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Zambia elects Patriotic Front (PF) candidate Edgar Lungu as president on 25 January. Lungu wins the election with 48.33% of the vote but a majority of just 1.66% over runner up Hakainde Hichilema of the United Party for National Development (UPND). Lungu promises political continuity with the policies of Michael Sata (2011 – 2014), but has a large number of unrealistic campaign promises to address. Lungu's cabinet appointments show continuity in major positions. The new government faces a poor economic situation with low growth and a falling kwacha. The newly implemented 20% mining royalties tax and falling copper prices lead Canada-based Barrick Gold to announce the closing of its Zambian operations by March 2015.

Zambia elects Edgar Lungu as president

Zambia elected the candidate of the ruling **Patriotic Front (PF)**, **Edgar Lungu**, as its 6th president in the presidential by-election on 20 January. Lungu won 48.33% of the vote. He narrowly beat opposition **United Party for National Development (UPND)** leader **Hakainde Hichilema** who won 46.67% of the vote.¹ Hichilema conceded defeat after a lengthy count on 25 January. Lungu will rule Zambia for the remainder of the current electoral term until the next general election some time before September 2016.

Lungu was defence minister, justice minister and PF chairman prior to the election. He emerged as the potential successor to former president **Michael Sata** (2011-2014) over the latter half of 2014. Lungu, at 58, is a young president and unlikely to run the risk of dying in office like his predecessor. However there are persistent rumours about his heavy drinking, stemming from an illicitly recorded conversation of finance minister **Alexander Chikwanda** in 2014 who claimed that Lungu made most decisions drunk.²

Lungu lacks long-term political experience. He gained his seat in parliament in 2011, was home affairs minister in 2012-2013, defence minister in 2013-2014, and then justice minister and PF secretary general from August 2014 following the political downfall of former PF chairman **Wynter Kabimba** (see *ARC Zambia June-December 2014 Briefings*). Lungu had a reputation as a competent and well-respected minister in his various positions.³ However, Sata singled him out as a successor during the latter stages of his illness, and questions remain over whether this was for his competence as a minister or because of his loyalty.

*"Sata's endorsement carried Lungu through to candidacy, along with the backing of powerful figures like Chikwanda...his appointment was more about getting rid of [acting president **Guy**] **Scott** and his allies than about Lungu himself."⁴*

Lungu has emphasised a message of continuity with Sata's policies. He has argued that he cannot have an independent vision as the party has already laid out policy up to 2016.⁵ However, he made a large number of promises on the campaign trail, which he will struggle to keep. These were made to echo Hichilema's promises and erode his support base. Lungu has, among many other things, promised to:

¹ Post Newspaper, 23 Jan 2015

² Zambia Reports, 27 Jan 2015

³ Zambia Weekly, 25 Jan 2015

⁴ Source: director of a thinktank, Lusaka

⁵ Times of Zambia, 19 Jan 2015

reduce the cost of grain and fuel; chase away foreign companies that don't comply with labour laws; reinstate fired nurses; revert the retirement age to 55 years; and deliver a people driven constitution.⁶ He has already retreated from his promise of constitutional reform, stating that it is not a priority given the current economic climate.⁷ Another promise that he has already broken is to reverse the controversial new mining tax on mining companies (see below). These quick u-turns reflect the fact that Lungu is already campaigning for the 2016 elections, maintaining his popular low-income support base and not expending political capital on a messy constitutional reform process.

"Lungu won't be able to deliver all of the promises he made on the trail, but he has to maintain the appearance that he intends to, if he hopes to maintain the lead and win a full term in 2016."⁸

Zambia's elections are free, fair, and (mostly) free of violence....

