

AFRICA RISK CONSULTING

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Zambia Summary 11 January 2022

Expectations for the Zambian kwacha are strong as investor confidence grows with the prospect of the government securing International Monetary Fund (IMF) financing and negotiating a debt restructuring deal. The Anti-Corruption Commission (ACC) and Anti-Money Laundering Investigations Unit have arrested three former managers of state-owned Postal Services Corporation on charges of corruption and embezzling over 300 million Kwacha (\$18.75m) between January 2017 and December 2018. Canada-headquartered First Quantum Minerals has encouraged its employees to get vaccinated against Covid-19 at its Kansanshi mine in Solwezi and Sentinel mine in Kalumbila as Zambia combats a fourth wave of Covid-19 infections.

Kwacha rallies ahead of IMF deal ...

The **Zambian** kwacha is set to become the world's best performing currency as investor confidence grows with the prospect of the government securing **International Monetary Fund (IMF)** financing and negotiating a debt restructuring deal.¹ The IMF and Zambian government authorities reached a staff level agreement on a \$1.4-billion, three-year extended credit facility (ECF) following a virtual mission led by IMF mission chief for Zambia **Allison Holland**, conducted from 4 November to 2 December 2021 (see *ARC Briefing Zambia December 2021*).²

For President **Hakainde Hichilema** (2021-present), securing the deal with the IMF is crucial for his country's economic recovery. Hichilema needs the IMF's endorsement to advance talks with Zambia's creditors, including holders of \$3 billion in **Eurobonds** and \$5.8 billion owed to **China**. Zambia is attempting to restructure as much as \$17 billion in external public debt.³ While finance minister **Situmbeko Musokotwane** said he plans to conclude talks with creditors by the middle of 2022,⁴ Hichilema noted during his New Year's speech to the nation that it will take time to turn Zambia's economy around.⁵ In addition, Hichilema has to strike a balance between stimulating the economy and satisfying austerity measures that the IMF has demanded, including the removal of unsustainable subsidies on energy and agriculture. While the IMF argues that removal of subsidies is necessary for economic growth, those who rely on the subsidies may withdraw their support for Hichilema and his ruling **United Party for National Development (UPND)** in Zambia's next general elections, scheduled for 2026.

Following Hakainde's election victory in August, the kwacha has advanced by 27% against the **United States (US)** dollar, trading at 16.982 kwacha to the dollar on 11 January 2022, compared to 22.214 on the same date a year earlier.⁶ This is the kwacha's best performance since 2005 and a sharp turnaround from the woes of the economic downturn in 2020.⁷ The kwacha has also been buoyed by the upturn in the price of copper, with copper producing more than 70% of Zambia's export earnings.⁸

¹ Bloomberg, 30 Dec 2021

² [IMF](#), 6 Dec 2021

³ Bloomberg, 30 Dec 2021

⁴ Lusaka Times, 30 Dec 2021

⁵ Source, analyst, Zambia.

⁶ Bank of Zambia, accessed 11 Jan 2021

⁷ Bloomberg, 30 Dec 2021

⁸ Bloomberg, 30 Dec 2021

Copper sales helped boost Zambia's 2021 trade surplus to 73.4 billion kwacha (\$4.4 billion) through November 2021, compared to 41.8 billion kwacha (\$2.3 billion) a year earlier.⁹

... as anti-corruption drive ramps up

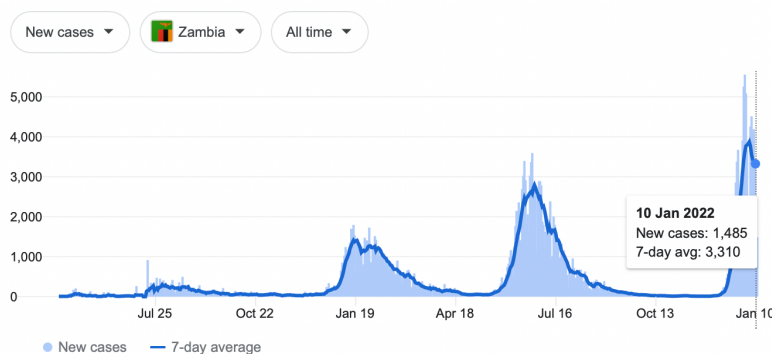
Zambia's **Anti-Corruption Commission (ACC)** and the **Anti-Money Laundering Investigations Unit** arrested three former managers of state-owned **Postal Services Corporation (PSC)** on charges of corruption on 12 December.¹⁰ Former postmaster general **Macpherson Chanda** together with the postal services' former finance director and operations director are accused of embezzling over 300 million kwacha (\$18.75m) between January 2017 and December 2018, forcing donors to temporarily freeze aid to Zambia.¹¹ The **United Kingdom (UK)**, **Finland** and **Sweden** were among donor countries that withheld nearly \$34m in aid to Zambia's **Social Cash Transfer (SCT)** Fund, a government-run social protection programme, and to education programmes over allegations of financial mismanagement.¹²

