

AFRICA RISK CONSULTING

Zambia Monthly Briefing October 2017

Zambia Summary 18 October 2017

The government allows the partial state of emergency, invoked in July, to expire. President Edgar Lungu (2015-present) requests a meeting with the president of the Democratic Republic of the Congo (DRC), Joseph Kabila (2001-present), to discuss the increase in refugees fleeing violence in the DRC into Zambia. The finance minister, Felix Mutati, presents the 2018 budget to the national assembly. Zambia hopes that the new budget will help to convince the International Monetary Fund (IMF) to extend further funding, despite an IMF official's statement at its annual meeting that "no programme discussions will be held at the meeting".

Zambia ends partial state of emergency

The partial state of emergency, which President **Edgar Lungu** (2015-present) invoked on 5 July (see *ARC Briefing Zambia July 2017*), expired on 11 October. The justice minister, **Given Lubinda**, informed the national assembly on 11 October that the partial state of emergency would expire at midnight.¹ Lungu first invoked the partial state of emergency to deal with reported acts of sabotage, which included a market fire on 4 July that killed three people. An act of parliament extended the partial state of emergency on 11 July for a further 90 days.² The ruling **Patriotic Front (PF)**, which holds the majority in parliament, allowed the partial state of emergency to expire, although Lubinda stressed that

"...the expiration should not be misconstrued as an invitation to break the law, as other laws stay in place."³

The main opposition party, the **United Party for National Development (UPND)**, stated that the decision to invoke the partial state of emergency harmed Zambia's image, as did the arrest and detention of UPND leader **Hakainde Hichilema** from April to August 2017.⁴ UPND spokesman, **Charles Kakoma**, stated that

"...there was no need for the state of emergency and that is why the government has not given us any serious update on people arrested for sabotage."⁵

The government's decision not to extend the partial state of emergency will help facilitate the proposed talks between Lungu and Hichilema, as agreed upon with **Commonwealth** secretary general **Patricia Scotland** before Hichilema's release from prison in August. Lungu and the PF faced fierce criticism, both domestically and internationally, due to the imposition of the partial state of emergency. **South African** opposition leaders **Mmusi Maimane** of the **Democratic Alliance** and **Julius Malema** of the **Economic Freedom Fighters** both stated they would not agree to a request to meet Lungu until the state of emergency was lifted. Media reports have not stipulated whether this meeting, initially proposed by Lungu on 19 August,⁶ will still occur. Lungu will require international support to deal with the influx of refugees from the **Democratic Republic of the Congo (DRC)** (see

¹ Africa News, 12 Oct 2017.

² News24, 12 Oct 2017.

³ Africa News, 12 Oct 2017.

⁴ Reuters, 11 Oct 2017.

⁵ Reuters, 11 Oct 2017.

⁶ News24, 19 Aug 2017.

below), as well as to secure the proposed **International Monetary Fund (IMF)** credit facility, for which negotiations have yet to begin (see below).

Edgar Lungu to meet with Joseph Kabila to discuss refugee crisis

President Lungu requested a meeting on 6 October with DRC's President **Joseph Kabila** (2001-present) to discuss the increase in refugees fleeing the DRC into Zambia.⁷ Lungu has also asked for international assistance to provide support and contain the crisis as currently approximately 500 refugees arrive from the DRC into Zambia, particularly into **Luapula Province**, every day.⁸ The total number of refugees from the DRC into Zambia since 30 August is roughly 3,360.⁹ Zambia's special assistant to the president for press and public relations, **Amos Chanda**, stated that,

*"The head of state has expressed concern over the influx of refugees running away from the political conflicts in the [DRC], and as a result the president held a high level meeting with [the] United Nations (UN) secretary-general, [Antonio Guterres], to engage the international community to assist [Zambia]."*¹⁰

A date for the meeting has yet to be set, though the proposed meeting with Kabila was verified by Zambia's foreign affairs minister, **Vincent Mwale**, who confirmed that the two leaders would meet "soon" meet to discuss the DRC crisis.¹¹

The **UN High Commission for Refugees (UNHCR)** stated that this is the highest influx of Congolese refugees into Zambia in the past five years and is the result of inter-ethnic clashes between security forces and militia groups in two DRC provinces, **Haut-Katanga** and **Tanganyika**.¹² The UN reports that 60% of the refugees arriving are children and that the refugees report "*extreme brutality, with civilians being killed, women raped, property looted and houses set alight.*"¹³ The UNHCR has reportedly begun work on a second transit facility to deal with the increased numbers,¹⁴ and UNHCR assistant high commissioner **Volker Türk** stated he would support Zambia to be among the pilot countries for the **Comprehensive Refugee Response Framework (CRRF)** that would provide support for the protection of refugees and guarantee their wellbeing.¹⁵

