

## AFRICA RISK CONSULTING

### Zambia Monthly Briefing July 2016

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#### Zambia Summary 25 July 2016

*The Electoral Commission of Zambia (ECZ) suspends all political campaigning from 10 to 18 July for the 11 August general election in two areas, including capital Lusaka. The ECZ is making good on its promise in June to halt campaigning if electoral violence continues. Police arrest 28 activists of the opposition United Party for National Development (UPND) at the home of party deputy leader Geoffrey Mwamba, and claim to find petrol bombs and machetes. Police have yet to bring any charges. The UPND and ruling Patriotic Front (PF) attend a 'peace treaty' at the ECZ on 25 July, but campaigning intensifies for the final few weeks before the election. London Stock Exchange (LSE)-listed private equity firm Atlas Mara purchases 100% of Finance Bank Zambia for \$61m and 3.3 million shares in Atlas Mara stock on 1 July.*

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#### ECZ suspends campaigning after political violence continues

The **Electoral Commission of Zambia (ECZ)** suspended all political campaigning for the 11 August general election in two areas, including capital **Lusaka**, from 10 to 18 July.<sup>1</sup> The ECZ threatened to suspend campaigning following reports of violence in June, and made good on its promise after incidents continued to occur. The ECZ also suspended campaigning in **Namwala**, a region south of the capital.<sup>2</sup> The suspension prevented political parties from holding public rallies, meetings and processions and includes a ban on door-to-door campaigning.<sup>3</sup> The ECZ also requested that campaigners park all official vehicles carrying political messages and slogans for the duration of the ban.<sup>4</sup> The ECZ released a statement saying:

*"The commission appeals to all political party leaders to counsel and control their cadres in the interest of making peace in our country...Campaigns shall be restricted to electronic and print media publicity and hate speech will not be entertained."<sup>5</sup>*

The ban on campaigning came a day after police in Lusaka shot a supporter of the opposition **United Party for National Development (UPND)**. UPND supporters attacked police who had prevented them from holding a rally.<sup>6</sup> They also clashed with supporters of the ruling **Patriotic Front (PF)** party.<sup>7</sup> Violence between police and campaigners had escalated at a rapid rate prior to this incident and the death could have been a trigger point for a further escalation. The ECZ said that it had received reports of violence in other areas of southern Zambia and warned party leaders that it would ban campaigning there as well if violence did not cease.<sup>8</sup>

Electoral violence continues to be a contentious issue following the end of the ban. The UPND formally complained to the ECZ that PF supporters were harassing its local organisers in **Kasama, Northern Province**.<sup>9</sup> PF supporters reportedly carried banners declaring UPND candidate **Haka inde**

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<sup>1</sup> Lusaka Times, 10 Jul 2016.

<sup>2</sup> Lusaka Times, 10 Jul 2016.

<sup>3</sup> Lusaka Times, 10 Jul 2016.

<sup>4</sup> Lusaka Times, 10 Jul 2016.

<sup>5</sup> ECZ statement, 9 Jul 2016.

<sup>6</sup> Lusaka Times, 10 Jul 2016.

<sup>7</sup> Lusaka Times, 10 Jul 2016.

<sup>8</sup> ECZ statement, 9 Jul 2016.

<sup>9</sup> UPND statement, 22 Jul 2016.

**Hichilema** was a Satanist, and coffins bearing his image.<sup>10</sup> The UPND argues that this constitutes hate speech and should lead to a further ban on PF campaigning.<sup>11</sup> According to political analysts in Zambia:

*“There are cadres on both sides that are stirring their supporters up into a frenzy, they want them to attack the others in order to win some sort of local victory...it is national shame that the party leadership does nothing to stop this, they all say they don’t support it but neither punish nor remove the activists and local leaders that carry it out.”<sup>12</sup>*

### Campaigning intensifies following UPND activist arrest

Police arrested 28 UPND activists in Kasama on 20 July.<sup>13</sup> The arrests took place at the house of UPND deputy leader **Geoffrey Bwalya Mwamba**.<sup>14</sup> Mwamba released a statement to the media claiming police had forced their way into his house at 5am, breaking down the doors and firing teargas into the living areas.<sup>15</sup> Mwamba was not present at the time but his wife and other relatives were in the house.<sup>16</sup> Mwamba said that the activists had gathered to protect his house from PF activists who had gathered at a rally nearby and planned to attack his house later that evening.<sup>17</sup> He also claimed the police were overly vigilant as president **Edgar Lungu** (2015-present) was visiting the area.<sup>18</sup>

