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The Electoral Commission of Zambia (ECZ) declares opposition United Party for National Development (UPND) leader Hakainde Hichilema winner of Zambia's 12 August presidential election. President Edgar Lungu (2015-present) concedes defeat after Hichilema's landslide victory, despite initially claiming the elections were not free and fair. The International Monetary Fund (IMF) Board grants Zambia \$1.3 billion Special Drawing Rights (SDR). The Bank of Zambia (BoZ) (central bank) clarifies the recent appreciation of the kwacha. State-owned energy supplier Zesco Ltd's power cuts force the mining sector to use emergency power in order to continue operations. Zambia receives assistance from the World Health Organisation (WHO) COVAX vaccine programme as it continues to struggle with the impact of the Covid-19 pandemic.

Landslide victory for opposition leader Hichilema

Opposition **United Party for National Development (UPND)** leader **Hakainde Hichilema** secured a landslide victory over incumbent **Edgar Lungu** (2015-present) in **Zambia's** 12 August presidential elections. The peaceful transition of power is seen as a victory for **African** democracy amid hopes that Zambia can reclaim its reputation as a regional force for stability and progress. **Electoral Commission of Zambia (ECZ)** chair **Esau Chulu** announced on 16 August that Hichilema had obtained 2,810,777 votes against Lungu's 1,814,201, with one constituency yet to be counted.¹ Hichilema supporters across Zambia celebrated the presidential victory – the successful culmination of six electoral attempts.

President Lungu cried foul while the ECZ was still counting votes, claiming that the election was not "free and fair" amid violent attacks against agents of his **Patriotic Front** party in three provinces.² However, with the outcome becoming increasingly clear, Lungu conceded defeat and congratulated Hichilema, marking the third time that power has shifted peacefully from a ruling party to the opposition since independence from the **United Kingdom (UK)** in 1964.³ In a show of unity, Lungu met with President-elect Hichilema along with **African Union (AU)** observers on 16 August, surprising some analysts and setting an example for leaders who cling to power at any cost.⁴

International observers declared the vote free and fair and commended the transparency and peaceful organisation at the polls while condemning the restriction of freedom of assembly and movement during the election campaign.⁵ Security forces had blocked Hichilema from campaigning in several areas, citing breaches of **Covid-19** pandemic measures, while Lungu was allowed to evade the restrictions.⁶ The government deployed troops to curb escalating violence ahead of the election in Lusaka, as well as northern and southern **Muchinga** provinces, where PF and UPND supporters clashed.⁷ Despite challenges in the buildup to the election, a record 70% of eligible voters cast their vote.⁸

¹ Al Jazeera, 16 Aug 2021

² Lusaka Times, 15 Aug 2021

³ BBC, 16 Aug 2021

⁴ Source, analyst, Zambia

⁵ Al Jazeera, 16 Aug 2021

⁶ Source, analyst, Zambia

⁷ AL Jazeera, 1 Aug 2021

⁸ Daily Maverick, 15 Aug 2021

Several analysts claim the political transition is a victory for democracy, saying Lungu was becoming increasingly authoritarian in his six years in office. Some see the resounding support for Hichilema as a protest vote against unemployment, the struggling economy, Lungu's handling of public debt and borrowing to fund infrastructure projects, and increasing crackdowns on dissent.⁹ Many Zambians were seeking change and relief from the economic impact of the Covid-19 pandemic. The majority of voters were below the age of 30.¹⁰

... with economic recovery high on the agenda

When the celebrations subside, Hichilema faces the daunting task of stimulating Zambia's economy, navigating debt talks with Eurobond holders, creating jobs for the youth, mending strained relations with the mining community and uniting a country that has become deeply divided.¹¹ Annual inflation is the highest in two decades at nearly 25%, and the economy is forecast to only narrowly avoid a second consecutive contraction this year. In his opening address to the nation, Hichilema promised democratic reforms, investor-friendly economic policies, better debt management and "zero-tolerance" for corruption.¹² Hichilema is well qualified to tackle the challenge – before turning to politics, he led the Zambian operations of financial services consultancy **Coopers and Lybrand**, later part of **PricewaterhouseCoopers** and **Grant Thornton**.¹³ Addressing a crowd in **Lusaka** on 16 August, Hichilema noted,

