

AFRICA RISK CONSULTING

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Zambia Summary 15 February 2024

Treasury officials visit China in January to hold bilateral talks with the Export-Import Bank of China (EXIM China) and some Chinese commercial banks with a new proposal for the restructuring of its debts. Zambia is set to benefit from major rail infrastructure projects with the United States leading the sponsorship of a \$ 1.6 billion rail line project linking the Copperbelt to Angola while China is investing \$1 billion to revive the railway linking Zambia to Tanzania. Bank of Zambia (central bank) increases its policy rate by 150 basis points to 12.5%, the highest rate in almost seven years.

Zambia engages China with new debt relief proposals

Treasury secretary **Felix Nkulukusa** confirmed on 2 February that in the prior week, Zambian officials visited **China** to negotiate a restructuring of its debts with representatives of the **Export-Import Bank of China (EXIM China)** and some Chinese commercial banks. Zambia owes official creditors approximately \$6.3 billion - \$4.1 billion to EXIM China and \$3.5 billion to international bondholders. An additional \$1.8 billion is owed to other Chinese lenders.¹

Zambia was the first African country to default on its sovereign debt in 2020 and its debt restructuring process has been hampered by delays with official creditors rejecting a deal that the country had struck with its **Eurobond** holders in November 2023 (see *ARC Briefing Zambia Dec 2023*).

Under the **G20's Common Framework**, debtor countries are meant to agree on comparable restructuring deals with official and commercial creditors. China is reported to be one of the countries in the **Official Creditors Committee (OCC)** that rejected the deal with bondholders as they complained that the deal was not comparable to the debt relief they had offered. The **Comparability of Treatment** is a principle from the **Paris Club** of wealthy creditor nations aimed at ensuring its members don't give outsized concessions compared to private lenders or others outside the group.

According to an analysis done by **Debt Justice** and the **Zambian Civil Society Debt Alliance**, under the latest deal with bondholders, they will be paid \$0.73 for every \$1 they lent originally. In contrast, official creditors like China and the **United Kingdom** will be repaid \$0.55 by Zambia when bondholders had lent at higher interest rates.² China is also reported to be at variance with other creditors over some important issues under the G20's Common Framework, with the country preferring maturity extension on loans rather than haircuts.³

To this point, and in a move that signals some progress in efforts to restructure the country's debts, Nkulukusa said they have now shared their new restructuring proposals with the Chinese banks:

¹ [Bloomberg](#), 2 Feb 2024

² [Lusaka Times](#), 6 Feb 2024

³ [EIU](#), 16 Oct 2023

*"We are on course. We are sharing our restructuring proposals, and we hope that sooner than later we are going to reach an agreement."*⁴

The concerted effort by Zambia comes as the **International Monetary Fund (IMF)** has called for all parties involved in Zambia's debt restructuring process to reach a compromise as delays continue to hinder progress. During a press briefing on 4 February, IMF director for the African department **Abebe Selassie** expressed frustration over the prolonged negotiations but remains hopeful for a resolution with the OCC.⁵

Renegotiations have also been complicated by the fact that Chinese lenders are a heterogeneous group. EXIM China has been classed as an official creditor in Zambia's debt talks, but other Chinese policy banks and lenders (including export credit agencies) have insisted they be categorised as commercial creditors and as such must negotiate in separate committees.

Zambia benefits from jostling for control of critical minerals trade routes

Critical minerals-rich Zambia is set to benefit significantly from rail infrastructure investments as global powers compete for control of minerals trade routes with a rail line to the **Atlantic Ocean** to be sponsored by mostly **Western** countries while China is refurbishing an existing rail line to the **Indian Ocean**.

President **Hakainde Hichilema** (2021-present) is optimistic that the **United States (US)**-backed **Lobito Corridor**, which will connect Zambia's copper mines to the **Port of Lobito (Angola)**, will bring immense benefits to the mineral-dependent country describing it as a "once-in-a-lifetime" opportunity.⁶ This infrastructure development aims to modernise transport logistics, facilitate trade, and attract investments across various sectors including agriculture, manufacturing, renewable energy, and tourism.

The \$1.6 billion project will link mining operations owned by multinational companies to the Port of Lobito by building a new track in Zambia and connecting it to an existing railway in Angola. The works entail the construction of approximately 550 km of rail line in Zambia from the **Jimbe border** to **Chingola** in the **Zambian Copperbelt** and the 260km of main feeder roads within the corridor.

