

## AFRICA RISK CONSULTING

### Zambia Monthly Briefing November 2021

---

#### Zambia Summary 10 November 2021

*Finance minister Situmbeko Musokotwane delivers the 2022 budget, titled “Growth, Jobs and Taking Development Closer to the People”, and focuses on how Zambia plans to deal with the budget deficit and curb borrowing. International Monetary Fund (IMF) chief Kristalina Georgieva expresses optimism following talks with Zambia about debt restructuring under the Group of 20 (G20) Common Framework. The finance ministry reports that public and local debt was slightly under \$27 billion at the end of June, equating to almost 115% of Zambia’s GDP in 2019. President Hakainde Hichilema (2021-present) attends the United Nations (UN) Climate Change Conference of the Parties (COP26) in Glasgow (United Kingdom), where he urges nations to tackle climate change. The United States Centers for Disease Control and Prevention (CDC) classifies Zambia as a country at low risk for Covid-19 (level 1) in its travel guidance.*

---

#### 2022 budget focuses on debt and deficit

Finance minister **Situmbeko Musokotwane** delivered Zambia’s 2022 budget, titled “*Growth, Jobs and Taking Development Closer to the People*” on 29 October. His budget speech focused on how Zambia plans to deal with its budget deficit and curb borrowing. Musokotwane said the budget aims to reduce the deficit from a projected 10.4% of gross domestic product (GDP) this year to a maximum of 6.7% in 2022.<sup>1</sup> The government is targeting economic growth of at least 3.5% in 2022 compared to 3.3% in 2021.<sup>2</sup> To further reduce debt accumulation, the government will not seek any further external loans, except for refinancing purposes.<sup>3</sup>

The budget outlines measures aimed at stimulating, job creation, addressing poverty and improving communities. Musokotwane urged the private sector to help tackle unemployment by creating jobs, while accepting government responsibility for creating policy environments that attract investment.<sup>4</sup> Musokotwane noted pressure on the treasury due to the previous government’s “*excessive borrowing*”:

*“The numbers that I will present clearly show that the domestic revenues we shall collect are not even enough to service debt and pay public sector salaries.”<sup>5</sup>*

The mining sector will welcome the government’s planned reintroduction of deductibility of mineral royalty payments in calculating corporate income tax. However, Musokotwane did not mention any changes to mining royalty rates<sup>6</sup>. The copper mining sector, at the heart of the Zambian economy, was at loggerheads with the previous administration over mineral royalty tax reform.<sup>7</sup> Musokotwane added that,

*“Renewed interest from investors today could lead to new mines in production over the next five to ten years, and with the right supportive policies in place, that could completely change our nation’s development trajectory.”<sup>8</sup>*

---

<sup>1</sup> Reuters, 29 Oct 2021

<sup>2</sup> Lusaka Times, 29 Oct 2021

<sup>3</sup> Reuters, 29 Oct 2021

<sup>4</sup> National Assembly of Zambia, 29 Oct 2021

<sup>5</sup> National Assembly of Zambia, 29 Oct 2021

<sup>6</sup> Mining.dom. 30 Oct 2021

<sup>7</sup> Lusaka Times, 29 Oct 2021

<sup>8</sup> National Assembly of Zambia, 29 Oct 2021

The government faces a delicate balancing act in dealing with Zambia's debt crisis while addressing unemployment and creating jobs, particularly for the youth demographic, which played a decisive role in electing **Hakainde Hichilema** (2021-present) as president in August. The youth's protest vote against the status quo was partly responsible for Hichilema's landslide victory. However, the international community is closely watching Zambia's fiscal discipline and cost cutting measures. For investors, the new administration's willingness to engage and change the tax regime for the mining industry demonstrates the political will to create an attractive business environment. The test for Hichilema will be the upcoming talks with the **International Monetary Fund (IMF)** and dealing decisively with the debt crisis.<sup>9</sup>