Zambia currently hosts roughly 59,195 refugees and asylum seekers, close to half of whom are from the DRC.¹⁶ Lungu said in June that the government will consider implementing a local integration programme to refugees who have resided in Zambia for 10 or more years, though Lungu did not state when this programme would commence.¹⁷ The international community has long praised Zambia for its acceptance of refugees from neighbouring countries, particularly from the DRC.¹⁸ Zambia also passed a progressive new law in June 2017 allowing displaced people to contribute meaningfully to the economy and increase their integration into Zambian society.¹⁹

Political analysts in Zambia are concerned that the instability in the DRC may overshadow the fragile local political dialogue process between Lungu and Hichilema.

"Hichilema insists that the dialogue process between him and Lungu does not mean recognising or legitimising Lungu's election or leadership, and maintains that he does not recognise Lungu as

⁷ The Southern Times, 6 Oct 2017.

⁸ Lusaka Times, 21 Sep 2017.

⁹ Reliefweb.int, 3 Oct 2017.

¹⁰ Lusaka Times, 21 Sep 2017.

¹¹ Southern African Times, 6 Oct 2017.

¹² www.un.org

¹³ www.un.org

¹⁴ www.un.org

¹⁵ ZNBC, 4 Oct 2017.

¹⁶ Polity, 22 Sep 2017.

¹⁷ Xinhua, 23 Jun 2017.

¹⁸ Multiple sources: Daily Nation, 3 Jun 2012; Daily Mail, 15 Jan 2015; Daily Nation, 23 Jun 2017.

¹⁹ Lusaka Times, 22 Jun 2017.

the legitimate president of Zambia.... This may discredit Lungu's attempts to play a prominent role in the mediation efforts in the DRC.”²⁰

Zambia unveils its 2018 budget

Finance minister **Felix Mutati** presented the 2018 budget speech to the national assembly on 29 September.²¹ The government projects 71.6 billion kwacha (K) (\$7.4 billion) expenditure for 2018.²² The budget is roughly 26% of Zambia's gross domestic product (GDP).²³ Mutati stated that the government plans to reduce the fiscal deficit to 6.1% in 2018 from 6.8% in 2017 and GDP growth is projected to increase to at least 5% in 2018, up from an estimated 4.3% in 2017.²⁴ Inflation is expected to remain stable between 6-8%.²⁵ Mutati stated that,

“...accelerating fiscal fitness is critical for sustained inclusive growth, diversification and job creation. In this regard, macro-economic objectives and policies for 2018 will include attaining domestic revenue mobilization of 17.7% of the GDP.”²⁶

The budget, which is a K7.1 billion (\$732.6m) increase on the 2017 budget,²⁷ would be financed mainly using domestic revenues (68.5%) and grants from donors (3.4%), while the balance would be financed by domestic and external borrowing.²⁸ The government is hoping that the IMF will approve a proposed programme having stated in June that it might grant a \$1.3 billion three-year credit facility to help manage Zambia's growing budget deficit (see *ARC Briefing Zambia June 2017*).²⁹ However, the IMF's representative in **Lusaka, Alfredo Baldini**, stated on 10 October that,

“IMF staff will be meeting the Zambian delegation at the IMF-World Bank annual meetings to discuss next steps. No substantive programme discussions will be held at the annual meetings.”³⁰

The budget allocates K8.7 billion (\$899m) for infrastructure projects.³¹ These include the rural roads connectivity programme and **Link Zambia 8000**, which the former president, **Michael Sata** (2011-2014), implemented in 2012 and which will provide over 8,000 kilometres of paved roads once completed.³² Mutati stated that no funds were allocated to the **Lusaka-Ndola** dual carriageway, which will be funded exclusively via the Public-Private Initiative and private sector participation.³³ The government projects a K6.8 billion (\$703.4m) expenditure in the health sector which will include adding 1,000 new health personnel and procuring essential drugs and medical supplies.³⁴ A further K2.1 billion (\$217.4m) will go towards the recruitment of security personnel and modernising law enforcement agencies.³⁵

This is the second budget presented under the government's **Economic Stabilisation and Growth Programme (ESGP)**, which commits to achieving a fiscal balance while working towards sustainable growth. Mutati outlined a budget that, in principle, is in line with the ESGP, though ultimately it is the implementation of the budget that is important. The IMF has stressed that the government needs to improve and increase its collection of domestic revenue and this budget is majority financed by

²⁰ Source, political analyst, Zambia

²¹ Lusaka Times, 30 Sep 2017.

²² Lusaka Times, 30 Sep 2017.

²³ Times of Zambia, 30 Sep 2017.

