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President Edgar Lungu (2016-present) urges Zambians to work together to curb the spread of Covid-19 as the country experiences a spike in cases. Lungu sets out Zambia's Economic Recovery Programme 2020-2023 to address the impact of measures to curb the spread of the pandemic. Lungu plans to increase the government's stake in various mines to increase revenue for government coffers. The Lusaka Court of Appeal rules that the state-appointed liquidator of Vedanta Resources' Konkola Copper Mines will not be discharged. The Bank of Zambia (BoZ) (central bank) is buying back gold from Canada-based First Quantum Minerals in a bid to bolster Zambia's foreign reserves. The International Monetary Fund (IMF) has requested Zambia to re-draft its economic policy to ensure its public debt is sustainable. The Zambia Police Service launches an investigation into the killing of two civilians during a protest against the summons of opposition United Party for National Development (UPND) leader Hakainde Hichilema for questioning in connection with a farm he purchased in 2004.

Lungu attempts to balance curb of pandemic and economic recovery ...

President **Edgar Lungu** (2016-present) has called on **Zambians** to work together to tackle the spread of **Covid-19** as the country experiences a surge in new cases.¹ Lungu on 4 January urged all stakeholders to respect the regulations aimed at curbing the spread of the disease, which to date has claimed 464 lives in Zambia's population of roughly 18.5 million.² Zambia's health authorities have reported 26,567 cases, 20,512 recoveries and 5,591 active cases as of 10 January.³

Health minister **Chitalu Chilufya**, whom Lungu dismissed on 10 January without giving reasons,⁴ warned on 4 January that Zambia is experiencing a new wave of infections, attributed largely to transmission of the virus at a variety of social gatherings.⁵ The health ministry warned that growing complacency and failure to adhere to the preventative health regulations that the government has put in place will exert additional pressure on the healthcare system.⁶ Authorities have increased surveillance measures to ensure greater compliance with the government's guidelines.⁷

Despite concern over the spike in new cases, the government faces a difficult decision in striking a balance between curbing the spread of the virus and supporting the economy.⁸ The pandemic has devastated Zambia's economy, which slipped into a technical recession in Q2.⁹ **United States (US)**-based ratings agency **S&P Global Ratings (S&P)** slashed Zambia's credit rating to "selective default" on 21 October following the government's missed interest payment on 14 October and its announcement that it would suspend debt service to external commercial creditors (see *ARC Briefing*

¹ Lusaka Times, 4 Jan 2021

² Africa CDC, 10 Jan 2021

³ Africa CDC, 10 Jan 2021

⁴ Reuters, 11 Jan 2021

⁵ EWN, 4 Jan 2021

⁶ Lusaka Times 4 Jan 2021

⁷ Lusaka Time, 4 Jan 2021

⁸ Political analyst, Zambia

⁹ African Development bank, 12 Jan 2021

Zambia October 2020).¹⁰ The **World Bank** expects Zambia's economic activity to remain weak, with growth estimated at 2.4% in 2020 and 2.9% in 2021.¹¹

Against this subdued background, President Lungu set out Zambia's **Economic Recovery Programme 2020-2023 (ERP)** plan on 17 December, the roadmap to rebuild the economy.¹² The ERP is anchored on five strategic areas, namely: restoring macroeconomic stability; attaining fiscal and debt sustainability; dismantling the backlog of domestic arrears; restoring growth and diversifying the economy; and safeguarding social protection programmes.¹³ The key outcomes by 2023 are:

- **Restoring macroeconomic stability:** The inflation rate is projected to trend downwards from the current level of 15.8% in June to single digits by the end of 2022; the exchange rate will stabilise as export earnings improve and gross international reserves rise to more than three months of import cover by 2023;
- **Attaining fiscal and debt sustainability:** During the ERP period, domestic revenue mobilisation will increase to at least 18% of GDP, while fiscal deficits are expected to reduce to 9% of gross domestic product (GDP) in 2021, 6.1% in 2022 and 4.9% in 2023;¹⁴
- **Restoring growth and diversifying the economy:** Real GDP is projected to recover from the projected contraction of over 4% in 2020 with growth anticipated to accelerate to above 3% in 2021 and 2022;
- **Dismantling of domestic arrears:** Commitment control systems will be put in place as well as measures to liquidate arrears, and these are expected to "significantly reduce" the stock of arrears, and curtail their accumulation;
- **Safeguarding social protection programmes:** Vulnerability and poverty induced by the COVID-19 pandemic will be reduced, as the increased allocation to social protection programmes will cushion the most vulnerable in society.¹⁵

... as government targets bigger stake in mines ...

