

AFRICA RISK CONSULTING

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Zambia Summary 21 September 2017

The road-map to dialogue and reconciliation between government and opposition parties is expected to begin by December 2017. Both President Edgar Lungu (2015-present) and opposition leader Hakainde Hichilema have stated they are ready for talks, though Hichilema worries violence may result if the talks are not successful. Zambia hopes to restart aid programme talks with the International Monetary Fund (IMF) in October to finalise the three-year loan before the end of 2017 as it announces reduced projections of copper output for 2017. Standard & Poor's Global revises Zambia's sovereign debt rating from negative to stable due to an improved macroeconomic picture. Zambia will increase the number of mobile phone service providers from three to four to increase competition and decrease prices. United Kingdom (UK)-based Vodafone Group Plc will prepare a bid for the upcoming licence.

Lungu and Hichilema prepared for road-map to dialogue and reconciliation

Commonwealth envoy **Ibrahim Gambari** stated on 15 September that the road-map leading to the process of dialogue and reconciliation in **Zambia** will be set up by December 2017.¹ Gambari is the envoy of Commonwealth secretary-general, **Patricia Scotland**, who was a key actor in the release of opposition leader **Hakainde Hichilema** in August (see *ARC Briefing Zambia August 2017*).² The ruling **Patriotic Front (PF)** has said it is willing and ready to engage in dialogue with Hichilema's opposition party, the **United Party for National Development (UPND)**.³ PF secretary-general **Davies Mwila** said that President **Edgar Lungu** (2015-present) is committed to dialogue for national development.⁴ Lungu made his remarks at the opening of the national assembly on 15 September, stating that,

"...the factors that unite us are much greater than those that seek to divide us."⁵

Opposition members of parliament (MPs) attended the speech, after boycotting Lungu's last address, to encourage the dialogue process.⁶ UPND spokesperson **Jack Mwiimbu** noted that,

"The UPND MPs took this decision in the interest of the country in view of the forthcoming political dialogue."⁷

Hichilema and the UPND have said they are ready for dialogue and,

"...despite the injustices that we went through, we harbour no hatred and we do hereby forgive ... all."⁸

However, there is concern among the opposition about the future if the talks fail. Speaking during a visit to **South Africa** on 1 September, Hichilema believes there will be violence if the talks are unable

¹ Lusaka Times, 16 Sep 2017.

² Lusaka Times, 16 Sep 2017.

³ Lusaka Times, 16 Sep 2017.

⁴ Lusaka Times, 16 Sep 2017.

⁵ US News, 15 Sep 2017.

⁶ US News, 15 Sep 2017.

⁷ US News, 15 Sep 2017.

⁸ News24, 29 Aug 2017.

to reconcile the two sides. Hichilema stated that, despite his release, there is still violence and intimidation against opposition parties.⁹

“Let me assure you, today in Zambia if you wore a UPND t-shirt, my party’s t-shirt, you would be committing suicide because you can be killed for wearing that.”¹⁰

Hichilema is still confident that the talks would succeed and that by the next general elections in 2021, Zambia will have addressed the issues that led to the political crisis – lack of human rights, press freedom and independence of the judiciary.

“If we were not confident, we would not embark on [talks], we would not be part of the process. But, there is no alternative to that, the alternative is brutality and counter-brutality and lives will be lost. So when an election comes, we will have corrected these inadequacies that have created negative conditions in our country.”¹¹

Hichilema was in South Africa for a three-day visit to thank South Africa’s opposition **Democratic Alliance (DA)** leader, **Mmusi Maimane**, and his party for their support during Hichilema’s incarceration.

“To my brother, Mmusi Maimane, I say thank you for standing up for democracy in my country, and please allow me to apologise on behalf of the 16 million Zambians over what happened to you on our soil.”¹²

Zambia’s high commissioner to South Africa, **Emmanuel Mwamba**, criticised Hichilema’s statements in South Africa, stating Hichilema’s claims were “based on total fabrications”.¹³ Mwamba said that,

“It was sad that a Zambia national could travel abroad and speak ill of the country, especially on remarks based on lies and falsehood.”¹⁴

Mwamba also noted that Hichilema’s release from prison illustrated Zambia’s recognition of the rule of law.¹⁵

“His own release demonstrates that Zambia has rule of law and is a tested democracy. That’s a demonstration of the independence of the judiciary.”¹⁶

Despite the positive reinforcement Zambia’s economy has received recently from the **International Monetary Fund (IMF)** and **Standard & Poor’s** (see below), the dialogue between Lungu and Hichilema will need to be positive. This will depend on what concessions both leaders will be willing to make during the dialogue. Hichilema will look to improve press freedom and human rights in Zambia and ideally make room for opposition parties to keep checks on the government. Lungu will probably have to agree to some of these demands, or risk losing domestic and international support which is only just resuming after Hichilema’s release. Any plans Lungu may have had to consolidate power for himself and the PF will have to wait, or the positive reinforcement he has received from the international economic community may disappear.

