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Zambia Summary 19 March 2018

President Edgar Lungu (2015-present) meets with Democratic Republic of the Congo (DRC) President Joseph Kabila (2001-present) in Lusaka and Rwandan President Paul Kagame (2000-present) in Kigali. Lungu reshuffles his cabinet, appointing Margaret Mwanakatwe as the new finance minister and Richard Musukwa as mining minister. The International Monetary Fund (IMF) rejects Zambia's latest borrowing plans, arguing they risk undermining debt sustainability, while Zambia's Eurobonds become the worst-performing debt among emerging market sovereign issuers.

Lungu meets with DRC and Rwandan presidents

President **Edgar Lungu** (2015-present) met with **Democratic Republic of the Congo (DRC)** president **Joseph Kabila** (2001-present) on 19 February in **Lusaka**¹ and **Rwandan** president **Paul Kagame** (2000-present) on 21 February in **Kigali**.² During Kabila's two-day visit to **Zambia**, Lungu defended Kabila's right to run for another presidential term in the scheduled December 2018 elections, despite the constitutional impediment and the fact that Kabila has extended his mandate without an election.³ Lungu said Kabila was "a very good president who [is] loved by more than 60% of Congolese",

*"...[and opposition members] should not infringe on the rights of the majority who would love Kabila to continue governing."*⁴

Lungu is facing similar electoral issues. He is hoping to run for president again in 2021, despite potential constitutional limitations (see *ARC Briefing Zambia February 2018*). In an unsubtle hint to international media and governments, Lungu added that

*"...these [western countries] should desist from interfering in our domestic affairs. If our people want us to stay in office beyond the constitutional limit, that's our own choice and so no one should be allowed to intervene."*⁵

Opposition parties condemned the meeting with Kabila. Leader of the opposition in the national assembly **Jack Mwiimbu** also described it as "a shame" that "Lungu is wining and dining with the butcher of Congo":

*"Millions of Congolese have died as a result of the impunity of **African** dictators and their Congolese sycophants. Any birds of the same feather flock together."*⁶

Despite Lungu's argument that the talks dealt with security and economic issues, a Zambia-based analyst says Lungu's actions display weak leadership:

*"Lungu should have pushed for more action regarding the flow of refugees into Zambia and, as deputy chairperson of the **Southern African Development Community's** organ on politics,*

¹ Citizen, 19 Feb 2018.

² KT Press, 22 Feb 2018.

³ Citizen, 19 Feb 2018.

⁴ Citizen, 19 Feb 2018.

⁵ Citizen, 19 Feb 2018.

⁶ Lusaka Times, 20 Feb 2018.

defence and security, should have pushed for Kabila to affirm that he will step down as DRC president at the end of the year.”⁷

After Kabila’s visit, Lungu visited Kagame to discuss sharing experiences and practices on science and technology.⁸ The most recent available statistics show that trade between Zambia and Rwanda increased from \$2.8m in 2015 to \$11.6m in 2016.⁹ Lungu and Kagame also discussed extradition agreements to extradite fugitives from the Rwandan genocide who have sought refuge in Zambia.¹⁰ A cessation clause for Rwandan refugees ended in December 2017 and Lungu wishes to deport all refugees:

“We will not allow a situation where we have permanent refugees in Zambia, whether they are fugitives or those who fled as victims. The bottom line is, we have to put a closure to this chapter.”¹¹

Zambia hosts roughly 4,000 Rwandan refugees, including some suspected of being perpetrators of the 1994 genocide.¹² Many are fearful of returning to Rwanda due to possible arrest.¹³ Some countries, such as **South Africa**, have chosen to not invoke the cessation clause while others have said they would not expel refugees immediately.¹⁴

According to a Zambia-based source,

“...there has been little to no media coverage of the Rwandan refugees, so it is unlikely that Lungu has pushed for this. Kagame has obviously influenced the decision to deport the refugees to punish any former génocidaires or political opponents.”¹⁵

Lungu’s pronouncement regarding constitutional limits is worrying. Lungu is also looking to extend his time in power beyond his constitutional mandate and his pronouncement may signal that he plans to emulate Kagame by changing the constitution to enable him to stay in power or, if unable to change the constitution, to emulate Kabila and simply remain in office.