The arrest of the three suspects followed the arrest of former foreign minister **Joseph Malanji** on 7 December on charges of possession of property suspected to be the proceeds of crime.¹³ The Anti-Money Laundering Investigation Unit accuses Malanji of possessing a Bell 430 helicopter valued at \$1.4m, allegedly purchased with the proceeds of crime. Malanji is also accused of possessing three properties in Lusaka suspected to have been bought from the proceeds of crime, for which he paid \$16,733, \$14,311 and \$18,955 in cash.¹⁴

The rooting out of corruption was one of Hichilema's key election victory promises when he was voted into power in August. Corruption during the administration of former president **Edgar Lungu** (2015-2021) emptied the government's coffers, adding to the country's economic and debt crisis.¹⁵ Decisive action against corruption demonstrates that Hichilema is taking his election pledge seriously and is likely to boost investor confidence.

Private sector supports government vaccine mandate

The health ministry announced on 23 December that it is battling a fourth wave of coronavirus infections, dominated by the delta and omicron variants.¹⁶ As of 11 January, Zambia had recorded 287,110 cases of Covid-19 in its population of roughly 18.9 million, with 3,817 Covid-19-related deaths and 255,320 recoveries.



Source: Worldometer, accessed 11 Jan 2022

⁹ AP, 30 Dec 2021

¹⁰ Reuters, 10 Dec 2021

¹¹ Reuters, 10 Dec 2021

¹² Reuters, 10 Dec 2021

¹³ Reuters, 10 Dec 2021

¹⁴ Reuters, 7 Dec 2021

¹⁵ Source, analyst Zambia

¹⁶ Ministry of Health Zambia, 23 Dec 2021

In support of the Zambian government's mandate to get the population vaccinated against Covid-19, Canada-based **First Quantum Minerals** has encouraged all its employees at its **Kansanshi** mine in **Solwezi** and its **Sentinel** mine in **Kalumbila** (both in **Northwestern Province**) to get vaccinated.¹⁷ The company's mining protocols encourage the vaccination of all employees and contractors, particularly those working in proximity to one another. Access to the company's recreational facilities will be restricted to vaccinated employees, echoing the vaccine mandates implemented by many governments around the world.

First Quantum states that Covid-19, including the recent omicron variant, is an operational risk for the mine. Constant outbreaks and hospitalisation impact the mines' ability to operate and to reach targets for 2022, which could significantly affect the company's bottom line. Kansanshi mine general manager **Anthony Mukutuma** said the company's vaccination mandate aimed to help ease the burden on medical facilities in the area during the fourth wave of Covid-19 infections:

"Unvaccinated employees and contractors will still be able to access the mine facilities and to work; the only requirement will be to present a negative polymerase chain reaction result every time they are away from site for more than 72 hours."

The health ministry has urged private sector employers to encourage their workers to get vaccinated against Covid-19 and will continue to provide vaccines free of charge. Health minister **Sylvia Masebo** noted on 10 January that President Hichilema remains *"resolved and committed to the Covid-19 fight"* to preserve the lives and livelihoods of all Zambians.¹⁸ Hichilema announced during his New Year's Eve address to the nation that he had appointed a Covid-19 advisor.¹⁹