²⁴ Nasdaq, 29 Sep 2017.

²⁵ Nasdaq, 29 Sep 2017.

²⁶ Zambia Daily Mail, 30 Sep 2017.

²⁷ Times of Zambia, 30 Sep 2017.

²⁸ Nasdaq, 29 Sep 2017.

²⁹ Nasdaq, 29 Sep 2017.

³⁰ Bloomberg, 10 Oct 2017.

³¹ Zambia Daily Mail, 30 Sep 2017.

³² Zambia Daily Mail, 30 Sep 2017.

³³ Times of Zambia, 30 Sep 2017.

³⁴ Lusaka Times, 30 Sep 2017.

³⁵ Lusaka Times, 30 Sep 2017.

domestic taxes. The increase in copper prices, which recently traded at \$6,500 a tonne for the first time in almost three years, and a progressive mineral royalties scheme, have meant more company income tax is being paid from the mining sector, though non-mining companies are paying less, and their revenue contribution is not growing in tandem with their contribution to GDP.³⁶ Diminished revenues will impact the budget, either by ultimately decreasing funds for a sector, or increasing the amount which needs to be borrowed. In 2017, the government struggled to meet its expenditure targets, spending 5.6% more on its wage bill and 24% more on interest payments on domestic debt, which meant that the spending target for social benefits was also not met, but was 13.1% below target.³⁷ The increased interest payments were a result of the government not being able to meet its revenue collection targets and having to increase its domestic borrowing – from an initial cap of K3.8 billion (\$393.4m) to an eventual K6.6 billion (\$683.5m) borrowed by June 2017.³⁸

Planner

2021 **(Zambia)** Scheduled presidential elections;
 21-22 Jun 2018 **Lusaka (Zambia)** 8th annual Zambia International Mining and Energy Conference (ZIMEC)¹
 31 Mar 2018 **(Zambia)** Zambia's tax year ends;

Chronology

12 Oct 2017 **Lusaka (Zambia)** *Zambia Reports*. **South African** president, **Jacob Zuma** (2009-present), begins a two-day visit to Zambia;

11 Oct 2017 **Lusaka (Zambia)** *The Citizen*. Justice minister **Given Lubinda** states that the partial state of emergency will not be renewed and will expire at midnight on 11 October;

10 Oct 2017 **Lusaka (Zambia)** *Bloomberg*. **International Monetary Fund (IMF)** representative in Zambia states that no substantive programme discussions will be held at the annual meetings set for 9-15 October;

9-15 Oct 2017 **Washington, D.C. (United States)** *Lusaka Times*. International Monetary Fund and **World Bank** host their annual meetings;

8 Oct 2017 **Lusaka (Zambia)** *ZNBC*. **Standard Bank** chief executive officer for Africa, **Sola David Borha**, says Zambia is “a powerful lever for the growth of the continent”;

4 Oct 2017 **Lusaka (Zambia)** *Proactive Investors*. **United Kingdom**-based **Galileo** plans to undertake a fast-track drilling programme at its Star zinc project in Zambia;

3 Oct 2017 **Geneva (Switzerland)** *UNHCR*. **United Nations High Commission for Refugees** reports that more than 3360 refugees from the **Democratic Republic of the Congo** have fled into Zambia since 30 August;

3 Oct 2017 **Lusaka (Zambia)** *Engineering News*. Zambia awards a road traffic surveillance system contract to **Austria**-based **Kapsch TrafficCom**;

29 Sep 2017 **Lusaka (Zambia)** *Zambia Reports*. Finance minister **Felix Mutati** presents the

³⁶ Zambia Daily Mail, 28 Sep 2017.

³⁷ Zambia Daily Mail, 28 Sep 2017.

³⁸ Zambia Daily Mail, 28 Sep 2017.

2018 budget to the national assembly;

25 Sep 2017 **Lusaka (Zambia)** *Zambia Reports*. Zambian civil servants receive a salary increment of between 7.4% and 9.6%;

21 Sep 2017 **Lusaka (Zambia)** *Times of India*. Zambia's state-owned power company, **Zesco Ltd**, states that it expects to end emergency power imports from **Mozambique** in the first quarter of 2018;

21 Sep 2017 **Lusaka (Zambia)** *Zambia Reports*. President **Edgar Lungu** calls for an investigation into the \$42m acquisition of 42 fire trucks;

20 Sep 2017 **Lusaka (Zambia)** *Investing Matters*. **India**-based **Vedanta** records 22% year-on-year decline in copper production at **Konkola** and **Nchanga** mines;

20 Sep 2017 **Lusaka (Zambia)** *Lusaka Times*. **Standard Chartered Plc** lends Zambia \$134m to fund road infrastructure;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential online business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an online information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)