

AFRICA RISK CONSULTING

Zambia Monthly Briefing October 2023

Zambia Summary 31 October 2023

Zambia reaches two milestone agreements with official creditors as well as its Eurobond holders for restructuring of its debts, providing much-needed relief for its debt-choked economy. Finance minister Situmbeko Musokotwane presents the 2024 national budget in which the government targets high economic growth rates as well as a narrower budget deficit. Canada-headquartered Barrick Gold Corporation, owners of Lumwana Mine in Kalumbila District, reveal plans on 4 October for a \$2-billion investment into the mine aimed at doubling annual output to 240,000 from a 50-million-tonnes per annum process plant over a 36-year life of mine. Annual inflation spikes to a near two-year high in October, putting the Bank of Zambia (central bank) Monetary Policy Committee under pressure to hike interest rates at its meeting in November.

Zambia secures debt relief

The **Zambian** government in October reached two key milestone agreements with its official creditors and bondholders to restructure its debts. The two agreements will provide some relief for the economy, which the finance ministry says spends 90% of its budget towards paying public servants and servicing the debt. The finance and national planning ministry announced on 14 October, that a Memorandum of Understanding (MoU) had been agreed with its **Official Creditor Committee (OCC)** on the comprehensive restructuring of its \$6.3 billion debt agreed in June. Zambia's OCC is co-chaired by **China** and **France**, and vice-chaired by **South Africa**.¹ The MoU formalised the agreement reached in June with official creditors and represents an important milestone in Zambia achieving long-term debt sustainability. The agreement covers loans from countries including France, the **United Kingdom (UK)**, South Africa, **Israel** and **India**, as well as China – Zambia's largest creditor with \$4.1 billion of the total. In March, Zambia announced that its total public debt stock climbed to \$32.8 billion, including interest arrears at the end of last year, of which \$18.6 billion was external.²

In another milestone, the finance ministry announced on 26 October that it had reached an agreement in principle with a steering committee of holders of its \$3 billion in **Eurobonds**. The deal was reached on the key commercial terms of a proposed overhaul of its 2022, 2024 and 2027 bonds and will see the three existing bonds restructured into two new amortising bonds maturing in 2035 and 2053 respectively, under a "base case" scenario. Both bonds will mature in 2035 if Zambia's economy performs better. Under both scenarios, the deal would translate into an 18% nominal haircut.³

Zambia was the first **African** country to default in the **Covid-19** era, in late 2020, and its restructuring process suffered numerous delays.⁴ International bondholders also complained

¹ [Bloomberg](#), 14 Oct 2023

² [Reuters](#), 29 Mar 2023

³ [Reuters](#), 26 Oct 2023

⁴ [CNBC](#), 23 Nov 2020

they were left out of the process, which started with drawn-out negotiations with bilateral creditors including China.

The proposed restructuring includes a \$700m write-off and \$2.5 billion in cash flow relief during the period of Zambia's \$1.3 billion, 38-month **International Monetary Fund (IMF)** programme, which was approved in September 2022. The deal allows for a better and quicker payout to bondholders in case the economy performs better than expected during an observation period running from January 2026 to December 2028.

Government targets higher growth rate and lower budget deficit in 2024

Finance and national planning minister **Situmbeko Musokotwane** announced on 29 September the national budget for the fiscal year 1 January to 31 December 2024. Musokotwane targets a growth rate of 4.8% in 2024, higher than the 2023 target of 4.0%. Analysts believe the 4.8% rate might be difficult to attain but not unfeasible if there is early distribution of farmer inputs under the **Farmer Input Supply Programme (FISP)**, and good rainfall patterns and favourable weather conditions for the 2023/2024 season.⁵

Musokotwane sees a budget deficit of 4.8% of GDP in 2024, much lower than the 2023 target of 7.7% of GDP as the government continues with its expenditure rationalisation programme aimed at restoring financial prudence. The government also aims to reduce its borrowing, which analysts believe is attainable as shown by reduced borrowing by the government in the first half of 2023. Preliminary data show that lending by the banking sector slowed to 6.4% in the first seven months of 2023 compared to growth of 11.9% recorded in the corresponding period in 2022 due to reduced borrowing by the government.⁶

The proposed 2024 budget amounts to 177.9 billion kwacha (K) (\$8.27 billion) or 27.8% of GDP compared to the 2023 budget of K167.3 billion (\$7.78 billion) or 31.4% of GDP, suggesting a monetary increase of 6.3%.⁷ Of this proposed budget, Musokotwane disclosed that K141 billion (\$6.6 billion) will be generated through domestic resources, while an additional K3.4 billion (\$158.1m) will come from grants.