Zambia to resume talks with IMF

A Zambian finance official stated on 20 September that Zambia will resume talks with the IMF in October. The Zambian government hopes to approve an aid programme by the end of 2017.¹⁷ Zambia

⁹ EWN, 1 Sep 2017.

¹⁰ EWN, 1 Sep 2017.

¹¹ EWN, 1 Sep 2017.

¹² News24, 1 Sep 2017.

¹³ News24, 1 Sep 2017.

¹⁴ News24, 1 Sep 2017.

¹⁵ EWN, 1 Sep 2017.

¹⁶ EWN, 1 Sep 2017.

¹⁷ EWN, 20 Sep 2017.

had begun talks with the IMF in March 2017 regarding a potential credit facility and **Mukuli Chikuba**, the finance permanent secretary, stated that

“... the engagement with the [IMF] is pretty advanced. We have addressed most of the structural issues and agreed to them. The work that is remaining with the IMF includes spending plans for the rest of 2017. We will resume engagement with the fund in October and hope to get board approval in December.”¹⁸

The IMF stated in June that it was considering a \$1.3 billion three-year credit facility to reduce Zambia’s budget deficit to around 7% from 10% in 2016, and also improve Zambia’s revenue collection, limit borrowing and scale back new capital projects (see *ARC Briefing Zambia June 2017*).¹⁹ Zambia’s gross domestic product (GDP) is expected to grow 5% in 2018, 5.1% in 2019 and 6.1% in 2020,²⁰ though this is dependent on the cost of copper, which is vital to Zambia’s economy. Copper prices have risen roughly 18% in 2017 to a three-year high, which has increased the core liquid assets in Zambia’s banks by 44%.²¹ The price of copper has fallen 2% in September and the global forecast for the rest of year is poor due to rumours that **China** plans to ban the import of scrap copper in 2018.²² The Zambian mines ministry stated on 11 September that copper production will decrease in 2017, due to lower output from **Vedanta Resources’ Konkola Copper Mine**.²³ Copper production was supposed to increase to 850,000 tonnes in 2017, but the current forecast is at 753,992 tonnes in 2017.²⁴

The new IMF programme could mean cuts to the governments’ spending programmes, which may, in turn, add to political pressure on the PF. The PF is already under pressure to improve the political environment in the country, by both domestic and international actors. Lungu hopes to show that an approved loan from the IMF is tacit approval of his economic – and political – policies, and thus will attempt to decrease the possibility of any political incidents during the proposed dialogue that may jeopardise the IMF loan.

...and receives upgraded sovereign rating

Despite the decreased copper output projections, rating agency **Standard & Poor’s (S&P) Global** upgraded Zambia’s sovereign debt ratings from negative to positive, with a stable outlook, according to reports on 28 August.²⁵ S&P Global stated that Zambia’s prospects are improving and thus revised its outlook from negative to stable in both local and foreign currency denominations, while affirming its ratings at ‘B’ (long term) and ‘B’ (short term).²⁶ The outlook is based on the improved macroeconomic picture despite the large fiscal deficit,²⁷ which currently stands at 7.2% of GDP.²⁸ S&P cautioned that the rating could be lowered if the government does not hit its targets, or if there is another drop in copper prices or a lack of rainfall in Zambia.²⁹ S&P Global also expects the IMF financing to be in place by the end of the year (see above) and this would “*act as a policy anchor*.”³⁰ Finance minister **Felix Mutati** stated that the upgrade was

“an endorsement of the soundness of the policies being implemented by the government to stabilize and grow the economy. The result from the assessment conducted by S&P Global is a

¹⁸ EWN, 20 Sep 2017.

¹⁹ EWN, 20 Sep 2017.

²⁰ EWN, 20 Sep 2017.

²¹ Zambia Daily Mail, 28 Aug 2017.

²² Mining.com, 13 Sep 2017.

²³ Reuters, 11 Sep 2017.

²⁴ Reuters, 11 Sep 2017.

²⁵ Zambia Daily Mail, 28 Aug 2017.

²⁶ Zambia Daily Mail, 28 Aug 2017.

²⁷ Zambia Daily Mail, 28 Aug 2017.

²⁸ Nasdaq, 27 Jun 2017.

²⁹ Zambia Daily Mail, 28 Aug 2017.

