

AFRICA RISK CONSULTING

Zambia Monthly Briefing November 2023

Zambia Summary 15 November 2023

The Bank of Zambia (central bank) increases the minimum statutory reserve ratio on kwacha and foreign currency deposits from 11.5% to 14.5% effective 13 November. The move aims to stem rising inflation which has caused a steep fall in the local currency. The International Monetary Fund (IMF) and Zambia's official creditors on 10 November express doubts over the country's recent deal to rework its \$3 billion Eurobonds. The government through the Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) and India's Vedanta Resources on 6 November sign a shareholders and implementation agreement aimed at regulating the operations of Konkola Copper Mines (KCM).

Central bank tightens policy in bid to curb currency fall

The **Bank of Zambia** (central bank) on 3 November announced new measures aimed at slowing credit growth and reducing economic activity in a bid to halt the fall of the kwacha which has weakened by over 20% in 2023 against the **United States (US)** dollar.

The central bank announcement confirmed that as of 13 November, the minimum statutory reserve ratio on both local and foreign currency deposits, including government deposits and Vostro account deposits, will be increased by 3% to 14.5% from 11.5%.¹ The increase in the ratio effectively leaves commercial banks with fewer funds available for lending thereby slowing demand-driven inflation. Statistician-general **Mulenga Musepa** confirmed on 24 October that annual inflation rose to 12.6% in October compared with 12% in September with the main contributors to the spike in prices being rising transport and food prices, aided by a sharp depreciation of the kwacha against the US dollar. The central bank, which in February again increased the Statutory Reserve Ratio from 9% to 11.5% in an attempt to reduce money supply in circulation, has an inflation target of between 6% and 8%.²

In October, the government reached two key milestone agreements with its official creditors and bondholders to restructure its debts providing some relief for the economy. Finance minister **Situmbeko Musokotwane** has previously disclosed that Zambia spends 90% of its budget towards paying public servants and servicing the debt.³ However, the deals with official creditors to restructure Zambia's \$6.3 billion of debt, along with a deal in principle with bondholders to rework its **Eurobonds**, have done little to stabilise the currency.

In addition to lower foreign currency receipts due to weak commodity prices, the kwacha has been hit by risk aversion from international investors, who in the wake of elevated global inflation and high-interest rates in developed markets, have avoided investing in developing markets, causing a shortage of foreign exchange inflows.

The shortage of foreign currency inflows has resulted in lower than required foreign exchange reserves in the country leaving the central bank unable to intervene in the market when the

¹ [Reuters](#), 6 Nov 2023

² [Lusaka Times](#), 2 Feb 2023

³ [Reuters](#), 14 Oct 2023

dollar shortages are high. Gross foreign exchange reserves at the central bank were at \$2.6 billion in June, down from \$3.1 billion in November 2022, which is effectively equivalent to 2.9 months of import cover against a standard global requirement of three months of import cover.⁴

IMF, creditors raise doubts over Zambia's deal with bondholders

The **International Monetary Fund (IMF)** and Zambia's official creditors led by **China** and **France** expressed reservations on 10 November about a deal the country struck with overseas bondholders on 26 October.⁵ Zambia defaulted on its Eurobonds three years ago and after a long-protracted talks finally reached an agreement in principle with a bondholder group in late October, less than two weeks after reaching a restructuring deal with official creditors.

On 14 October, the finance and national planning ministry announced that a memorandum of understanding (MoU) had been agreed upon with its **Official Creditor Committee (OCC)** on the comprehensive restructuring of its \$6.3 billion debt agreed in June 2023. The ministry again on 26 October announced that it had reached an agreement in principle with a steering committee of holders of its \$3 billion in Eurobonds which would see the three existing bonds restructured into two new amortising bonds.⁶

None of the parties has given details of what these doubts were but campaign group, **Debt Justice** says their calculation indicates that bondholders would receive more money back than official creditors if the deal went ahead. Debt Justice and **Zambian Civil Society Debt Alliance** reported in an analysis published on 10 November that in a 'base case' scenario, bondholders would receive 73 cents for every \$1 loaned, compared to 55 cents for official creditors, and 97 and 79 cents respectively if Zambia's economy performs better.⁷ China, which is Zambia's biggest official creditor at \$4.1 billion of the \$6.3 billion total debt, has now called on Zambia's other creditors to shoulder a "fair burden" in the country's debt restructuring.⁸

Vedanta regains ownership of Konkola Copper Mines

After a three-year impasse, the government through the **Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH)** and India's **Vedanta Resources** officially signed on 6 November a shareholders and implementation agreement aimed at regulating the operations of **Konkola Copper Mines (KCM)**.⁹

Under former president **Edgar Lungu** (2015-2021), the government seized KCM by forcing the operations into liquidation in May 2019, accusing the company of failing to invest to boost copper output. Vedanta mounted numerous legal challenges, including suing Zambia at the arbitration court in **London (United Kingdom)**, to regain control of KCM.