One of the highlights of the budget was the revision of the Pay As You Earn (PAYE) exemption threshold. This was raised to K5,100 (\$237.1) from the current K4,800 (\$223.3) in a bid to lessen the tax burden on workers. In addition to the threshold revision, Musokotwane proposed a reduction in PAYE rates from the current 37.5% to 37%, saying the move aims to provide further relief to citizens and promote economic stability.

In a bid to boost the mining sector's contribution to economic growth and reach its 3 million metric tonnes of copper production target by 2032, the government will in 2024 carry out aerial surveys on the **Copperbelt, Lusaka, Northwestern, Southern, and Western Provinces** as well as parts of **Central Province**. The government proposes to spend K160m (\$7.44m) in 2024 on geological mapping to support exploration and investments. To further support the mining sector, government will enhance regulatory oversight in the mining sector and operationalise the **Minerals Regulatory Commission** through an act of parliament. The commission will address, among others, issues pertaining to production reporting, mineral content analysis, illegal mining, and illicit trade of minerals.

Barrick Gold to spend \$2 billion to double copper mine output

Canada-headquartered **Barrick Gold Corporation**, the owners of **Lumwana Mine** in **Kalumbila District (North Western Province)**, revealed plans on 4 October for a \$2-billion

⁵ www.parliament.gov.zm. Accessed 31 Oct 2023

⁶ www.assets.ey.com. Accessed 31 Oct 2023

⁷ Lusaka Times, 30 Sep 2023

investment into the mine aimed at doubling output to 240,000 tonnes per annum from a 50 million tonnes per annum process plant over a 36-year life of mine.⁸ The move is part of the company's wider plan to extend the lifespan of the mine to 2060 and help Zambia revive its copper industry. The accelerated work programme targets the completion of a full feasibility study by the end of 2024, with expanded production expected to commence by 2028.

Zambia is already Africa's second-largest copper producer after its northern neighbour, the **Democratic Republic of the Congo**. Over the past year, Barrick has expressed its intention to add more copper assets to its African portfolio, expanding its presence on the continent's copper belt.⁹ Barrick CEO **Mark Bristow** said since the company took over operations at Lumwana in 2019, the once-unprofitable operation has contributed almost \$3 billion to the Zambian economy in the form of taxes, royalties, salaries and the procurement of goods and services. The expansion of the mine comes as Zambia plans to triple its annual copper production from 760,000 tonnes in 2022 to 3 million tonnes by 2030.¹⁰ President **Hakainde Hichilema** (2021-present) urged Barrick to prioritise local content and increase the participation of Zambian suppliers to the Lumwana mine.

The Lumwana copper mine is a conventional open pit operation located about 100 kilometres west of **Solwezi** in Zambia's Copperbelt – one of the most prospective copper regions in the world. Its expansion is an important part of the company's plan to double its copper production by the end of the decade and continue to increase it to an estimated 450,000 tonnes of copper per annum by 2031, which would place Barrick among the senior copper producers.¹¹

Inflation spike puts central bank under pressure to hike rates

The **Bank of Zambia (BoZ)** (central bank) **Monetary Policy Committee** will be under renewed pressure to hike interest rates at its November meeting, as inflation reached a near two-year high in October. Statistician-general **Mulenga Musepa** announced on 26 October that annual inflation rose to 12.6% in October compared with 12% in September, the highest rate since March 2022, on the back of a weaker kwacha.¹² The main contributors to the spike in prices were rising transport and food prices, stoked by a sharp depreciation of the kwacha against the dollar.

Analysts say the recent announcement of a deal with official creditors to restructure Zambia's \$6.3 billion of debt, along with a deal in principle with bondholders to rework its Eurobonds has done little to stabilise the currency. The kwacha hit a new 27-month low to trade at 21.8375 per dollar on 26 October on the back of dollar shortages caused by slumping mining output and lower metal prices as fuel import costs rise.¹³

The BoZ monetary policy committee, which has increased rates by a combined 100 basis points at its three meetings this year, will meet for its next rate decision on 20-21 November and will announce its decision on 22 November.