³⁰ Zambia Daily Mail, 28 Aug 2017.

welcome incentive for investors as they should remain assured that this country is on track with economic stabilization and growth.”³¹

Much like the IMF loan, the government is hoping that this positive economic news will be seen as legitimising its political policies. However, S&P Global’s report was very clear that Zambia’s rating is on a precipice and can fall with any number of factors – a drop in copper prices, a failure to adhere to targets, or increase political strife which may impact investment. Again, Lungu will be placed in a position where it is better for the country, and his party, if the political dialogue is a success which puts him in an inferior negotiating position during the talks.

Vodafone prepares bid for mobile phone provider licence auction

Transport and communications minister **Brian Mushimba** announced on 20 September that the cabinet had approved the entrance of a fourth mobile phone service provider and that the telecommunications and technology regulator would start a bidding process.³² Mushimba said that the decision would enhance competition in the sector and was necessary due to the high cost of communication services.³³ **United Kingdom (UK)-based Vodafone Group Plc** stated after Mushimba’s announcement that it will prepare a bid for the new licence, which would allow Vodafone to add voice services to its data products which are run by its local partner, **Afrimax**.³⁴ Vodafone spokesperson **Mukuka Mulenga** said the company would make a comprehensive statement “*at an appropriate and opportune time*”.³⁵ The executive director of the **Zambia Consumer Association, Juba Sakala**, welcomed the decision, stating that

“...although it is long overdue, we are happy that the government has now decided to allow for the entrance of more mobile phone service providers. This will result in stiff competition and result in lower cost ... telecommunication services.”³⁶

Currently, Zambia’s mobile phone sector is dominated by **MTN Zambia**, a subsidiary of South Africa-based **MTN**, which holds 48.3% of the market, and **Airtel Zambia**, a subsidiary of **India-based Bharti Airtel**, which holds 41.4% of the market.³⁷ **Cell-Z**, a subsidiary of Zambia state-run **Zamtel**, holds 10.4% of the market.³⁸ The fourth mobile phone service provider licence could be in place by the end of 2018 and there could still be capacity for a fifth mobile phone service provider as the mobile market grew 10% year-on-year in June 2017.³⁹

The arrival of one or more new mobile phone service providers will lower data and voice prices in Zambia. The use of mobile technology has grown quickly in Africa, and particularly in **East and Southern Africa**. Vodafone, if it wins the bid, may attempt to spread the use of **mPesa**, or mobile money, first used in **Kenya** by Vodafone subsidiary **Safaricom**.

Planner

2021 (**Zambia**) Scheduled presidential elections;

Chronology

20 September 2017 **Lusaka (Zambia) EWN**. Zambia hopes to resume talks with the

³¹ Zambia Daily Mail, 28 Aug 2017.

³² Zimbabwe Herald, 21 Sep 2017.

³³ Zimbabwe Herald, 21 Sep 2017.

³⁴ Lusaka Times, 21 Sep 2017.

³⁵ Lusaka Times, 21 Sep 2017.

³⁶ Zimbabwe Herald, 21 Sep 2017.

³⁷ Zimbabwe Herald, 21 Sep 2017.

³⁸ Zimbabwe Herald, 21 Sep 2017.

³⁹ Lusaka Times, 21 Sep 2017.

International Monetary Fund (IMF) in October and to finalise a loan by December;

20 September 2017 **Lusaka (Zambia)** *Zimbabwe Herald*. Zambia will open bids for a fourth mobile service provider licence. **United Kingdom**-based **Vodafone Group Plc** announces it will bid for licence;

8 Sept 2017 **Lusaka (Zambia)** *Business Day*. The government awards a \$1.2 billion contract to the **China Jiangxi Corp for International Economic and Technical Co-operation** for construction of the 321km dual carriageway between Lusaka and **Ndola**;

15 September 2017 **Lusaka (Zambia)** *Lusaka Times*. The road-map to dialogue between President Edgar Lungu (2015-present) and opposition leader **Hakainde Hichilema** will begin in December 2017;

15 September 2017 **Lusaka (Zambia)** *Lusaka Times*. Lungu makes remarks at the national assembly calling for unity. The opposition attends the national assembly to continue political dialogue;

11 September 2017 **Lusaka (Zambia)** *Zambia Daily Mail*. Zambia's mines ministry decreases the copper output forecast from 850,000 tonnes in 2017 to 753,992 tonnes;

1 September 2017. **Cape Town (South Africa)** *News24*. Hichilema meets with **South African** opposition leader **Mmusi Maimane** to celebrate his release from prison;

28 August 2017 **Lusaka (Zambia)** *Reuters*. **Standard & Poor's Global** revises Zambia's sovereign rating from negative to positive;

16 Aug 2017 **Lusaka (Zambia)** *News24*. The director of public prosecutions drops all treason charges against opposition leader Hakainde Hichilema.

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