Zambia's 2015 presidential by-election was a close contest between Lungu and Hichilema, setting the stage for another closely fought contest in the 2016 general election. The poll officially took place on 20 January. However, logistical problems, including heavy rainfall, dragged out the voting for three more days before some polling stations closed their doors to voters. This delayed the announcement of the winner until the night of 24 January. The results for the five largest parties are below⁹:

Candidate	Party	Votes	%	2011 %
Edgar Lungu	Patriotic Front	807,925	48.33%	41.98%
Hakainde Hichilema	United Party for National Development	780,168	46.67%	18.17%
Edith Nawakwi	Foundation for Democracy and Development (FDD)	15,321	0.92%	0.24%
Nevers Mumba	Movement for Multiparty Democracy (MMD)	14,609	0.87%	35.42%
Tilyenji Kaunda	United National Independence Party (UNIP)	7,369	0.6%	0.36%

Turnout for the election was a historic low. Over five million of Zambia's population of 15 million are eligible to vote. In total 1,671,662 votes were cast, representing a turnout of just 32.36%, down from 53.98% in the previous general election in 2011.¹⁰ The low turnout can be partially explained by the torrential rain that delayed the voting process, and by the broad global trend that by-elections usually attract lower turnout than general elections.¹¹ (The 2008 presidential by-election had 45.43% turnout as opposed to 70.77% for the 2006 general election.¹²) The new government has argued that internal migration contributed to the low turnout figures.¹³ However it does mean that numerically Lungu has the weakest mandate of any Zambian president to date.

International observers from the **Southern African Development Community (SADC)** ruled the election free and fair. However, the opposition has attempted to discredit the results by claiming the elections were rigged. Shortly before the results were officially announced, Hichilema called a press

⁶ Zambia Weekly, 25 Jan 2015

⁷ Post Newspaper, 27 Jan 2015

⁸ Source: journalist, Lusaka

⁹ Electoral Commission of Zambia (ECZ) results, 24 Jan 2015

¹⁰ Zambia Weekly, 25 Jan 2015

¹¹ Zambia Weekly, 25 Jan 2015

¹² Zambia Weekly, 25 Jan 2015

¹³ Lusaka Times, 26 Jan 2015

conference at which he described the elections as a sham.¹⁴ He accused staff at the **Electoral Commission of Zambia (ECZ)** of stealing votes to manipulate the outcome of the election. But ECZ chairperson **Ireen Mambilima** refuted any vote rigging and emphasised that the electoral process had been transparent from the start.¹⁵

There were few reports of violence during the election of the kind that marred the process in 2011. However a few isolated incidents did occur. On 7 January PF cadres attacked UPND supporters in **Mongu, Western province**, leading to the death of a UPND provincial trustee.¹⁶ In the days after the results were announced, there were reports of violent clashes between UPND and PF supporters in urban centres across the country. Some of them allegedly took place along tribal and ethnic lines.¹⁷ Both Lungu and Hichilema have released statements calling for an immediate end to the violence.¹⁸

....and reveal a changed electoral landscape.

The results show a changed electoral landscape in Zambia. The PF increased their share of the vote by 6.35% from 2011 but their majority narrowed by 75% from 6.56% to 1.66% signaling another close campaign in 2016. They retained their working class strongholds in the urban **Copperbelt, Luapula, Lusaka, Northern** and **Muchinga** provinces. They also retained their broad appeal amongst the poor across the country. The UPND is now the main opposition party. It has strong support in the **Southern, Western** and **North Western** provinces, and among middle-class and educated people.

“Hichilema stood a real chance of winning, something that could not have happened two years ago....Lungu knows that while he has won the battle, the war for 2016 has only just begun.”¹⁹

The MMD was decimated, with a 98.5% decrease in the number of votes received. They have been overtaken by the FDD, who finished third ahead of the MMD and the former ruling UNIP. Part of the reason for the loss of support for the MMD was that former president, and onetime candidate (see *ARC Zambia December 2014 Briefing*), **Rupiah Banda** (2008-2011), withdrew his support from the MMD and began to campaign for Lungu and the PF in January. Banda’s move may have swung a crucial voter base in the **Eastern** province in favour of the PF. Sources in Zambia speculate that Banda gave his support in return for Lungu dropping the corruption case Sata brought against Banda’s son, **Henry Banda**.²⁰ Lungu acknowledged the importance of Banda’s support in his inauguration speech on 29 January.²¹ After Banda’s supporters moved to the PF, the MMD, FDD and UNIP parties were fighting over scraps. Zambia’s next parliament will be a two-party house and the battle for the next five-year electoral term will be fought between two parties.