⁸ [Lusaka Times](#), 5 Oct 2023

⁹ [Reuters](#), 4 Oct 2023

¹⁰ [Lusaka Times](#), 1 Nov 2022

¹¹ [Kitco](#), 4 Oct 2023

¹² [Diggers](#), 27 Oct 2023

¹³ [Bloomberg](#), 26 Oct 2023

Planner

20-21 Nov 2023 **Lusaka (Zambia) Bank of Zambia** Monetary Policy Committee meets;

Chronology

26 Oct 2023 **Lusaka (Zambia) Lusaka Times**. A **cholera** outbreak has emerged in Lusaka, with health authorities confirming a total of 26 cases since the disease's outbreak on 15 October and has claimed the lives of two individuals within the same period;

26 Oct 2023 **Lusaka (Zambia) Lusaka Times**. **Zambian police** have taken opposition **Patriots for Economic Progress (PeP)** president **Sean Tembo** into custody on charges related to hate speech, including posting inflammatory remarks on his **Facebook** page under the name "SEAN E. TEMBO";

25 Oct 2023 **Lusaka (Zambia) Lusaka Times**. **Tanzania's** President **Samia Hassan** says her country will allocate 20 hectares of land at the **Port of Mtwara** to Zambia, a land grant intended for the storage of goods and trade facilitation, aiming to strengthen economic ties between the two neighbouring nations;

15 Oct 2023 **Lusaka (Zambia) Lusaka Times**. Small and medium enterprise development minister **Elias Mubanga** announces that the government has earmarked loans to support small-scale farmers in their efforts to increase maize production;

12 Oct 2023 **Lusaka (Zambia) Lusaka Times**. **Registrar of Societies** directive to political parties to hold intra-party elections for vacant positions within 60 days has stirred mixed reactions among political leaders and their respective parties;

11 Oct 2023 **Lusaka (Zambia) Lusaka Times**. **South Africa**-headquartered **Sibanye Stillwater**, which is bidding to buy **Mopani Copper Mines (MCM)** along with **China's Zijin Mining Group**, says it is capable of investing the sum required to expand output and run the **Zambian assets** profitably;

11 Oct 2023 **Lusaka (Zambia) Diggers**. **Industrial Development Corporation (IDC)** board appoints **Cornwell Muleya** as its new CEO, effective immediately;

10 Oct 2023 **Lusaka (Zambia) Diggers**. Government assigns the first-ever concession agreement with local firm **Lutembwe Consulting** for the reconstruction of the 55-km **Katete-Chanida** road, valued at \$79.8m;

7 Oct 2023 **Lusaka (Zambia) ZNBC**. President **Hakainde Hichilema**, officiating at the inauguration of the rehabilitated and modernised **Nacala Port** in **Nampula Province (Mozambique)** calls for more joint public-private ventures between **African** countries;

6 Oct 2023 **Lusaka (Zambia) Lusaka Times**. President **Hakainde Hichilema** says the government wants to introduce an agriculture credit facility to supplement the **Farmer Input Support Programme (FISP)** to enhance productivity;

6 Oct 2023 **Lusaka (Zambia) ZNBC**. The **ZCCM-IH Holdings, Zambia Gold Company** and **Kasenseli Gold Mine** have applied for the stay of a high court order to surrender **Kasenseli Gold Limited's** small scale mining licence to **PCB Mining Limited** and for leave to appeal against the high court order issued in September by **Lusaka High Court** judge **Edward Musona** that **PCB Mining** proved its claim beyond the standard of proof;

30 Sep 2023 **Lusaka (Zambia) ZNBC**. The **Department of National Parks and Wildlife** has shortlisted 2,895 candidates for the 2023 resident hunting season starting on 20 October after receiving 2,994 applications;

29 Sep 2023 **Lusaka (Zambia)** *Znbc*. The **Zambian Environmental Management Agency (ZEMA)** has with immediate effect suspended manganese ore processing at **Ferro Alloy Corporation Limited** due to the unlawful usage of charcoal at the firm and non-adherence to environmental regulations;

29 Sep 2023 **Lusaka (Zambia)** *Lusaka Times*. Zambian mine contractors and suppliers express interest in participating in and benefiting from the renewed operations of India-headquartered investor **Vedanta Mineral Resources' Konkola Copper Mines (KCM)**;