The health ministry has introduced a Covid-19 booster vaccine with effect from 27 December, to be administered to adults 18 years and older, giving priority to health workers and those with health conditions that make them vulnerable to the disease. The booster vaccines will be made available later to those who are fully vaccinated. Those who initially received an **Oxford-AstraZeneca**, **Sinopharm** or **Moderna** vaccine are eligible to receive a booster six months after full vaccination, while those who received US-based pharmaceutical company **Johnson and Johnson's** single-dose **Janssen** vaccine are eligible to receive a booster vaccine two months after their initial vaccine.²⁰ There are also plans to start vaccinating children aged 12-17.²¹ While the vaccination rate of the population eligible to receive a Covid vaccine remains below 15%, the health ministry aims to inoculate 70% of the population by June 2022.²²



Source: *Our World in Data*, accessed 11 Jan 2022

¹⁷ Mining weekly, 10 Jan 2022

¹⁸ Mining Weekly, 10 Jan 2022

¹⁹ Mining Weekly, 10 Jan 2022

²⁰ Reuters, 23 Dec 2021

²¹ Reuters, 23 Dec 2021

²² Ministry of Health, Zambia, 23 Dec 2021

All travellers to Zambia must produce evidence of a PCR COVID-19 negative test taken in the 72 hours prior to departure from the country of origin.²³ Travellers to Zambia are encouraged to be fully vaccinated but this is not mandatory. Anyone entering Zambia with a body temperature equal to, or above 38.0 C will be tested for Covid-19 on arrival, as will anyone with Covid-19 related symptoms.²⁴ Other arrivals may be randomly selected for testing. These tests are in addition to the requirement for visitors to show proof that they have tested negative for Covid-19 in the 72 hours prior to departure from their country of origin.

There are currently no restrictions on movement and no curfew in Zambia. Bars, restaurants, clubs, and casinos and churches are permitted to open without restrictions on hours or capacity. Public transport may also operate without capacity restrictions.

Planner

17-18 Feb 2022 **Lusaka (Zambia) Bank of Zambia Monetary Policy Committee meets;**

Chronology

5 Jan 2022 **Lusaka (Zambia) Xinhua.** Agriculture minister **Reuben Phiri** announces an outbreak of fall armyworms in **Mkushi district** (central **Zambia**), affecting 331 hectares of farmland;

4 Jan 2022 **Lusaka (Zambia) Bloomberg.** The **Bank of Zambia (BoZ)** (central bank) will boost its local-currency bond auctions by 73% to KMW' 2.6 billion (\$143.1m) in January following advances in bail-out negotiations with the **International Monetary Fund (IMF)** that have improved investor sentiment;

31 Dec 2021 **Lusaka (Zambia) Lusaka Times.** President **Hakainde Hichilema** says in his New Year's address that collective effort is required to rebuild the economy, which will take time, stressing the mantra of **One Zambia One Nation**, peace and stability;

30 Dec 2021 **Lusaka (Zambia) BoZ.** Finance Minister **Situmbeko Musokotwane** has appointed six members to become part of the reconstituted **Board of Directors of the Bank of Zambia (BoZ)** (central bank), bringing the total number of board members to eight as provided in the **Bank of Zambia Act**;

28 Dec 2021 **Lusaka (Zambia) Anadolu Agency.** Health minister **Sylvia Masebo** announces that all Zambian citizens fully vaccinated with a Covid-19 **Johnson & Johnson** vaccine are eligible to receive a booster vaccine two months after their initial vaccination while those vaccinated with **Sinopharm, Moderna, Pfizer** or **AstraZeneca** vaccines must wait for six months after their initial dose;

24 Dec 2021 **Lusaka (Zambia) Reuters.** Finance minister **Situmbeko Musokotwane** asks holders of Zambia's defaulted debt to quickly evaluate restructuring proposals that are part of a \$1.4 billion aid deal agreed with the **International Monetary Fund**;

16 Dec 2021 **Lusaka (Zambia) Reuters.** **Energy Regulation Board** hikes fuel prices after removing subsidies on petroleum in order to "migrate to cost reflective pricing";

10 Dec 2021 **Lusaka (Zambia) Times of Zambia.** Anti-graft authorities say they have arrested former state-owned **Zambia Postal Services Corporation** postmaster general **Macpherson Chanda** and two others for corruption committed between January 2017 and December 2018, which forced donors to temporarily freeze nearly \$34m in aid;

²³ Gov.UK, accessed 11 Jan 2022

²⁴ Gov.UK, accessed 11 Jan 2022

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.

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