Lungu’s new cabinet offers continuity as old problems persist

Lungu appointed his new cabinet following his inauguration on 26 January.²² The new cabinet comprises mainly familiar faces in key ministries who retain their positions. Alexander Chikwanda remains finance minister and **Harry Kalaba** minister of foreign affairs.

However, there have been some changes. Lungu appointed **Inonge Wina** as vice-president.²³ This is the first time that a woman has occupied the position making her the highest-ranking woman in the history of the republic. Wina, a prominent women’s rights activist and former minister of gender (2014), is seen as a potential reformer. However the vice presidential position has little power:

¹⁴ Press Statement by Hichilema, 24 Jan 2015

¹⁵ Mwebantu Media, 24 Jan 2015

¹⁶ Zambia Daily Mail, 8 Jan 2015

¹⁷ Zambia Reports, 27 Jan 2015

¹⁸ Zambia Daily Mail, 27 Jan 2015

¹⁹ Source: journalist, Lusaka

²⁰ Zambia Reports, 23 Jan 2015

²¹ Lungu inauguration transcript, 29 Jan 2015

²² Zambia Watchdog, 26 Jan 2015

²³ Lusaka Times, 26 Jan 2015

*"Inonge's appointment only makes her the first woman "Cholalady" [a lady carrying President Lungu's bags]. She will be ineffective just like her predecessors."*²⁴

Wina along with Kalaba and newly appointed home affairs minister **Davies Mwila** and justice minister **Ngosa Simbyakula** were all instrumental in installing Lungu as president of the PF during the much publicised convention in November 2014 which then PF president Guy Scott nullified. Lungu has rewarded all of them for their loyalty.

At time of writing there have been no further appointments announced. However it is expected that **Emerine Kabanshi** (community development), **Chishimba Kambwili** (youth), **Jean Kapata** (tourism), **Mwansa Kapeya** (lands), **Joseph Kasonde** (health), **Joseph Katema** (information), **Fackson Shamenda** (labour), and **Wilbur Simuusa** (agriculture) will keep their jobs.²⁵

Lungu's new cabinet will have little time to turn around a struggling economy. Zambia averaged 6-7% growth when the mining sector boomed from 2010-2013. According to the **International Monetary Fund (IMF)**, this slowed to 5.5% across 2014.²⁶ The growth rate may slow down further with the price of copper at a six-year low this month of \$2.41 per pound. Chikwanda's reappointment as finance minister offers businesses and the international community hope of continued sensible fiscal policy.²⁷ He has also indicated that he will carry on the negotiations of bi-lateral and multilateral trade agreements, including one with **China**, which stalled in the latter months of Sata's administration.²⁸

*"Perhaps now that the elections are over Chikwanda will provide the much needed guidance [on the economy]. Otherwise, we are at a loss."*²⁹

Lungu pushes forward with mining tax, putting Zambian economy in jeopardy

Lungu's victory has offered an unsettling outlook to some investors who say the PF's frequent policy changes have made tapping Zambia's ample deposits of copper and cobalt a losing prospect.³⁰ In January, the government raised mining royalties up to as much as 20% of revenue from 6%. Zambia's **Chamber of Mines** urged the government to scrap the higher levies. Then acting-president Guy Scott met the mine owners in **Lumwana**, Northwestern province before the election over their threat to leave Zambia over the unfavorable tax regime. Despite promises on the campaign trail to reconsider the mining royalties tax, Edgar Lungu said in his inauguration speech that he would implement the tax, describing it as *"a simple and a final tax"*.³¹

At the same time, global copper prices have tumbled to five-year lows on waning demand from China. The Chamber of Mines has said that nine of the country's 11 top copper mines are operating at a loss. This is partly due to the low prices and the anticipated impact of the higher revenue royalties.³² This risks pushing Zambia into a commodities-based recession similar to the one it experienced in the first half of 2015. The kwacha has already dipped 1.25% across January from K6.39 to the **United States (US)** dollar, to K6.47 the dollar, with lows of K6.69. It has been steadily falling closer to the lows of K7 to the dollar it reached in May 2014.³³