Police claim that the activists had gathered at Mwamba’s house to attack the aforementioned PF rally and arrested them on suspicion of rioting and making petrol bombs.<sup>19</sup> Northern Province police commissioner **Bonnie Kapeso** said that they found the activists tearing down PF posters near the party’s rally, and followed them to Mwamba’s house. The police also allege that the UPND supporters attacked them with stones and that they had to breach the house after the activists retreated inside.<sup>20</sup> Kapeso told the media that they found seven petrol bombs as well as machetes in the house.<sup>21</sup> Police have yet to charge the activists, but Kapeso told the media *“we will see where we can pin their case according to the law”*.<sup>22</sup> According to a source with ties to the UPND this amounts to police interference:

*“The police arrested the activists, took whatever they could find from the house as evidence and are now searching for what they can pin on them. This is not investigating a crime, or even stopping a crime – the police are harassing the UPND on behalf of the president and the PF.”<sup>23</sup>*

The UPND has accused the PF and police of colluding to prevent the UPND from campaigning.<sup>24</sup> The PF has accused the UPND of orchestrating widespread electoral violence across the country.<sup>25</sup> The lifting of the ECZ ban on campaigning on the 18 July has led to a rapid series of rallies in Lusaka and **Southern Province**, and both leaders have also visited the crucial copper-producing **Copperbelt Province** in the north of the country.<sup>26</sup> Both parties attended a ‘peace treaty’ meeting at the ECZ in Lusaka on 25 July, where president and PF candidate Lungu led the party leaders and attending

<sup>10</sup> UPND statement, 22 Jul 2016.

<sup>11</sup> UPND statement, 22 Jul 2016.

<sup>12</sup> Source, director of a think-tank, Lusaka

<sup>13</sup> Zambia Reports, 20 Jul 2016.

<sup>14</sup> Zambia Reports, 20 Jul 2016.

<sup>15</sup> Zambia Reports, 20 Jul 2016.

<sup>16</sup> Zambia Reports, 21 Jul 2016.

<sup>17</sup> Zambia Reports, 20 Jul 2016.

<sup>18</sup> Zambia Reports, 20 Jul 2016.

<sup>19</sup> Reuters, 20 Jul 2016.

<sup>20</sup> Reuters, 20 Jul 2016.

<sup>21</sup> Reuters, 20 Jul 2016.

<sup>22</sup> Kapesa in Zambia Reports, 21 Jul 2016.

<sup>23</sup> Source, UPND press officer, Lusaka

<sup>24</sup> UPND press release, 22 Jul 2016.

<sup>25</sup> PF press release, 23 Jul 2016.

<sup>26</sup> Lusaka Times, 25 Jul 2016.

supporters in prayers for peace during the final few weeks of campaigning.<sup>27</sup> However, the struggle for support continues. The former ruling **Movement for Multiparty Democracy (MMD)** party has split over which candidate to support.<sup>28</sup> The party is divided between former leader **Nevers Mumba** who supports Hichilema and current leader **Felix Mutati** who supports the PF.<sup>29</sup> Mumba took Mutati and the leadership to court to try and wrest back control of the party, but the **Lusaka High Court** rejected his petition on 21 July.<sup>30</sup> Analysts in Zambia say that the election is still close, but the PF appears to have the upper hand:

*“Lungu has the incumbent’s advantage, and the ban on campaigning may actually have worked in his favour. He used the media and the internet to keep the campaigning up even when the ECZ banned it, and because he shut down the **Post** (see ARC Briefing Zambia June 2016) – which was the primary newspaper against him – the UPND had no answer.”<sup>31</sup>*

### Atlas Mara acquires Finance Bank Zambia

**London Stock Exchange (LSE)**-listed finance group **Atlas Mara** acquired 100% of **Finance Bank Zambia (FBZ)** on 1 July.<sup>32</sup> The acquisition expands Atlas Mara’s reach in Zambia and **Southern Africa**, where it has significant assets. Atlas Mara acquired the bank for \$61m as well as 3.3 million shares in Atlas Mara (not including a deferred contingent consideration of up to 1.3 million further Atlas Mara shares).<sup>33</sup> The fund will combine FBZ with its existing subsidiary **BancABC Zambia**.<sup>34</sup> The new venture will have combined assets of approximately \$567m.<sup>35</sup> The acquisition shows a level of confidence in Zambia as a mature market for commercial banking services:

