introduced / observed recently, including:

- Increased taxpayer compliance checks with a focus on using automation and online data matching for enhanced and quick tax risk assessments.
- Heightened tax audit activity / assessments across all key tax types.
- More stringent compliance requirements, such as making it mandatory for organisations to demonstrate full tax compliance before being issued tax clearance certificates.
- The requirement of having a valid tax clearance certificate to be able to complete various business transactions.

This compliance drive means NGOs must ensure that they are fully compliant for tax purposes to avoid business disruption and effectively manage tax risks.

Taxation of NFPs in Zambia

Not-for-profit organisations (NFPs) in Zambia are subject to various tax obligations and requirements, depending on their legal status, activities, sources of income and expenditure. Here we provide an overview of the tax regime for NFPs in Zambia in 2025.

Types and categories of NFPs in Zambia

NFPs in Zambia can be classified in four main categories:

- **Intergovernmental or governmental organisations (IGOs)**, such as the UN and its agencies, the African Union and its agencies, COMESA, donor agencies, etc. These organisations are usually established by treaties or agreements between states or international bodies and enjoy diplomatic immunities and privileges under the Diplomatic Immunities and Privileges Act.
- **International non-governmental organisations (INGOs)**. These organisations are usually registered in foreign countries and operate in Zambia under the NGO Act or other relevant legislation. They may or may not have public benefit organisation (PBO) status, which grants them certain tax exemptions under the Income Tax Act.
- **Contractors in the IGO/INGO space**. These are for-profit entities that work in the NGO sector as implementing partners or service providers for IGOs or INGOs. They may or may not benefit from the tax exemptions or reliefs granted to their funders or sponsors, depending on the terms of their contracts or agreements.
- **Local non-governmental organisations**, such as civil society organisations, charities, religious organisations, etc. These are organisations that are registered and operate in Zambia under the NGO Act or other relevant legislation. They may or may not have PBO status, which grants them certain tax exemptions under the Income Tax Act.



Taxation of NFPs in Zambia

NFPs in Zambia are subject to direct and indirect taxes depending on their legal status, activities and sources of funding. Direct taxes are taxes on income, such as corporate income tax (CIT) and personal income tax (PIT) or pay as you earn (PAYE). Indirect taxes are taxes on expenditure, such as value added tax (VAT) and customs duty.

• Corporate income tax

Corporate income tax (CIT) is a tax on the profits or income of a company or organisation generally at a rate of 30%. However, exemptions or reduced rates apply to certain NFPs. IGOs are generally exempt under the Diplomatic Immunities and Privileges Act or statutory instruments (SIs). INGOs may be exempt if they have PBO status or obtain CIT exemption via SIs. Contractors may be exempt if specified in development contracts with the Government of Zambia. Local NGOs may also be exempt if they have PBO status or obtain CIT exemption via SIs.

• Personal income tax and pay as you earn

PIT is a tax on an individual's income, while PAYE is a withholding tax on employee income. Rates range from 0% to 37%.

IGOs are generally exempt from operating a PAYE scheme under the Diplomatic Immunities and Privileges Act or SIs. Foreign nationals employed by IGOs are generally exempt from PIT on income earned from their services, but local employees are not. INGOs must operate a PAYE scheme unless exempted by SIs. Contractors must also operate a PAYE scheme unless exempted by development contracts. Local NGOs must operate a PAYE scheme, and neither foreign nationals nor local employees are exempt from PIT or PAYE.

- **Value added tax**

VAT is a tax on the consumption of goods and services at a standard rate of 16%. IGOs are generally exempt (or more appropriately, zero-rated) or relieved from VAT under the Diplomatic Immunities and Privileges Act or SIs. INGOs may be exempt if they have PBO status or obtain VAT exemption via SIs. Contractors may be exempt if specified in development contracts. Local NGOs may also be exempt if they have PBO status or obtain VAT exemption via SIs. The VAT Act provides for zero rating of supplies to privileged persons and exemption of VAT at importation for goods enjoying remission, rebate or refund of duty.

- **Customs duty**

Customs duty is a tax on the importation of goods into Zambia, levied at various rates. IGOs are generally exempt or relieved from customs duty under the Diplomatic Immunities and Privileges Act or SIs. INGOs may be exempt if they have PBO status or obtain customs duty exemption via SIs. Contractors may be exempt if specified in development contracts. Local NGOs may also be exempt if they have PBO status or obtain customs duty exemption via SIs. The Customs and Excise Regulations provide for rebate, refund or remission of duty for goods imported for specific programmes and associated technical staff.

Tax exemptions and concessions

Some NFPs may be eligible for tax exemptions or concessions from ZRA under certain conditions and procedures. The main tax exemptions and concessions for NFPs are:

- **International NFPs:** international NFPs are generally taxable and required to operate a PAYE scheme. However, exemptions from PAYE are available for employees of international NFPs on the condition that they obtain a ministerial SI from the Minister of Finance. Foreign nationals or employees are generally taxable unless exempt under the ITA or by way of an SI. Under the ITA, the exemption applies if the foreign nationals or employees meet the following conditions:
 - They are not Zambian citizens;
 - They are temporarily employed in Zambia on a technical assistance project provided by a foreign country, international organisation, or agency;
 - The exemption to tax on their emoluments (or such part of the emoluments as may be specified) is authorised under the terms of an agreement; and
 - The agreement must be entered into between the organisation and the Government of the Republic of Zambia (GRZ).



- **Under an SI**, the exemption applies if the foreign nationals or employees are employed by an International NFP that has been granted tax exemption status by the Minister of Finance.
- **Local NGOs:** Local NGOs are required to register for PAYE and operate a PAYE scheme. However, local NGOs who have been granted PBO status can enjoy exemptions on certain taxes as provided for in the SI. Such an exemption would only apply to income that is related to charitable work and not to income generated from other sources of income / business activities.

Recent Tax Legislative Changes

Key recent tax changes, effective 1 January 2025, that may also impact NFPs, include the following:

- **Advance Income Tax (AIT):** Taxpayers exporting goods or making large remittances without a Tax Clearance Certificate must pay a 15% advance income tax.
- **Taxpayer Identification Number (TPIN) Requirement:** Taxpayers need a TPIN to transact with the following:
 - Water utility companies
 - Mobile money and network operators
 - National Health Insurance and Pension Scheme Authorities
 - Professional bodies
 - Local Authorities
- **Tax Clearance Certificate Requirement:** Taxpayers must have a valid Tax Clearance Certificate to undertake the following transactions:
 - Property transfers
 - Vehicle registration or changes
 - Issuance of various licenses and permits
 - Transactions with various entities
 - Membership registration and renewal with professional bodies
- **Income Tax Exemption for Collective Investment Schemes:** The income tax exemption was extended to Private Funds, benefiting taxpayers involved in such schemes.
- **Deduction for Approved Funds:** Taxpayers can deduct contributions to approved funds when determining taxable income.



- **Skills Development Levy Deduction:** Taxpayers can deduct Skills Development Levy from their taxable income.
- **Mobile Money Transaction Levy:** NFPs using mobile money services will incur a levy on transfers, ranging from ZMW 0.16 to ZMW 3.60.

These changes require NFPs to ensure they comply with new requirements to avoid business disruption and proactively manage any tax risks.

Many NFPs are aware of the recent tax legislative changes, while some are not. The main sources of information include ZRA publications, media reports, professional advisers, and peer networks. The main impacts of the recent tax legislative changes for the NFPs include increased tax costs and increased administrative compliance requirements.

Caveat

The information above is general information and does not constitute tax advice. Please reach out to us, should you need tax advice.

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