The US is supporting the refurbishment of the Angolan line and has approved a \$250m loan for the whole project. In comparison, the **African Development Bank (AfDB)** plans to contribute approximately \$500m to the project through a blend of sovereign and non-sovereign instruments, including concessional allocations.⁷

Hichilema officiated the **Lobito Corridor Private Sector Investment Forum in Chongwe District** on 8 February and stressed the importance of seizing the opportunities generated by this investment urging citizens to make the most of the jobs and prospects that will arise from the project's implementation. The event was attended by delegates from Angola, the **Democratic Republic of Congo (DRC)**, and Zambia, alongside partners from the US, the **European Union (EU)**, and other collaborators. The forum attracted over 250 business leaders from around the world, signalling global interest and support for the project. US President **Joe Biden's** (2020-present) senior advisor **Amos Hochstein** also expressed optimism regarding the project's timeline, foreseeing its commencement by 2026 and operationalisation before 2028.⁸

⁴ [Reuters](#), 2 Feb 2024

⁵ [ZNBC](#), 5 Feb 2024

⁶ [Bloomberg](#), 8 Feb 2024

⁷ [AfdB](#), 23 Oct 2023

⁸ [Lusaka Times](#), 9 Feb 2024

As global powers compete for control over critical minerals trade routes, China also plans to spend \$1 billion to refurbish a key railway line connecting Zambia's Copperbelt region with the **Tanzanian** port of **Dar es Salaam** under its **Belt and Road Initiative (BRI)**. The 1,860 km long **Tazara** was financed and built by China in the 1970s, but it has fallen into a state of disrepair and operates at a fraction of its design capacity.

China's ambassador to Zambia **Du Xiaohui** on 7 February, a day before the Lobito Investment Forum, handed over a proposal to rehabilitate Tazara to transport minister **Frank Tayali**, saying the \$1 billion investment would be made through a Public Private Partnership (PPP) over the coming years.⁹

The refurbished Tazara line will compete directly with the US-backed west-bound Lobito Corridor with the copper-producing region of DRC and Zambia becoming central to efforts by the US and Europe to secure access to minerals that electric vehicle manufacturers need as part of the energy transition.

Zambia raises interest rate for fifth straight time in bid to support Kwacha

The **Bank of Zambia** (central bank) on 14 February raised its benchmark lending rate for the fifth time in a row citing a further deterioration in the inflation outlook largely driven by a weakening exchange rate. Governor **Denny Kalyalya** announced that the bank's monetary policy committee decided to raise its policy rate by 150 basis points to 12.5% after annual inflation rose to a near two-year high of 13.2% in January from 13.1% in December.¹⁰ The central bank has set itself a medium-term inflation target band of between 6% and 8% with inflation seen averaging far above this at 12.5% this year.

As part of measures to control inflation through reduced money supply, the central bank earlier this month increased the minimum statutory reserve ratio on both local and foreign currency deposits, including government deposits and Vostro account deposits to 26% from 17%.¹¹ The market has remained starved of US dollars while demand for the currency has grown, putting pressure on the kwacha which has depreciated by 23% in 2023.

The delays in restructuring the country's debt have also affected foreign currency flows while low commodity prices have also affected foreign exchange earnings while demand has remained high. Zambia is trying to agree on new terms with its creditors after the country suffered a setback in its debt restructuring efforts in November last when a revised deal to rework \$3 billion of Eurobonds could not be implemented due to objections from official creditors.¹²

Authorities are hopeful that the kwacha will stabilise this year following the recently concluded IMF credit facility as well as deals to recapitalise the **Mopani Mine** and **Konkola** copper mines.¹³ In December, Zambia picked **International Resources Holdings (IRH)**, a subsidiary of **Abu Dhabi's International Holdings Company (IHC)**, as the strategic equity partner in Mopani Copper mines with the company pledging to invest \$1.1 billion into the operations. The **International Monetary Fund (IMF)** on 20 December released a \$187m loan payout to Zambia as part of the \$1.3 billion **Extended Credit Facility (ECF)** aimed at restoring macroeconomic stability and debt sustainability.

⁹ [ZNBC](#). 7 Feb 2024

¹⁰ [Reuters](#). 14 Feb 2024

¹¹ [Nasdaq](#). 2 Feb 2024

¹² [Business live](#). 209 Nov 2023

¹³ [Lusaka Times](#). 6 Jan 2024

Planner

13-14 May 2024 Lusaka (**Zambia**) **Bank of Zambia** (central bank) **Monetary Policy Committee** meets

Sep 2024 Lusaka (**Zambia**) 2025 National budget presentation

Chronology

10 Feb 2024 Lusaka (**Zambia**) *Lusaka Times*. The **Copperbelt University (CBU)** in **Kitwe** is actively seeking partnerships with potential investors to aid in the development of its manganese mine located in **Mwense (Luapula province)**;

8 Feb 2024 Lusaka (**Zambia**) *Lusaka Times*. Zambian businessman, **Rajan Mahtani** loses a lawsuit against **United Kingdom**-based **Atlas Mara**, the African investment vehicle set up by former **Barclays** boss **Bob Diamond**, over the acquisition of a Zambian bank. Mahtani sued Atlas Mara over the sale of **Finance Bank Zambia**, alleging he received less than a quarter of the \$215m said to have been offered in 2015;