Musokotwane's budget speech has set the right tone for the IMF, demonstrating decisive leadership and willingness to make the changes necessary to address the debt crisis. Talks with the IMF regarding a lending programme will take place in December, while Zambia will discuss debt restructuring with the IMF in early 2022.<sup>10</sup> IMF chief **Kristalina Georgieva** said the institution is optimistic following talks with Zambia about debt restructuring under the **Group of 20 (G20) Common Framework**.<sup>11</sup> Although Zambia is hoping to secure an IMF loan by the end of the November, Georgieva did not confirm a timeline. The IMF talks are centered around mapping out economic reforms and a medium-term macro-fiscal framework, which, in conjunction with a debt restructuring package, would set Zambia on path of restoring fiscal and debt sustainability.<sup>12</sup>

### Zambia owes nearly \$27 billion in foreign and local public debt

The finance ministry revealed on 20 October that Zambia's public and local debt totaled just under \$27 billion at the end of June. The figure equates to close to 115% of Zambia's GDP in 2019. Analysts claim the debt-to-GDP ratio could be even higher due to the economic contraction in 2020.<sup>13</sup> The ministry included \$16.86 billion in foreign holdings, of which \$520m is interest arrears.<sup>14</sup>

Zambia's public debt has grown uncontrollably over the past decade, reaching almost \$15 billion in June, approximately \$2 billion of which is parastatal debt.<sup>15</sup> Energy minister **Peter Kapala** announced on 15 October that the government will help state-owned energy company **ZESCO** settle its \$3.5 billion debt. ZESCO had previously reported debt at \$1.7 billion in 2019, raising the question of where the additional debt has come from and who holds it. Kapala notes that disputed invoices and the inability of some companies to pay have contributed to ZESCO's ballooning debt.<sup>16</sup> Business entities owed ZESCO a total of \$887m in August.

With reliable energy supply fundamental to the business operating environment, ZESCO's debt is a concern for investors. Zambia suffered a nationwide blackout on 6 November, leaving the country without electricity for the second time in a month.<sup>17</sup> A failure at the **Kariba** power station on 8 October impacted operations of **Konkola Copper Mines Plc** and other copper producers.<sup>18</sup> Stabilising ZESCO is a priority for Hichilema's "new dawn".<sup>19</sup>

### Zambia urges action at COP26

President Hichilema has called for urgent action against climate change to protect the livelihoods of present and future generations. Hichilema attended the **United Nations (UN) Climate Change Conference of the Parties (COP26)** in **Glasgow (United Kingdom)** in November, where he met UN

<sup>9</sup> Source, Zambia analyst

<sup>10</sup> Lusaka Times, 29 Oct 2021

<sup>11</sup> Reuters, 3 Nov 2021

<sup>12</sup> Lusaka Times, 3 Nov 2021

<sup>13</sup> Reuters, 20 Oct 2021

<sup>14</sup> Reuters, 20 Oct 2021

<sup>15</sup> Bloomberg, 15 Oct 2021

<sup>16</sup> Bloomberg, 15 Oct 2021

<sup>17</sup> Lusaka Times, 6 Nov 2021

<sup>18</sup> Bloomberg, 6 Nov 2021

<sup>19</sup> Source, Zambia analyst

secretary general **Antonio Guterres** and heads of state from countries including **Kenya, Ghana, Namibia, Angola** and **Mauritius**.<sup>20</sup> Hichilema said Zambia is ready to reduce carbon emissions by 47%, but needs support from world leaders and global partners:

*“Zambia will expedite implementation of activities through development of bankable project proposals to enable the country to access the necessary financing. Zambia is willing and ready to support your leadership and will work closely with the global community in resolving this challenge.”<sup>21</sup>*

Hichilema noted that developing and vulnerable countries such as Zambia are more susceptible to climate risk, which brings

*“... an additional layer of challenges, and aggravates existing ones, and for the sake of humanity, a positive outcome from this conference is not an option but an absolute necessity”.<sup>22</sup>*