*"It is in no doubt what the instruction is to all of us (that you) ... elect us to office at a very difficult time (...) we will not let you down."*¹⁴

The margin of victory gives Hichilema a strong mandate from the Zambian people, particularly to bolster his main electoral promise to deal with the country's debt. This will allow Hichilema to undertake reforms needed to revive the economy.¹⁵ His other challenge will be to strike a deal with the **International Monetary Fund (IMF)** for a bailout.¹⁶ Although the Eurobond default was driven by depressed commodity prices, which drove Zambia into recession before the pandemic, Covid-19 has exacerbated the economic fallout.¹⁷ However, Hichilema's business background is more market friendly than that of his predecessor, and analysts believe this will play in his favour when it comes to landing a deal the IMF.¹⁸

Investors and the IMF will welcome the election outcome and resolution of political uncertainty.¹⁹ Markets reacted positively to news of Hichilema's electoral victory, with Zambia's \$1 billion of Eurobonds due in 2024 jumping 8.7% to 72.1 cents on the dollar in **London** (UK) on 16 August, the largest gain since June 2020. The kwacha strengthened nearly 1% against the **United States (US)** dollar.²⁰ Higher copper prices may also give Hichilema room to manoeuvre.²¹

Hichilema is targeting growth of more than 10% within the first five years of his presidency, focusing on shoring up the mining sector, bolstering agriculture growth, and advancing construction and manufacturing industries.²² However, analysts caution that he will have to strike a balance between stimulating the economy and satisfying IMF austerity measures. The government may need to cut

⁹ Source, analyst, Zambia

¹⁰ Source, analyst, Zambia

¹¹ Source, analyst, Zambia

¹² DW, 16 Aug 2021

¹³ DW, 16 Aug 2021

¹⁴ Lusaka Times, 16 Aug 2021

¹⁵ Source, analyst, Zambia

¹⁶ Bloomberg, 16 Aug 2021

¹⁷ Bloomberg, 16 Aug 2021

¹⁸ Source, analyst, Zambia

¹⁹ Source, analyst, Zambia

²⁰ Reuters, 16 Aug 2021

²¹ Bloomberg, 16 Aug 2021

²² Bloomberg, 16 Aug 2021

energy and farm subsidies, which have depleted its coffers in recent years but been a lifeline for many poor Zambians.²³

Zambia receives IMF funds ...

The IMF Board granted Zambia \$1.3 billion **Special Drawing Rights (SDR)** on 2 August.²⁴ The SDR will assist Zambia in reaching the goals set out in the **Economic Recovery Programme (ERP)** and bolster economic growth.²⁵ The three-year credit facility is expected to help plug a budget deficit of around 7%. Zambia has suffered from the steep commodity price drop of recent years and the SDR funds double its foreign exchange reserves.²⁶ The increase in reserves will help build external resilience and support current relative stability in the foreign exchange market. This, in turn, is expected to facilitate foreign and domestic investment flows.²⁷

Zambian representatives, including **Treasury** secretary **Fredson Yamba**, **Bank of Zambia (BoZ)** (central bank) governor **Christopher Mvunga** and other senior government officials attended a virtual meeting to discuss IMF disbursement modalities. Yamba reiterated the government's aim to use the funds in accordance with prudent fiscal management principles through the consultative **Medium-Term Expenditure Framework (MTEF)** and the national budget. The government will undertake special accounting procedures and report on the utilisation of the proceeds in order to ensure effective checks and balances.²⁸ The SDR funds become effective from 23 August.

... as Bank of Zambia clarifies strengthening kwacha

The Bank of Zambia has come under growing public pressure to clarify the factors behind the recent strengthening of the kwacha against the US dollar.²⁹ While Zambia's weakening macro-economic environment exerted strong pressure on the kwacha in 2020, the kwacha has stabilised in 2021. Since 23 July, its year-to-date rate of depreciation against the US dollar has slowed to about 5%, compared to almost 30% depreciation over the corresponding period in 2020.³⁰ The kwacha was trading at K21.39 to the US dollar on 23 July, compared to K22.64 on 1 July, an appreciation of 5.5%.³¹ As of 17 August, the kwacha is trading K19.50 to the dollar.³²