In presenting the country's economic recovery plan, Lungu noted that Zambia must build its stake in select mines in order to fully benefit from the country's mineral wealth, beyond the contribution that taxes make to the government coffers.¹⁶ Zambia depends on copper for 10-15% of its GDP and over 80% of its total exports.¹⁷ Although copper prices rebounded in July,¹⁸ the 2020 slump in global demand has hit Zambia hard. Lungu did not specify which mines the government has earmarked for the ownership change and was quick to add that it was not envisaging nationalisation of the mines,

"... on the contrary, it is the state acquiring majority stakes in selected mines while allowing private investors to also participate in the sector."¹⁹

The Lungu administration has had a difficult relationship with the mining sector. As part of the government's move to gain more direct control in the sector, state investment arm **ZCCM Investment Holdings Plc (ZCCM-IH)** is in talks with **Switzerland-based Glencore PLC** to acquire its majority stake in **Mopani Copper Mines (MCM)** (see *ARC Briefing Zambia November 2020*). The government clashed with Glencore in early April over the company's plan to mothball Mopani's operations after declaring that unprecedented disruptions of the Covid-19 pandemic had forced it to declare *force majeure* (see *ARC Briefing Zambia April 2020*).

¹⁰ Fin24, 14 Oct 2020

¹¹ Data World Bank accessed 12 Jan 2021

¹² Mndp.gove.zm, 17 Dec 2020

¹³ Mndp.gove.zm, 17 Dec 2020

¹⁴ Reuters, 17 Dec 2020

¹⁵ Mndp.gove.zm, 17 Dec 2020

¹⁶ Reuters, 17 Dec 2020

¹⁷ Africa report 9 Jan 2021

¹⁸ Mining Weekly, 1 Aug 2020

¹⁹ Reuters, 17 Dec 2020

President Lungu is seeking another term in office in Zambia's elections, scheduled for 12 August, and may be attempting to drum up popular support.²⁰ Lungu noted:

*"We shall no longer tolerate mining investors who seek to prowl from our God-given natural resources, leaving us with empty hands [...] We shall no longer tolerate mining investors who cry foul each time we try to earn something from our mines through new tax measures."*²¹

... and Lusaka court rules against Vedanta

The **Lusaka Court of Appeal** ruled on 6 January that the state-appointed liquidators of **United Kingdom (UK)-based Vedanta Resources' Konkola Copper Mines (KCM)** will not be discharged.²² ZCCM-IH had appealed a 26 November ruling that Vedanta could proceed to arbitration with ZCCM-IH in a dispute over the company's copper assets in Zambia.

The ruling is a blow to Vedanta, which has been locked in a legal battle since May 2019, when the Zambian government, which owns 20% of KCM through ZCCM-IH, handed control of the business to a liquidator (see *ARC Briefing Zambia May 2019*).²³ The issues between the government and mining companies, notably Vedanta and Glencore, began after Glencore subsidiary MCM announced in May 2019 that it would close two shafts at its mine, costing 600 direct jobs and 1,500 contracted jobs.²⁴ Mines minister **Richard Musukwa** directed MCM to hand over the operations of the shafts to two local contractors rather than close them.²⁵ The government also said it had filed a notice in April 2018 to KCM in regards to breaches of the terms of its mining licence, which it claimed KCM had not addressed.²⁶ The **High Court of Zambia** appointed **Milingo Lungu** as provisional liquidator for KCM on 24 May 2019.²⁷

The liquidator plans to split KCM effective 31 January, with the potential for asset sales to follow.²⁸ Vedanta has argued that KCM did not break the terms of its licence, and vowed to fight any attempt by Zambia to sell KCM assets to a third party. In a statement on 7 January liquidator Milingo Lungu reiterated that his powers are valid.²⁹ However, South Africa-based law firm **Herbert Smith Freehills** Africa co-chair **Peter Leon** noted:

*"Whatever the judgment means, there's no way the provisional liquidator can start disposing of KCM's assets, because anybody who buys those assets would therefore effectively be acquiring tainted property and they would be party to an unlawful act."*³⁰

Central bank to buy gold from First Quantum

Bank of Zambia (BoZ) (central bank) governor **Christopher Mvunga** said the BoZ will begin buying gold directly as part of its official international reserves assets.³¹ Mvunga signed a deal on 11 December to buy gold from **Zambia Gold Company Limited** and **Canada-based First Quantum Minerals' Kansanshi Mine**, which produced 145,386 ounces of gold in 2019.³² The gold will be sourced locally using local currency.³³ Mvunga said purchasing gold locally using local currency provides a sustainable avenue of international reserves accumulation, as well as a long-term store of

²⁰ Political analyst, Zambia

²¹ Reuters, 17 Dec 2020

²² Reuters, 6 Jan 2021

²³ Mining weekly, 7 Jan 2021

²⁴ Lusaka Times, 10 May 2019

²⁵ Business Day, 19 May 2019

²⁶ Reuters, 20 May 2019

²⁷ IOL, 27 May 2019

²⁸ Reuters, 7 Jan 2021

²⁹ Reuters, 7 Jan 2021

³⁰ Africa report, 7 Jan 2021

³¹ BoZ, 14 Dec 2020

³² Reuters, 14 Dec 2020

³³ Mining weekly, 17 Dec 2020

value, further enhancing investor confidence and providing the necessary liquidity for the central bank's foreign market operations:

*"During periods of market stress – when assets would be losing value – gold would be adding value, thereby shielding the whole portfolio from large losses."*³⁴

Analysts applaud the move as a sound strategy to bolster Zambia's fiscal resilience.³⁵ The move is also consistent with the broad objectives of the government's ERP launched on 17 December (see above).³⁶ Zambia held gold reserves prior to 1995; however, these were depleted serving foreign exchange liquidity challenges.³⁷

IMF asks Zambia to re-draft economic policy

The **International Monetary Fund (IMF)** has asked Zambia to re-draft its economic policy to ensure that its public debt is more sustainable. Zambia approached the IMF and requested a financing agreement with the IMF on 8 December (see *ARC Briefing Zambia December 2020*) after the country's external debt burden surged to \$12 billion.³⁸ IMF Africa department director **Abebe Aemro Selassie**, said:

*"Given the deep-rooted challenges faced, policies would need to be calibrated to restore sustainability while protecting the vulnerable and creating more inclusive growth."*³⁹

The IMF is currently processing and assessing various options for Zambia's reform efforts. Selassie has held talks with President Lungu, finance minister **Bwalya Ngandu** and BoZ governor Christopher Mvunga. In September, the Zambian government requested a six-month deferral in interest payments for three commercial Eurobonds worth \$3 billion. In November, Zambia became Africa's first sovereign county in the Covid-19 pandemic-era to default on debt payments after it failed to pay a \$42.5m coupon on one bond after the grace period expired (see *ARC Briefing Zambia November 2020*).⁴⁰

Police kill two civilians during protest

In a troubling sign of possible heavy-handed policing in the run-up to the 12 August elections, **Zambia Police Service (ZP)** members killed two civilians during a protest on 23 December against the summoning of opposition **United Party for National Development (UPND)** leader **Hakainde Hichilema**.⁴¹ Police ordered Hichilema to report to police headquarters for questioning in connection with his purchase of a farm in **Kalomo**, 350km south of Lusaka, in 2004. Despite police orders to stay away, a large crowd congregated to escort Hichilema to court. In the process of dispersing the crowd, two people died of gunshot wounds. Police inspector general **Kakoma Kanganja** said:

*"In the process of dispersing the unruly crowd using tear smoke canisters, two people were reported to have been shot dead in unknown circumstances which we are yet to establish."*⁴²

Hichilema was arrested in 2017 for attempting to overthrow the government after the national elections, spending four months in prison.⁴³ The charges were later dropped.