The government which owns a 20% stake in KCM through ZCCM-IH, announced on 5 September that it had reached a deal to allow Vedanta to regain control of the mining operation after the company pledged to invest \$1.2 billion in the operations.¹⁰ The shareholder agreement signed on 6 November restores the ownership of the mines to the Indian company and will lead to the re-appointment of the KCM board and withdrawal of all legal challenges that are in court, including removing a provisional liquidator who oversaw the assets.

⁴ [Diggers](#), 7 Nov 2023

⁵ [Bloomberg](#), 10 Nov 2023

⁶ [Bloomberg](#), 26 Oct 2023

⁷ [Reuters](#), 10 Nov 2023

⁸ [Channelnewsasia](#), 13 Nov 2023

⁹ [Lusaka Times](#), 7 Nov 2023

¹⁰ [Lusaka Times](#), 5 Sep 2023

Of the \$1.2 billion, Vedanta has pledged \$1 billion towards capital mine development and other infrastructure to increase KCM's integrated production from the current 50 000 tonnes to 100 000 tonnes per annum, and a further potential increase to 200 000 tonnes per annum in the medium-term.

Much of the \$1 billion that Vedanta has pledged is targeted at advancing the **Konkola Deep Mining Project**, which is estimated to hold approximately 250 million tonnes of copper ore reserves.¹¹ The Indian company also said that it is committed to paying KCM suppliers up to \$220m which was due on 21 May 2019 when the provisional liquidator was appointed, spending \$20m on community projects and raising workers' salaries by 20%. The move will also help bolster investor confidence in the mining sector again, bringing an end to a protracted period of uneasiness.

Planner

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

Chronology

13 Nov 2023 **Lusaka (Zambia) Times of Zambia**. The **Zambia Revenue Authority (ZRA)** will next year implement a new operating model to streamline operations with commissioner general **Dingani Banda** saying it will help the organisation place resources where they are required most, to produce optimal revenue collections and service outcomes in line with the aspirations of the 2022 to 2024 corporate strategic plan;

13 Nov 2023 **Lusaka (Zambia) Times of Zambia**. **United Kingdom**-headquartered **Anglo American** reports progress in early-stage copper exploration at a number of licenses in the **North-Western Province** following the completion of the formation of its joint venture with a subsidiary of fellow **UK** company **Arc Minerals Ltd**;

12 Nov 2023 **Lusaka (Zambia) ZNBC**. Energy minister **Peter Kapala** says Zambia hopes to soon conclude talks with **Tanzania** over the construction of a new oil pipeline to help improve the country's fuel importation capacity;

11 Nov 2023 **Lusaka (Zambia) Times of Zambia**. A plot by the opposition to impeach National Assembly speaker **Nelly Mutti** fails after **Nkana** independent member of parliament (MP) **Binwell Mpundu**, who was leading the process, did not garner enough numbers to move the motion;

10 Nov 2023 **Lusaka (Zambia) Times of Zambia**. The fisheries and livestock ministry imposes a three-week ban on the movement of livestock and livestock products following an outbreak of anthrax in the **Southern Province** which has now spread to 11 districts;

10 Nov 2023 **Lusaka (Zambia) Times of Zambia**. President **Hakainde Hichilema** attends the **Saudi-Africa Summit** at the invitation of King **Salman bin Abdulaziz Al Saud**;

9 Nov 2023 **Lusaka (Zambia) Times of Zambia**. Information and media minister **Cornelius Mweetwa** says the government has taken the **Access to Information Bill 2023 (ATI)** to parliament for consideration a move which he says fulfils a 2021 election campaign promise made by President **Hakiane Hichilema** to enact the law as a part of media freedom enhancement and transparency in public resource utilisation;