The BoZ noted on 25 July that the stronger kwacha largely reflects changes in the supply of foreign exchange and expectations of further improvements in supply associated with SDR funds from the IMF, as well as improved prospects of a formal **Extended Credit Facility (ECF)** with the IMF and stronger copper prices. As of 13 August, copper is selling at \$9,429.50 per tonne, from a low price of \$475 per tonne in March 2020.³³ The copper bull market has contributed to sustained strong export earnings, improving foreign exchange liquidity back into the market and reducing excess demand experienced since mid-2020. As of 23 July, the BoZ had sold \$687.5m to the market compared to \$86.0m over the same period in 2020.³⁴

The Bank of Zambia said it has been able to build up international reserves, which stood at \$1.4 billion at the end of May 2021, compared to \$1.2 billion at end-March. The central bank reports it has continued with the local gold purchase programme, accumulating roughly \$22m in monetary gold as of 23 July. The improvement in the reserve position increases the country's ability to respond to unexpected external events and deal with volatility in the exchange rate.³⁵

²³ Source, analyst, Zambia

²⁴ IMF, 11 Aug 2021

²⁵ Lusaka Times, 11 Aug 2021

²⁶ Lusaka Times, 11 Aug 2021

²⁷ Lusaka Times, 11 Aug 2021

²⁸ Lusaka Times, 11 Aug 2021

²⁹ Lusaka Times, 28 Jul 2021

³⁰ Times of Zambia, 25 Jul 2021

³¹ BoZ, 25 Jul 2021

³² Bank of Zambia, accessed 17 Aug 2021

³³ LME, 13 Aug 2021

³⁴ BoZ, 25 Jul 2021

³⁵ BoZ, 25 Jul 2021

BoZ monetary policy remains focused on containing escalating inflation back to the target range of 6-8% over the medium term. The BoZ says full implementation of Zambia's Economic Recovery Programme, including the secured IMF loan, is crucial in addressing macroeconomic challenges and supporting sustainable and job-creation growth.³⁶

Power blackouts hit mines ...

A power blackout on 8 August forced mining companies to shut down operations briefly and transition to emergency diesel-generated electricity to continue operations at mines. The blackout highlights the government's increasing challenge in meeting rising demand for electricity, particularly amid a bull market in copper mining. Blackouts are commonplace in Zambia, with increased energy capacity needed in the mining areas where open pit mines are located. Open pit mines consume large quantities of energy and backup generators are generally insufficient for operations.

State-owned electricity company **Zesco Ltd** said it had worked to correct the system failure that caused the blackout.³⁷ **Zambian Chamber of Mines (ZCM)** president **Godwin Beene** announced on 12 August that operations had returned to normal following the blackout, which affected operations across the mining industry.³⁸ Beene said miners had completed their shifts mainly without incident, except for an open-pit mine in **Northwestern Province**. Beene noted that the standby arrangements of ZCM member **Copperbelt Energy Corporation (CEC)** had successfully kicked in for mining operations in **Copperbelt Province**:

*"Emergency back-up supply was extended to all their client mine operators on the CEC network to preserve life, production, assets and infrastructure in the national interest."*³⁹

The outage affected **Konkola Copper Mines (KCM)**, subsidiary of UK-based **Vedanta Resources Limited**, although production at the **Nchanga** smelter continued after generators were switched on.⁴⁰ KCM said it had successfully locked the underground mine water control gates, ensuring water did not spill into critical operations areas. KCM is one of Zambia's largest mining companies, operating in **Chingola, Chililabombwe, Nampundwe** and **Kitwe**. Operations were halted at **Mopani Copper Mines Plc (MCM)**, jointly owned by **ZCCM-Investment Holdings, Switzerland-based Glencore** and **Canada-headquartered First Quantum Minerals Ltd**; however, production continued once emergency diesel power generators kicked in.⁴¹

Unreliable power supply will continue to pose operational risks for the mining sector and for the economy at large.⁴² The power cuts, if not dealt with effectively, will hinder Zambia's ability to take full advantage of higher copper prices.