29 Sep 2023 **Lusaka (Zambia)** *Lusaka Times*. Annual inflation increases to 12% in September from 10.8% recorded in August, mainly on account of price movements of selected food and non-food items;

28 Sep 2023 **Lusaka (Zambia)** *znbc*. **Zambia Airways** acquires an additional aircraft, the first ever locally registered **Boeing 737-800NG** aircraft in the country's aviation history and is expected to start scheduled flights to all capital cities of the **Southern African Development Community (SADC)** countries as soon as all the registration processes are completed;

28 Sep 2023 **Lusaka (Zambia)** *Lusaka Times*. **European Investment Bank (EIB)** vice president **Thomas Ostros** confirms the bank's interest in providing funding for the proposed **Zambia-Lobito** railway line, stating that its involvement would be contingent on the completion of feasibility studies by the **African Development Bank (AfDB)**;

27 Sep 2023 **Lusaka (Zambia)** *Lusaka Times*. **United States**-based **KoBold Metals**, supported by prominent businessmen including **Bill Gates** and **Jeff Bezos**, is pursuing plans to commence copper and cobalt production at the **Mingomba** project within the next ten years, investing approximately \$150m to expedite its quest for additional deposits in this area of the African copper belt;

27 Sep 2023 **Lusaka (Zambia)** *Znbc*. **China's** ambassador to Zambia, **Du Xiaohui**, says about \$3 billion worth of investment deals were signed between Zambia and Chinese businesses during President **Hakainde Hichilema's** state visit to **China** in September, covering digitisation, green energy, infrastructure and environmental protection;

26 Sep 2023 **Lusaka (Zambia)** *Znbc*. **China Non-ferrous Metals Group Company (CNMC)** chairman **Xi Zheng Ping** says the company will invest an additional \$1.3 billion in Zambia in the next five years in various economic sectors, and that by the end of 2025, the company would have invested \$650m in the economy;

21 Sep 2023 **Lusaka (Zambia)** *Lusaka Times*. Zambia and **Tanzania** are moving forward with plans to strengthen the regulation of the **TAZAMA Pipeline** through a memorandum of understanding (MoU) that will facilitate collaboration between the two countries, following an inspection and familiarisation tour of the Tazama Pipelines Limited operations, spanning from **Dar es Salaam** to **Ndola**;

22 Sep 2023 **Lusaka (Zambia)** *Znbc*. **United States**-based **Ultra Green Corporation** CEO **Ravi Palaniappan** says the company plans to start construction of a 50-MW solar power plant in the **Serenje District (Central province)**, which is expected to power 15,000 households, and that the company plans to increase the capacity of the plant to 200MW;

15 Sep 2023 **Lusaka (Zambia)** *Lusaka Times*. **Muchinga Province** permanent secretary **Henry Mukunguke** says the formalised buying of gold in **Kanyebele (Mpika District)** will ensure that the government maximises benefits from gold through taxes as **Zam Gold**, a special-purpose vehicle established to buy gold on behalf of the government, moves to a site in the **Kanyebele** area to start the uptake of gold from formalised artisanal miners.;

15 Sep 2023 **Lusaka (Zambia)** *Bloomberg*. Presidents **Hakainde Hichilema** and his **Chinese** counterpart, **Xi Jinping**, say Zambia and China have agreed to encourage greater use of their own currencies in trade and investment, which will reduce currency exchange costs and exchange rate risks, and may curb reliance on the **United States** dollar, in which copper is priced;

14 Sep 2023 **Lusaka (Zambia)** *Lusaka Times*. **Solwezi District**-based **Kansanshi Mining PLC** general manager **Anthony Mukutuma** says the company's **S3** expansion project is poised to significantly elevate annual copper production at the mine from the current 150,000 tonnes to 280,000 tonnes, with the construction of a state-of-the-art copper processing plant, estimated to cost approximately \$900m;

13 Sep 2023 **Lusaka (Zambia)** *Lusaka Times*. Zambia and the **Democratic Republic of Congo** hold the 12th Session of their **Joint Permanent Commission (JPC)** meeting on defence and security at the **Pullman Grand Karavia Hotel** in the DRC;

15 Sep 2023 **Lusaka (Zambia)** *Bloomberg*. Zambia signs a memorandum of understanding with **Chinese** companies to plant trees and preserve and rehabilitate forest of over 4 million hectares (9.88 million acres), an area equivalent to 5% of Zambia's landmass.



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