*"The government is in a dilemma over copper mining in Zambia and the economy in general. Despite signs of desperation in the mines caused by the increases in taxes, the government seems to be at loss regarding the way forward."*³⁴

²⁴ Source: director of a thinktank, Lusaka

²⁵ Zambia Weekly, 25 Jan 2015

²⁶ IMF interim report on 2015 election, 26 Jan 2015

²⁷ Reuters, 26 Jan 2015

²⁸ Zambia Daily Mail, 17 Jan 2015

²⁹ Source: director of a thinktank, Lusaka

³⁰ Wall Street Journal, 25 Jan 2015

³¹ Lungu inauguration transcript, 29 Jan 2015

³² January Edition of ZACCI Monthly Journal

³³ XE.com

³⁴ Source: director of a thinktank, Lusaka

Moving forward with the tax will have direct consequences for Zambia's mining sector. **Canada-based Barrick Gold** has said it may close its Zambian copper operations in March because of falling prices and higher taxes.³⁵ **First Quantum Minerals Ltd.** has also halted plans to double the size of its smelter in northwestern Zambia, squeezing the country's inadequate capacity to treat the minerals unearthed there. First Quantum spokesman **John Gladston** said that political uncertainty and rising taxes are placing a severe strain on the industry that generates more than 70% of Zambia's exports revenue.³⁶ **Glencore Xstrata** suspended some expansion projects last year in a dispute over \$600 million in value-added tax (VAT) that the government has alternately pledged to refund to mining companies, and then stated it has a right to keep. However the tax is unlikely to spark an exodus from Zambia. Chinese mining interests in Zambia have said that they will remain in the country, despite the tax rise.³⁷

"Miners in Zambia are caught between the government and another global drop in prices...they will cut expansion and investment but sit tight on the assets for as long as possible."³⁸

Implications

Lungu's presidency will be one long election campaign. His defeat of Hichilema was far from conclusive and if Banda hadn't moved a block of MMD supporters over to the PF, the vote could have gone a different way. Hichilema's vocal questioning of the electoral results will be just the start of nineteen months of confrontational and electorally focused politics. Lungu doesn't need to put any more policies of his own in place, as there are plenty already being rolled out which require government attention. However, he has to somehow address the threat of a further economic downturn, which could adversely affect his popularity. He does not have the charisma of Michael Sata, and the next election will be fought on his record, not his predecessor's.

The biggest threat to Zambia's stability is the new crash in copper prices, which has already deflated the kwacha, undoing the good economic work in the latter half of 2014. The government will need to raise money in order to help Zambians through another tough time, hence the 20% mining royalties tax, but companies will simply be unable to pay. If the economy doesn't pick up in the first few months of 2014, Lungu may be forced to call in the IMF, something that Sata managed to avoid last year. Chikwanda has proven himself a pragmatist and a steady economy hand, working through subtle compromises with mining companies across 2014. However Lungu's desire to implement populist policies may undermine this. Further cabinet appointments will give better information about the broad spectrum of Lungu's policy direction when they are announced.

Lungu has fully committed himself to the mining tax by putting it in his inauguration speech – he cannot back down now. However, Barrick's decision to pull out shows the instability of the mining sector, which would have once sat out the tax and put their weight behind supporting Hichilema's 2016 campaign in the hope of a reprieve. Zambia cannot diversify its economy in a year and copper will remain central to its economic wellbeing whether Lungu likes it or not. If the government offers the mining companies nothing and the global downturn continues, Barrick's might not be the only closure that is announced in 2015. This poses a risk of macroeconomic instability in the coming months.

³⁵ Reuters, 23 Dec 2014

³⁶ Statement on the Website on their intention to expansion the mining projects, Jan 2015

³⁷ APA, 2 Jan 2015

³⁸ Source: international mining company, London