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The national assembly delays a debate on a motion seeking to impeach President Edgar Lungu (2015-present). The Zambian Revenue Authority (ZRA) accuses Canada-based mining company, First Quantum Minerals Ltd, of failing to pay proper duties on imported supplies over the past five years, resulting in an additional 76.5 billion Zambian kwacha (\$8.04 billion) bill for taxes and penalties. Zambia awards a licence for its fourth mobile network operator to Angola-centred and Netherlands-based Unitel International Holdings, in which Isabel dos Santos, daughter of former Angolan President Jose Eduardo dos Santos (1979-2017), owns a 25% stake.

Motion of impeachment of President Edgar Lungu delayed until June

Zambia's national assembly delayed a debate on a motion seeking to impeach President **Edgar Lungu** (2015-present) on 28 March.¹ The national assembly deputy speaker, **Catherine Namugala**, noted that while all formal requirements were complied with, there was no timeframe within which the motion must be tabled and thus she did not table the motion before the 29 March parliamentary adjournment.² The main opposition party, the **United Party of National Development (UPND)**, filed the motion on 22 March over accusations that Lungu breached the constitution when he did not hand over power to the speaker of the national assembly while the UPND challenged Lungu's 2016 electoral victory in court.³ The court case was dismissed on a technicality after UPND lawyers were unable to provide evidence within the required time limit.⁴

UPND spokesman **Charles Kakoma** stated that the motion would now be debated in June at parliament's next session.⁵ The motion will need the backing of two-thirds of the 166-seat parliament and currently only one-third of parliamentarians have signed the motion.⁶ UPND parliamentary chief whip **Garry Nkombo** was expected to move the motion on 28 March, with a member of the ruling **Patriotic Front (PF)**, **Chishimba Kambwili**, to second it.⁷ However, Zambia's **Anti-Corruption Commission** arrested Kambwili on 22 March on 37 charges of being in possession of money alleged to be the proceeds of crime.⁸ Kambwili, a critic of Lungu, appeared in court on 27 March, pleading not guilty to the charges.⁹ Kambwili is currently out on \$1,000 bail but has been in hospital for unknown reasons since his arrest.¹⁰ He is due to return to court for trial on 4 June.¹¹

The motion to impeach Lungu is unlikely to pass as the PF holds 89 of the 166 seats (54%), while the UPND holds just 58 seats (35%).¹² Some PF members might have supported the motion, though it is likely that Kambwili's arrest would have decreased the number of those who would oppose Lungu. Sixteen PF members confirmed on 2 April that they would vote against Lungu in the impeachment

¹ EWN, 28 Mar 2018.

² African Arguments, 3 Apr 2018.

³ EWN, 28 Mar 2018.

⁴ EWN, 28 Mar 2018.

⁵ EWN, 28 Mar 2018.

⁶ EWN, 28 Mar 2018.

⁷ EWN, 23 Mar 2018.

⁸ Multiple sources: Face2FaceAfrica, 23 Mar 2018; EWN, 23 Mar 2018.

⁹ News24, 28 Mar 2018.

¹⁰ News24, 28 Mar 2018.

¹¹ News24, 28 Mar 2018.

¹² Daily Nation, 23 Mar 2018.

motion, ostensibly to “teach [Lungu] a life lesson.”¹³ The party members, mostly from the **Luapula, Northern, Muchinga and Copperbelt** regions, also stated that some PF members were working with opposition members to prevent the impeachment motion and accused opposition members of taking bribes from the PF in return for their allegiance.¹⁴

The government does not seem concerned about the motion. Presidential spokesperson **Amos Chanda** said the motion was just a continuation of the UPND’s failed court challenge of Lungu’s election victory:

“It’s not going anywhere. The UPND knows that the charges are defective and the motion cannot succeed but still brought it because they are not interested in the political dialogue.”¹⁵

Despite knowing the motion will fail, the UPND continues to push the impeachment process as part of a campaign to delegitimise Lungu as president. The motion to impeach may not remove Lungu, but it will keep the issue of Lungu’s reportedly unconstitutional behaviour in the minds of citizens and the international community, and potentially draw the PF’s focus away from governance and the 2021 elections.

Zambian Revenue Authority accuses First Quantum Minerals of underpaying tax

The **Zambian Revenue Authority (ZRA)** has accused **Canada**-based mining company, **First Quantum Minerals Ltd**, of failing to pay proper duties on imported supplies over the past five years.¹⁶ The ZRA sent a letter on 19 March stating that First Quantum had misclassified its \$540m of imports for the **Sentinel** copper mine as mining machinery, which incurs nominal duties, when in fact it should have been paying between 15% and 25% on the items.¹⁷ This has resulted in an additional 76.5 billion Zambian kwacha (\$8.04 billion) bill for taxes and penalties.¹⁸ First Quantum Minerals’ chief executive officer, **Philip Pascall**, held a conference call on 21 March to address the concerns of investors regarding the large bill, which is larger than Zambia’s entire annual budget and close to the \$9.5 billion market capitalisation of First Quantum.¹⁹ First Quantum plans to contest the tax assessment, of which \$150m is for the renewed assessment, \$5.7 billion is interest and \$2.1 billion is penalties. The initial review of the 23,000 separate line items will take roughly six months, though it is unclear how long the process might take to be resolved, how much First Quantum may pay, or how First Quantum would find the liquid capital available to pay the fines.²⁰

The tax assessment comes after Zambia’s high court dismissed First Quantum Minerals’ bid to stop state-owned mining company **ZCCM-IH**’s lawsuit, which aims to sue First Quantum for \$1.4 billion, on 26 January (See *ARC Briefing Zambia February 2018*).²¹ ZCCM-IH sued First Quantum in October 2016 for \$1.4 billion, claiming that First Quantum borrowed \$2.3 billion from its Zambia-based subsidiary, **Kansanshi Mining**, without informing ZCCM-IH, which is a minority shareholder in Kansanshi Mining.²² ZCCM-IH argues that First Quantum used the funds as cheap financing for other operations.²³

First Quantum is likely to end up paying some sort of penalty regarding the infractions as it derives nearly 84% of its revenue from its two Zambian copper mines and would be practically insolvent if it were to lose those licences. First Quantum’s **Toronto Stock Exchange**-listed stocks dropped 12.4% on the news of the new tax assessment and the stock regulator suspended trading of the stock, which

¹³ IOL, 2 Apr 2018.