*“Everyone is avoiding Zambia at the moment because the currency is low and we do not know what is going to happen in the election, but Atlas are expanding their reach and banking on Zambia’s consumer markets to drive the value of the FBZ acquisition – although to be honest on a \$60m acquisition they stand to lose little value anyway.”<sup>36</sup>*

Atlas purchased the bank from its existing shareholders: two private Zambia-based funds that belong to former FBZ chair **Rajan Mahtani**.<sup>37</sup> Mahtani had to sell the bank after prosecutors charged him with two counts of criminal forgery relating to an illegal 75% stake he held in the bank.<sup>38</sup> Atlas announced on 6 July that it would appoint **Benjamin Dabrah** as the managing director of FBZ.<sup>39</sup> Dabrah is a former chief risk officer of **South Africa**-based **Standard Chartered Bank Africa**.<sup>40</sup> Dabrah is an experienced emerging markets manager who served as managing director of **Barclays Bank Ghana** during a rapid expansion in its operation and user base.<sup>41</sup> The source adds:

*“We [a South Africa-based financial institution] are watching FBZ closely, Zambia is an easy market for us to reach but we need precedent for investment success to move anything past the investment committee at the moment.”<sup>42</sup>*

<sup>27</sup> Lusaka Times, 25 Jul 2016.

<sup>28</sup> Zambia Daily Mail, 21 Jul 2016.

<sup>29</sup> Zambia Daily Mail, 21 Jul 2016.

<sup>30</sup> Zambia Daily Mail, 21 Jul 2016.

<sup>31</sup> Source, director of a think-tank, Lusaka

<sup>32</sup> Reuters, 1 Jul 2016.

<sup>33</sup> Reuters, 1 Jul 2016.

<sup>34</sup> Reuters, 1 Jul 2016.

<sup>35</sup> Reuters, 1 Jul 2016.

<sup>36</sup> Source, financial markets analyst, South Africa

<sup>37</sup> Open Zambia, 10 Jun 2015.

<sup>38</sup> Open Zambia, 10 Jun 2015.

<sup>39</sup> Business Day, 6 Jul 2016.

<sup>40</sup> Business Day, 6 Jul 2016.

<sup>41</sup> Business Day, 6 Jul 2016.

<sup>42</sup> Source, financial markets, analyst, South Africa

Former **Barclays Capital** CEO **Bob Diamond** and UK-based entrepreneur **Ashish Thakkar** are the founding partners of Atlas Mara.<sup>43</sup> They set up the fund in 2013 to invest in financial institutions across Africa.<sup>44</sup> It has struggled to get off the ground and posted a \$6.7m loss in the first quarter of 2016, primarily due to local currency devaluation.<sup>45</sup>

### Implications

The ECZ has probably prevented further deaths on the campaign trail by suspending campaigning in Lusaka and Namwala for 10 days. It also demonstrates the independence of the body in being willing to do so against the interests of the current government. The UPND has claimed that the PF orchestrated the ban to take advantage of its more supportive media, but the PF has lost more than it has gained from being unable to hold rallies in and near the capital.

However, the ban may contribute to a PF victory. The election is still likely to be close and there are no recent official polls. However, sources report that the feeling within the press corps is that the PF is likely to win. The shift of power within the MMD has helped to push their support across the country, and the PF is successful in portraying the UPND as the more guilty party in the electoral violence. However, with several weeks of campaigning left there is still time for this to change.

Atlas Mara's acquisition of FBZ shows that investors with an appetite for risk are willing to put their money behind the Zambian economy. Diamond and Thakkar are experienced investors who clearly see the potential to profit from Zambia's economy. They have leveraged the price of FBZ down due to Mahtani's continuing criminal trial, minimising the risk. If their gamble plays off it could lead other more wary investors to buy into the economy, especially while the kwacha remains weak and the dollar strong. The view of South African investors on the viability of the Zambian market is particularly interesting – with the kwacha and the rand weak it could become a popular investment target. This will draw much needed cash flows into the Zambian economy.

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<sup>43</sup> [www.atlasmara.com](http://www.atlasmara.com)

<sup>44</sup> [www.atlasmara.com](http://www.atlasmara.com)

<sup>45</sup> Wall Street Journal, 26 May 2016.

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