¹¹ [Reuters](#), 6 Nov 2023

9 Nov 2023 **Lusaka (Zambia)** *Lusaka Times*. President **Hakainde Hichilema** receives **Turkey's** deputy foreign affairs minister **Ahmet Yildiz** and a business delegation led by **Selim Bora Summa**, the president of the **Summa Group of Companies**;

9 Nov 2023 **Lusaka (Zambia)** *Lusaka Times*. A delegation comprising 14 **Swedish** companies, led by **Mikael Lindvall**, the Swedish deputy director-general of foreign affairs (Africa department) visits Zambia as part of the Swedish ministerial business delegation;

5 Nov 2023 **Lusaka (Zambia)** *Znbc*. The constitutional court issues an ultimatum that former president **Edgar Lungu** must by 17 November file an affidavit in reply to the petition on his eligibility for the 2021 general election and future ones;

3 Nov 2023 **Lusaka (Zambia)** *Lusaka Times*. The government introduces the **Sustainable Agriculture Financing Facility** credit window that aims to provide loans to farmers through banks at a competitive interest rate of 12%;

2 Nov 2023 **Lusaka (Zambia)** *Africanews*. Former president **Edgar Lungu** says he is coming out of retirement and rejoining politics, launching a bid to lead the **Patriotic Front** again;

2 Nov 2023 **Lusaka (Zambia)** *Lusaka Times*. Cabinet grants approval for the issuance of a **Statutory Instrument (SI)** about the revision of minimum wages and conditions of service for various categories of workers covered by the **Minimum Wages and Conditions of Employment Act**;

2 Nov 2023 **Lusaka (Zambia)** *Times of Zambia*. The **Copperbelt Energy Corporation (CEC)** says preparation for the green bond on the local 'bourse' has reached an advanced stage. In May, the CEC announced its intention to go into the local market to raise \$60m through green bonds to support the renewable energy projects it is undertaking;

1 Nov 2023 **Lusaka (Zambia)** *Lusaka Times*. **German** President **Frank-Walter Steinmeier** undertakes a two-day state visit to Zambia during which he is expected to engage in bilateral discussions with President **Hakainde Hichilema** centred on a range of critical areas of mutual interest for both nations;

1 Nov 2023 **Lusaka (Zambia)** *Znbc*. Information and media minister **Cornelius Mweetwa** announces government has officially withdrawn the retirement benefits and privileges accorded to former president **Edgar Lungu** following his decision to return to active politics;

1 Nov 2023 **Lusaka (Zambia)** *Lusaka Times*. The **Energy Regulations Board ERB** maintains the pump prices for petrol, diesel and kerosene for November. Petrol will continue selling at K29.98 (\$1.362) per litre, K29.96 (\$1.361) per litre for diesel and K20.44 (\$0.93) for kerosene;

31 Oct 2023 **Lusaka (Zambia)** *Lusaka Times*. **Security and Exchange Commission (SEC)** chief executive officer **Phillip Chitalu** says the nominal value of government bonds traded in the secondary market of the third quarter of 2023 increased by 35% up to K34 billion (\$1.54 billion) from the second quarter of the year;

31 Oct 2023 **Lusaka (Zambia)** *Lusaka Times*. **United States** company **Landlock Natural Paving** signs a five-year joint venture agreement with the **Zambia National Service** under the defence ministry to build 5,000 kilometres of road that will run through all 10 provinces of Zambia;

30 Oct 2023 **Lusaka (Zambia)** *Times of Zambia*. **Zambia Statistical Agency (ZAMSTAT)** statistician general **Mulenga Musepa** reports export earnings from refined copper decreased to K10.8 billion (\$491m) in September from K11.7 billion (\$531m) in August;

27 Oct 2023 **Lusaka (Zambia)** *Times of Zambia*. Health minister **Sylvia Masebo** tells parliament that cholera has killed two people with 26 new cases recorded in the last week in Lusaka district;

25 Oct 2023 **Lusaka (Zambia)** *Times of Zambia*. Fractions within the former ruling party, **Patriotic Front (PF)** widen as **Matero** member of parliament, **Miles Sampa** is proclaimed party president at a party convention. The conference attracted more than 3,000 delegates and Sampa polled more than 2,300 votes;

25 Oct 2023 **Lusaka (Zambia)** *Financial Times*. **United Arab Emirates**-headquartered **International Holding Company** expresses interest in acquiring **Mopani Copper Mines**, but will face competition from **South African**-based mining company, **Sibanye-Stillwater**;

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