8 Feb 2024 Lusaka (**Zambia**) *Lusaka Times*. The **Zambia Airports Corporation** reports it recorded over 2 million passengers served in 2023, largely driven by trade and tourism at all airports, the highest number of passengers served since its inception in 1989;

8 Feb 2024 Lusaka (**Zambia**) *Znbc*. Energy minister **Peter Kapala** says despite the anticipated reduced power supply due to low water levels in **Kariba Dam**, the country will not experience any load shedding as the government has put in mitigation measures including importing power from **Mozambique**;

6 Feb 2024 Luanda (**Angola**) *Business Live*. **United Kingdom**-headquartered multinational mining company **Anglo American** says it is considering acquisitions in **Zambia** as the country is working towards becoming a far more attractive investment destination than **South Africa**;

6 Feb 2024 Lusaka (**Zambia**) *Reuters*. Mines minister **Paul Kabuswe** says Zambia is keen to negotiate larger holdings in new mining projects to raise its revenue and boost spending by investors on social projects, but clarified that the push through state-owned **ZCCM-IH** would only apply to future agreements and should not unnerve investors;

5 Feb 2024 Lusaka (**Zambia**) *Financial Times*. **United States**-headquartered **KoBold Metals** says it has discovered vast copper deposits at its **Mingomba** site, estimating that the site will become one of the world's top three high-grade copper mines;

5 Feb 2024 Lusaka (**Zambia**) *Bloomberg*. Zambia plans to directly buy and sell a portion of the copper produced in the country, competing with trading giants including **Switzerland**-based **Mercuria Energy Group** and **Glencore**;

4 Feb 2024 Lusaka (**Zambia**) *Lusaka Times*. **First National Bank (FNB) Zambia Limited** announces the appointment of **Kapumpe Chola** as its new Chief Executive Officer (CEO), effective 1 February 2024, marking a significant milestone as she becomes the first female to hold this esteemed position;

3 Feb 2024 Lusaka (**Zambia**) *Lusaka Times*. Power utility, **ZESCO** announces a substantial reduction in electricity generation at the **Kariba North Bank Power Station** for the year 2024 due to reduced water levels in **Kariba Dam**, with the generation expected to decrease to 214 MW from 386 MW in 2023;

2 Feb 2024 Lusaka (**Zambia**) *Daily Mail*. The value of mobile money transactions in Zambia grew by 52.8 % in 2023 to K452 billion (\$16.88 billion) from K295.8 billion (\$10.97 billion)

in 2022 while the number of mobile money transactions also increased by 46.7% to 2.2 billion, compared to 1.5 billion in 2022, attributed to the increase to the continued adoption of digital financial services by members of the public;

2 Feb 2024 **Lusaka (Zambia)** *Reuters*. **Bank of Zambia** (central bank) raises the minimum statutory reserve ratio on both local and foreign currency deposits, including government deposits and Vostro account deposits to 26% from 17%, to curb the depreciation of the local kwacha currency;

1 Feb 2024 **Lusaka (Zambia)** *Africanews*. Former president **Edgar Lungu** urges citizens to demand an early election, alleging that President **Hakainde Hichilema** has mismanaged the economy;

29 Jan 2024 **Lusaka (Zambia)** *Znbc*. The **International Monetary Fund (IMF)** country representative **Eric Lautier** says the Zambian economy is projected to grow by 4.7% this year from 4.3% in 2023 driven by the anticipated reopening of production at **Konkola Copper** and **Mopani Copper Mines** with investment in **Kansanshi** and **Sentinel Mines** further boosting growth;

26 Jan 2024 **Lusaka (Zambia)** *Znbc*. **Mopani Copper Mines** starts clearing the long outstanding payments to contractors and suppliers following funding from **Abu Dhabi-based International Resources Holding (IRH)** the new strategic equity partner in the company;

23 Jan 2024 **Lusaka (Zambia)** *Mining Weekly*. **Canada**-headquartered gold and copper producer **Barrick** CEO **Mark Bristow** meets with President **Hakainde Hichilema** to discuss plans to accelerate the expansion of the **Lumwana** copper mine, with initial production now set for 2028;

19 Jan 2024 **Lusaka (Zambia)** *Daily Mail*. Government receives its first consignment of **Starlink** satellite kits to be distributed in the 156 constituencies and schools, among other facilities;

19 Jan 2024 **Lusaka (Zambia)** *Daily Mail*. President **Hakainde Hichilema** directs that Zambians who own mining licences will not be allowed to sell to foreign nationals but fellow Zambians only.

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