Hichilema also held bilateral talks with UK prime minister **Boris Johnson** (2019-present). Hichilema stated that Zambia and the UK will continue to support each other in key areas of good governance, economy, trade and investment including education and health.<sup>23</sup>

### **Zambia classified as Covid-19 low risk country**

The **United States Centers for Disease Control and Prevention (CDC)** has classified **Zambia** as a level 1 (low risk) country in its travel guidance. The CDC upgraded Zambia’s classification on 6 November, weeks after Zambia lifted its Covid-19 restrictions. Since the **World Health Organization (WHO)** declared the pandemic on 11 March 2020, Zambia has as of 9 November recorded a total of 209,918 cases of Covid-19 in its population of roughly 18.9 million, with 3,664 Covid-19-related deaths and 206,091 recoveries.<sup>24</sup> Health minister **Silvia Masebo** noted that US-based **John Hopkins University** was conducting studies to model a potential fourth wave of Covid-19, in order to gain insight into populations at risk.

President Hichilema has urged Zambians to get vaccinated against Covid-19. The health ministry aims to vaccinate 30% of the eligible population by December.<sup>25</sup> To date, the ministry has administered 871,881 doses of Covid-19 vaccines using **British-Swedish**-manufactured **AstraZeneca**, US-based pharmaceutical **Johnson&Johnson’s Janssen** and China’s **Sinopharm** vaccines.<sup>26</sup>

<sup>20</sup> Times of Zambia, 1 Nov 2021

<sup>21</sup> Lusaka Times, 2 Nov 2021

<sup>22</sup> Lusaka Times, 2 Nov 2021

<sup>23</sup> Times of Zambia, 1 Nov 2021

<sup>24</sup> Africa CDC, 9 Nov 2021

<sup>25</sup> Lusaka Times, 4 Oct 2021

<sup>26</sup> Africa CDC, 9 Nov 2021

## Planner

15-16 Nov 2021 **Lusaka (Zambia) Bank of Zambia MPC** meets;  
 17 Nov 2021 **Lusaka (Zambia) Bank of Zambia MPC** media briefing;

## Chronology

8 Nov 2021 **Lusaka (Zambia)** *Times of Zambia*. President **Hakainde Hichilema** addresses a delegation from **Germany**, vowing to fight corruption and enforce good governance;

5 Nov 2021 **Lusaka (Zambia)** *Lusaka Times*. **The United Kingdom (UK)** pledges to support the Zambian government's plan to return to a position of debt sustainability, which is aimed at growing the country's economy, attracting investors and creating jobs;

3 Nov 2021 **Lusaka (Zambia)** *Reuters*. **International Monetary Fund** chief **Kristalina Georgieva** says she is "very optimistic" about reaching a lending arrangement with **Zambia**;

1 Nov 2021 **Lusaka (Zambia)** *Lusaka Times*. President **Hakainde Hichilema** departs Zambia to attend the **United Nations (UN) COP26** climate conference in **Glasgow (United Kingdom)**;

30 Oct 2021 **Lusaka (Zambia)** *Lusaka Times*. Finance minister **Situmbeko Musokotwane** pledges to slash the budget deficit and curb borrowing, as the government aims to agree an **International Monetary Fund** lending programme by the end of November and a debt restructuring early in 2022;

20 Oct 2021 **Lusaka (Zambia)** *Reuters*. Finance ministry reveals that **Zambia's** total public debt to foreign and local lenders was just shy of \$27 billion at the end of June;

15 Oct 2021 **Lusaka (Zambia)** *Reuters*. Energy minister **Peter Kapala** says state power utility **Zesco** has a total debt of \$3.5 billion as at September 2021;

10 Oct 2021 **Lusaka (Zambia)** *Lusaka Times*. Public health inspectors close down **Chinese-owned Sezic Resources Company Limited** due to non-compliance with the occupational health and safety measures;

### 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.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### About ARC Briefing:

**ARC Briefing** is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

**ARC Briefing** is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)