¹⁴ IOL, 2 Apr 2018.

¹⁵ Amos Chanda quoted in EWN, 23 Mar 2018.

¹⁶ The Globe and Mail, 21 Mar 2018.

¹⁷ The Globe and Mail, 21 Mar 2018.

¹⁸ The Globe and Mail, 21 Mar 2018.

¹⁹ The Globe and Mail, 21 Mar 2018.

²⁰ The Globe and Mail, 21 Mar 2018.

²¹ Business Day, 26 Jan 2018.

²² Business Day, 26 Jan 2018.

²³ Business Day, 26 Jan 2018.

probably saved the stock from dropping further, although the stock regained 4% the following day.²⁴ This is not the first time the government has attempted to increase revenue from First Quantum and it will probably receive the \$150m revised assessment after negotiations, which would be on top of \$3 billion in taxes to date and \$200m in annual royalties First Quantum pays to the government.²⁵ The Zambian government appears to be looking for other avenues to help its large deficit issue after the **International Monetary Fund** has consistently refused to give a \$1.3 billion bailout, and is likely to conduct audits on other mining companies in an attempt to drum up additional revenue. The government is mostly likely hoping that the mining companies would rather negotiate and pay a fine than take the issue to court.

Zambia chooses Unitel International Holdings as its fourth mobile network operator

Zambia awarded a licence for its fourth mobile network operator to **Angola**-centred and **Netherlands**-based **Unitel International Holdings** on 20 March.²⁶ Unitel will compete with **MTN Group**, the market leader in Zambia, as well as **India**-based **Bharti Airtel** and state-owned **Zamtel**.²⁷ Unitel pledges to invest over \$350m and create more than 450 direct jobs.²⁸

Isabel dos Santos, daughter of former Angolan President **Jose Eduardo dos Santos** (1979-2017), owns a 25% stake in Unitel.²⁹ Dos Santos is Africa's richest woman, due mainly to her many deals through Angolan state-owned enterprises.³⁰ However, Angola's new president, **João Lourenço** (2017-present), dismissed dos Santos as chair of state-owned oil company, **Sonangol**, in November 2017 and also announced an auction for a new mobile operator in Angola, competing with Unitel in its home market.

Unitel will try to unseat MTN, which has a dominant 48% marketshare, and Zamtel, which holds 41%.³¹ The government is hoping that a fourth and possible future fifth mobile operator will help to decrease communication costs and still be profitable for the providers.³² Of Zambia's 16 million people, over 12 million are active mobile subscribers as of June 2017, which was a 10% increase year-on-year.³³ Unitel is likely to focus on offering faster communications and unique services, such as mobile money, as a way to increase its market share.

²⁴ iPolitics, 22 Mar 2018.

²⁵ iPolitics, 22 Mar 2018.

²⁶ Business Day, 20 Mar 2018.

²⁷ Business Day, 20 Mar 2018.

²⁸ Engineering News, 20 Mar 2018

²⁹ Business Day, 20 Mar 2018.

³⁰ Business Day, 20 Mar 2018.

³¹ Bloomberg, 18 Sep 2017.

³² Bloomberg, 18 Sep 2017.

³³ Bloomberg, 18 Sep 2017.

Planner

14-15 May 2018: Monetary Policy Committee meeting

4 Jun 2018: **Chishimba Kambwili** due to stand trial for corruption 2021 (**Zambia**) Scheduled presidential elections;

June 2018: The 2nd National Assembly session begins

20-21 Aug 2018: Monetary Policy Committee meeting

19-20 Nov 2018: Monetary Policy Committee meeting

Chronology

7 Apr 2018 (**Zambia**) *Reuters*. Finance minister **Margaret Mwanakatwe** expects the economy to grow more than 4% in 2018, though officials had targeted 5% growth this year;

3 Apr 2018 (**Zambia**) *Reuters*. **Zambia** lifts the ban on food imports from **South Africa**, except for “*risky food*” from **Tiger Brands** and **RCL Foods** that are linked to the listeria outbreak;

28 Mar 2018 (**Zambia**) *EWN*. National assembly deputy speaker fails to table motion of impeachment of President **Edgar Lungu**;

22 Mar 2018 (**Zambia**) *EWN*. Opposition party, **United Party of National Development**, files a motion of impeachment scheduled for 28 March;

22 Mar 2018 (**Zambia**) *EWN*. Patriotic Front member **Chishimba Kambwili** arrested after agreeing to second the motion of impeachment against Lungu;

20 Mar 2018 (**Zambia**) *Business Day*. Zambia awards licence for its fourth mobile network operator to **Angola**-centred and **Netherlands**-based **Unitel International Holdings**, in which **Isabel dos Santos**, daughter of former Angolan President **Jose Eduardo dos Santos**, holds a 25% stake

19 Mar 2018 (**Zambia**) *News24*. **Zambian Revenue Authority** sends letter to **Canada**-based mining company, **First Quantum Minerals**, alleging they owe \$8 billion in underpaid taxes and penalties;