Lungu reshuffles cabinet

President Lungu reshuffled his cabinet on 14 February, appointing a new finance and mining minister.¹⁶ Lungu moved finance minister **Felix Mutati** to the works and supply ministry and appointed **Margaret Mwanakatwe** as finance minister.¹⁷ Mwanakatwe was previously the commerce and trade minister.¹⁸ Criticism of the move was quick. Non-government organisation **Transparency International** noted that the **High Court of Zambia** had revoked Mwanakatwe’s parliamentary seat in November due to electoral malpractice, while **University of Zambia** professor **Alex Ngoma** said the move would hurt investor confidence.¹⁹ A government source suggested Lungu had removed Mutati from the finance ministry because he was too conscientious:

*“Many **Patriotic Front (PF)** party faithfuls were complaining that Mutati was stingy and would not authorise contract payments to them. Mutati was also too candid about the exact debt burden in Zambia, which the government wishes to hide.”²⁰*

⁷ Source, political analyst, Lusaka.

⁸ KT Press, 21 Feb 2018.

⁹ KT Press, 21 Feb 2018.

¹⁰ KT Press, 21 Feb 2018.

¹¹ Relief Web, 22 Feb 2018.

¹² Relief Web, 22 Feb 2018.

¹³ Relief Web, 22 Feb 2018.

¹⁴ Relief Web, 22 Feb 2018.

¹⁵ Source, analyst, Lusaka

¹⁶ Engineering News, 15 Feb 2018.

¹⁷ Engineering News, 15 Feb 2018.

¹⁸ Anadolu Agency, 16 Feb 2018.

¹⁹ Anadolu Agency, 16 Feb 2018.

²⁰ Source, government employee, Lusaka

Other appointments include:

Portfolio	Minister
Mining	Richard Musukwa
Information	Dora Siliya
Finance	Margaret Mwanakatwe
Works and supply	Felix Mutati
Commerce, trade and industry	Christopher Yaluma
Water development	Dennis Wanchinga
General education	David Mabumba
Energy	Matthew Nkhuwa
Fisheries and livestock	Kapamba Mulenga
Agriculture	Michael Katambo
Lusaka Province minister	Bowman Lusambo
Copperbelt Province minister	Japhen Mwakalombe
North-western Province minister	Nathaniel Mubukwanu
Western Province minister	Richard Kapata

The other appointments are not as controversial, though many expected former information and broadcasting minister, Kapamba Mulega, to be fired from the cabinet; instead Lungu moved him to the fisheries ministry.²¹ The important mining ministry is in good hands; Richard Musukwa was previously the deputy mining minister and the government is hoping he can reignite the industry, particularly since Lungu's decision to appoint Mwanakatwe as finance minister will not help Zambia in its bid for a much-needed bailout from the **International Monetary Fund (IMF)** (see below).

Lungu's decision to move Mutati, who is the leader of the opposition **Movement for Multiparty Democracy (MMD)**, is strategic: as works and supply minister, Mutati is responsible for printing ballot papers for the 2021 elections.²² Opposition parties have criticised the government's plan to save roughly \$7m by printing the ballots in Zambia; any further criticism from the opposition will be directed at the opposition MMD, rather than towards Lungu and the PF.²³

IMF dismisses Zambia's latest borrowing plan as government turns to China

Zambia's borrowing arrangements are facing head-winds. The IMF rejected Zambia's latest borrowing plans on 16 February, arguing they risk undermining debt sustainability,²⁴ while Zambia's **Eurobonds** have become the worst-performing debt among emerging-market sovereign issuers.²⁵ Zambia's Eurobonds lost 5.8%, due to investors' concerns over the change in finance minister (see above) and the IMF's refusal to give Zambia a \$1.3 billion bailout.²⁶ The government's apparent unwillingness to make significant fiscal adjustments seems to have led to the IMF's decision. Government spokesman **Amos Chanda** said the government would not go out of its way to pursue an IMF programme:

²¹ Source, analyst, Lusaka

²² Source, analyst, Lusaka

²³ Source, analyst, Lusaka

²⁴ Reuters, 16 Feb 2018.