... and Covid-19 challenges continue

Despite falling rates of new cases of Covid-19, Zambia continues to grapple with the pandemic's pressure on national health facilities. The average number of daily new infections fell by more than 630 over the three-week period from 27 July to 16 August, 23% of the previous peak. Zambia has recorded a total of 202,078 Covid-19 infections and 3,521 Covid-19-related deaths in its population of roughly 18.9 million, with 192,479 recoveries and 4,086 active cases.

The government is encouraging those who are willing to get a Covid vaccine to do so as soon as possible. Zambia received 100,000 doses of **Sinopharm** Covid vaccine from **China** on 7 August, while the **World Health Organisation (WHO)** and the **African Development Bank (AfDB)** have donated supplies worth approximately \$1 million to support Zambia's pandemic response.⁴³ The donation

³⁶ BoZ, 25 Jul 2021

³⁷ Reuters, 9 Aug 2021

³⁸ Lusaka Times, 12 Aug 2021

³⁹ Lusaka Times, 12 Aug 2021

⁴⁰ Reuters, 9 Aug 2021

⁴¹ Reuters, 9 Aug 2021

⁴² Source, analyst, Zambia

⁴³ WHO, 7 Aug 2021

included personal protective equipment, ventilators, laboratory reagents and test kits.⁴⁴ On 13 August, Zambia received 119, 2000 **AstraZeneca** vaccines from WHO **COVAX** vaccine alliance, donated by the UK.⁴⁵

The country is still facing restrictions and curfews to stem the spread of the coronavirus. Zambia's borders are open, but under tight restrictions. Tourist and business visitors' visas are available in advance and on arrival in Zambia. All visitors to Zambia must have proof that they have tested negative for Covid-19 in the 72 hours prior to their arrival. Visitors are responsible for monitoring their condition for 14 days after arrival and are required to report any Covid-19 symptoms they experience to medical authorities. Although all airports are open to flights, the availability of international flights remains limited.

Planner

18 Aug 2021 **Lusaka (Zambia) Bank of Zambia MPC** media briefing;
 15-16 Nov 2021 **Lusaka (Zambia) Bank of Zambia MPC** meets;
 17 Nov 2021 **Lusaka (Zambia) Bank of Zambia MPC** media briefing;

Chronology

15 Aug 2021 **Lusaka (Zambia) Times of Zambia**. The **Electoral Commission of Zambia (ECZ)** declares opposition leader **Hakainde Hichilema** presidential election winner, defeating incumbent **Edgar Lungu**;

12 Aug 2021 **Lusaka (Zambia) Netblocks**. Internet monitoring organisation **Netblocks** reports that multiple internet providers in **Zambia** have restricted access to social messaging platform **WhatsApp** amid the ongoing general election;

12 Aug 2021 **Lusaka (Zambia) Lusaka Times**. The **Zambia Chamber of Mines (ZCM)** states that ZCM member mining operations have returned to normal in the **Copperbelt Province**;

11 Aug 2021 **Lusaka (Zambia) Reuters**. **Zambia** to receive \$1.3 billion from the **International Monetary Fund (IMF)** in a three-year credit facility to help plug a budget deficit of around 7%;

11 Aug 2021 **Lusaka (Zambia) Reuters**. **Zambia Airways** will be in operation from 30 September, commencing domestic routes to **Livingstone, Ndola** and **Solwezi**, with additional regional routes to **Johannesburg (South Africa)** and **Harare (Zimbabwe)**;

10 Aug 2021 **Lusaka (Zambia) Diggers**. Finance ministry announces that **Zambia** has received \$1.3 billion from the **International Monetary Fund** to boost foreign reserves under the Special Drawing Rights facility;

1 Aug 2021 **Lusaka (Zambia) Times of Zambia**. President **Edgar Lungu** announces the deployment of the military to curb escalating political violence ahead of elections on 12 August;

27 Jul 2021 **Lusaka (Zambia) Reuters**. The **National Union of Miners and Allied Workers (NUMAW)** has defended Zambians' ability to run and operate mines, after the mine became the centre of political debate;

28 Jul 2021 **Lusaka (Zambia) Mining Weekly**. **Canada**-based copper miner **First Quantum Minerals** CEO **Tristan Pascall** says the company has shelved plans to sell a stake in its **Kansanshi** and **Sentinel** mines;

⁴⁴ WGI, 20 Jul 2021

⁴⁵ WHO, 13 Aug 2021

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