Although the ZP has launched an investigation into the killing and Lungu has dismissed two senior police officials, political analysts see the police response as an intimidation tactic in the run up to the election. Since Lungu came to power with the **Patriotic Front (PF)** in 2016, opposition parties, critics

³⁴ BoZ, 14 Dec 2020

³⁵ Mining analyst, Zambia

³⁶ Zambia Reports, 6 Jan 2021

³⁷ Mining analyst, Zambia

³⁸ Reuters, 10 Dec 2020

³⁹ Reuters, 9 Dec 2020

⁴⁰ Bloomberg, 10 Dec 2020

⁴¹ Lusaka Times, 23 Dec 2020

⁴² Lusaka Times, 23 Dec 2020

⁴³ Reuters, 23 Dec 2020

and activists have accused him of mishandling the economy and attempting to silence the opposition through intimidation.⁴⁴

Planner

6-8 May 2021 **Lusaka (Zambia)** Zambia International Mining and Energy Conference (ZIMEC);
12 Aug 2021 **(Zambia)** Presidential and legislative elections

Chronology

10 Jan 2021 **Lusaka (Zambia)** *Reuters*. State mining investment arm **ZCCM-IH** concludes talks with **Switzerland**-based **Glencore** about buying a majority stake in **Mopani Copper Mines**;

10 Jan 2021 **Lusaka (Zambia)** *Zambia Reporters*. President **Edgar Lungu** dismisses health minister **Chitalu Chilufya** with immediate effect, without giving a reason for the move;

7 Jan 2021 **Lusaka (Zambia)** *Lusaka Times*. President **Edgar Lungu** begins a three-day working visit to **Ndola (Copperbelt Province)** and he is expected to inspect development projects and congregates with Christians at a **Seventh Day Adventist Church** in **Kitwe**;

6 Jan 2021 **Lusaka (Zambia)** *Africa News*. Health minister Chitalu Chilufya says the government plans to rollout its vaccination programme in February, with approval from **COVAX**, a global initiative to ensure rapid and equitable access to vaccines;

6 Jan 2021 **Lusaka (Zambia)** *Lusaka Times*. **The Bank of Zambia (BoZ)** (central bank) has commenced buying gold as part of its foreign reserves, following the signing of the **Gold Purchase Agreement** on 11 December;

5 Jan 2021 **Lusaka (Zambia)** *Lusaka Times*. **Zambia** records its highest number of infections in a single day;

12 Dec 2020 **Lusaka (Zambia)** *Lusaka Times*. **Bank of Zambia (BoZ)** (central bank) governor **Christopher Mvunga** signs a **Gold Purchase Agreement** with **First Quantum Minerals** subsidiary **Kansanshi Mining PLC**;

16 Dec 2020 **Lusaka (Zambia)** *Lusaka Times*. President **Edgar Lungu** is set to launch Zambia's 2020-2023 Economic Recovery Programme, which will address dimensions of the economic challenges that Zambia faces, including the **Covid-19** pandemic;

16 Dec 2020 **Lusaka (Zambia)** *Lusaka Times*. President **Edgar Lungu** says a new wave of **Covid-19** is on the horizon and warns Zambians not to be complacent or face stricter measures to curb the spread of the disease;

17 Dec 2020 **Lusaka (Zambia)** *Lusaka Times*. **Royal Zambia** airline launches flights to **South Africa**;

24 Dec 2020 **Lusaka (Zambia)** *Lusaka Times*. **Electoral Commission of Zambia (ECZ)** chief electoral officer **Patrick Nshindano** says the ECZ has registered over seven million eligible voters for the 2021 general elections;

23 Dec 2020 **Lusaka (Zambia)** *African News*. Police shoot two people dead as they break up a crowd gathered to support main opposition leader **Hakainde Hichilema** whom police were questioning at police headquarters over property purchased 20 years ago;

17 Dec 2020 **Lusaka (Zambia)** *Reuters*. President **Edgar Lungu** says the state needs bigger stakes in selected mines to benefit from its mineral wealth beyond taxes, as he set out an economic recovery plan after the country defaulted on a debt payment last month.

14 Dec 2020 **(Southern Africa)** *News24*. **Southern African Development Community** leaders

⁴⁴ Political analyst, Zambia

to hold an extraordinary summit in January to discuss the security situation in **Mozambique** as **Islamist** insurgency escalates;

11 Dec 2020 **Lusaka (Zambia)** *Mining.com*. **Bank of Zambia** (central bank) is to begin buying gold from **Canada**-based miner **First Quantum Minerals** and state mining firm **Zambia Gold Company** as it resumes holding the precious metal as part of its foreign reserves;

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