²⁵ Bloomberg Markets, 19 Feb 2018.

²⁶ Bloomberg Markets, 19 Feb 2018.

*"If it does not come, we will continue with our own programme, which is already delivering results."*²⁷

It is unclear to which programme Chanda is referring, although according to **Stuart Culverhouse**, the chief economist at **United Kingdom (UK)**-based **Exotix Capital**, the idea that copper's 18% price increase since 2017 will save Zambia's economy is "misplaced".²⁸

Zambia has also looked to borrow directly from **China** to ease the repayment burden after the IMF rejection.²⁹ Chinese banks have continued to provide loans despite Zambia's large debt. The government did not clarify whether China would underwrite existing or new loans, or grant new loans.³⁰ Zambia's cabinet approved borrowing from two Chinese banks – the **Export and Import Bank of China** and the **Industrial and Commercial Bank of China** – on 19 February to fund infrastructure projects.³¹ Zambia's total debt was \$12.45 billion at the end of August 2017, representing 47% of gross domestic product.³² However, Mwanakatwe said the debt stock was just \$7.9 billion at the end of 2017 and that IMF negotiations were due to begin again in April.³³

Despite the IMF's rejection, **United States (US)**-based ratings agency **Standard & Poors Financial Services Ltd (S&P)** affirmed Zambia's economic rating at 'B' with a stable outlook, on 23 February.³⁴ A Zambia-based political analyst speculated that the announcement was made to stabilise the market after the cabinet changes:

*"However, it is unclear why S&P still thinks Zambia's economy is stable and did not downgrade it despite the debt issues. There are rumours that there was political influence in the decision."*³⁵

Planner

March 2019 (**Botswana, Zambia**) Scheduled opening of the **Kazungula Bridge**;
2021 (**Zambia**) Scheduled presidential elections;

Chronology

8 Mar 2018 (**Zambia**) *Infrastructure*. The **Green Climate Fund** approves \$52.5m loan for **African Development Bank's** funding proposal for **Zambia's** renewable energy financing framework;

27 Feb 2018 (**Zambia**) *MiningMX*. Government plans to enforce a law which stipulates that 30% of all mining freight must be moved by rail rather than road;

23 Feb 2018 (**Zambia**) *Lusaka Times*. **Standard & Poors** affirms Zambia's economic rating as stable with a 'B' rating;

21 Feb 2018 **Kigali (Rwanda)** *KT Press*. President **Edgar Lungu** meets with Rwandan President **Paul Kagame** and vows to deport Rwandan refugees from Zambia;

21 Feb 2018 (**Zambia**) *Reuters*. The **Bank of Zambia** (central bank) cuts lending rate to 9.75%, a cut of 50 basis points;

²⁷ Reuters, 17 Feb 2018.

²⁸ Bloomberg Markets, 19 Feb 2018.

²⁹ Reuters, 17 Feb 2018.

³⁰ Reuters, 17 Feb 2018.

³¹ Source, economist, Zambia

³² Reuters, 17 Feb 2018.

³³ Source, economist, Zambia

³⁴ The Herald, 28 Feb 2018.

³⁵ Source, political analyst, Zambia

19 Feb 2018 **Lusaka (Zambia)** Daily Mail. President Edgar Lungu meets with **Democratic Republic of the Congo** president **Joseph Kabila** and defends Kabila's right to extend his mandate;

17 Feb 2018 **(Zambia)** Reuters. Zambia plans to borrow directly from **China** after the **International Monetary Fund (IMF)** rejects Zambia's borrowing plan;

16 Feb 2018 **(Zambia)** Reuters. The IMF rejects Zambia's borrowing plan, denying Zambia a planned \$1.3 billion bailout;

14 Feb 2018 **(Zambia)** Reuters. Lungu reshuffles his cabinet, appointing **Margaret Mwanakatwe** as finance minister;